

January 29, 2024

Dear UK P&I Club Leadership Team,

We write to you as [B4Ukraine](#), a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. In the spirit of respect for the fundamental rights of all people, the rules-based international order, and a prosperous global economy, we expect companies to demonstrate public support for the people, democracy, and territorial integrity of Ukraine, opposition to Russia's war of aggression, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs).

**We are writing to enquire on the current status of your business operations and insurance of vessels that can potentially be used to export LNG from Russia's Arctic LNG 2 project, particularly in light of the recent sanctions imposed by the US Department of State targeting individuals and entities associated with Russia's war effort against Ukraine and other malign activities.**

It has been almost two years since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, forcible transfer of civilians). More than 28,000 Ukrainian civilians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times. In recognition of the severity of abuses, in March 2023 the International Criminal Court issued an arrest warrant for Vladimir Putin to answer war crimes charges.<sup>1</sup>

Moreover, recent developments in Russia point to an expanding universe of financial, legal, and reputational risks facing those still conducting business operations with Russia.

In response to this unprovoked and unjustified war of aggression,<sup>2</sup> many companies have ceased any operations in the Russian market.

As you will know, in early September 2023, the US Department of State expanded the sanctions regime by officially designating 37 entities engaged in developing Russia's energy production and potential export capabilities, including Arctic Transshipment LLC. These designations include entities and individuals involved in critical energy projects and related infrastructure development, including Russia's Arctic LNG 2 liquefied natural gas export initiative.

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<sup>1</sup> International Criminal Court, "Situation in Ukraine: ICC judges issue arrest warrants against Vladimir Vladimirovich Putin and Maria Alekseyevna Lvova-Belova," March 17, 2023, <https://www.icc-cpi.int/news/situation-ukraine-icc-judges-issue-arrest-warrants-against-vladimir-vladimirovich-putin-and> (accessed March 22, 2023).

<sup>2</sup> The UN General Assembly condemned Russia's "aggression against Ukraine" and demanded that Moscow "unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders".

Consequently, in accordance with [E.O. 14024](#), all property and interests in property of the designated persons that are in the United States or in possession or control of U.S. persons are blocked and must be reported to the Department of Treasury's Office of Foreign Assets Control (OFAC). Furthermore, any individuals or entities holding direct or indirect ownership of 50 percent or more by blocked individuals or entities are also subject to being blocked. All transactions involving property or property interests of designated or otherwise blocked persons within the United States, by U.S. persons, or transiting through the U.S. are strictly prohibited, unless specifically authorised by OFAC through a general or specific licence, or if exempt.

These prohibitions encompass any contribution, provision of funds, goods, or services to, from, or for the benefit of any blocked person, as well as the acceptance of such contributions or provisions from these individuals or entities.<sup>3</sup>

Additionally, OFAC issued [Russia-related General License 55A, "Authorizing Certain Services Related to Sakhalin-2"](#) and [Russia-related General License 72, "Authorizing the Wind Down of Transactions Involving Certain Entities Blocked on September 14, 2023"](#), adding to the Specially Designated Nationals and OFAC's Sectoral Sanctions Identifications list two vessels:

KORYAK FSU (3E2333) Floating Storage Tanker Panama flag; Vessel Registration Identification IMO 9915105 (vessel) [RUSSIA-EO14024] (Linked To: ARCTIC TRANSSHIPMENT LIMITED LIABILITY COMPANY).

SAAM FSU (3E2557) Floating Storage Tanker Panama flag; Vessel Registration Identification IMO 9915090 (vessel) [RUSSIA-EO14024] (Linked To: ARCTIC TRANSSHIPMENT LIMITED LIABILITY COMPANY).<sup>4</sup>

The designation of these two vessels means that any traders collecting LNG from these points will be in violation of US sanctions.

On November 2, 2023, the US Department of State also designated as a target for sanctions **ARCTIC LNG 2 LLC, the operator of the Arctic LNG 2 Project**, pursuant to section 1(a)(i) of the Executive Order 14024.<sup>5</sup>

As reported earlier this month, Arctic LNG 2 project is set to load its first liquefied natural gas (LNG) tanker for delivery to Asia (either China or South Korea) at the end of January. Sources have indicated that the initial LNG shipment from the project is scheduled to be loaded onto the Christophe de Margerie, an Arc 7-class LNG tanker.<sup>6</sup>

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<sup>3</sup> US Department of State, "Imposing Further Sanctions in Response to Russia's Illegal War Against Ukraine," September 14, 2023, <https://www.state.gov/imposing-further-sanctions-in-response-to-russias-illegal-war-against-ukraine/> (accessed November 10, 2023); Executive Order 14024, "Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation," April 15, 2021, <https://www.federalregister.gov/documents/2021/04/19/2021-08098/blocking-property-with-respect-to-specified-harmful-foreign-activities-of-the-government-of-the> (Accessed November 10, 2023).

<sup>4</sup> Office of Foreign Asset Control, "Russia-related Designations, Designations Updates, and Designations Removals; Issuance of Russia-related General Licenses," September 14, 2023, [https://ofac.treasury.gov/recent-actions/20230914?fbclid=IwAR2SAkYLJZgxXlbPzc2r3SZkk3uL34rMtlqwjkQKd\\_cBfYA7MylzBhZOmFU](https://ofac.treasury.gov/recent-actions/20230914?fbclid=IwAR2SAkYLJZgxXlbPzc2r3SZkk3uL34rMtlqwjkQKd_cBfYA7MylzBhZOmFU) (accessed November 11, 2023).

<sup>5</sup> U.S. Department of State, Fact Sheet "Taking Additional Sweeping Measures Against Russia", November 2, 2023 <https://www.state.gov/taking-additional-sweeping-measures-against-russia/>

<sup>6</sup> Hellenic Shipping News, "Russia's Arctic LNG 2 to load first tanker this month, sources say," January 17, 2024, <https://www.hellenicshippingnews.com/russias-arctic-lng-2-to-load-first-tanker-this-month-sources-say/> (accessed January 23, 2024).

Over the weekend, a fire broke out at the terminal of the Russian Novatek natural gas company in the port of Ust-Luga in the Leningrad region. This incident strongly highlights that insuring ice-class LNG tankers servicing Novatek's LNG terminals is associated with increasing risks, given the potential for vessel damage or destruction in the event of further attacks on Russian infrastructure. Continued involvement with these LNG tankers could result in significant financial losses.<sup>7</sup>

**We are writing now to enquire whether the UK P&I Club intends to discontinue providing P&I insurance to any LNG tankers that currently service Yamal LNG project or if you will adhere to the US sanctions that prohibit any transactions involving Arctic LNG 2 LLC by withdrawing insurance from any vessels that will engage in deliveries from Arctic LNG 2 terminal.**

Accordingly, we would like to pose the following questions:

- **Can you clearly outline UK P&I Club's current intentions regarding the continuation of insurance for icebreaking LNG tankers, specifically VLADIMIR RUSANOV (IMO 9750701), or any other vessels servicing the Arctic LNG 2 project?**
- **Could you confirm whether the UK P&I Club is fully aware of the potential violation of US sanctions that may arise from providing insurance to the mentioned tankers?**
- **Can you provide clarity on whether the UK P&I Club is considering the termination of insurance for LNG tankers servicing the Russian LNG projects? If so, please elaborate on the specific steps the Club has taken or plans to take to disengage from covering insurance for those ships.**
- **In addition to the specified LNG tankers, are there any other vessels or projects related to Russia that the UK P&I Club currently insures or is considering insuring?**
- **Considering the potential risks associated with providing insurance to vessels linked to sanctioned entities, does the UK P&I Club have any specific mitigation strategies or measures in place to address these risks and ensure compliance with international sanctions?**

In consideration of the above points, we request an urgent dialogue with the company's relevant senior management and staff to discuss ongoing activities and relationships in Russia, associated risks to the people of Ukraine, and potential steps to prevent/mitigate these risks. Please contact the B4Ukraine Coalition at [contact@b4ukraine.org](mailto:contact@b4ukraine.org) to schedule a call. We kindly ask for your response by 5:00pm CET, February 12, 2024.

Please note that this letter and any response provided, or lack thereof, will be published on the B4Ukraine webpages. In case you would like to join the proposed call, any such meeting will be held under Chatham House Rules.

Sincerely,

The B4Ukraine Coalition

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<sup>7</sup> Rachel Amran, "Russian governor: Russian natural gas seaport terminal catches fire," *The Kyiv Independent*, January 21, 2024, <https://kyivindependent.com/media-russian-seaport-terminal-on-fire/> (accessed January 23, 2024).