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EXCLUSIVE LOGISTICS REPORT

Why One Big Ship Buyer Wants Shadow Fleet Tankers

GMS seeks a U.S. license to legally pay cash for sanctioned ‘floating rust buckets’

By [Paul Berger](#) [Follow](#)

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The world’s largest cash buyer of ships for scrap is setting its sights on the shadowy tankers that ferry illicit oil from Iran, Russia and Venezuela.

GMS filed a request this month with the Treasury Department’s Office of Foreign Assets Control for a license to buy sanctioned ships.

The company’s founder and chief executive, Anil Sharma, says if OFAC grants the license it will help the U.S. slash the size of the so-called shadow or dark fleet by allowing sanctioned vessel owners to exit the industry.

The U.S., European Union and U.K. have stepped up actions to identify and impose sanctions on owners and operators of shadow vessels and to seize ships. The U.S., which recently [deposed Venezuelan strongman Nicolás Maduro](#), has ratcheted up pressure on illicit oil traders by [seizing seven tankers](#)—a fraction of the more than 2,000 vessels maritime intelligence firm Windward estimates is engaged in dark fleet activities.

“The U.S. cannot seize all these vessels,” Sharma said.

Sanctioned shipowners can’t easily dispose of vessels. People and companies under U.S. sanctions are barred from doing business with American citizens and firms. They are also shut out of international financial systems that support dollar-denominated transactions.

GMS, which is incorporated in Maryland and headquartered in Dubai, argues that a legal mechanism for sanctioned owners to scrap ships would benefit the U.S. because it reduces the number of vessels that can carry illicit cargoes and provides revenue for U.S. banks and related industries.

The company says a scrapping mechanism would also make the oceans safer for legitimate ocean shipping companies that today share congested trade routes with older, poorly maintained shadow ships that often operate without insurance.



GMS founder and CEO Anil Sharma GMS

“A lot of them are little more than floating rust buckets,” said Michelle Wiese Bockmann, a senior maritime intelligence analyst at Windward, who noted that shadow vessels that do carry insurance often [sail under a false flag](#), invalidating coverage. “The dark fleet is an accident waiting to happen.”

Scrap dealers like GMS act as middlemen. They buy and transport ships to specialist yards in Turkey, Bangladesh, Pakistan and India where the vessel is stripped of its fixtures and fittings and its steel is melted or reused.

Sharma says GMS is the only firm with the financing, experience and reputation to be trusted to take 100 or more dark fleet ships a year off the water.

“With all humility and modesty, I am the only guy who is capable of doing this because of the scale we have, number one,” Sharma said. “Number two, the U.S. background, and number three, the track record.”

Clarksons Research says 936 tankers are under sanction today, more than double the number at the beginning of last year and the equivalent of 16% of global tanker fleet capacity. The ships are, on average, more than 21 years old, seven years older than the average tanker on the ocean.

The Trump administration has shown no desire to help dark fleet operators. Claire O’Neill McCleskey, who until recently led OFAC’s compliance division, said it was unlikely the Trump administration would authorize a mechanism that provides payments to sanctioned shipowners.

“In order to be considered there would need to be some other incentive on top of just getting the vessel off the water,” she said.



Ships sent for scrapping go to yards like this one in Gujarat, India. AMIT DAVE/REUTERS

Sharma said he knows multiple sanctioned shipowners who would like to scrap ships but continue in the shadow trades because they can't sell the vessels and can't afford to keep them idle. He suggested the U.S. could devise a scrapping system whereby shadow fleet operators pay a penalty to the U.S. government and the government puts conditions on the use of funds from the sale.

Sharma said GMS's suggestions for a scrapping mechanism have been “well received” by OFAC officials. A treasury representative said the department doesn't comment on license applications, but added: “To safeguard maritime safety, we are committed to responsible solutions to get these designated vessels off the water.”

Matthew Thomas, a lawyer at Blank Rome in Washington, D.C., who represents GMS, said the OFAC process usually takes months, “but GMS is urging policymakers to expedite their review due to the dangerous glut of dark fleet vessels.”