

News 01 Jul, 2020

Venezuelan sanctions - updated advice on oil trades including cabotage



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Our U.S. attorneys Freehill Hogan & Mahar have recently updated their advice to the Club on the sanctions risk relating to the carriage of oil and petroleum products that involve Venezuela.

By way of background Freehill's note that:

*"As this year [2020] has progressed, we have seen a steadily increased tightening of the sanctions targeting Venezuela. In February and March, Rosneft Trading and TNK Trading were, respectively, added to the SDN list. In April, OFAC changed the "Chevron license" significantly limiting the activity which Chevron and other U.S. companies can continue to undertake in Venezuela. Importantly, this version of the license specifically excludes from its scope '...the transport or shipping of **any** Venezuelan-origin petroleum or petroleum products."*

Since June six ships and their related owning companies have been designated and added to the SDN list for engaging in the transport of Venezuelan oil, in connection with either Rosneft Trading or an alleged oil for food programme which seems to have effectively been declared illegitimate by the U.S. authorities.

Although these actions targeted the export of Venezuelan oil, they would appear to point more broadly to heightened scrutiny being given to Venezuela by the U.S. administration's highest echelons and Freehill's note that *"this makes the environment all the more unpredictable"*.

It had been believed in the past that oil cabotage trades around Venezuela were probably of a low order of risk, but the accumulative tightening of sanctions over the past months has seemingly changed that dynamic. Accordingly, Freehill's are now of the view that for cabotage and all Venezuelan oil trades generally:

"...we no longer assess risks for vessel owners as low or not high if the trade involves Venezuelan oil. Our present view is that any transaction involving Venezuelan oil is sanctionable unless specifically approved whether by specific license or otherwise. We think the cabotage trade...is fair game now." [our emphasis]

The recent designations for alleged breaches of Venezuelan sanctions have come without warning and effectively halted the trading of the ships concerned. Designation may also have profound and immediate impacts on flag registry, class and the operation of insurance cover. **Members are therefore very strongly advised to carefully consider the risks of any activity involving the carriage of oil and petroleum products with a Venezuelan connection, including cabotage trades.**

Those with any questions regarding this or any other sanctions issue are asked to contact the Managers.