

# No workaround for Iran sanctions, even for EU owners, experts argue

**'All sorts of ways you can get into trouble,' top shipping lawyer warns**

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China and India have acceded to pressure from Washington and will not jeopardise dollar-denominated business



CLYDE & CO'S PATRICK MURPHY SAYS BEING OUTSIDE THE JURISDICTION OF SANCTIONS-ENFORCING COUNTRIES IS NOT ENOUGH TO REMOVE THE RISK OF PUNISHMENT FOR TRADING WITH IRAN.

US SANCTIONS on Iran are already hitting home, industry sources say, with no practical means for European shipowners to circumvent Washington-imposed restrictions to which their home governments have conspicuously not signed up.

Meanwhile, India, China and Japan — which secured waivers on similar measures in the past, pleading dependence on Iranian oil — will this time fall rapidly into line, early indications suggest.

Anyone looking for an opportunistic profit by seeking a workaround is likely to be disappointed, a partner at the Dubai office of a leading shipping law firm has warned.

There are “all sorts of ways you can get into trouble” for those that persist in calling at Iranian ports, Clyde & Co’s Patrick Murphy insisted.

Skirting the clampdown on dollar transactions by using the Chinese banking system and contracting Iranian or other non-International Group insurance via rogue brokers to may seem possible on paper. But pulling off such a stroke may prove somewhat harder in practice.

The outlook will come as a potential blow for many in the maritime industries, from containership and tanker operators to marine insurers who currently provide P&I cover for both Iranian vessels and ships of all other flags calling in the country.

The Trump administration earlier this month effectively acted to restore rules banning dollar business with Iranian concerns. The rules now revert to the settlement signed with Tehran by the US and others in 2015.

While port calls are not outlawed as such, the difficulties in obtaining trade finance and marine insurance in such circumstances have in effect put the kybosh on trading.

The other signatories — Britain, China, France, Germany and Russia — are standing by the deal. But that is of little avail in such a dollar-based sector as shipping.

As if to hammer home the point, International Group affiliates have this week sent out similarly worded circulars to members, outlining their predicament.

Steamship's version of the document stated: "Members who are considering trading with Iran are recommended to take specialist legal advice, as well as to consult with the club, particularly as P&I cover is unlikely to be available where providing insurance risks the imposition of sanctions by the US."

The IG is currently seeking clarification on a number of points from the US Office of Foreign Assets Control, particularly on their right to respond to claims arising from permitted voyages.

The sanctions provide for a wind-down period for contracts already signed, which lasts for 180 days in the oil sector, and 90 days for others. But many major players are clearly thinking ahead.

There are media reports that industry heavyweights Maersk and MSC are already reducing box services to Iran, which has a significant consumer market owing to its population of 80m.

But the oil trade will be the crux of the matter, with Iran exporting as much as 2.6m barrels per day, equivalent to about 5% of global output. Most of it heads to south Asia or the Far East.

Some countries negotiated partial exemptions from earlier sanctions, arguing that they could not suddenly axe Iranian oil supplies, and promised instead to reduce shipments incrementally year on year. The governments concerned stepped into to provide insurance cover in place of commercial insurers.

Among them was China, which currently buys some 650,000 barrels of Iranian crude a day. But this figure is now likely to decline sharply, with Chinese state-owned companies not wanting to do anything that prejudices dollar business.

India also continued to import Iranian crude throughout the last round of sanctions. But Reuters reports that Reliance Industries — owner of the world's biggest refining complex — is ready to axe crude consignments from Iran and make up the shortfall with oil from the US.

The decision is likely to have taken into account billionaire owner Mukesh Ambani's exposure to the financial system in the US, where he is active in the oil and telecom sectors. There may also have been pressure from insurers, Reuters added.

From a legal perspective, Mr Murphy confirmed: "There is nothing to say you cannot call at an Iranian port. But there are practical dangers in doing so. There are all sorts of ways you can get into trouble."

EU member states are upholding the 2016 deal. But even owners willing to take enhanced risks, perhaps in return for enhanced freight rates, will find things an uphill struggle, he said.

"If you get arrested for a spurious claim, you would have very limited ways to get your vessel out. Or there could be an arrest, or a delay at a port and you need to bunker, which would be contrary to the sanctions."

There are always brokers ready to take on controversial business, but the question is whether or not they can find sufficient capacity from underwriters willing to run the risk of being sanctioned themselves, he added.