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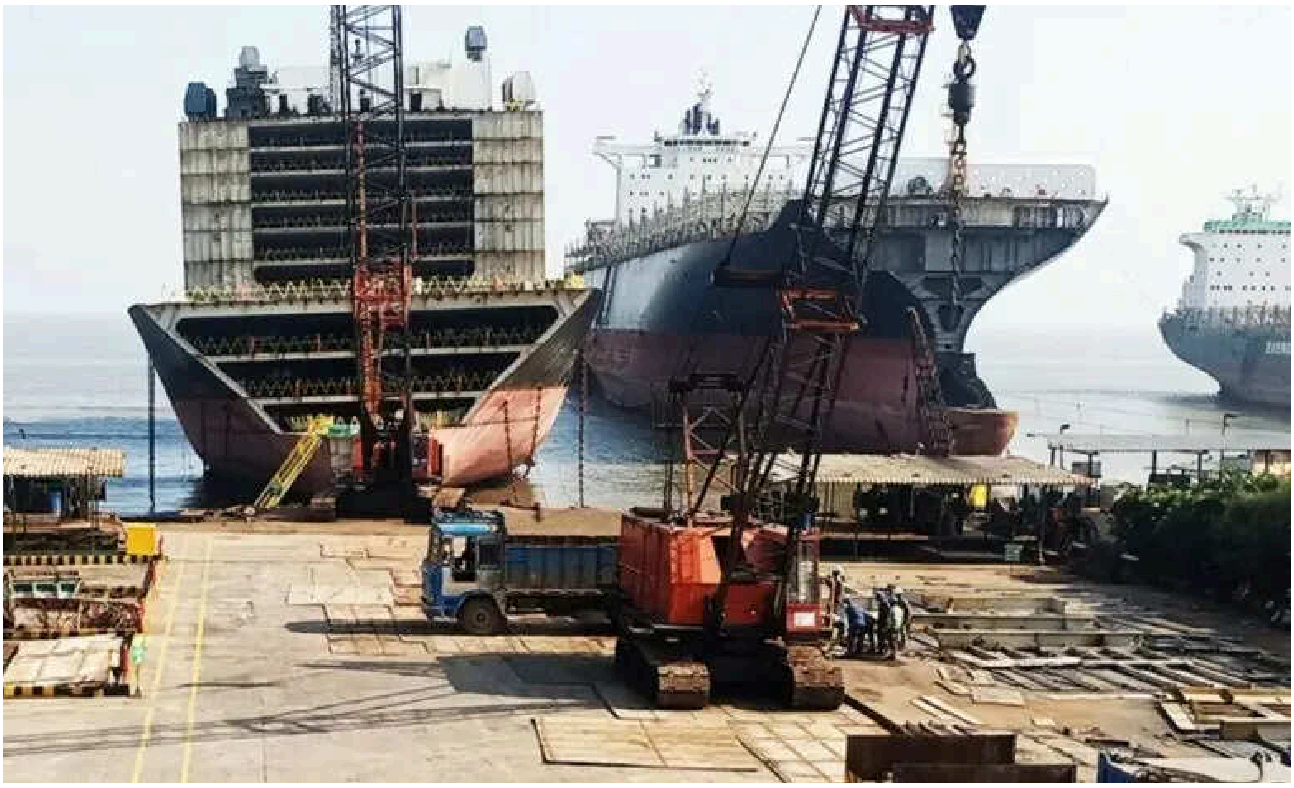

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GMS Inc., the world's largest buyer of ships and offshore assets for recycling, has secured a permit to recycle four sanctioned vessels, from the United States Office of Foreign Assets Control (OFAC), with approvals from the US Department of Treasury and the US State Department, making it the first to be authorised for purchasing dark or shadow fleet for this purpose.

The four container ships, Yogi, Timon, Rantanplan, and Bigli, are likely to be recycled at one of the Hong Kong Convention-compliant green ship recycling yards in Alang, Gujarat.

Legal route for recycling

The transaction marks the first time a cash buyer has legally procured and recycled sanctioned vessels under a fully authorised US government licensing framework.

“This is a defining moment for the ship recycling industry,” said Anil Sharma, Founder and CEO of GMS. “For years, sanctioned vessels and dark fleet assets have operated in the shadows, often outside formal financial systems and without meaningful transparency”.

“Securing this license proves there is a legal and responsible way forward,” he added.

The approval follows nearly seven months of intense regulatory review, investigations, compliance assessments and enhanced due diligence by US authorities.

Risks of shadow recycling

Over the past few years, some 32 sanctioned vessels have been recycled in India and elsewhere through opaque and often unregulated channels. GMS believes this milestone demonstrates that there is now a credible, transparent and legally compliant pathway for responsibly handling sanctioned and dark fleet vessels.

“Whatever is happening now is not the legal way of doing it,” said a ship recycling industry official.

These transactions are not happening in a proper channel; you can’t do a transaction in US dollars, for example. Even our state-owned banks are not giving financing for recycling these sanctioned vessels,” he said, requesting anonymity.

Financing for these ship recycling transactions was therefore done in different currencies, including roubles and even cryptocurrencies.“There are many paper works being skipped for recycling sanctioned vessels, which are required for a proper, regulated way of dismantling them. These vessels come without the key Inventory of Hazardous Materials (IHM) certificate and other things that are required for recycling. It is not an ethical way of doing business, and there are lots of loopholes. So, a single accident or mishap in any of these yards, for example, will impact the entire ship recycling industry in Alang. Those doing legitimate business also will get impacted. So far, nothing has happened, well and good. But, if something happens, then it’s going to be a big issue for the industry as a whole,” the ship recycling industry official said.

Alang’s compliance risk

An IHM certificate is mandatory for a vessel to be recycled and helps the recycling yard know where hazardous materials are stored. But sanctioned vessels don't have this certificate because they operate under fraudulent names, etc., and hence aren't required to keep it.

"We don't know exactly how this is happening. Are the regulatory agencies closing their eyes to it or is there a different pathway of doing it; we don't know," the industry official lamented.

"Without knowing where the hazardous materials are kept, if during the recycling process an accident happens, that will be labelled as an Indian ship recycling industry issue and not a sanctioned vessel issue. That will impact the entire ship recycling industry and not just the yard which handled the sanctioned vessel, hurting Alang's ability to attract recycling tonnage," the industry official said.

This is also important because many ship recyclers in Alang have invested in upgrading their yards to comply with HKC standards. "So, any one such incident will tarnish everything that they have done in the past decade," the industry official added.

Such potential incidents could hurt cash buyers such as GMS in multiple ways.

A shift in ship recycling?

GMS reckons that the license could mark the start of a broader transformation in the ship recycling sector, shifting sanctioned vessel disposal away from informal and opaque markets toward regulated, mainstream channels.

"We recognise and appreciate the US government's forward-thinking approach in acknowledging that properly regulated recycling channels are essential to global maritime compliance, environmental responsibility and financial transparency," Sharma said.

The approval, according to GMS, reflects the company's longstanding commitment to rigorous KYC, sanctions compliance, environmental standards and financial transparency, noting that the company underwent one of the maritime sector's most stringent compliance reviews before the license was granted.

“As one of the only ship recycling companies globally with decades of documented compliance infrastructure, strong US banking relationships and extensive international due diligence procedures, we are proud to have met the requirements of some of the toughest regulatory regimes in the world,” Sharma disclosed.

GMS hopes that other governments and regulators, particularly in Europe, will now consider adopting similarly pragmatic and transparent frameworks.

“Ships eventually reach the end of their operational lives regardless of their sanctions status,” said Anthia Savvidou, Head of Legal at GMS.

“This license demonstrates that sanctions policy and environmental objectives can be aligned, ensuring that sanctioned vessels are removed from service responsibly rather than remaining indefinitely within the shadow fleet. We hope this provides regulators with greater confidence in controlled recycling solutions and supports the issuance of future licenses for the responsible recycling of sanctioned vessels,” Savvidou noted.

“We hope this marks the start of a new era in which sanctioned vessel recycling moves from the shadows into formal, monitored and lawful channels,” Sharma said. “We encourage governments and regulators worldwide to recognise that transparency and regulation are more effective than forcing activity underground.”

As the maritime industry continues to face the growing challenge of ageing dark fleet tonnage, GMS believes that regulated recycling pathways will become increasingly critical for global shipping safety, sanctions enforcement, environmental protection and financial accountability.