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Russian sanctions - Nord Stream 2 & TurkStream - PEESA amendments come into force



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Further to [Notice to Members No.12 2020/2021](#), the Club's US attorneys Freehill Hogan and Mahar have advised that the anticipated amendments to the United States' Protecting Europe's Energy Security Act (PEESA) have now come into force, following a vote by Congress to overrule President Trump's veto of the legislation.

As set out in our Notice, both the Countering America's Adversaries Through Sanctions Act (CAATSA) and PEESA are aimed at preventing the provision of goods and services to assist Russia in the construction of the Nord Stream 2 (NS2) & TurkStream (TS2) pipelines which are intended to carry Russian energy products into European markets.

The amendments to PEESA now agreed by Congress increase the scope and impact of the various provisions on a wide range of vessels and activities that might be involved in these projects. Full details can be found in a helpful [Client Alert](#) issued by Freehill's but it is worth repeating here some of the primary impacts of the newly implemented PEESA provisions:

Among other things, PEESA now authorizes sanctions against vessels that engage in pipe-laying or “pipe-laying activities” for the construction of NS2 or TS2. Pipe-laying activities are defined as meaning “activities that facilitate pipe-laying, including site preparation, trenching, surveying, placing rocks, backfilling, stringing, bending, welding, coating, and lowering of pipe.”

PEESA also authorizes sanctions against foreign persons who are determined to have knowingly:

(i) sold, leased, or provided, or facilitated selling, leasing, or providing, those vessels for the construction of such a project;

(ii) facilitated deceptive or structured transactions to provide those vessels for the construction of such a project;

(iii) provided for those vessels underwriting services or insurance or reinsurance necessary or essential for the completion of such a project;

(iv) provided services or facilities for technology upgrades or installation of welding equipment for, or retrofitting or tethering of, those vessels if the services or facilities are necessary or essential for the completion of such a project; or

(v) provided services for the testing, inspection, or certification necessary or essential for the completion or operation of the Nord Stream 2 pipeline.

These provisions have clear scope to impact both any Member who provides services to these projects and the Club itself for insuring those vessels. Members are consequently once again reminded that cover may be excluded if vessels are involved in activities that are either unlawful and/or put the Club at risk of breaching sanctions and those who are contemplating any activity involving or related to the NS2 or TS2 construction projects should be mindful of the risk that cover exclusions will be triggered.

All Members are therefore strongly urged to assess and mitigate the risks of entering into contracts on these projects and exercise the fullest possible due diligence to avoid exposure to sanctions or enforcement actions. They are advised to contact the Managers for guidance if in any doubt.

Freehill Hogan & Mahar Client Alert

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