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U.S. Clears Scrap Dealer to Buy Ships Sanctioned for Iran Activity

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The flight deck of the destroyer USS Rafael Peralta, which is enforcing a maritime blockade of Iranian ports. U.S. Navy

The Trump administration granted a license to the world's largest cash buyer of ships for scrap to purchase four vessels under sanctions for carrying Iranian cargo.

The decision potentially paves the way for owners of other sanctioned ships to exit the so-called shadow fleet that carries illicit goods for countries such as Iran and Russia. It comes as the administration cracks down on Iran-linked vessels. Just this week, the U.S. seized an Iran-linked tanker in the Indian Ocean.

Scrap dealers act as middlemen. They buy ships and deliver them to specialist yards that strip out fixtures and fittings and melt down or reuse the steel.

The Wall Street Journal reported in January that Dubai–headquartered GMS had applied to the Treasury Department's Office of Foreign Assets Control for a broad license to scrap sanctioned vessels.

GMS, which is incorporated in the U.S., said granting such a license would help reduce the number of shadow fleet vessels on the oceans. Shadow fleet ships tend to be older and more poorly maintained than commercial vessels, posing environmental and safety risks.

GMS Chief Executive Anil Sharma said OFAC didn't grant his company a broad license to buy sanctioned vessels, but did agree to consider licenses for specific ships.

GMS Founder and CEO Anil Sharma GMS

Sharma said OFAC granted a license to buy four containerships: the Yogi, the Timon, the Rantanplan and the Bigli. The ships were among more than 50 vessels sanctioned by the U.S. last year for links to Iranian shipping magnate Mohammad Hossein Shamkhani.

Sharma declined to reveal the name of the seller or the purchase price. "It's in millions, but that's all I can say," he said.

The U.S. government doesn't typically authorize payments for vessels under sanctions. A Treasury department representative said the agency doesn't comment on specific license applications. "To protect maritime safety, we are committed to responsible solutions to get these designated vessels off the water," the representative said.

The shadow fleet's ranks have swelled in recent years as the U.S., the European Union and the U.K. wielded sanctions against Tehran and Moscow. Clarksons Research says 1,836 vessels are under sanctions today, including 55 containerships.

Richard Meade, of Lloyd's List Intelligence, said some owners of sanctioned vessels would like to scrap the ships. But because there are limited legal mechanisms to do so they operate the ships for longer than they would like or scrap them using firms that don't comply with Western sanctions.

Meade said that if this license "proves to be the first of many, then it offers a legitimate route out of the shadow fleet."

Treasury officials said last year that the four vessels were part of an illicit shipping network controlled by Shamkhani, the son of Ali Shamkhani, a security adviser to Ayatollah Ali Khamenei who was killed in an Israeli airstrike at the start of the Iran war along with the Iranian leader.

It isn't clear who owns the ships. The shipping industry's ownership structure is notoriously opaque. A single vessel is often owned by one entity, registered to a second, chartered by a third and managed by a fourth.

The administration said Shamkhani hid his activity by frequently changing the operators and managers of the vessels.

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