



DEPARTMENT OF THE TREASURY
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OFAC Settles with Cameron International Corporation for Its Potential Civil Liability for Apparent Violations of Ukraine-Related Sanctions Regulations

Cameron International Corporation (“Cameron”), a Houston, Texas-based supplier of goods and services for the oil and gas industries, and a subsidiary of Schlumberger Limited (“Schlumberger”) of Curaçao, Netherlands, has agreed to pay \$1,423,766 to settle its potential civil liability for apparent violations arising from its provision of services to the Russian energy firm Gazprom-Neft Shelf for an Arctic offshore oil project. Cameron provided these services when U.S.-person senior managers at Cameron approved five contracts for its foreign subsidiary, Cameron Romania S.R.L. (“Cameron Romania”), to supply goods to Gazprom-Neft Shelf’s Prirazlomnaya offshore oil production and exploration platform, located in the Russian Arctic. The settlement amount reflects OFAC’s determination that Cameron’s conduct was non-egregious and not voluntarily self-disclosed, and further reflects OFAC’s consideration of aggravating and mitigating factors.

Description of the Conduct Leading to the Apparent Violations

Between approximately July 29, 2015 to November 28, 2016, Cameron appears to have violated Directive 4 issued pursuant to Executive Order 13662 of March 24, 2014, “Blocking Property of Additional Persons Contributing to the Situation in Ukraine,” (“E.O. 13662”),¹ as implemented pursuant to § 589.201 of the Ukraine-Related Sanctions Regulations, 31 C.F.R. part 589, when four U.S.-person senior managers at Cameron approved five contracts (the “Contracts”) for its subsidiary Cameron Romania to supply goods to Gazprom-Neft Shelf (the “Apparent Violations”). The goods were for Gazprom-Neft Shelf’s Prirazlomnaya platform, an oil-producing Russian Arctic offshore project. Gazprom-Neft Shelf is a wholly owned subsidiary of OJSC Gazprom Neft (“Gazprom”), which is subject to the restrictions of Directive 4 of E.O. 13662.² As a wholly owned subsidiary of Gazprom, Gazprom-Neft Shelf is also subject to Directive 4 restrictions. Cameron’s approval of the Contracts thus constituted the prohibited provision of services involving a person determined to be subject to Directive 4 (Gazprom-Neft Shelf), its property, or its interests in property.

¹ Directive 4, issued September 12, 2014, prohibited a U.S. person or persons within the United States from engaging in the provision, exportation, or reexportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory, and that involve any person determined to be subject to this Directive, its property, or its interests in property. Directive 4 (as amended on October 31, 2017) is available here: https://home.treasury.gov/system/files/126/eo13662_directive4_20171031.pdf.

² On September 12, 2014, OFAC identified Gazprom as a person operating in Russia’s energy sector and added it to OFAC’s Sectoral Sanctions Identification List (“SSI List”) pursuant to E.O. 13662, subjecting it to Directive 4, as well as the previously issued Directive 2. Treasury Press Release: <https://www.treasury.gov/press-center/press-releases/Pages/j12629.aspx>.

Beginning in late July 2015, personnel at Cameron Romania emailed U.S.-person senior managers at Cameron requesting approvals of Cameron Romania contracts with Gazprom-Neft Shelf. In the period covering the Apparent Violations, Cameron’s contract approval process required review and approval by certain U.S. persons for contracts above specific monetary thresholds as well as contracts that departed from Cameron’s standard terms and conditions. In response to Cameron Romania’s requests, U.S.-person senior managers at Cameron approved the Contracts. They also approved two Pre-Purchase Forms for one of the Contracts, thereby allowing Cameron Romania to begin work on them prior to the Contract’s final execution. At the time of their approvals, the Cameron managers had reason to know the services they were providing were in support of Arctic offshore oil-producing projects by Gazprom-Neft Shelf. The requests from Cameron Romania variously referenced the provision of oil production or exploration goods to Gazprom-Neft Shelf’s Prirazlomnaya platform and stated that the Russian Arctic was the destination of the oil-related goods.

During the relevant period, to comply with Directive 4 prohibitions on exports and reexports of goods and “in-the-field” services by a U.S. person or from the United States, Cameron had procedures in place to review prospective transactions with Russian firms to prevent violations of U.S. (and European Union) sanctions. Under the procedures, Cameron personnel were to complete a form for all transactions involving Russia at the quotation, purchase order, sales order, and delivery stages to collect information for its compliance office to determine Cameron’s legal obligations. However, the form did not indicate that U.S.-person involvement in the activities of Cameron’s foreign subsidiaries could have fallen within the applicable prohibitions.

In total, four Cameron U.S.-person senior managers — a Division President, two Vice Presidents of Finance, and one Senior Manager — approved the Contracts and Pre-Purchase Forms in support of one of the Contracts. In total, Cameron Romania made 111 shipments of oil production or exploration goods to Gazprom-Neft Shelf for use at its Arctic offshore platform.

On April 1, 2016, Schlumberger acquired Cameron. At that point, U.S.-person managers at Cameron had already approved two of the Contracts. In connection with its post-acquisition compliance review and integration efforts, and after the three remaining Contracts were approved, Schlumberger discovered the Apparent Violations of Directive 4. In June 2017, Cameron submitted a notification of an apparent violation to OFAC, followed by the submission of an additional report in December 2017. OFAC assessed, however, that Cameron’s submissions did not constitute a voluntary self-disclosure.

Penalty Calculations and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$22,373,785.98. OFAC determined that Cameron did not voluntarily self-disclose the Apparent Violations, and that the Apparent Violations constitute a non-egregious case. Accordingly, under OFAC’s Economic Sanctions Enforcement Guidelines (“Enforcement Guidelines”), the base civil monetary penalty amount applicable in this matter is \$1,423,766.

The settlement amount of \$1,423,766, which reflects no further mitigation from the base penalty, reflects OFAC’s consideration of the General Factors under the Enforcement Guidelines.

Specifically, OFAC determined the following to be **aggravating factors**:

- (1) U.S.-person senior managers at Cameron were aware that their approvals were for contracts to supply goods to Gazprom-Neft Shelf for Arctic offshore oil production or exploration in the Russian Federation;
- (2) Cameron provided a real economic benefit to Gazprom-Neft Shelf and acted directly contrary to U.S. foreign policy objectives by approving the sale of oil production or exploration equipment to an entity subject to the restrictions of Directive 4, which is intended to impede Russia's ability to develop so-called frontier or unconventional oil resources; and
- (3) Cameron is a large and commercially sophisticated firm with an extensive global presence, operates in an industry and in locations with significant sanctions risk exposure, and was aware of these risks. As such, Cameron should have recognized the risk involved in U.S.-person senior managers' approval of a foreign subsidiary's contracts with an entity subject to Directive 4 restrictions.

OFAC determined the following to be **mitigating factors**:

- (1) Cameron and its parent company, Schlumberger, represent that they took meaningful corrective actions upon discovering the Apparent Violations, including:
 - Identifying all employees who should recuse themselves from Russia-related activities and incorporating those employees into a recusal acknowledgement system to help ensure that U.S. persons do not participate in Russia-related contracts;
 - Assigning a senior compliance manager to manage the integration of Cameron's operations into Schlumberger's compliance program;
 - Implementing an automatic block on all orders with a Russia "bill to," "ship to," or end-user reference — such transactions are then required to undergo an additional layer of review by Schlumberger before they are approved; and
 - Implementing a software enhancement that requires end-users to be identified for all transactions, adding a layer of scrutiny to help review Russia-related transactions.
- (2) Cameron cooperated with OFAC during the investigation by submitting detailed documentation, being responsive to OFAC's requests, and entering into tolling agreements.

Compliance Considerations

This enforcement action highlights the importance of large U.S. firms with international operations evaluating the totality of their business processes for risk exposure. Even large, sophisticated companies with OFAC compliance programs face sanctions risks if they do not develop internal controls that account for their day-to-day operations and procedures and consider how a variety of different types of conduct can implicate applicable prohibitions.

As this action makes clear, a U.S. person's provision of services in approving a contract for the export or reexport of goods in support of specified oil exploration or production projects with an entity added to OFAC's SSI List is a prohibited service covered by Directive 4. Further, entities with international operations involving activities by U.S. persons may face sanctions risks even if the goods or services to a sanctioned entity are provided by non-U.S. person entities or if the U.S. person is not physically present in the United States. The approval of a contract, agreement, sale, or transaction by a U.S.-person manager between a foreign subsidiary and sanctioned entity may also give rise to a violation, thus underscoring why all aspects of a business engagement should be evaluated.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that use goods or services exported from the United States, with OFAC's perspective on the essential components of a sanctions compliance program. The *Framework* also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The *Framework* includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

Information concerning the civil penalties process can be found in the OFAC regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent final civil penalties and enforcement information, can be found on OFAC's website at <https://home.treasury.gov/policy-issues/financial-sanctions/civil-penalties-and-enforcement-information>.

For more information regarding OFAC regulations, please go to: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information>.