



DARK FLEET UPDATE: A “PARALLEL FLEET” IS DEVELOPING, AND THERE IS NO WAY TO REVERSE IT

Geopolitical tensions are escalating as we move out of the post-Cold War era of globalisation, and into a more challenging landscape.

This has led to the creation of the dark fleet, which by now has become a major and well known phenomenon in the world of shipping. It is a clandestine network of vessels trying to hide its links to Iran, Russia and other nations subject to Western sanctions.

In a series of talks over the last 12 months, I have argued that this development points towards parts of the world fleet splintering off into a “parallel fleet”. In many ways, the emerging “parallel fleet” is different from the dark fleet we have come to know.

Through Nordisk’s 135 years, our Members’ businesses and hence Nordisk’s caseload, has been influenced by a multitude of geopolitical shifts.

Nordisk has been through two World Wars, the end of the era of empire and colonialisation, the Cold War, the Tanker War in the 1980s, and the ebbs and flows of globalisation. We find ourselves yet again at a crossroads, heading into uncharted

territory. Here are our thoughts on the current developments.

The Dark Fleet

The *dark fleet* comprises of ships that engage in evasive tactics to avoid detection and monitoring. These vessels often disable their AIS, change their flag to those still willing to accept them, or increasingly, sail with false registration and no flag. They engage in STS transfers to obscure the origin and destination of their cargo. They often change from one bland ship name to another, to obscure their identities.

Some even paint false names on the hull to obscure their identity to passers-by. A VLCC caught in an illegal STS operation in Indonesian waters in July 2023 had the name “S. Tinos” on the hull, but in reality the vessel was a Cameroon flagged vessel named “Lilu”. The fake name had been borrowed from another dark fleet VLCC, that had been recycled in Bangladesh in 2018. The re-use of an old name was presumably done to ensure a similar ship would show up on Google if passers-by googled the ship’s name. Similar fake identity schemes were also used in the past when sanctions forced ships into the dark, perhaps most notably for tankers secretly carrying crude



to South Africa during the apartheid era.

The dark fleet vessels are also often un-insured or underinsured, causing increased risk to their crews, to other ships, and to the environment. This clandestine approach has increasingly been used to transport oil and other commodities that are subject to sanctions, thereby undermining the effectiveness of these economic measures.

The Parallel Fleet

The developing *parallel fleet* differs from the dark fleet, in that it operates in the open, aiming to stay outside of the reach of Western sanctions altogether. This fleet increasingly operates with Iranian and Russian sounding ship names, and increasingly with Iranian or Russian flag and Russian class.

For example, it was reported in May 2024 that Sovcomflot was flagging several tankers from the Gabon flag to the Russian flag, and was switching to the Russian Maritime Register of Shipping class. One of these tankers was renamed “Belgorod”, after the Russian regional capital and region bordering Ukraine, frequently in the news recently. Unfortunately, these vessels suffer from some of the key challenges of the dark fleet, including, presumably by being underinsured or not insured at all.

As we see it, the development of these dark and parallel fleets underscores the complexities and the unintended and perhaps unavoidable consequences of international economic restrictions.

Both the dark fleet and the parallel fleet are primarily developing in response to the stringent sanctions imposed by Western nations on countries like Russia and Iran. Again a sign of increasing geopolitical tensions, in a fast changing world. A recent slew of books describe the development, of which I can recommend “*Chip War*” (Chris Miller), “*Goodbye Globalisation*” (Elisabeth Braw) and “*The New Cold Wars*” (David E. Sanger).

In my talks, I have also pointed to the way the Soviet Bloc merchant fleet operated during the Cold War, as a parallel that might be relevant. History does not repeat itself, but it often rhymes, as Mark Twain is reputed to have said. This sizeable fleet of ships was generally built in Soviet Bloc countries, had Soviet or other friendly flags, as well as class and insurance. They mainly traded between the Soviet Bloc and nations friendly or neutral to it.

As this article is being written, Western politicians are increasingly realizing that Russian oil will not be sold below the G7 Price Cap and transported on Western ships insured in the West. It will instead be transported on dark and parallel fleet vessels owned, flagged and insured elsewhere. In recent written evidence to the UK Treasury Select Committee, the International Group (“IG”) disclosed that about 800 tankers had left the 12 IG Clubs and moved into the dark fleet and the parallel fleet that seems to be developing.

Where are we headed?

To some observers’ surprise, it has been possible for Russia, Iran and others to turn to alternative service providers to the international and largely Western ones. By now, most of the Iranian and Russian oil continues to flow without reliance on the normal international fleet. The alternative service providers used by their owners and operators are often financially weak, lacking in experience, and unlikely to be able to operate the vessels at the increasingly high safety standard the industry has come to represent.

A gruelling example was the explosion on the Gabon flagged Aframax tanker “Pablo” in May 2023, which killed three crew members and ripped the whole deck of the vessel open. The P&I insurer that had issued its Blue Card was called “Anglo & Eastern Ship Owners P&I Club”. Allegedly, no real insurance was hiding behind their bland web page. No-one showed up to take care of the wreck, and it is said that no insurer has cared for the surviving crew members or the relatives.

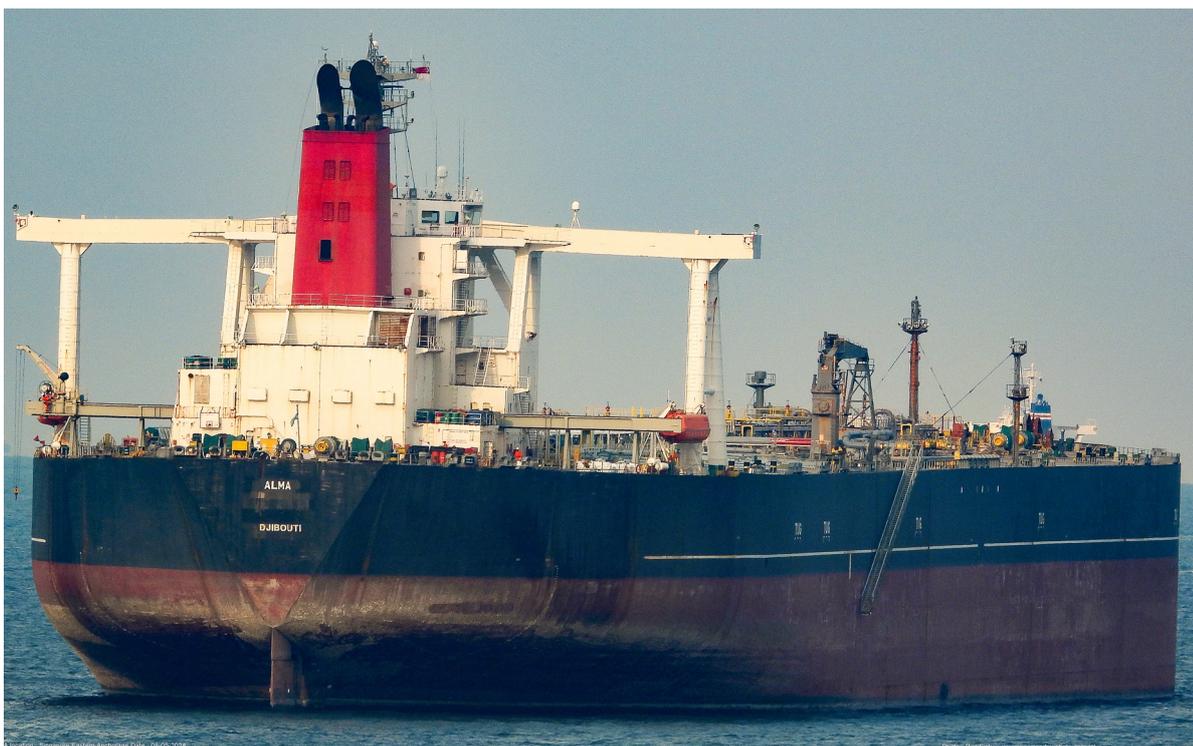
In our view, there is no way in the current geopolitical landscape to reverse the unwelcome creation of the dark and parallel fleets. The geopolitical landscape would have to improve significantly for that to happen. Our best hope at present might be that the dark fleet increasingly becomes a parallel fleet, like the one operated by the Soviet Bloc during the Cold War. It would then hopefully be operating in the open and with local service providers and flags, which could at least ensure safe operations in accordance with international regulations, and at a safety level equal to the one the industry has fought so hard to build over the last decades.

Conclusions

History has shown that Members turn to Nordisk for support more frequently when there are seismic shifts in the world of shipping and the world at large. This is such a period, and we at Nordisk are working hard to ensure we have the right team with the right skills to be of maximum use to the Members.

Over the last two years we have increasingly been involved in cases related to the growth of the dark fleet, including, in particular, by helping Members uncovering shady buyers trying to disguise their true ownership and intentions, as well as screening vessels, charterers and other counterparties for risk.

Looking back at Nordisk's 135 years in shipping, a lesson is that with good risk management and an eye to windward, our Members will find new opportunities to thrive during tumultuous times. Nordisk will be there to support the Members as they steer the course safely, just as in previous times of change.





SHIPBUILDING CONTRACTS AND THE NORWEGIAN TRANSPARENCY ACT

In recent years, there has been a growing emphasis on corporate responsibility regarding human rights and working conditions globally. This trend has culminated in various legislative measures, including Norway's Transparency Act of 2021¹, which mandates larger enterprises to assess and disclose their impact on fundamental human rights and decent working conditions.

The shipbuilding industry is widely scrutinised for its labour practices. Norwegian-linked shipowners, who contract with shipyards, for instance in Turkey and Asia, must now ensure that their operations align with the Transparency Act. The Act seeks to promote fundamental human rights within Norwegian enterprises and, in particular, their supply chains. The Act applies specifically to large enterprises that exceed certain thresholds in revenue, balance sheet total, or employee numbers, and it requires these enterprises to conduct due diligence assessments in line with the OECD Guidelines for Multinational Enterprises.

To facilitate compliance, Nordisk has drafted a Human Rights Compliance Clause for incorporation

into shipbuilding contracts. This clause requires the builder to adhere to the shipowner's human rights policies and assists the shipowner in complying with the Norwegian Transparency Act. The builder commits to maintaining high standards of human rights throughout the contractual engagement, in accordance with the United Nations Guiding Principles on Business and Human Rights². The clause also requires builders to ensure that their subcontractors meet the same standards, with the shipowner being entitled to perform audits and inspections to verify compliance.

This approach reflects a proactive stance in corporate governance by integrating adherence to international human rights standards into the fabric of contractual obligations.

Implementing such clauses not only mitigates the risk of legal implications but it is also a prudent strategy for safeguarding against operational and reputational risks.



BY BENEDICTE H. URRANG

1 - The act came into force on 1 July 2022

2 - [guidingprinciplesbusinesshr_en.pdf](#)
([ohchr.org](#))

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For shipowners linked to Norway, incorporating such clauses in shipbuilding contracts is important, especially in regions where labour standards might not naturally align with those mandated by Norwegian law. As ever, Nordisk is always available to assist its members with this integration, ensuring that their global operations remain both compliant and competitive in a world increasingly focused on ethical business practices. Do get in touch with the [Nordisk Transactions Group](#) for a copy of the Human Rights Compliance Clause.



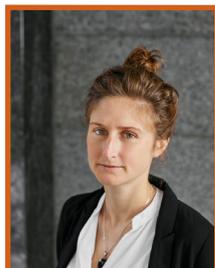


FUELEU MARITIME REGULATION FAQ'S

Further to the introductory article in our [June 2023 circular](#), we set out hereunder some more detailed information regarding the specifics of the FuelEU Maritime regulation, in what we hope is an easy to digest question and answer format.

Q1. Who is responsible under FuelEU Maritime?

The responsible entity is the “company”. Whilst the regulation uses an almost identical definition to that of the shipping company in the EU ETS Directive, the European Commission has confirmed that for FuelEU Maritime, the responsible entity is always the ISM Doc Holder. This can result in a different entity being responsible for monitoring and reporting under MRV/EU ETS to that under FuelEU Maritime.



BY VICKI TARBET

Q2. What do I need to do?

The first action required is to submit a FuelEU Monitoring Plan to a registered verifier. The deadline for submission is 31 August 2024.

From 1 January 2025, the

Regulation applies in full. Each ship has to report its annual GHG intensity and get this verified. The compliance cycle is as follows:

- 31 January Submit FuelEU report to verifier for previous reporting period
- 31 March Verified FuelEU report and compliance balance recorded in FuelEU database
- 30 April The company records for each vessel whether it will borrow or pool for each vessel (see Q.4 further below).
- 1 June Where there is a compliance deficit, the Administering Authority will inform the company it is obliged to pay the FuelEU penalty
- 30 June Verifier issues FuelEU Document of Compliance if a ship does not have a compliance deficit (and has no non-compliance port calls) or where there was a compliance deficit, but the company has paid the FuelEU penalty.

Q3. What are the methods of compliance?

The use of renewable and low carbon fuels which have a lower well-to-wake emission factor, investing

in fuel efficient technology so that less power is used onboard and by connecting to shore power when in port will all reduce the GHG intensity of a ship. The scheme also rewards shipowners who invest in wind assisted propulsion and use renewable fuels of non-biological origin.

The regulation has inbuilt mechanisms to assist compliance - banking/borrowing and pooling of compliance balances. Finally, where a ship has a compliance deficit, the company can pay its way out, by paying the FuelEU Penalty. However, the level of penalty is intended to dissuade such behaviour. It will increase over time as the reduction targets get more stringent and will be increased by a multiplier if a company is subject to the Penalty for two or more consecutive years.

Q4. What is borrowing and banking?

A company can roll over and bank (credit) a compliance surplus from one reporting period (i.e. the ship has over performed) to the following reporting period.

And vice versa, if a ship has a compliance deficit during a reporting period (a ship has under-performed), the company can borrow an advance compliance surplus from the following reporting period for the ship. However, this comes at a cost. A factor is applied so that the amount subtracted from the following reporting period is higher than the amount the ship receives in the current reporting period. There is also a limit on the amount which can be borrowed and frequency.

Q5. How does pooling work?

Ships can pool their compliance balances with one or more other ships to achieve compliance. This enables more efficient ships using low-carbon fuels to soak up the excess from other ships with a higher GHG intensity.

Pooling does not have to be amongst ships under the same ownership or control. However there are certain conditions:

(1) The total pooled compliance must be positive, i.e. the pool as a whole has to meet the GHG intensity limits. A ship which had a compliance deficit to begin with cannot have a greater deficit after pooling and a ship which had a compliance surplus to begin with cannot have a deficit after pooling.

(2) To be eligible to pool compliance, a ship must have a valid FuelEU document of compliance.

(3) Each ship can only participate in one pool per reporting period.

Q6. What are the consequences of non-compliance?

Port state inspections will include checking that a ship holds a valid FuelEU Maritime document of compliance.

If a ship fails to obtain its FuelEU Document of Compliance for two or more consecutive periods, it can be subject to expulsion orders and refused entry to the ports of Member States.

Whilst the company is the responsible entity, enforcement measures apply against the ship.



Q7. Do I need a FuelEU Maritime Clause?

BIMCO is working on a FuelEU Maritime clause with the aim of publishing this towards the end of 2024. In addition we expect to see bespoke clauses.

In a time charter, specific wording will be required to enable an owner to allocate the cost and responsibility of facilitating compliance to the charterer. For example, this may include an obligation requiring the charterer to (a) provide sufficient bunkers from renewable or low carbon fuels to enable compliance, (b) provide compliant bunker delivery notes which contain (where applicable) the additional information required by Annex 1 of the Regulation and/or (c) reimburse the cost of the FuelEU Penalty.

In a voyage charter, the owner has control over the purchase of bunkers. The additional costs of compliance could be built into the freight or included as a surcharge.

Where the ISM DOC Holder is the technical manager, a clause in the management agreement will likely be required to apportion responsibility and cost.

As always, we are available to assist and advise our Members on FuelEU Maritime.

Photos:

Courtesy of Piet Sinke (c) <https://www.maasmondmaritime.com> (page 1, 3, 8) Viking Line (page 4) Höegh LNG (page 5) Thunbolagen (page 7)

