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POTEN TANKER OPINION

Navigating Uncertainty

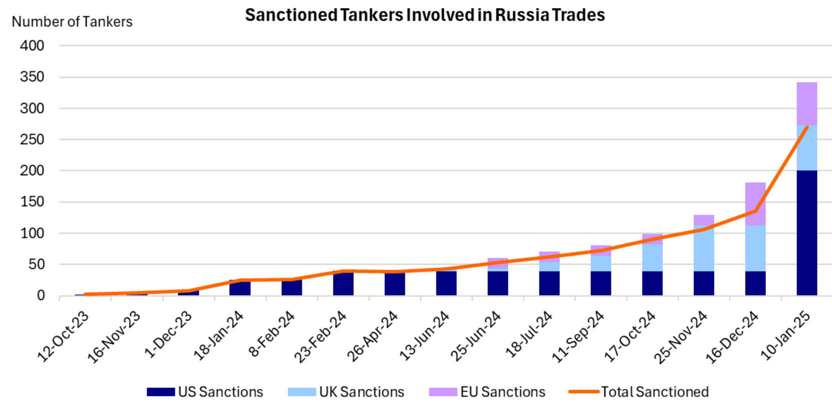
Geopolitics has returned to the oil and tanker markets

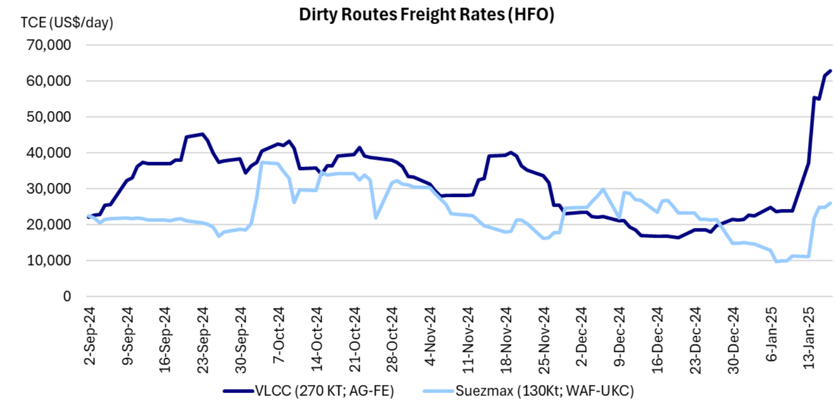
Geopolitics are intricately linked with the international oil and shipping markets, influencing commodity prices, supply and demand balances and logistics. Developments over the last few weeks have served as a stark reminder of this. Since the beginning of 2025, there have been a number of market developments and government actions that created significant volatility and uncertainty in the energy and shipping markets. In this Weekly Opinion, we will highlight a few of them and their potential impact going forward.

One of the key developments that created significant uncertainty in the oil markets was the election of Donald Trump and his “America First” agenda. His strong support for the widespread use of tariffs unsettled many trading partners worldwide. Neighboring countries such as Canada and Mexico were mentioned by Mr. Trump as targets and since they are important energy suppliers to the United States, the introduction of across-the-board tariffs could have major implications on oil and product flows in and around the North American continent. Mr. Trump has also made comments about the Panama Canal and will likely impose more sanctions on Iran and possibly Venezuela as part of a “maximum pressure” campaign. The impact of higher tariffs on China and the global economy is uncertain but needs to be considered as well. To add further tension to the U.S.- China relationship, the Pentagon blacklisted Chinese shipping giant COSCO and two Chinese shipbuilders, due to alleged ties to the Chinese military. President-elect. Trump will be inaugurated on Monday, January 20, and we expect to find out very quickly which of his policies will be prioritized.

The first development that triggered a market reaction was the announcement in early January by the Shandong Port Group Co. Ltd., one of the leading port companies in China, that they would block tankers that are on the U.S. sanctions list from using its port facilities. The Shandong Port Group serves many of the so-called “teapot” refiners in China, which import significant volumes of both Iranian and Russian oil. When this policy was announced, only 39 were sanctioned by the U.S. Office of Foreign Asset Control (OFAC), in addition to 73 tankers sanctioned by the UK and 69 by the EU. Because there is some overlap between the vessels targeted by the sanctioning bodies, the total number of sanctioned tankers was 135. However, on Friday, January 10th, the U.S. added 161 tankers to this list, doubling the total to 270 (see Chart 1).

The U.S. sanctions announced on January 10 are not limited to tankers. They also targeted two major oil producers, several traders and providers of marine insurance, in addition to a number of oil-service providers. The U.S. sanctions typically carry more weight than the UK/EU sanctions and this package had an immediate impact on the market (Chart 2). VLCCs and to a lesser extent Suezmaxes benefited as charterers fixed alternative tonnage to replace Russian barrels. The tankers sanctioned by the U.S. last week carried 1.6 Mb/d of Russian oil in 2024 (40% of Russia’s seaborne exports). The expectation is that the ability of these vessels to trade internationally will be significantly curtailed. Out of the 39 tankers that OFAC has sanctioned since late 2023, 33 (85%) have remained idle. In addition to the Shandong Port Group, India (the largest importer of Russian oil) also indicated that they will ban OFAC sanctioned vessels once the transition period on March 12, 2025, ends. If these sanctions hold and both China and India limit the use of these tankers, Russia will be looking for alternatives. They may be forced to sell their oil below the $60 price cap to encourage mainstream owners back into the trade. This would boost tanker utilization and rates.





Sources: US Treasury dept., UK Treasury, EU; Poten & Partners

Last, but not least in the long list of geopolitical events to kick off the New Year is the cease-fire that was agreed between Israel and Hamas. The Houthi’s, which have terrorized commercial shipping in the Red Sea/Gulf of Aden since late 2023 have indicated that they will cease their attacks when the ceasefire enters into force. However, most shipping companies will adopt a wait and see attitude, so we don’t expect an immediate resumption of normal traffic through the Suez Canal and the Bab al-Mandeb Strait.

We are only in January and President Trump is not even in office yet. It is time to fasten your seatbelts: 2025 could be a bumpy ride!

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