



SEMAPHORE

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Sanctions-Avoiding Shipping Practices Highlighted by IGP&I

Attention has been drawn on “recent deceptive practices” being deployed with and on vessels to circumvent trade sanctions, through a seven-page [circular](#) published by the International Group of P&I Clubs (IGP&I).

Issued on February 2, the IGP&I circular observed that cargoes traded in breach of international and national trade sanctions “appear to be on the increase”.

“Iranian oil exports, initially heavily restricted by sanctions programmes, are now thought to have risen from an estimated 340,000 barrels per day following the United States’ withdrawal from the Joint Comprehensive Plan of Action to an estimated 1.3 million barrels per day in March 2021,” it stated.

It noted that in September 2021 the United Nations (UN) Security Council Panel of Experts on the Democratic Republic of Korea (DPRK) published an interim report detailing widespread infringements of UN sanctions involving shipping and the DPRK.

The IGP&I circular highlighted deceptive techniques as including:

- manipulating a vessel’s Automatic Identification Signal (AIS) to disguise the vessel’s location and/or to alter a vessel’s digital identity
- changing a vessel’s physical appearance
- falsifying vessel and/or cargo documentation
- engaging in multiple ship-to-ship cargo transfers to hide the fact that the cargo originated in a country to which a sanctions regime applies

“Some of the techniques used to break sanctions have been in use for several years, while others are newer and have become more prevalent in the last 18 months,” it continued.

“All aim to minimise surveillance and detection through confusion or concealment of the identities of vessels, their cargo, geographical location and navigational activities.

“Such concealment poses risks for shipowners and their commercial partners who may inadvertently be employed to transport a sanctioned cargo.”

The IGP&I circular observed that while trade sanctions are applied widely by governments to promote individual foreign policy objectives, the following jurisdictions were particularly relevant in the context of controlled activities in maritime trade:

- Iran
- Syria
- Venezuela
- DPRK
- Crimea
- Cuba
- Belorussia



Consequences of Sanctions Breaking

The IGP&I circular warned there could be serious ramifications for the owners of vessels involved in sanctions-breaking activity.

“Most sanctions legislation requires a failure to exercise due diligence on the part of a shipowner or other party before a breach occurs,” it stated.

“However, in practice, states routinely act against shipowners found carrying a cargo that is deemed to be unlawful under its sanctions regime without necessarily considering the compliance procedures of the owner.

“States may only enforce sanctions through the criminal justice system to which the sanctions breaker is subject using designation or listing where it is domiciled elsewhere. Designation can then make it unlawful for third parties such as banks, charterers and insurers to deal with a shipowner.

“Being publicly linked with a sanction-breaking activity by the press or some other public communication can be extremely damaging. The IG has seen examples of vessels declined access to ports, refusal of banking services and removal from flag registries in response to unsubstantiated allegations of sanctions breaking.”

Underlining that IGP&I cover was not available for unlawful trading, the circular further noted that cover may also be terminated “where there is a risk to the Club and the provision of insurance may put the Club at risk of, or in breach of sanctions, even if the underlying trade is lawful”.

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