

Circulars 202403
Monday, November 18, 2024

Updated advisory for the maritime industry

Dear Members:

On 21 October 2024, the Price Cap Coalition (“Coalition”) issued an Updated Advisory for the Maritime Industry which sets out best practice recommendations for those involved in the trade of Russian origin crude oil and petroleum products. An Initial Advisory was published on 12 October 2023. The updated version provides new recommendations (Nos. 8-11) on meeting international maritime safety and environmental obligations, enhancing due diligence around tanker sales, avoiding interactions with sanctioned counterparties, and raising internal awareness.

The Coalition confirms in the updated Advisory its commitment to facilitating the safe flow of oil/petroleum products while at the same time highlighting the increased safety, environmental, financial and legal risks arising from the maritime oil trade outside the agreed price cap framework.

Recognising increased trade involving the ‘shadow’ fleet, the Coalition highlights the following main risks associated with it (which are unchanged from the previous Advisory):

Maritime Safety and Marine Environment - the vessels engaged in this trade are typically older ships; with substandard or falsified certifications; inadequate safety and maintenance standards performed by substandard flags or unrecognized organizations; and inexperienced crew.

Insurance and Economic - recognising the tremendous environmental damage and high cost of dealing with oil spills, the Coalition underlines the dangers of the shadow fleet not having proper P&I insurance: insufficient capital and reinsurance arrangements, and a lack of technical expertise necessary to handle marine casualties.

Reputational, Logistical, and Financial: - highlighting that actors involved in the shadow trade often have complex and/or concealed corporate structures and engage in disabling or manipulating Automatic Identification Systems (AIS). As a result, such deceptive practices may cause stakeholders to unknowingly engage in transactions that are inconsistent with their compliance policies, negatively affect their reputations, and cause de-risking behaviour from counterparties.

Legal and Sanctions - reminding the maritime industry that multiple sanctions and economic measures have been adopted in response to Russia’s war against Ukraine, including the oil price cap. Use of deceptive practices/shadow trade may lead to the violation of such sanctions and measures. As a new measure the updated Advisory reminds the maritime industry that the Coalition has taken action by directly sanctioning specific vessels and counterparties involved in the Russian oil trade, which underscores the risk of deceptive behaviour.

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