

U.S. Cuban Sanctions Still Bite Oil Exploration Activities



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On February 22, 2016, French-based geophysical services company CGG Services S.A. and its affiliated companies agreed to pay \$614,250 to OFAC to settle alleged violations of the U.S. territorial sanctions against Cuba based on their business activities related to the Cuban oil industry. The settlement is demonstrative of how difficult it is for foreign companies to comply with U.S. sanctions when engaged in business with the Cuban oil industry, particularly when the business has some connection to U.S.-affiliate companies.

From 2010 to 2011, CGG France owned or chartered at least three vessels that were engaged in geophysical services, including oil and gas exploration and seismic surveys, in or around Cuba's territorial waters. On multiple occasions, CGG France and its U.S. subsidiary CGG Services (U.S.) Inc. provided services, spare parts, and equipment (some of which was of U.S. origin) to those vessels while they were in Cuba's territorial waters.

OFAC concluded that the companies' provision of services and goods—either from the United States or of U.S. origin—to the vessels constituted exports in violation of U.S. sanctions (33 C.F.R. § 515.201) because the vessels were in Cuba's territorial waters. The fact that the exports were received by vessels owned or chartered by a non-Cuban entity (CGG France) did not affect OFAC's conclusion. Thus, while the vessels' operations may have complied with U.S. sanctions if there were no U.S. person involvement, the provision of goods and services to those vessels violated U.S. sanctions.

Notably, CGG France's pre-investigation conduct may have contributed to OFAC's decision to bring an action against the companies—CGG France was apparently warned by a U.S. subsidiary that the exports may violate U.S. sanctions and it removed U.S. equipment and personnel from one of the vessels before the vessel entered Cuba's territorial waters.

Despite recently improved diplomatic relations between the United States and Cuba, which has resulted in the U.S. Administration's decision to lift or roll back certain sanctions, the sanctions implicated in the CGG France settlement remain in place at this time. Foreign companies, and particularly those with U.S. affiliates, should continue to exercise caution when engaging the Cuban oil industry.

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Author

Charlie Papavizas

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