



December 30, 2022

OFAC Preliminary Guidance on Implementation of the Price Cap Policy for Petroleum Products of Russian Federation Origin

Overview

The United States is part of an international coalition, including the G7, the European Union, and Australia, that have agreed to prohibit the import of crude oil and petroleum products of Russian Federation origin (the “Price Cap Coalition”). These countries, home to many best-in-class financial and professional services, have also agreed to implement a policy with regard to a broad range of services as they relate to the maritime transport of crude oil and petroleum products of Russian Federation origin. This policy is known as the “price cap policy.”

This document provides preliminary guidance on the implementation of the price cap policy for petroleum products of Russian Federation origin (“Russian petroleum products”). For any issue not specifically addressed in this document regarding the price cap policy for Russian petroleum products, U.S. persons should refer to [“OFAC Guidance on Implementation of the Price Cap Policy for Crude Oil of Russian Federation Origin.”](#) as OFAC expects to take a similar approach for Russian petroleum products as it has done for crude oil of Russian Federation origin (“Russian oil”). OFAC anticipates publishing final, combined guidance for both Russian oil and Russian petroleum products prior to February 5, 2023.

To implement the price cap policy for Russian petroleum products, the Secretary of the Treasury intends to issue, in consultation with the Secretary of State, a determination (the “petroleum products determination”) pursuant to Executive Order [14071](#), as it did to implement the price cap policy for Russian oil ([the “crude oil determination”](#)).

The petroleum products determination, which will cover the same categories of services (the “covered services”) as the crude oil determination, will take effect at 12:01 a.m. eastern standard time, February 5, 2023. As with the crude oil determination, OFAC anticipates issuing a separate determination to set the price caps for Russian petroleum products. OFAC anticipates amending General Licenses 56 and 57 to extend these authorizations to the petroleum products determination.

OFAC anticipates stating in the petroleum products determination that Russian petroleum products that are loaded onto a vessel at the port of loading prior to 12:01 a.m. eastern standard time, February 5, 2023, and unloaded at the port of destination prior to 12:01 a.m. eastern daylight time, April 1, 2023, will not be subject to the petroleum products determination (please see FAQ [1109](#)). Consequently, U.S. service providers can continue to provide covered services with respect to Russian petroleum products purchased at any price, provided that the Russian petroleum products are loaded onto a vessel at the port of loading for maritime transport prior to 12:01 a.m. eastern standard time, February 5, 2023, and unloaded at the port of destination prior to 12:01 a.m. eastern daylight time, April 1, 2023.

When does the price cap “start” and “stop”?

The price cap applies from the embarkment of maritime transport of Russian petroleum products (e.g., when the Russian petroleum products are sold by a Russian entity for maritime transport) through the first landed sale in a jurisdiction other than the Russian Federation (through customs clearance).

This means that once the Russian petroleum products have cleared customs in a jurisdiction other than the Russian Federation, the price cap does not apply to any further onshore sale.

If, however, after clearing customs, the Russian petroleum products are taken back out on the water (i.e., using maritime transport) without being substantially transformed outside of the Russian Federation, the price cap still applies. This means any covered services can only be provided by U.S. service providers if such Russian petroleum products are sold at or below the relevant price cap.

Once Russian petroleum products or Russian oil are substantially transformed (e.g., subjected to any of the refining processes listed below) in a jurisdiction other than the Russian Federation, they are no longer considered to be of Russian Federation origin, and thus the price cap no longer applies: distillation (crude – atmospheric, crude – vacuum), thermal processes (delayed coking, fluid coking including flexicoking, visbreaking), catalytic cracking (hydrocracking, fluid catalytic cracking), catalytic reforming, catalytic hydrotreating (desulfurization), alkylation, isomerization, solvent extraction (de-asphaltizing, lube solvent extraction), de-waxing, or other refinery processes involving chemical transformation, separation, conversion, or treatment.

OFAC does not consider blending operations, including gasoline blending, distillate blending, crude blending, residual fuel oil blending, or other simple blending operations, to be substantial transformation for the purposes of the crude oil determination or the petroleum products determination.

OFAC would not consider petroleum products to be of Russian Federation origin solely because they contain a *de minimis* amount of Russian petroleum products left over from a container or tank (e.g., a “tank heel,” or an unpumpable quantity of substance that cannot be removed from the container without causing damage to the container).

For purposes of assessing whether petroleum products are of Russian Federation origin, U.S. persons may reasonably rely upon a certificate of origin but should exercise caution if they have reason to believe such certificate has been falsified or is otherwise erroneous.

Covered articles

For the purposes of the determination, “petroleum products” means articles defined at Harmonized Tariff Schedule of the United States (“HTSUS”) heading 2710.

Contacting OFAC

If you have questions on this preliminary guidance, we encourage you to contact the OFAC Compliance Hotline at 1-800-540-6322 or email OFAC_Feedback@treasury.gov.