

More than half of shadow fleet oil tankers pose environmental disaster risk

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Ageing sanctioned ships should be scrapped, says leading ship recycler



The closure of the Strait of Hormuz has prompted a slowdown in ship scrapping © Nayeem Noor/GMS

The head of the world's biggest ship recycling company has warned that more than half of the world's fleet of sanctioned oil tankers is corroding and runs the risk of causing significant environmental disaster.

Anil Sharma, chief executive of GMS, told the FT that "luck was running out" to avoid a major oil slick such as the 1979 crash between SS Atlantic Empress and the Aegean Captain, which resulted in more than 2mn barrels of oil being spilled.

"Minimum one-third [should be scrapped], maybe more," he said of the so-called shadow fleet ships. "I would honestly think it is more than half."

The shipbroker Clarksons estimates that there are around 1,800 ships in the shadow fleet, of which around 1,500 are oil or product tankers. Many are well over 20 years old, usually around the age at which a cargo ship would be scrapped. After this point, outdated systems and corrosion from years at sea can compromise their seaworthiness.



Anil Sharma, chief executive of GMS, said 'luck was running out' to avoid a major oil slick ©
Nayeem Noor/GMS

Owners of sanctioned vessels are currently pushing the lifespans of their ships to the maximum thanks to lucrative trading as a result of the surge in oil prices due to the Gulf crisis.

The sanctions mean that legal pathways to have the ships taken apart and recycled are largely blocked, and although there have been no major environmental disasters, there have already been minor incidents of oil spills and near misses involving shadow fleet ships.

"This is a ticking time bomb and I think everybody in shipping knows it," said Alexander Saverys, chief executive of CMB Tech, one of the largest listed shipping companies.

"These things are uninsured, badly maintained, have a substandard crew on board, it's just an accident waiting to happen. And it's actually a big surprise that no big accidents have happened."

GMS was this week awarded the first licence by the US sanctions authority Ofac to recycle four vessels that were among more than 50 sanctioned last year by Washington for links to the Iranian oil magnate Mohammad Hossein Shamkhani.

Sharma said he was bound by privacy agreements not to disclose the seller or price of the transaction but said that it was in the "millions" and "profitable" for GMS. The seller was an institution that was not sanctioned, he added.



Many ships in the shadow fleet are well over 20 years old, usually around the age at which a cargo ship would be scrapped © Nayeem Noor/GMS

Sharma said he hoped that this would be a test case for an accelerated process that would licence sanctioned vessels for recycling at a much faster rate. It took seven months to get approval for the initial four ships, he said.

GMS has not yet approached UK and EU sanctions authorities to request similar licences but is in talks with owners of other sanctioned vessels to see if they can be recycled.

“There’s only one option for these vessels [which] is to get recycled,” the GMS chief executive said, adding that the biggest challenge was to ensure that proceeds of the sale of old ships did not flow back to “bad actors”.

“In shipping, the layers are very opaque, offshore companies that run it, but who is the ultimate beneficial owner and what’s the background of this owner? That identification process is not simple.”

The closure of the Strait of Hormuz has also prompted a slowdown in ship scrapping, particularly as Gulf countries are using all the tankers they can get hold of to store oil.

If and when the strait is reopened, Sharma said that he expected a surge in demand for ship recycling, once ships had discharged their cargoes. There were also several ships that had been due to be scrapped that are trapped inside the Gulf, he said.