

# Russian ships switch flags as US looks to target 'marine' companies

Flight of vessels to international flags comes amid mounting sanctions against Russian economy

Eric Priante Martin  
Stamford

A string of ships has fled the Russian flag to international registries as trade sanctions and company actions further isolated the country's shipping fleet in the wake of Moscow's invasion of Ukraine.

The move comes as pressure builds to apply more sanctions on the Russian economy, with the US threatening to begin targeting the marine sector.

Technology firm Windward, which uses artificial intelligence to analyse shipping data, said 18 vessels switched their flag from Russia to another country's registry in March. That is roughly three times the average number of monthly flag changes for data dating back to January 2020.

Many of the movements are likely part of a continuation of companies distancing themselves from Russian links amid evolving sanctions and reputational risks.

"Flag hopping" is considered a deceptive shipping practice by US officials, although the activities unveiled in the Windward data does not yet rise to the level of the repeated flag changes that are seen as a sanctions evasion manoeuvre.

"In the context of the current situation between Russia and Ukraine, such a trend is likely to point to one of two scenarios: honest business people trying to continue trading as usual without the potential hurdles that a Russian flag could create for them, or bad actors that intentionally hide their Russian identity and/or business connections to deceive authorities and counterparts," Windward said in its report.

The firm said five of the vessels that left the flag are owned or operated by Russian companies.

**FLAGGING ISSUE:** The Russian Maritime Registry of Shipping is considered a high-quality flag. It is on the whitelist of the two main port-state-control treaty organisations

Photo: Pixabay



The Russian Maritime Registry of Shipping runs a well-regarded shipping flag, appearing on the whitelists of the top international port-state inspection regimes, the Paris MOU and its Tokyo counterpart.

#### MOVE TO MARSHALL ISLANDS

The majority of the vessels that fled Russia's flag, or 11 of them, switched to the flag of the Marshall Islands, Windward said. Run by US firm International Register, the flag has one of the top records among flag states.

Windward said three moved to St Kitts & Nevis. But the country's ship registry told TradeWinds it is not considering registrations from vessels known to be flying the Russian flag.

The flag switching comes after

recent evidence showed Russian tankers are increasingly engaging in "dark activities", when AIS tracking data is either turned off or otherwise not broadcasting.

And the development movement comes as sanctions on Russia are expected to ramp up amid allegations of brutality in its war on Ukraine.

On 31 March, US treasury secretary Janet Yellen signed an order that opened the door for the Office of Foreign Assets Control to apply sanctions to companies and individuals in the Russian "marine" sector, in addition to aerospace and electronics.

It is not clear what falls under the definition of marine for the US Department of the Treasury, as sanctions experts have not



**JANET YELLEN:** The US treasury secretary has determined that 'marine' is covered by sanctions against Russia

Photo: Scamper

seen Washington officials use the term in this way before.

TradeWinds has requested clarification from the press team at the Department of the Treasury.

"I think a fair inference is that shipping will come under focus," sanctions lawyer Andrew Jacobson of New York law firm Seward & Kissel said.

## Underwriters fear Putin may confiscate vessels



**RUSSIAN PRESIDENT:** Vladimir Putin introduced a new law to take control of foreign-owned aircraft assets

Photo: Kremlin

Adam Corbett

Concerns that Russia may be preparing to seize foreign-flag ships at its ports played a part in the whole country being designated a high-risk area this week by London's Joint War Committee (JWC).

The JWC has said the current Black Sea and Sea of Azov high-risk areas will be extended to cover all Russian sea areas.

Sources familiar with the decision said the London market is worried that shipping may be the next sector to be caught up in the tit-for-tat economic sanctions war being played out between the West and Russia over its Ukraine invasion. The concerns were prompted

by President Vladimir Putin's order earlier this month to seize hundreds of aircraft in Russia that are owned by foreign leasing companies but operated by Russian airlines.

Under Putin's new law, aircraft have in effect been confiscated and re-registered in Russia.

So far, only a handful of the 500 aircraft in Russia, which are owned by foreign leasing companies, have been allowed to leave the country.

Foreign-flag ships could be vulnerable to a similar move at Russian ports if the sanctions war continues to escalate, underwriting sources told TradeWinds.

War risk underwriters have started to investigate just how

serious the risk is before determining rates in the new Russian high-risk areas.

The extended high-risk area will include major Russian trading ports in the Baltic, like Primorsk, the White Sea and eastern ports like Vladivostok.

War risk rates for the Black Sea and Sea of Azov, which are directly impacted by the war, range between 1% and 2% of ship valuations.

The extended Russian war risk zone will begin on 15 April. Shipowners trading to Russia have been informed of the new high-risk areas and entered into a seven-day notification period.

No rate has yet emerged for the latest Russian high-risk areas.