



International Oil Pollution
Compensation Funds

Agenda item 4	IOPC/NOV25/4/3	
Date	18 September 2025	
Original	English	
1992 Fund Assembly	92A30	●
1992 Fund Executive Committee	92EC85	
Supplementary Fund Assembly	SA22	●

THE POTENTIAL IMPACT OF SANCTIONS ON THE INTERNATIONAL LIABILITY AND COMPENSATION REGIME

Note by the Secretariat

Summary:

Since March 2022, the Director has reported regularly to the IOPC Funds' governing bodies on the potential impact of sanctions on the international liability and compensation regime. As the Director has previously stated, the situation gravely concerns him due to the risk of an incident occurring involving an uninsured or unsafe vessel and the oil pollution damage that could result (document [IOPC/NOV23/11/1](#), paragraph 4.4.36).

The effect of the sanctions, and the number of vessels engaged in the shipment of sanctioned oil as part of the 'dark' or 'shadow' fleet, has led to significant changes in the usual trade routes of vessels carrying oil, which places additional risk of potential impacts upon the coastlines of many Member States.

Reference is made to the meeting documents^{<1>} previously submitted to the governing bodies, which have highlighted the ongoing risks and dangers posed to the IOPC Funds' Member States and contributors arising from the continuing situation.

In June 2024, following the 111th session of the International Maritime Organization (IMO) Legal Committee, Circular LEG.1/Circ.16 was published providing guidelines for accepting insurance certificates and insurance companies, financial security providers and protection and indemnity clubs (P&I Clubs).

At the 112th session of the IMO Legal Committee which convened from 24 to 28 March 2025, the Member States considered the increasing need to combat unlawful operations within the remit of the IMO. For details of the output supported by the IMO Legal Committee, see document [IOPC/APR25/4/1](#).

Recent developments:

In May and July 2025 respectively, the European Union (EU) Council adopted the seventeenth and eighteenth packages of economic sanctions against the Russian Federation targeting those who support the operations of unsafe oil tankers. The United Kingdom also announced further sanctions against a total of 135 oil tankers, and two Russian shipping firms.

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Documents [IOPC/APR25/4/1](#), [IOPC/NOV24/4/4](#), [IOPC/APR24/4/1](#), [IOPC/NOV23/4/3](#), [IOPC/MAY23/4/2](#), [IOPC/OCT22/4/4](#), [IOPC/OCT22/4/4/1](#), [IOPC/OCT22/4/4/2](#) and [IOPC/MAR22/8/1](#).

Action to be taken: 1992 Fund Assembly and Supplementary Fund Assembly

- (a) Take note of the information contained in the document; and
- (b) provide instructions to the Director as the governing bodies may deem appropriate.

1 Introduction

- 1.1 Since the introduction of the recent sanctions regime, the IOPC Funds' Secretariat has highlighted the issues, risks and dangers, and the potential impact upon the international liability and compensation regime, drawing attention to both the guidance issued by the IMO Legal Committee, and the impact upon many of the Clubs in the International Group of P&I Associations (International Group), who were no longer able to insure vessels trading or carrying Russian crude oil, as they once had.
- 1.2 As detailed in document [IOPC/NOV24/4/4](#), at the 33rd session of the IMO Assembly, which convened from 27 November to 6 December 2023, the Member States adopted Resolution A.1192(33) which called upon flag States to take measures against 'dark' or 'shadow' fleet operations, specifically:
 - to ensure that ships on their registers adhere to measures which prohibit or regulate ship-to-ship (STS) transfers of oil, and that such ships comply with pollution prevention requirements; and
 - to consider requiring ships on their register to update their STS plans to include notifying them when and where they are engaged in such operations.
- 1.3 The Resolution also called upon port States to:
 - ensure enforcement of the safety and liability conventions;
 - notify flag States when they become aware of ships intentionally taking measures to avoid detection, such as turning off their Automatic Identification System (AIS) or Long-Range Identification and Tracking (LRIT) transmissions; and
 - monitor STS operations within their territorial seas and exclusive economic zone (EEZ) and take appropriate action when ships are not complying with maritime safety or maritime pollution prevention regulations.
- 1.4 Since that time, despite growing concerns internationally regarding the high risk of 'dark' fleet ship operations evading basic safety compliance, port State control data indicates that detentions have remained overall steady over the past two years. While detention rates among the largest flag States have been decreasing over recent years, several smaller registries with poor records of regulatory oversight have seen a significant influx of ships that circumvent sanctions, and by extension safety compliance^{<2>}.

^{<2>} According to the International Chamber of Shipping (ICS) 'Shipping Industry Flag State Performance Table 2024/2025'.

- 1.5 A further recent concern, in addition to the numbers of vessels which have been reported as switching off their AIS transponders, is a report of increased interference and jamming of Global Navigation Satellite Systems (GNSS) within the Baltic Sea, consistent with vessels navigating in that area. Such actions impact maritime navigation, safety, port operations and infrastructure, leading to a higher risk of maritime accidents and possible oil pollution incidents. Similar concerns have arisen in relation to the increase in spoofing or location manipulation of AIS data in large areas of the sea (notably in war zones). Some flag States have called for a revival of the LRIT system as a tool to eradicate the problem of vessels 'going dark' to transport sanctioned or illegal cargoes.
- 1.6 At the 112th session of the IMO Legal Committee which convened from 24 to 28 March 2025, the Member States considered the increasing need to combat unlawful operations within the remit of IMO, and supported the development of a new output to conduct a regulatory scoping exercise of IMO conventions and other instruments available for Member States, to further develop actions to prevent unlawful operations including substandard ships.
- 1.7 A Working Group and a Correspondence Group were established to further these aims, with a proposed output to:
 1. Identify the responsibilities and the tools already available to Member States for effectively exercising their responsibilities as flag, coastal, and port States with regards to preventing or suppressing unlawful operations in contravention of IMO instruments including substandard ships. Doing so may:
 - .1 strengthen, promote or encourage collaboration or coordination among Member States and the relevant stakeholders;
 - .2 draw attention to the safety, security, financial and environmental risks, including those imposed on seafarers, in order to help prevent the associated consequences; and
 - .3 draw attention to the risks related to the fair treatment of seafarers;
 2. review existing practices to allow the Organization to identify core issues of non-compliance, endeavour to reduce and/or avoid administrative burdens and enhance the effectiveness of existing IMO instruments; and
 3. ensure consistent application of the IMO regulatory framework and identify gaps or loopholes for further consideration.

2 Possible impact upon the IOPC Funds

- 2.1 The 1992 Fund Convention and Supplementary Fund Protocol contain no exemptions from liability for sanctionable or sanctioned events. Whilst recognising that the IOPC Funds are intergovernmental organisations and are thus not subject to domestic or international sanction regulations and legislation, a number of practical difficulties may arise if dealing with an incident involving a vessel laden with Russian oil. These include the possibility that the IOPC Funds may have to pay additional compensation if a shipowner or its insurer fails to establish a limitation fund, or have difficulties in establishing bank accounts from which to pay compensation.
- 2.2 The IOPC Funds' Secretariat has highlighted previously a number of potential impacts upon the IOPC Funds' Member States and its contributors arising from those vessels which are attempting to circumvent the sanctions by various methods, including the use of old or ageing vessels, and an

increase in the numbers of vessels within the so-called 'dark' or 'shadow' fleet. Recent data shows numbers in the region of 600-1 100 vessels engaging in such operations, many of which are engaged in the deceptive shipping practice of location manipulation. Many of the 'dark' fleet are older ships including some not inspected recently, having substandard maintenance, unclear ownership and severe lack of insurance (IMO document LEG100/18/1, paragraph 5.1).

2.3 EU Council – packages of economic sanctions

- 2.3.1 The Secretariat has commented extensively on the 12th-16th packages of economic sanctions introduced by the EU^{<3>} in previous meeting documents^{<4>}, which dealt with transfers of ownership of tankers, energy-related measures targeting liquified natural gas (LNG), and also targeted tankers which were part of the 'dark' fleet which circumvent the EU and Price Cap Coalition's^{<5>} caps, while adopting deceptive shipping practices in complete disregard for international standards.

EU Council – 18th package of economic sanctions

- 2.3.2 In July 2025, the EU adopted the 18th package of economic sanctions which added 14 individuals and 41 entities to the existing lists of those subject to an asset freeze, and a prohibition on making funds and economic resources available to them and to those who support the operations of unsafe oil tankers.
- 2.3.3 In that package of sanctions, the EU also reduced the price cap for Russian origin crude oil from USD 60 to USD 47.60 per barrel. In addition, a new system of price assessments provided by authorised reporting agencies was established to ensure that the price cap is always 15% lower than the average market price for Urals crude oil in the previous six-month period.
- 2.3.4 Furthermore, in the banking sector, 22 additional Russian banks were made subject to a full transaction ban, with a new transaction ban also targeting the Russian Direct Investment Fund (the Russian sovereign wealth fund) and its affiliates.

2.4 Provision of insurance by International Group insurers and compliance with Price Cap Scheme

For further details regarding the Price Cap Scheme, see document [IOPC/APR24/4/1](#). For details provided by the International Group of P&I Associations on the provision of insurance by International Group insurers, see document [IOPC/APR25/10/1](#), paragraph 4.1.24.

3 Potential mitigating actions

- 3.1 At the March 2022 sessions of the governing bodies, the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, fully encouraged Member States to adhere to the recommendations contained in the IMO draft circular LEG 109/WP.6 Annex 'Guidance on the impact of the situation in the Black Sea and the Sea of Azov on insurance or other financial security certificates'^{<6>} (document [IOPC/MAR22/9/2](#), paragraph 8.1.10).
- 3.2 At the 110th session of the IMO Legal Committee held from 27 to 31 March 2023, flag States were further encouraged to comply with the suggestions detailed in IMO document LEG 110/5, by ensuring that tankers under their flag adhere to measures which lawfully prohibit or regulate STS transfers. Port States were also encouraged to ensure enforcement of the safety and liability

^{<3>} Introduced by Council Regulation (EU) 2023/2878.

^{<4>} Documents [IOPC/APR25/4/1](#), [IOPC/NOV24/4/4](#), [IOPC/APR24/4/1](#), [IOPC/NOV23/4/3](#), [IOPC/MAY23/4/2](#), [IOPC/OCT22/4/4](#) and [IOPC/MAR22/8/1](#).

^{<5>} The Price Cap Coalition is composed of the G7, the European Union and Australia.

^{<6>} The guidance was issued as IMO Circular LEG.1/Circ.12 on 7 April 2022.

conventions on such vessels, and to ensure that STS transfer operations are conducted in accordance with the applicable safety requirements in IMO conventions. Should those States become aware of vessels 'going dark', they should consider subjecting such vessels to enhanced inspections as authorised, and notifying the vessel's flag administration as appropriate (IMO document LEG 110/18/1, paragraph 5.10).

- 3.3 In May 2023, the governing bodies recalled that the Russian Federation had stated within IMO Circular Letter 4548 of 7 April 2022, that it guaranteed fulfilment of all assumed obligations in their entirety under the international merchant shipping instruments it had previously ratified. The Russian Federation also confirmed full validity of insurance or other financial securities in respect of liability, including 'blue cards' issued by Russian insurance companies in compliance with the requirements of international conventions (document [IOPC/MAY23/9/1](#), paragraph 4.2.21).
- 3.4 It is however to be noted that even where information can be found regarding a Russian insurance company which insures a vessel (one of the major Russian insurers does not publicly provide information on insured vessels), some of these insurers are under sanctions in various jurisdictions, such as the EU and the United Kingdom, and it is unknown whether anyone in these jurisdictions would be able to accept a payment from such an insurer. This reflects the problems already highlighted as possibly being faced by the 1992 Fund in making payments to victims of oil pollution incidents involving sanctioned oil or vessels.
- 3.5 Member States are also encouraged to adhere to their obligations under Article VII of the 1992 Civil Liability Convention (1992 CLC), and their obligations pursuant to IMO Circular LEG.1/Circ.16 of 20 June 2024, which states that when receiving an Insurance Certificate from an 'insurer'^{<7>}, the Member State should verify that the insurer and the Insurance Certificate meet the criteria detailed within that Circular. This includes, *inter alia*, a statement certifying that there is in force insurance or other financial security satisfying the requirements of the financial security article of the relevant convention.
- 3.6 Steps taken by Member States and ship registries regarding sanctioned and older vessels
 - 3.6.1 A large ship registry with more than 8 500 ships has decided to no longer accept registration of oil tankers or bulk carriers that are more than 15 years old, with the aims of optimising fleet performance, reducing arrest risks and preventing the entry of vessels from the 'shadow' fleet, which are often older vessels with opaque ownership structures.
 - 3.6.2 Several other ship registries are sharing information about vessels that have been rejected due to potential sanctions violations, and a number of non-EU Member States have taken steps to sanction 'shadow' fleet tankers.
- 3.7 Steps taken by the IOPC Funds' governing bodies
 - 3.7.1 In November 2024, the 1992 Fund Assembly and Supplementary Fund Assembly adopted Resolutions N°14 and N°6, respectively, on 'Raising awareness of the risk of uninsured and unsafe ships'. The governing bodies also agreed the post-incident 'Guidance for investigating the circumstances surrounding an oil pollution incident involving uninsured and unsafe ships', in order to identify ships and persons involved, including, but not limited to, shipowners and their insurers.

^{<7>} A provider of insurance or financial security outside of the International Group P&I Clubs, including insurance companies, financial security providers and non-International Group P&I Clubs.

- 3.7.2 In addition, the IOPC Funds' Secretariat revised its own internal procedures to be followed in the event of an incident, in order to gather the information necessary to determine the applicability of the 1992 CLC, the 1992 Fund Convention and the Supplementary Fund Protocol, and to identify the parties involved.

4 Director's considerations

- 4.1 The Director remains seriously concerned about the ongoing risks involving uninsured or unsafe vessels and the damage that might result from an oil pollution incident involving such a vessel. Noting the statistics provided recently, the Director remains committed to encouraging shipowners, States and oil suppliers/receivers to comply with their obligations to ensure that oil is transported on safe, properly insured vessels.
- 4.2 The Director also encourages Member States to fully comply with their obligations in relation to ensuring enforcement of the safety and liability conventions, and to adhere to their obligations under Article VII of the 1992 CLC and pursuant to IMO Circular LEG.1/Circ.16.

5 Action to be taken

1992 Fund Assembly and Supplementary Fund Assembly

The 1992 Fund Assembly and Supplementary Fund Assembly are invited to:

- (a) take note of the information contained in the document; and
 - (b) provide instructions to the Director as the governing bodies may deem appropriate.
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