

Shifty Shades of Grey

The different risk profiles
of the dark fleet explained

April 2023





The “dark fleet” moniker first evolved more than three years ago, after tankers were observed switching off their vessel-tracking transponders to avoid detection and obfuscate the origin and destination of US-sanctioned oil they carried.

The practice, known as “going dark”, soon became synonymous with the rising fleet of tankers deployed in shipping Iranian and Venezuelan oil. But “going dark” was only one of many evasive and deceptive shipping practices noted.

The fleet of anonymously owned, elderly tankers drawn to the high-risk but high-rewards stakes of sanctions-circumventing oil trades exploits any number of regulatory loopholes.

Now, the term “dark fleet” is understood to encompass hundreds of tankers, with varying degrees of illicit or evasive tactics covering Russian oil logistics as well as cargoes from Iran and Venezuela.

Four years after the US first reimposed sanctions on Iran’s oil and shipping sector alongside bans on Venezuela, shades of grey are emerging in the dark fleet, particularly over 1Q23 after Western governments fully imposed sanctions on Russian oil imports alongside an oil price cap.

This has seen Western shipowners, charterers, financiers and insurers unable to ship Russian cargoes unless they have compiled evidence that cargoes comply with an oil price cap established by the Group of Seven industrialised nations and Australia.

The price cap was applied to Russian crude exports from December 5 2022 and refined products on February 5, accompanied by embargoes on seaborne shipments to Europe and the UK. The US banned Russian imports from mid-2022.

Based on Lloyd’s List methodology, a tanker is defined as part of the “dark fleet” if it is aged 15 years or over, anonymously owned and/or has a corporate structure designed to obfuscate beneficial ownership discovery, solely deployed in sanctioned oil trades, and engaged in one or more of the deceptive shipping practices outlined in US State Department guidance issued in May 2020.

The figures exclude tankers traced to government-controlled shipping entities such as Russia’s Sovcomflot, or Iran’s National Iranian Tanker Co, and those already sanctioned.

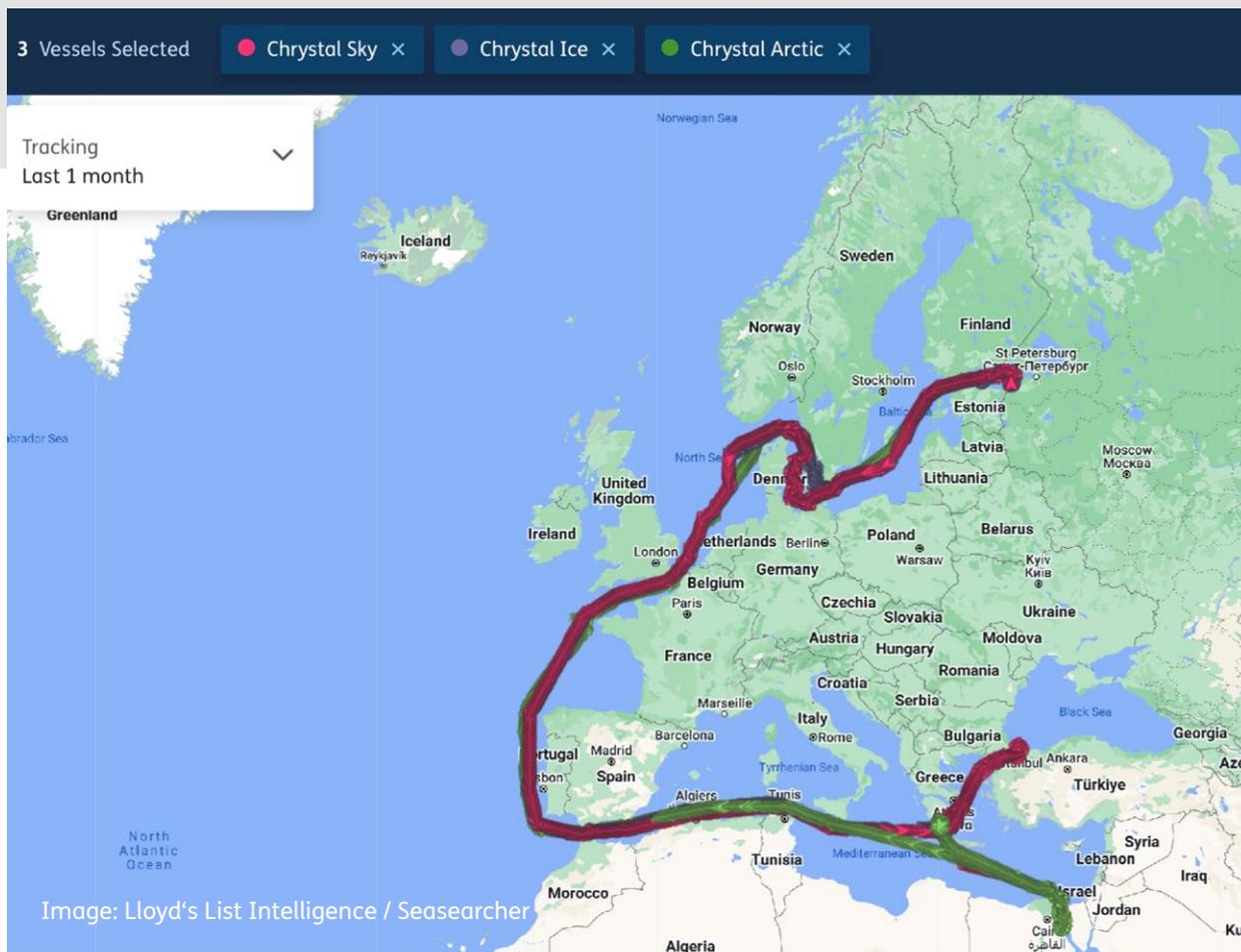
The US government guidance addresses a range of practices, including flag-hopping, falsifying cargo and vessel documents and manipulating Automatic Identification System (AIS), as well as turning off AIS.

There are now 450-plus tankers of 69.6m dwt that fit this criteria, according to Lloyd’s List analysis. This is equivalent to 10% of the internationally trading fleet. The methodology makes no inference about sanctions evasion, circumvention or whether they have been breached.

However, vessels no longer fit a catch-all, single category of “dark fleet”. While they may share similarities and all meet the established methodology, the industry should be worried about the safety, technical management and practices of some tankers more than others.

Lloyd’s List aims to loosely define these shades of grey via examples from within the dark fleet.

1. The lightest of grey



Characteristics

Although this class of tankers might be flagged with a high-quality open register, the beneficial ownership is unknown, and vessels are solely deployed in Russian oil trades. The P&I insurance is known, and outside the International Group of 12 clubs that cover 95% of global tanker fleet. Vessel-tracking shows these tankers engaged in ship-to-ship transfers of cargo in an area determined to be high-risk for sanctions evasion and circumvention.

Image: Lloyd's List Intelligence / Seasearcher

Examples:

Long range one tankers
Chrystal Ice (IMO: 9332638)
Chrystal Arctic (IMO: 9332640)
Chrystal Sky (IMO: 9334569)

These product tankers were each purchased by an anonymous owner between November 2022 and February 2023 for immediate deployment in Russian trades. Each tanker lists a single-ship, Marshall Islands-incorporated registered owner, via a brass plate address at Majuro.

All regularly call at Russian Baltic ports, and then sail to international waters off Kalamata, Greece, a known area for ship-to-ship transfers of Russian crude and products.

It is not known if transfers are made on to ships that are compliant with the oil price cap. This practice of operating in known sanctions evasion zones triggers a warning under the US guidance, and thus includes the tankers under Lloyd's List Intelligence methodology.

"While ship-to-ship transfers (the transfer of cargo between ships at sea) can be conducted for legitimate purposes, STS transfers — especially at night or in areas determined to be high-risk for sanctions evasion or other illicit activity — are frequently used to evade sanctions by concealing the origin or destination of surreptitiously transferred petroleum, coal and other material," the guidance said.

All three tankers are flagged with the Marshall Islands, which is on the Paris Memorandum of Understanding White List, signalling a top-rated flag with low rates of detention and deficiencies detected during port inspections.

Singapore-based Executive Ship Management is their ISM and commercial manager. Executive Ship Management confirmed all three vessels were insured with New Zealand-based Maritime Mutual Insurance Association (NZ) Limited, which is managed by Lichtenstein-incorporated Maritime Management Establishment.

Maritime Mutual's website said it was covered by A+ rated Lloyd's syndicates, with 5,775 vessels of 12.4m gross tonnes entered in 2022, including 304 tankers.

"The insurer (Maritime Mutual) requires evidence of compliance with price cap requirements," Executive Ship Management told Lloyd's List via email.

"We also receive confirmation from owner that the vessel is in compliance with these requirements." Necessary paperwork for ship-to-ship transfer operations was also in place, according to the shipmanager, which said it acted as agents for the owners.

Maritime Mutual has been approached for comment.

The Marshall Islands registry said it takes sanctions compliance very seriously.

"Based on our initial internal investigation, including a review of the World-Check Risk Intelligence database, port calls, Long Range Identification and Tracking (LRIT) and Automatic Identification System data from 2022 forward, and discussion with the United States sanctions regulators, we cannot find where any of these vessels fall within the Lloyd's List definition of being part of the dark fleet," a spokesperson said.



2. Grey

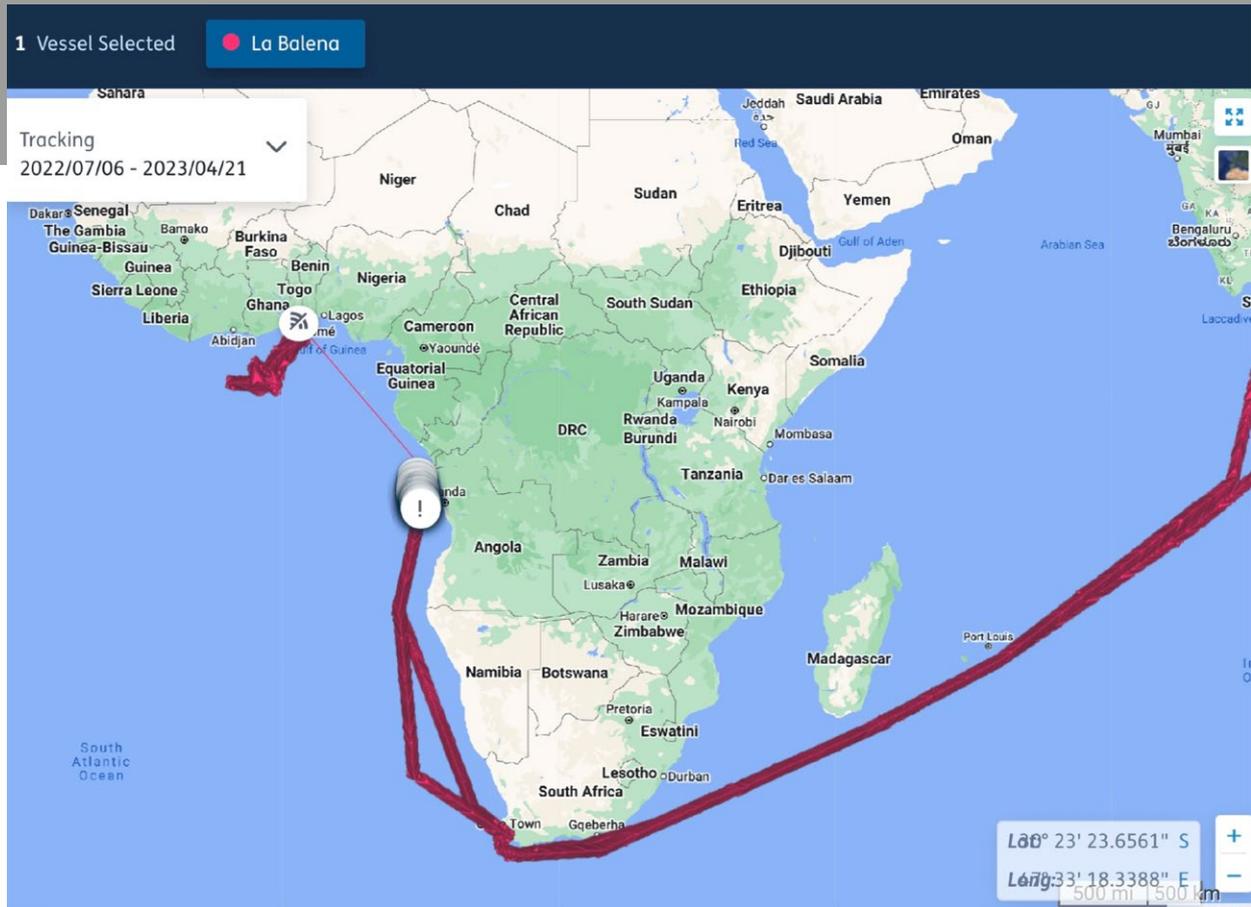


Image: Lloyd's List Intelligence / Seasearcher

Characteristics

Tankers are usually — but not always — flagged with regular open registries including Panama, and in some cases remain entered with P&I clubs that are members of the International Group. There are irregularities in AIS, accompanied by extended periods in international waters in areas known for ship-to-ship transfers of US-sanctioned Venezuelan, Iranian or Russian oil in areas off West Africa, southeast Malaysia and Ceuta, near Gibraltar.

Examples:

Lauren II (IMO: 9258521)
La Balena (IMO: 9230969)

Panama-flagged very large crude carrier Lauren II was one of 13 anonymously owned tankers linked to a single anonymous address in China in late 2022 that has used newly established logistics hubs hundreds of nautical miles off Portugal in the mid-Atlantic, or near Ceuta, to transfer Russian crude from smaller tankers that previously called at Russian Baltic ports.

These cargoes are either for onward shipment to China or transferred yet again to another tanker for floating storage off southeast Malaysia.

Lauren II last received Russian oil cargoes via ship-to-ship transfers off Ceuta on January 8 2023, then sailed to southeast Malaysia, and at the time of writing was returning via the Indian Ocean, heading around the Cape of Good Hope. The vessel is entered with the West of England P&I Club according to its database.

Djibouti-flagged La Balena is also entered with West of England, via its registered owner, Seychelles-incorporated Trident Agility Limited. The ISM and technical manager is Belize-incorporated company, Sisalana Technik Limited.

Vessel-trading patterns, including multiple AIS gaps and consistent loitering off West Africa are typical of tankers that are shipping Venezuela crude. (See graphic). West of England P&I Club has been approached for comment.

3. Dark grey

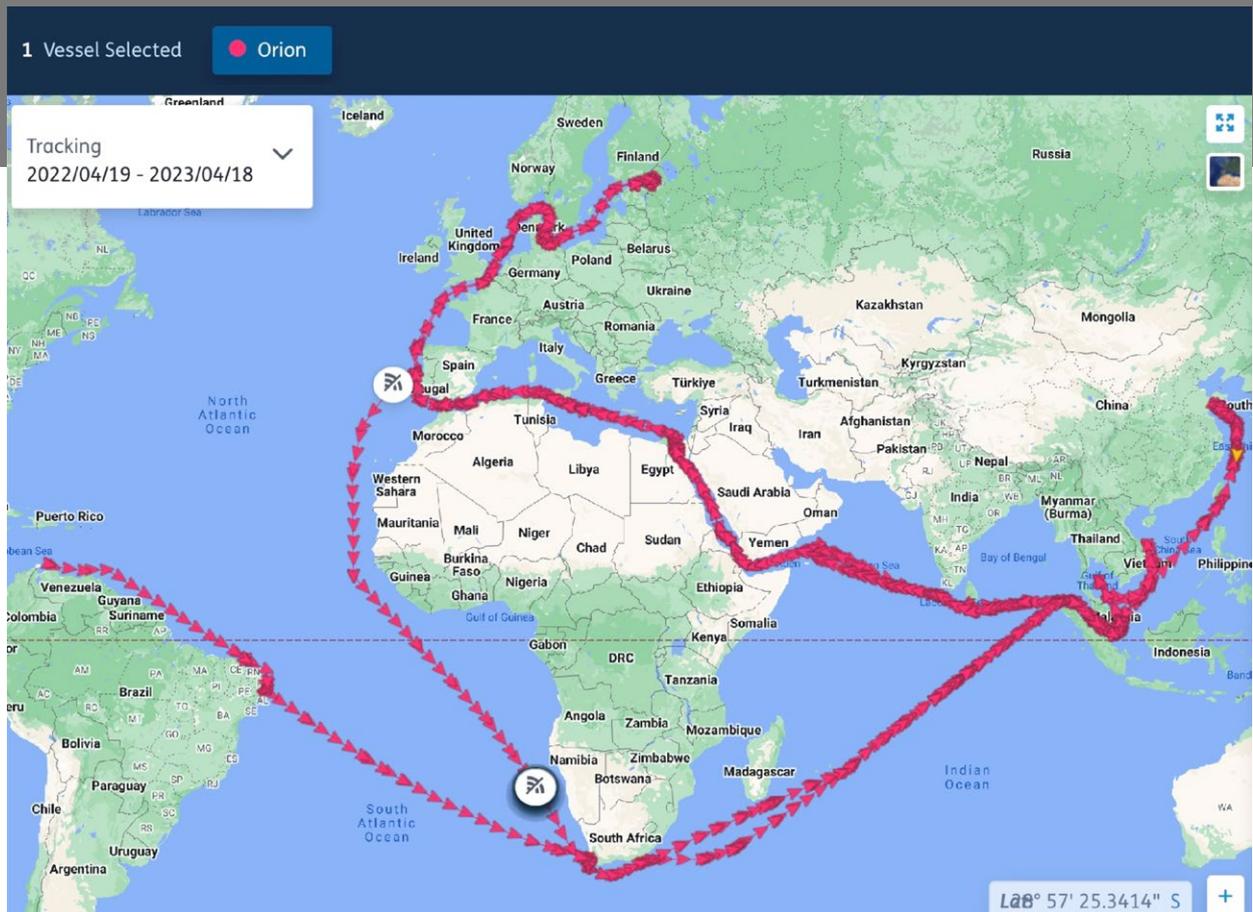


Image: Lloyd's List Intelligence / Seasearcher

Characteristics

Tanker flagged with high-risk flag open registry, based on most recently published Grey List and Black List compiled by the Paris Memorandum of Understanding. This indicates lower levels of technical and safety management oversight. Flags on the black and grey list used by dark fleet ships include the international registries of Cameroon, Togo, Comoros, Tanzania, Belize, Sierra Leone, Cook Islands, St Kitts and Nevis, and Palau. There are often frequent, unexplained gaps in Automatic Identification System signals, a history of flag-hopping (switching registries frequently), and no known insurance. Tankers may be operating in Russian and/or Venezuelan and/or Iranian oil trades.

Examples:

- Orion (IMO: 9131357)
- Neon (IMO: 9183295)

Cameroon-flagged aframax tanker Orion is one of the darker of the dark fleet vessels, and often described as a poster child for the high-risk and fraudulent activities they represent, accompanied by an apparent shortfall in technical oversight.

It is one of 36 tankers flagged by the privately run African registry and included in the dark fleet under current methodology. Who operates the Cameroon registry is unclear: a law firm in Panama, Bierman Pautt, and another in Cameroon, Kima & Partners, offer flag registration services for Cameroon, according to their website.

Vessel-tracking via AIS shows Orion transferred to Russian oil trades from Venezuela in the six months prior to April 2023. There are numerous gaps in AIS transmission (see graphic), but also more worrying are its links to fraudulently issued company numbers via the International Maritime Organization.

Georgia's maritime authority detected ISM and technical management companies connected with 10 Cameroon-flagged tankers that illegally claimed to be incorporated in their country, with unique identifier numbers mistakenly issued by the IMO as a result. The registered owner is a company incorporated in the Marshall Islands.



The country's IMO delegate requested any numbers connected with the 10 tankers be removed from the IMO database but while reference to an address in Georgia was removed, the companies remain with their assigned IMO numbers.

The Cameroon registry had not notified the IMO to request their removal, Lloyd's List was told. Neither law firm has responded to Lloyd's List request for comment.

These activities spurred the IMO's Legal Committee to develop an intersessional working group to define levels of due diligence required to use the IMO unique company owner and registered owner identification number scheme.

Palau-flagged Neon has changed names three times over the past three years and was previously flagged with Cameroon.

The 1999-built Aframax tanker was last tracked loading at the Russian Pacific port of Kozmino; its previous cargo was discharged at Ningbo, China.

The US government warned of oil export sanctions evasion from these ports in April 2023, as the value of this grade of Russian crude is trading above the price cap.

Palau Registry has been approached for comment and has previously indicated that it undertakes appropriate due diligence and that vessels it flags must sign contracts indicating they will not ship sanctioned oil.

4. Dappled grey

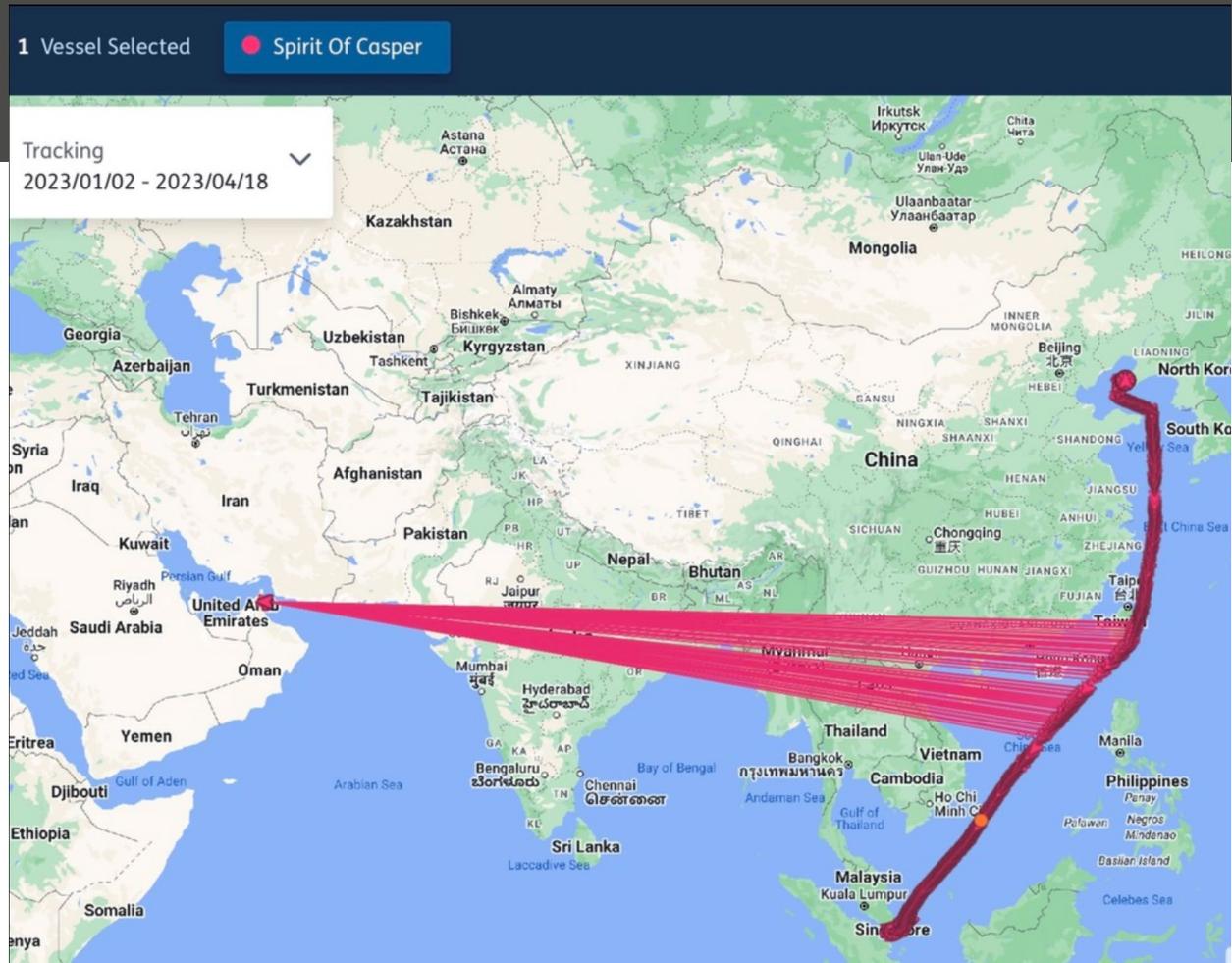


Image: Lloyd's List Intelligence / Seasearcher

Characteristics

Various shades of risk identified among a single fleet managed by one ISM or technical manager. Tankers may have differing degrees of vessel behaviour that fulfil dark fleet methodology as outlined by Lloyd's List, while others trade normally.

Example: Chemul Ships Management Company Co Ltd

Chemul Ships Management Company is the technical and ISM manager for six tankers with an average age of 23 years, with some, but not all, identified in dark fleet trading activity.

The Marshall Islands company was incorporated in 2020. The Equasis database shows a company with the same name listed via an address at the World Trade Tower in Shandong, China.

Chemul doesn't have a website or contact details. One of the newest additions to its fleet of tankers for which it provides ISM oversight is Spirit Of Casper (IMO: 9224271), a 21-year-old suezmax vessel.

The tanker changed registered ownership in February to Marshall Islands-incorporated, single-ship company Casper Marine Services Inc.

The Marshall Islands-flagged tanker's AIS shows irregularities in its vessel signal (see graphic), indicating it is at international waters outside Fujairah, while also in the China Sea. Spirit of Casper also undertook a ship-to-ship transfer with Cameroon-flagged Tiffani on March 23 2023 in outer port areas of Southeast Malaysia

These are deceptive shipping practices outlined in US government guidelines. Spoofing and ship-to-ship transfers are frequently used in Iranian shipments off Oman and the United Arab Emirates to avoid detection of cargoes being loaded via ship-to-ship transfers in international waters.

In mid-April 2023, the Office of Foreign Assets and

Control warned US maritime service providers that they may be covering tankers spoofing their signal while calling at Russian ports on the Pacific coast.

Spirit Of Casper does not have insurance with the International Group of 12 clubs.

Other tankers managed by Chemul, such as Cathay Star (IMO: 9199127), have different ownership structures and regular insurance within the International Group.

Cathay Star's registered owner is Hong Kong incorporated Cathay Tanker Limited, since changing hands in September 2022.

The single-ship company Cathay Tanker Limited is tracked to an address used for serviced offices in Hong Kong.

The single-ship structure, while complex, is typical in shipping.

Other vessels such as Shun Tai (IMO: 9242223) and Flora (IMO: 9133070) appear to be trading normally, even though another, Kin A (IMO: 9176993), exhibits signs of deceptive shipping practices.

The 23-year-old, Panama-flagged very large crude carrier has not called at any ports since July 2021, according to its vessel tracking.

Chemul assumed ISM and technical management of Kin A in February 2021, while its registered owner changed to Marshall Islands-incorporated single-ship company Hawks Navigation SA (entity number 106739).

Over the year to April 2023, AIS tracking shows the VLCC had not moved from two locations hundreds of nautical miles off the Liberian coastline in international waters.

This activity, and the broader region around West Africa is colloquially known as "spoofing central", as this is where many larger tankers appear to congregate based on their AIS signals (see graphic).

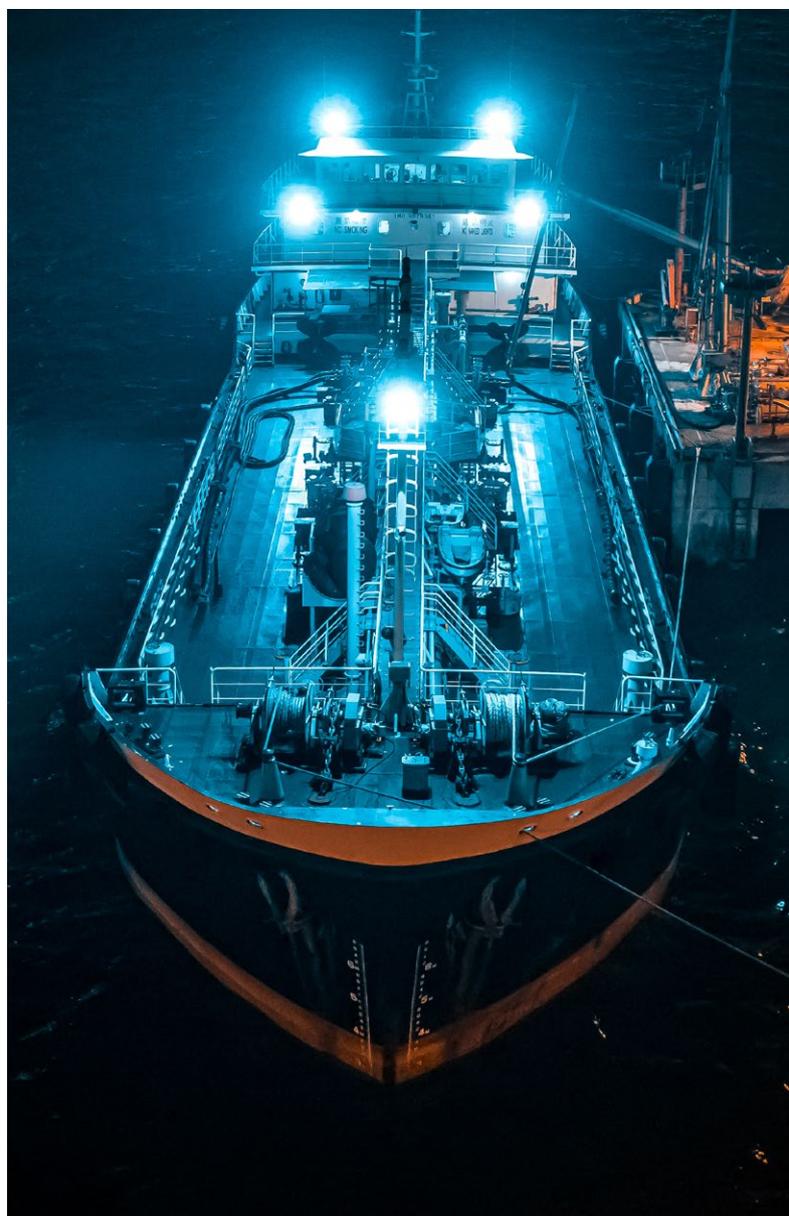
However, transponders are manipulated when compared with satellite imagery that has been used to track them to ports in Venezuela, where they are loading cargoes of US-sanctioned oil. Kin A is not entered with International Group clubs, and under Lloyd's List methodology is considered part of the dark fleet.

Another tanker managed by Chemul, Sino Star (IMO

9263693) called at St Petersburg on January 26 2023 but has insurance from American Club.

This means that its cargo is compliant with the oil price cap. Despite links with other dark fleet tankers, Sino Star is not included in the list and will not be unless there is future evidence of deceptive or evasive practices.

Chemul has no known website or email address. The only link found to Chemul Ships Management Co Ltd was Georgia-based Aleksandre Khomeriki, who identified himself as an employee of the company on LinkedIn. He was approached for comment.



5. Black

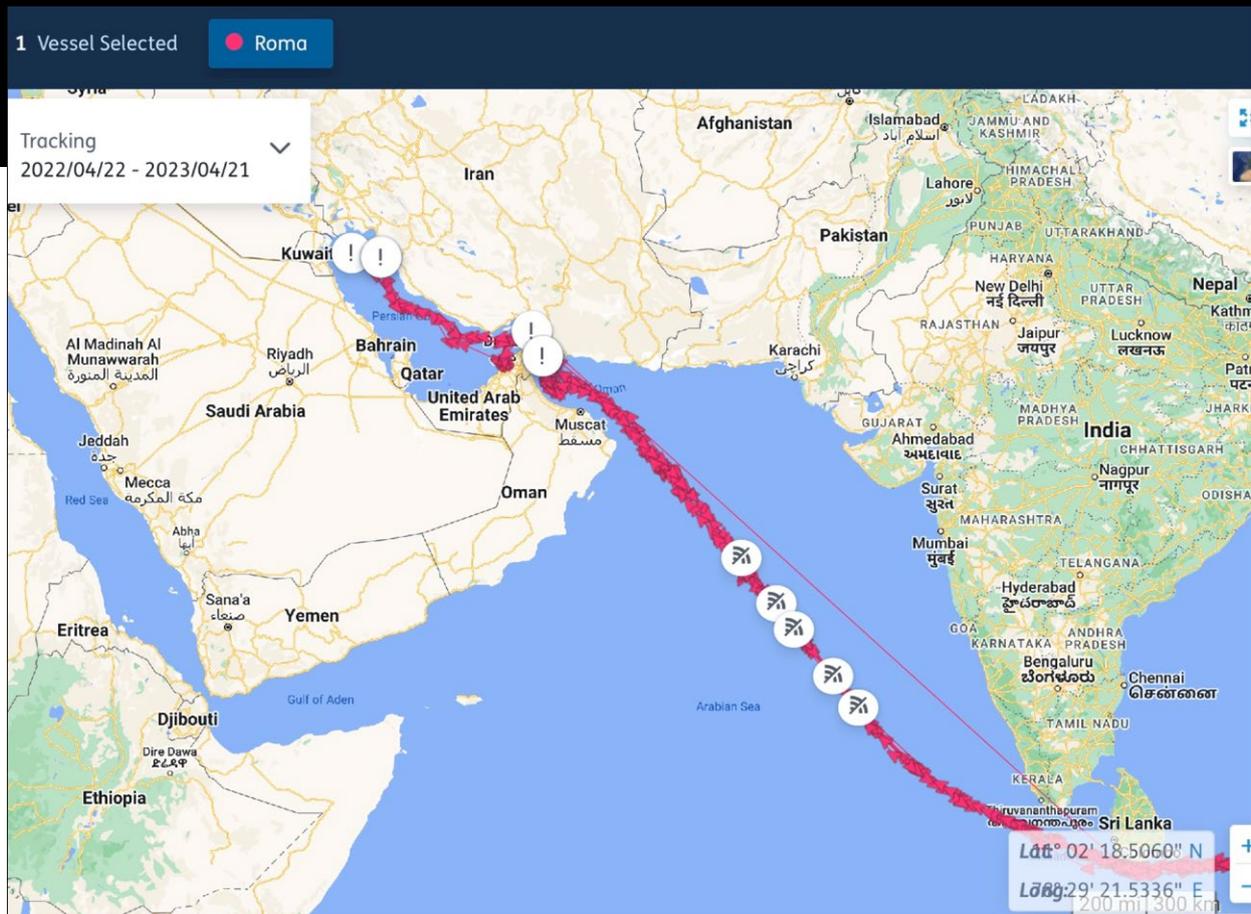


Image: Lloyd's List Intelligence / Seasearcher

Characteristics

The highest of the high-risk vessels that tick most, if not all, the boxes for deceptive shipping practices. These include falsely claiming to be flagged with registrations as well as other fraudulent representation of class and/or insurance alongside usual flag-hopping and voyage irregularities such as AIS manipulation and spoofing. Ownership and other technical management structures are either unknown or overly complex. There is no known insurance. Tankers do not make any tracked port calls, taking on cargoes via ship-to-ship transfers in international waters often with AIS switched off.

Example:

Roma (IMO: 9182291)

Roma is a 23-year-old very large crude carrier plying international trades falsely claiming to be flagged in Comoros and classed with Overseas Marine Certification Services. It has no known flag, class, or insurance.

The IMO's database shows its falsely flagged status, while the Panama-based recognised organisation confirmed to Lloyd's List earlier in April 2023 that Roma is not classed with its company.

Roma's registered owner is said to be Koro Shipping Services Inc, a company incorporated in the Marshall Islands, according to the IMO's GSIS website, in addition to Lloyd's List Intelligence and Equasis websites.

The company is shown as active on the Marshall Islands International Registries Inc website, and gives its address as Sharjah, United Arab Emirates, which cannot be traced. The ISM manager is unknown. There are numerous gaps in AIS transmission (see graphic), with the only known discharge port for its cargo shown as Dongjiakou, China, four months ago.

Many of these tankers frequently remain in international waters to escape port state scrutiny but in this case, Roma was also tracked to an anchorage at Manila, Philippines, between March 5 and March 8 2023, presumably to change crew.

Lloyd's List emailed the Philippines port authority on March 8 asking whether any checks were made given the tanker was fraudulently representing its registry and class. There was no response.

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