

**Congress of the United States**  
Washington, DC 20510

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September 26, 2022

The Honorable Janet Yellen  
Secretary  
Department of Treasury  
1500 Pennsylvania Avenue NW  
Washington, D.C. 20220

Dear Secretary Yellen,

We are writing to voice our support for the G-7 endorsed plan to implement a price cap on Russian oil purchases. We also support coordinated sanctions that prohibit insurance and reinsurance for tankers that transport Russian crude oil and petroleum products. For these agreements to be duly enacted, however, there must be anti-corruption and anti-evasion protocols in place to prevent Russia from circumventing a price cap or using foreign shipping fleets. We urge you to implement strong, centrally administered oversight to prevent corruption and ensure effective implementation of the price cap. Further, we urge the Office of Foreign Assets Control (OFAC) to actively collaborate with European Union (EU) counterparts to establish a centralized enforcement mechanism for insurance sanctions.

Russia has gained short-term leverage to fund its illegal, unprovoked war in Ukraine because of delayed oil import bans. In the interim, the Kremlin enriched its war chest with a profit of [93 billion euros](#) during the first 100 days of the conflict from exports of oil, gas, and coal. There is no indication Russia will be slowing production any time soon, with media reporting in July that the country was averaging production of almost 10.8 million barrels per day and exportation of 7.5 million barrels per day of crude and petroleum products. In fact, reports indicate that the large discount at which Russia was forced to sell its crude soon after the invasion, due to buyers' aversion, has recently declined.

To limit Russia's ability to fund its war through oil profits, Secretary of State Anthony Blinken [announced in April](#) that "we're looking to allies and partners not to increase their purchases of Russian oil." To fulfill these goals, the EU will prohibit seaborne crude oil imports starting in December and seaborne petroleum products in February 2023. Further, in May, the EU and United Kingdom [announced](#) they would ban all insurance on tankers that carry Russian oil around the world. This is significant, as EU and United Kingdom entities play a central role in providing insurance and reinsurance for 95 percent of the world's oil tanker fleet. In conjunction with widespread economic sanctions, the oil and insurance sanctions will make it harder for Russia to fund its brutal war. Still, many countries are purchasing Russian oil. China is a notable importer, and India has drastically increased its Russian purchases, buying [nearly one million barrels a day](#).

By exploiting weaknesses in Russia's oil export process, the U.S. and its allies can better constrain the Kremlin's cash flow. For example, there is no pipeline from Russian oil fields to India, which means that Russia must deliver oil to India by sea. Because of the large

volume of its seaborne exports and its limited domestic fleet, Russia relies heavily on foreign-owned oil tankers for its exports, including vessels owned by EU entities. As the insurance bans come fully into force, it is expected that Russia will lose access to many of the foreign tankers currently shipping its oil, which will make it much more challenging for Russia to maintain its current levels of oil exports, especially to more distant markets such as India.

While G-7 countries have agreed to implement this price cap, India, China, and Turkey have not determined if they will implement the price cap or strike their own deal with Russia. The alliance of agreeing countries should have the broadest possible purchasing power for the cap to have maximum impact. In the coming months, we encourage the Administration to engage in diplomatic discussions with these countries to participate in the price cap. A well-designed, comprehensive price cap will help the democratic world stand with Ukraine and protect economies threatened by Putin's weaponization of energy.

We agree that the G-7 proposed price cap, which would allow for insurance of Russian oil shipments if oil is purchased at a predetermined discounted price, would strengthen existing sanctions and further damage Russia's economy. A price cap can create a mutually beneficial strategy that allows more affordable oil to flow through global markets without sending profits to the Kremlin. A price cap would limit the purchasing of Russian oil to a specified flat price or a price tied to the global oil markets. Countries and entities would be banned from purchasing oil from Russia higher than the predetermined price cap or be at risk of sanctions. This cooperation to buy Russian oil at a fixed price will cut heavily into the Kremlin's ability to fund the war against Ukraine.

While the G-7 proposal has been met with [skepticism](#) and [criticism](#), this is not the United States' first attempt to limit oil revenue for our adversaries to advance foreign policy goals. In [2012](#), the U.S. targeted Iran's oil sector through a comprehensive sanctions regime in response to their nuclear program. Countries that significantly reduced oil purchases from Iran received an exception from this rule. Those that attempted to evade these sanctions were also sanctioned. The far-reaching sanctions across the international community damaged Iran's economy. We can similarly impair the Russian war machine with innovative strategies and international cooperation. We have seen indications of success among the early coordinated Russian sanctions, and it is with the same solidarity that a price cap must be implemented.

It is important to note that Iran has a history of successfully utilizing a variety of tactics to bypass international sanctions, such as falsifying information to conceal its fingerprints on products sold in the global energy market. The United States and its allies should be vigilant in preventing an alternative route for the Kremlin to sell sanctioned Russian oil through Iran, as there has been heightened alignment between the two countries in recent months.

The United Arab Emirate's relationship with Russia has also attracted significant attention due to its strategic trading port Fujairah. This trading port has created an alternate opportunity for Russian oil to be kept in storage and sold as an 'Arabian blend.' The UAE's actions violate international laws and undermine democratic reform efforts. The United States and our allies should strengthen oversight measures regarding relabeling Russian oil by the UAE.

The United States can provide technical and moral leadership to encourage as many countries as possible to participate in this price cap. We must work with G-7 countries to ensure it is implemented efficiently, with cost-plus pricing and a centralized payment authority to prevent side deals. The Office of Foreign Assets Control (OFAC) within the Treasury Department is effective in enforcing our nation's economic sanctions. We request that the Treasury Department and the G7 utilize OFAC to put in place an enforcement structure for transparent implementation and rigid security. The centralized enforcer should also provide guidance to the private maritime insurers, shippers and oil companies that are active participants in oil trading. We should also ensure that U.S. sanctions regarding the transport of Russian oil exports to low-income countries are in line with those of our EU allies and prohibit providing insurance or other financial assistance relating to those exports. With appropriate coordination, this regime will release the necessary oil into the market at lower prices, to reduce inflation, and help prevent further accumulation of hard currency for the Kremlin.

Our response to Russian aggression in Ukraine sets the example for all authoritarian countries considering unprovoked violence against another sovereign state. Alongside our allies, the U.S. has responded swiftly and effectively, but we can and must do more. Winter is fast approaching, and international coordination to implement price caps and shipping sanctions will be critical. We must sustain our commitment to Ukraine and our core, defining belief in a world safe for democracy. Thank you for your attention to this important matter.

Sincerely,



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Jake Auchincloss  
Member of Congress



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Anthony Gonzalez  
Member of Congress