

Report: US Treasury Allows Demolition Sale for Four Sanctioned Ships

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Ships in various stages of demolition at the beach in Alang (file image)

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The U.S. Treasury has authorized a demolition sale for four sanctioned vessels linked to the Shamkhani shipping network, a large-scale smuggling organization that has moved millions of barrels of Iranian oil to market. The anonymous owners of these four ships will receive millions of dollars in payment for the scrap value, cash buyer GMS confirmed to the Wall Street Journal, under special approval from the Trump administration.

According to the Treasury, the ships belonged to the network of Iranian "shadow fleet" industry leader Mohammad Hossein Shamkhani, son of senior Iranian advisor Ali Shamkhani, who was killed in an airstrike in February. The administration has sanctioned more than 50 of the Shamkhani network's ships in multiple well-publicized actions, including the four vessels now authorized for sale, identified by the WSJ as the Yogi, Timon, Rantanplan and Bigli.

Sanctioned vessels are not easy to sell, since the reach of U.S. enforcement is global and the consequences are high. Substantial numbers of sanctioned "shadow fleet" vessels have been reaching the beach at Alang in recent months under fake documentation, according to cash buyer Wirana, but the firm says that India has begun cracking down on the practice with more detailed document checks. U.S. Treasury authorization for a

sanctioned ship sale - like that granted to GMS this week - would make it easier for a shipbreaker to buy and import the hull.

If shadow fleet shipowners want to exit sanctioned trades, there are several non-revenue-generating options, like abandoning the vessel and crew - a practice which is occurring at record-high rates. But for a revenue-generating exit that recoups some of the capex cost of the ship, a demolition sale is often the owner's only option for vessels in the shadow fleet, which skews heavily towards older tonnage. Sanctioned ships are sold for scrapping at discount rates, according to Wirana, and are therefore a desirable source of steel for shipbreakers.

GMS argues that there are owners who would like to get out of sanctioned trades but cannot afford to do so because the Treasury prohibits them from selling their blacklisted ships. Since the start of the year, according to the WSJ, it has sought a license from the administration to legitimately and legally purchase sanctioned shadow fleet tonnage for resale to shipbreakers, generally in Bangladesh, India and Pakistan. That general license has not been granted, but the ship-specific licenses for buying Yogi, Timon, Rantanplan and Bigli could set a precedent for other sales.