EU 20th Sanctions Package: Owner Obligations on Tanker Sales

Article 3q, Council Regulation (EU) 833/2014 as amended by Council Regulation (EU) 2026/506
In force: 24 April 2026

Status	In force
Applicable to	EU nationals and EU-established entities
Vessel scope	Crude oil and petroleum product tankers VLCCs
Legal basis	Council Regulation (EU) 2026/506 amending Regulation (EU) No 833/2014

The 20th sanctions package, adopted by the European Council on 23 April 2026, introduces for the first time mandatory due diligence obligations governing the sale of tanker vessels by EU persons. The new Article 3q of Regulation 833/2014 establishes a layered framework: an outright prohibition on sales to Russian persons or for use in Russia; a proportionate due diligence obligation on sales to third-country buyers; mandatory contractual protections; and an ongoing post-sale monitoring requirement. These obligations extend across owners, brokers, and financiers involved in secondary tanker sales.

The regulation applies to EU nationals and EU-established entities, irrespective of where the vessel is registered, where the sale is concluded, or what law governs the sale contract. Owners incorporated in an EU Member State are within scope as a matter of course. Non-EU owners with EU-national directors, shareholders, or who rely on EU-based management companies should take legal advice on their personal scope exposure without delay.

1. Core Obligations

1.1 Outright Prohibition

No EU person may sell or transfer, directly or indirectly, a crude oil or petroleum product tanker to a Russian person or for use in Russia. This prohibition is absolute. There is no proportionality assessment available and no commercial justification that displaces it. The burden of establishing that a buyer is not Russian, and that a vessel will not be used in Russia, rests with the seller.

1.2 Third-Country Sales: Due Diligence

Where a buyer is not Russian, the sale may proceed but only after the owner has discharged a documented due diligence obligation. The standard is proportionate to the risk profile of the transaction. At minimum, the assessment should cover: the identity and beneficial ownership of the buyer; the buyer's trading history and commercial rationale for the acquisition; the intended flag state and trading pattern post-sale; and any red flags arising from the buyer's jurisdiction of incorporation or operation. More complex or opaque transactions will require a correspondingly deeper inquiry.

1.3 Documentation and Policies

Risk assessments must be documented and kept up to date. Owners are also required to implement appropriate internal policies, controls and procedures governing how tanker sales are assessed. This is a systemic institutional requirement, not a one-time transactional checklist. If a written policy does not currently exist, its preparation should be treated as an immediate priority.

1.4 Contractual Obligation: The "No Russia" Clause

Every sale agreement for a tanker concluded by an EU seller must include a written prohibition on any onward transfer to Russia or for use in Russia. Owners should also require buyers to pass this obligation into any subsequent sale contract. The clause must be present in the agreement as executed, not merely referenced in correspondence.

1.5 Ongoing Monitoring

The regulation imposes an obligation that extends beyond closing. Sellers are expected to monitor, on an ongoing basis, what happens with the buyer and the vessel post-sale. Owners should maintain a register of tanker disposals and monitor publicly available intelligence for indications that a sold vessel has been transferred into Russian-connected ownership or deployed in Russian trading patterns. Where adverse indicators emerge, legal advice should be taken promptly on any reporting obligations.

2. The Scrapping Carve-Out

The regulation introduces a pathway for the exit of shadow fleet vessels through recycling. Member States may authorise access to ports and the provision of technical assistance for shadow fleet vessels where the vessel is genuinely intended to be recycled and services are limited to those necessary to proceed to a recycling facility. Authorisation must be sought from the competent national authority. Owners seeking to use this pathway should take legal advice before taking any steps, and should not proceed on the basis of recycling intention alone without formal authorisation.

3. Key Questions

Q1. My vessel is owned by a Marshall Islands SPV. Does Article 3q apply to me?

It may. The critical question is whether any individual or entity in the corporate structure is EU-established or holds EU nationality, including directors, ultimate beneficial owners, or the management company. The regulation catches EU persons regardless of the flag or domicile of the contracting entity. Complex group structures should be reviewed by legal counsel against the personal scope provisions before any sale is contemplated.

Q2. What does "proportionate due diligence" require in practice?

The regulation does not define the standard, and the European Commission has not yet published implementing guidance or FAQs. In the absence of a defined benchmark, owners should document a structured inquiry covering UBO verification, buyer trading history, intended deployment, and jurisdictional risk. Reliance solely on a broker-supplied KYC pack is unlikely to be sufficient for higher-risk transactions. Until guidance is published, the conservative approach is the only defensible one.

Q3. How long does the post-sale monitoring obligation last?

The regulation does not specify a duration. Until further guidance is issued, owners should treat the obligation as indefinite in respect of vessels sold to third-country buyers. In practice, this means maintaining a post-sale register and conducting periodic intelligence checks against vessel AIS data, ownership databases, and maritime trade press.

Q4. If the buyer breaches the "no Russia" clause and transfers the vessel onward, what is my exposure?

This remains legally untested. The presence of the contractual clause, combined with documented pre-sale due diligence and post-sale monitoring, is likely to be the primary basis for a compliance defence. However, whether those steps constitute a complete defence will depend on the standard applied by the relevant Member State competent authority. Owners should not treat the clause as a simple safe harbour and should maintain records demonstrating active monitoring following closing.

Q5. Must the "no Russia" obligation be passed into every subsequent sale contract in perpetuity?

The regulation requires the clause to be included in the immediate sale contract and, as a matter of good practice and risk management, owners should require buyers to include it in any onward sale. Whether liability attaches to the original EU seller if a subsequent buyer fails to include the clause in their own sale has not been definitively addressed. Legal advice should be taken on how to structure the original contractual obligation to provide maximum downstream protection.

Q6. My vessel is on a long term charter that restricts my visibility into trading patterns. How do I discharge the monitoring obligation?

This is a genuine tension that the regulation does not resolve. Owners in this position should document the constraints on their monitoring capacity, take reasonable steps within the available information (including AIS tracking of publicly available vessel position data), and seek legal advice on whether the circumstances give rise to any obligation to notify the relevant competent authority.

Q7. How does the scrapping carve-out work in practice?

Formal authorisation must be obtained from the competent national authority of the relevant EU Member State before services are provided or port access is granted. The competent authority in most EU Member States is the national treasury, finance ministry, or a designated sanctions enforcement body. Owners should identify the correct authority in their Member State and make a documented application evidencing genuine recycling intent, supported by a recycling facility agreement or equivalent.

Q8. What are the insurance implications of a non-compliant sale?

A sale concluded in breach of Article 3q may engage warranty and condition issues under hull and P&I cover and may trigger applicable sanctions exclusion clauses. Members are encouraged to notify the Club in advance of any tanker sale that presents elevated circumvention risk, so that cover implications can be assessed at the correct point in the transaction rather than retrospectively.

Q9. Does Article 3q apply if I sell through a non-EU subsidiary or under non-EU law?

The regulation applies to EU nationals and EU-established entities regardless of the governing law of the sale or the jurisdiction of the contracting vehicle. Structuring a sale through a non-EU subsidiary does not displace the personal scope obligation where an EU national or EU-established entity is exercising control over or deriving benefit from the transaction. Owners considering this structure should take specific legal advice.

4. Insurance Implications

Members are reminded that the obligations arising under Article 3q are regulatory requirements with direct consequences for insurance cover. A post-sale finding of non-compliance, or a vessel's appearance on a shadow fleet designation list following a sale by an EU seller, may give rise to cover issues under existing and subsequent policies. Members with specific concerns about a contemplated transaction are encouraged to contact the Club directly before the sale is concluded.