Insurance Marine News

Turkey holds firm on insurance requirements; at least 15m barrels now stuck

By admin On December 12, 2022 In Cargo, Insurance Marine News, Keep, Marine Liability, Political Risk, Credit & Finance

Turkey on Friday December 9th declined to back down on its insistence of a letter of confirmation for insurance for tankers transiting the Bosphorus and Dardanelles – a requirement which the International Group of P&I Clubs has said was impossible to supply because it put its Member Clubs at risk of breaking sanctions rules.

Turkish officials, speaking to *Bloomberg* on condition of anonymity, estimated that by Friday about 2m tons, equal to nearly 15m barrels, of oil were being held up by the impasse.

The officials said that the backlog was not serious and that several vessels had navigated through since the rule began.

Citing its own compiled shipping data, *Bloomberg* estimated that about 25m barrels were now being held up. That same data suggested that just one laden crude tanker had managed to travel all the way through both straits since Turkey introduced its tougher rules on December 2nd.

Most of the cargoes in question were from Kazakhstan, although it was noted that several had arrived from Russia during the past few days.

Several independent observers in the west have expressed sympathies for Turkey's dilemma – an unintended consequence of the price cap on Russian oil imposed by the G7, the EU and Australia. The sanctions on Russia mean tankers can only access International Group liability (and oil spill) insurance if the cargoes they are carrying were purchased at $60 a barrel or less. Inevitably that created doubt in real time about whether an individual ship is covered. Turkey fears that, should there be a massive oil spill, cover subsequently could be denied on the grounds that the oil in the tanker concerned was purchased for more than $60 a barrel. Hence the requirement for a letter guaranteeing cover.

The Turkish authority said that in the event of an accident involving a vessel in breach of sanctions it was possible the damage would not be covered by an international oil-spill fund.

“(It) is out of the question for us to take the risk that the insurance company will not meet its indemnification responsibility,” it said.

This should not be an issue for oil from Kazakhstan, which is not subject to sanctions, the US Treasury has said.

The US and the EU have attempted damage limitation on the snarl-up, stating that Turkey was in essence “on board” and that in any case the price cap could not really be blamed for the problem. White House Press Secretary Karine Jean-Pierre said in a briefing on December 9th that “Turkey has made clear they share our interest in a well-supplied market. They want to resolve this issue and we are again having those conversations with Turkey, and we feel like we’re going to get to a place where this will get resolved.”

Turkey was understood to have rejected several letters because their wording was not right.

Turkey, meanwhile, allowed passage of two ships carrying crude to refineries in Izmit and Ceyhan in Turkey, after receiving necessary paperwork, they said. A third could also be allowed to pass depending on confirmation from another refinery in Aliaga peninsula on Turkey’s Aegean coast, the officials said.

Turkey plans to allow passage of nine tankers stuck in the Marmara Sea south of Istanbul because they were posing a security threat to shipping and the environment, the officials said.

Those tankers will be allowed to continue toward their destinations but might face additional costs related to security measures required to remove them from Turkish waters, the officials added (also see note below re Turkish announcement on Saturday).

The European Commission has doubled down on its stance earlier in the week, continuing to insist that the $60 price cap was not responsible for the queue of tankers. The number of vessels queuing in the Black Sea increased on Friday to more than 20, according to the Tribeca shipping agency, with a further eight stuck in the Marmara Sea waiting to travel south through the Dardanelles.

The EC said that the queues had “coincided” with the introduction of the cap. “This situation is not due to the G7 oil price cap, since there is, in any case a 45-day wind-down period for seaborne Russian crude oil purchased before 5 December,” an EC spokesperson told *Reuters*.

The G7 scheme’s transition period, which runs through to January 19th, means that services such as insurance can still be provided for seaborne Russian crude bought before December 5th, even if it was bought at a price above the cap. The EC spokesperson claimed that, after this transition period, Turkish authorities would be able to continue to verify the insurance policies of tankers in “exactly the same way as before”.

“We are therefore in contact with the Turkish authorities to seek clarifications and are working to unblock the situation,” the spokesperson said.

The EC interpretation does not match that of Turkey or the International Group. Turkey said on Friday that the vast majority of vessels waiting near the straits were EU vessels, with a large part of the oil destined for EU ports.

On Saturday Turkish authorities allowed an oil tanker to pass through the Bosphorus shipping strait. The vessel was flying the Turkish flag and its insurer provided a letter proving it had appropriate insurance, a local port agent reported, translating a statement by the country’s Directorate of General Maritime Affairs.

Shipping data seen by Bloomberg suggested that the tanker was the **Ottoman Sincerity** (IMO 9788710), which just left the Bosphorus strait, sailing south into the Sea of Marmara.

The notice also said that eight tankers currently sitting in the Marmara would have to give letters. If they failed so to do then the notice warned that Dardanelles strait would be suspended to “all” traffic while they were removed, the port agent’s translation of the notice said.

2017-built, Turkey-flagged, 83,537 gt Ottoman Sincerity is owned and managed by Gungen Denizcilik. It is entered with UK Club (area group E2 EMEA) on behalf of Gungen Denizcilik. As of December 11th, it was underway in the Marmara Sea.