

Tankers

Dark fleet retirement could see scrap prices plummet, warns Lila Global S&P chief

Veteran says 90% of the dark fleet will not be able to trade if sanctions are lifted



Faidon Panagiotopoulos estimates there are 1,500 tankers in the dark fleet. If sanctions are lifted, 'this fleet ... will be a big problem'. (Photo: Jonathan Boonzaier)

Jonathan Boonzaier
Singapore



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Lila Global's head of sales and purchase warns that scrap prices could plummet by 35% if a peace treaty in Ukraine negates the need for the vast dark fleet of tankers carrying non-compliant Russian crude and petroleum products.

Such a large writedown in scrap values, Faidon Panagiotopoulos stressed, would affect other owners of older vessels as banks holding mortgages on older ships tie their values to their estimated scrap values.

Speaking on Wednesday at a shipping conference in Singapore organised by S&P Global Platts, he said most of the vessels in the dark fleet are above 20 years of age and will not be charter candidates for oil majors and traders if they return to the legitimate market.



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Panagiotopoulos worked as a demolition broker at cash buyer GMS until moving over to its shipowning arm.

He said vessels would not meet the age criteria for most tanker charterers and loading terminals, and there are concerns about their condition, as most have been subjected to suspect maintenance and lack oversight from IACS classification societies, flag states and vetting organisations.

“In case of a ceasefire and the primary sanctions on the tanker fleet are lifted if the US and Europe are satisfied with Russia, Putin and everything, I simply believe that this fleet, which is considerable, will be a big problem,” he said.

Panagiotopoulos estimated that there are 1,500 tankers in the dark fleet.

The US Office of Foreign Assets Control alone has sanctioned close to 600 vessels totalling about 77m dwt, of which 62.5% are older than 20 years.

Age profile of OFAC sanctioned tankers

Type	Total number	Total over 20 years
VLCC	135	91
Aframax	166	91
Suezmax	65	43
Other tanker types	216	137
TOTAL	582	364

Source: Faidon Panagiotopoulos/Lila Global

TradeWinds

✱ A Flourish table

“I don’t know if any charterers will want to charter these vessels. In reality, the only option for 90% these vessels is to recycle them,” Panagiotopoulos said.

In a worst-case scenario, one in which dark fleet tankers were sold en masse for recycling immediately after sanctions against Russia are lifted, he predicted that the impact from such a deluge of tonnage hitting the ship recycling beaches of South Asia would be a drop of up to 35% in scrap prices.

“The owners of these ships have made fortunes operating them and don’t really care how much they will get from selling them for scrap. They will sell at a discount,” he told TradeWinds on the conference sidelines.



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This will complicate things for other owners of older ships: “Banks will have to

re-evaluate the values of older tankers, and owners will have to make up the differential through trading the vessels.”

However, Panagiotopoulos and other conference delegates to whom TradeWinds spoke said that a more likely scenario would be a more gradual phase-out of the dark fleet.

Some vessels could shift into storage roles, especially off India, which is building up its oil reserves but lacks land-based storage capacity, according to energy analyst Vandana Hari, chief executive of Vanda Insights.

A slower pace of dark fleet recycling would probably reduce the negative impact on scrap prices to 15% to 20%, Panagiotopoulos believes.

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