



Michelle Wiese Bockmann

Principal Analyst
Lloyd's List Intelligence



It is unlikely we'll see physical oil flows disrupted through the Strait of Hormuz.

Unlike during the 1980s and 90s, Iranian oil isn't going to the US – it's going to China. And of course, it's not just Iranian oil that's flowing through there – there's oil from Kuwait, Saudi Arabia, the United Arab Emirates – and Iran would not want to antagonize those countries.

How are shipping rates responding to escalation in the region?

Shipping is the winner of all this geopolitical tension. There is record oil on the water, because of further distances due to rerouting on the Red Sea. We're also seeing inefficient logistics strategies being used by Russia, Iran, and Venezuela, to get their sanctioned oil to the market. So, we have very strong shipping rates, even though demand growth is moderating. Without these geopolitical tensions, global tanker rates would certainly be much lower.

Have stricter US regulations on ships carrying Russian oil been effective?

The US regulator has been able to directly sanction about 40 tankers, which are now considered toxic and cannot trade. The price cap and intensification of regulations has shifted more oil onto the parallel Dark Fleet of vessels that are trading outside of Western jurisdictions. The regulators have realized they're on to something, but they also have to very carefully choreograph those strategies because they don't want to shift more oil outside the price cap, which is what has happened. They want to, pressure Russia to sell its oil below \$60 a barrel, without interrupting the flow. Nobody wants to see oil and gas prices rise to where they were after Russia invaded Ukraine.

How is the western marine insurance system viewing all these dynamics?

I would say about 80% of the shipments from Russia, Iran and Venezuela are now undertaken on vessels whose insurance is outside the Western system. That raises serious safety and environmental concerns because of question marks on liability. If a tanker calls in at a Russian port, whether or not they're insured with a Western insurance provider, or under the cap or not, it's generally regarded that if the worst happens, that it's going to be very hard to find anybody that's able to provide any services. That's a big concern for the tanker shipping industry, that they are grappling with. ■

**Paraphrased Comments*