

## Trade Finance Compliance as a result of EU sanctions on Russia

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S&P Global Market Intelligence has published a summary of the trade finance compliance implications of the many packages of sanctions imposed by the EU on companies trading with Russian entities and individuals since February 24<sup>th</sup>, 2022.

To date the EU has announced eight packages, the most recent of which was released in October. The forthcoming oil price cap defined by the US takes effect on 5th December for crude oil and 5th February for refined products. The cap will attempt to curtail the sale of Russian seaborne oil unless it is purchased at or below the price cap.

### Key Takeaways:

The number of vessels in the Joint War Committee Crimea zone is falling. Previous updates on vessel activity noted that in July 442 vessels (of which 101 were dark for seven days or more) has now dropped to 361 and 59 are dark for 7 days or more.

- From April to September there has been a cumulative increase in the number of cargo-carrying vessels going dark in Russian waters. Equally, the number of hours these vessels have been dark has increased slightly.
- Russian port activity weakened in Q2 2022 but has since picked up in Q3. Most activity has been for shipments (containerised and non-containerised) moving east to India, China, South Africa, Turkey and UAE. These are possible transshipment ports for goods to or from EU or G7 countries.
- Greek, Maltese and Cypriot tankers continue to be involved with the load and discharge of Russian crude. STS transfer hubs off Greece and Malta continue to be in operation, Russian cargoes are transshipped and moved to larger tankers which then sail to other destinations.
- Sales of crude oil tankers have increased throughout September and October 2022 and a number have been purchased by unknown buyers. A potential shadow network of large crude oil tankers may have been added to the Russian fleet.

- The Russian supply chain has shifted focus away from the west to the east. Russian partners such as India, China, UAE, Turkey and others have increased their total trade value over the past six months.
- Turkey, Hong Kong, Bahrain, South Korea and China are exporters of potential dual-use goods to Russia. In certain cases, Turkey and China are exporting goods such as antennas, radar apparatus, vacuum pumps and optical sights in larger volumes.
- In mid-October there were 78.2m barrels of Russian oil on the water and 99 vessels in transit. The top five destinations for Russian crude oil were China, India, Netherlands, Turkey and Italy.
- Russian crude oil continues to exit western markets but has shifted east, most notably to China, India and Turkey. For the latter three countries, Russian crude oil shipments have increased by 50%. Western markets have seen a reverse of this, down 65% since their 2021 high-point.
- The Urals/Brent spread in Q2 hit a 50% discount but has tightened in late September to a 30% discount on the Russian blend.