

Sanctions with leaks. Oil on the (il)legal market



By Marek Grzybowski

Oil and gas traders improved their sanctions evasion in 2024 and introduced new methods of transporting energy resources by sea in 2024. A report by analyst firm Windward indicates that new methods of illegal activity, including the destruction of underwater infrastructure and the emergence of new flags of convenience, have made it more difficult to monitor illegal oil and LNG trade.

In addition to illegal operations related to the transport of oil and gas from Russia, sabotage actions in the Baltic Sea have been added, involving damage to undersea cables and critical infrastructure elements, according to the Windward Trade Patterns & Risk Insights Report for Q4 2024. According to the data provided there, the monthly average of illegal activities increased by 29% in 2024 compared to 2023.

The new method of sabotage includes voyages to Russian ports in the Baltic Sea, followed by illegal activity in the Baltic Sea. Windward calculated that “compared to Q4 2023, the sequence of illegal behaviors increased by 187% in Q4 2024, which excludes seasonality.”

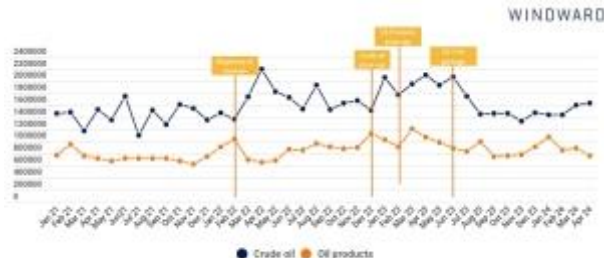


Figure 7: Russian oil BPD moved using the dark fleet

Data obtained from satellite observations allowed us to state that the Barbados registry has become increasingly popular among operators of the black and gray fleet in 2024. The share of ships flying under this flag reached 20% at the end of last year. Among the shipowners who changed the flag to Barbados in 2024 is, among others, Sovcomflot. Previously, the ships of this Russian operator were registered under the flag of Gabon.

Although in most cases the concept of the “shadow fleet” (sometimes also translated as “black fleet”, “dark fleet” or “dark fleet”) is used, some also add the “gray fleet”, arguing that not all units operate on the same principles. However, in Q4 2024, both the grey and black fleets remained stable. Shipowners from all corners of the globe operated over 830 grey fleet ships and over 1,600 black fleet ships, Windward reports. The three main flags chosen by shipowners of both fleets were: Panama, Liberia and Russia.

A particular increase in GNSS manipulation was noted in 2024 in the Arctic region near the Russian LNG2 base. Windward even claims, based on satellite observations, that this was the center of such events last year.

Western regulators accelerate sanctions



Sanctions in a Package

A few days ago, the Office of Foreign Assets Control (OFAC) announced the largest ever package of U.S. sanctions on shipping and Russia. The sanctions were imposed on 183 ships, including 155 tankers, as well as oil trading companies and insurers that work with maritime shadow fleet operators.

The situation on the oil market after the imposition of sanctions will not change much on a global scale. Imposing sanctions on about 200 tankers is indeed an easy margin for global oil traders to circumvent. Operators have long been using ship-to-ship transshipments at sea or in selected terminals.

Recipients from China, India and Turkey will continue to import Russian crude oil because it is simply profitable. The situation on the market will not be changed by the decision of the Shandong administration, whose authorities announced that they are prohibiting the provision of services to ships covered by US sanctions. In this region, private refineries are the recipients of Russian oil. We reported on this here.

According to the latest information, 60 of the 155 tankers on the OFAC list sail under the Panamanian flag. However, these are only estimates, because in the case of the fleet, the registry, shipowner, ship operator and cargo owner often change overnight. Owners of sanctioned ships are certain to deregister tankers, as the Panama Maritime Authority (PMA) took decisive steps to protect the integrity of its shipping register following the outbreak of the war in Ukraine.

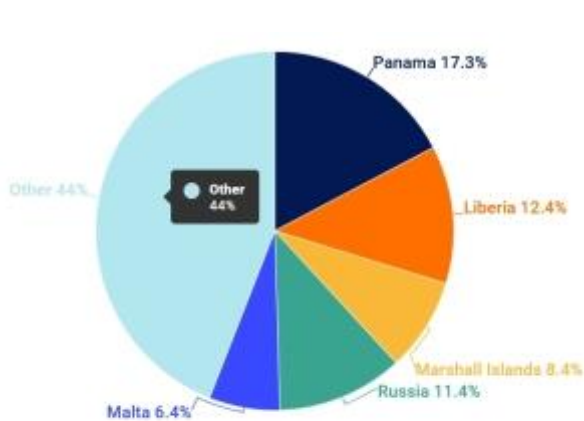


Figure 3: Percentage of national flags of dark fleet vessels

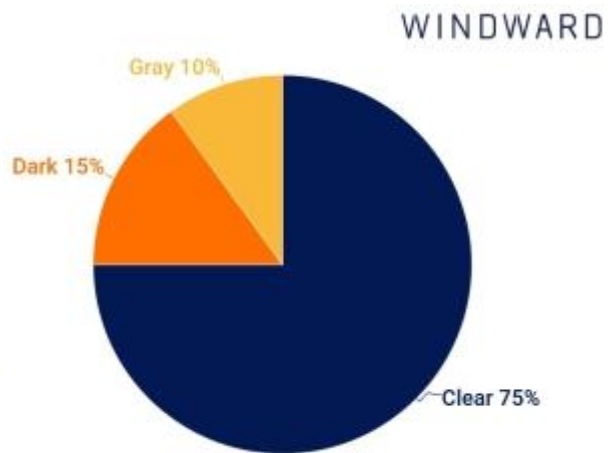


Figure 1: Global wet cargo fleet distribution

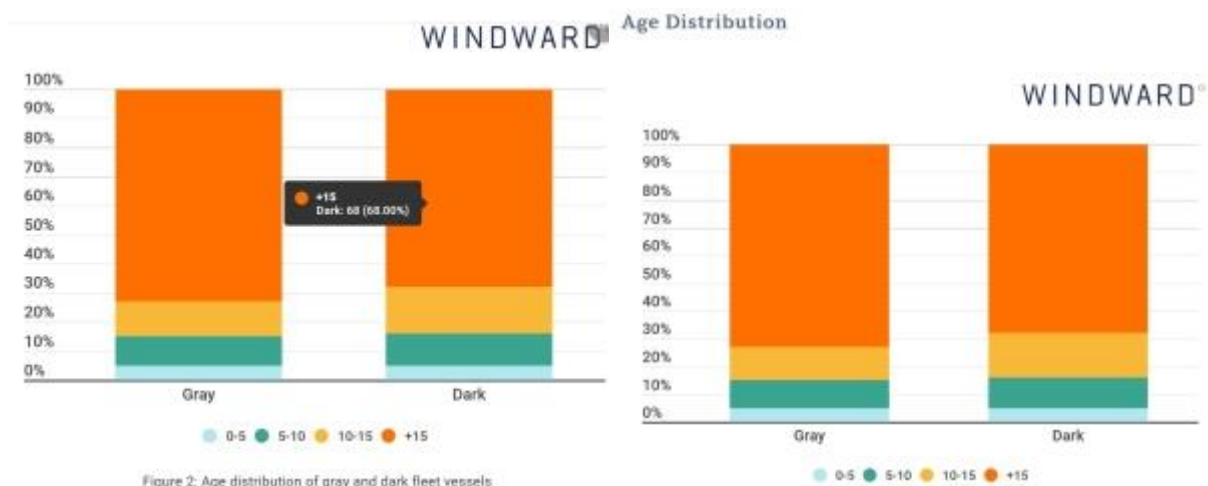
In Panama,

strict legal measures have been introduced against ship operators on international sanctions lists. The new regulations allow for the immediate cancellation of a ship's registration and navigation licenses, significantly increasing Panama's response to the growing global sanctions for illegal maritime activities. We wrote about it [here](#).

More than 30 tankers are known to fly the Barbados flag. Barbados entered the Russian market in 2024, taking over ships that were thrown out by other registries after the imposition of sanctions or those belonging to Sovcomflot. The registry announced in November last year that it would deregister ships sanctioned by the UK, but there is no information about the response to the sanctions imposed by the US. For now, the Barbados Registry states on its website that it intends to improve its position of No. 27 in the world flag ranking and move much higher. It is the 3rd largest registry in the Caribbean region.

The time of the war in Ukraine was used effectively on the islands. It is highlighted that "the Barbados Maritime Ship Registry (BMSR) has seen significant fleet growth over the past three years, increasing its register from almost 2 million GT to over 9.5 million GT. This expansion has catapulted the register into the top 30 flag states by gross tonnage, up from 70th place."

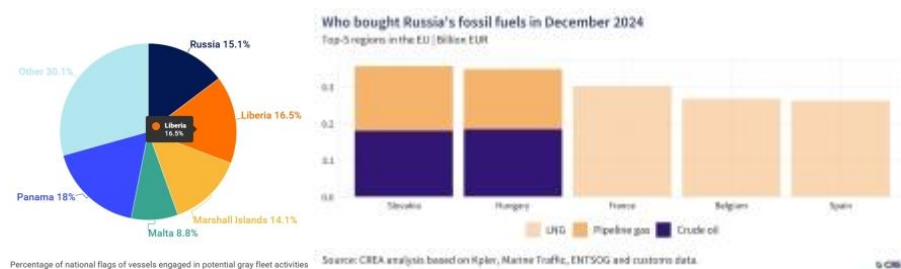
About 15% of the shadow (black and grey) fleet currently sails under obscure flags. Diplomatic pressure is being exerted by developed countries on states that offer flags of convenience. Particular attention is being paid to the maritime registries of Barbados, Gabon, the Cook Islands and Cameroon. As you can see, this has had little effect, as Windward data shows that operators have no problem finding maritime offices that register tankers subject to sanctions. The number of ships sailing under flags of convenience increased in the second half of 2024.



Shipowners from Greece, Turkey, the United Arab Emirates, China, India and Turkey are the main beneficiaries of the sanctions imposed on the Russian oil trade. Therefore, operators of many leading maritime states and companies servicing them are making money from the introduction of sanctions and operating shadow fleets. They use various tricks to legalize the cargo before it reaches the final recipient.

Windward's Maritime AI platform distinguishes three levels of legality of vessels operating in the Russian oil maritime transport market. The fleet that is legally clear (Cleared fleet) is a fleet of tankers that do not show any suspicious behavior, such as changing flags or an ownership structure that is difficult to identify.

The Grey Fleet is "a completely new phenomenon that has developed after the war with Russia. After the outbreak of the war, foreign companies were quickly established to hide the origin and ownership of the vessels and to give the impression of being law-abiding," Windward says. This fleet is referred to as "grey" because in many cases it is difficult to determine whether its operations are legal. A significant number of these ships also frequently change flags ("flag hopping"). Windward has identified over a thousand gray ships worldwide.



The dark or black fleet often uses illegal activities. In order to make it difficult to identify a vessel, the AIS system is deliberately disabled. Operators also use various techniques to make oil cargoes credible, such as transshipping from a sanctioned vessel to a legal vessel. This can be done through ship-to-ship (STS) transshipment at sea or at fuel terminals.

Ship owners also use deceptive shipping practices (DSP), such as manipulating identification systems or obfuscating location. Tracking systems and artificial intelligence can identify vessels and monitor suspicious operations. However, the practice has become so widespread that Windward has identified around 1,300 vessels in the dark fleet.

“The gray and dark fleets are made up of vessels that pose a legitimate risk due to often difficult-to-detect activities related to attempts to smuggle cargo from Russia,” emphasizes ship tracking company Vortex. Vortex’s technology calculated that the grey fleet was carrying around 1.4 million barrels of oil per day each month following Russia’s invasion of Ukraine.

That represents a 111% increase in supply compared to pre-invasion levels. Under the same criteria and time frame, the flow of dark fleet oil increased by 19%, Windward calculated. These volumes are attributed solely to Russian crude.

The latest report by Windward and Vortex shows that sanctions are not very effective, and that they are not only benefiting the Russian Federation. The beneficiaries include operators and shippers who legitimize operations, insurance companies and brokers, and finally refineries that process Russian crude and introduce it as products to the market, including in the European Union.