GoldSquawk

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Sanctions pragmatism may reshuffle shadow tanker flows more than ease freight

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Key takeaways

- OFAC's Russia-related General License 135, issued on 9 October, authorised transactions tied to Russian-origin diesel, while Treasury also showed it can delist vessels after sale into non-sanctioned hands; together, these steps suggest a more selective and operationally focused sanctions approach.[1,2]
- The physical shipping impact may be limited in the near term. Reuters and Kpler said easing sanctions on shadow-fleet vessels would likely have little effect on tanker availability because insurance, class, crewing, maintenance and commercial acceptance remain binding constraints.[3]
- Freight tightness is being driven by war-risk disruption and STS bottlenecks as well as sanctions. Reuters reported Gulf of Oman–China VLCC freight at WS 776 on 16 October, down from WS 841 a week earlier but still near record highs, while Gulf of Oman STS activity had already reached capacity limits.[4,5]
- The diesel waiver appears aimed at fuel-cost relief as well as diplomacy. Reuters reported the arrangement covered more than 2.25 million barrels for U.S. and global markets, while EIA data show U.S. on-highway diesel at $6.199/gal on 5 October and $6.179/gal on 12 October, with the October STEO average at $6.29/gal.[6,7,8]
- The more durable consequence may be flow reallocation rather than supply restoration: licensed Russia-linked cargoes may need less opacity, while workable shadow tonnage could be pulled toward Iran- or Venezuela-linked trades where margins and enforcement conditions remain attractive.[2,9,10]

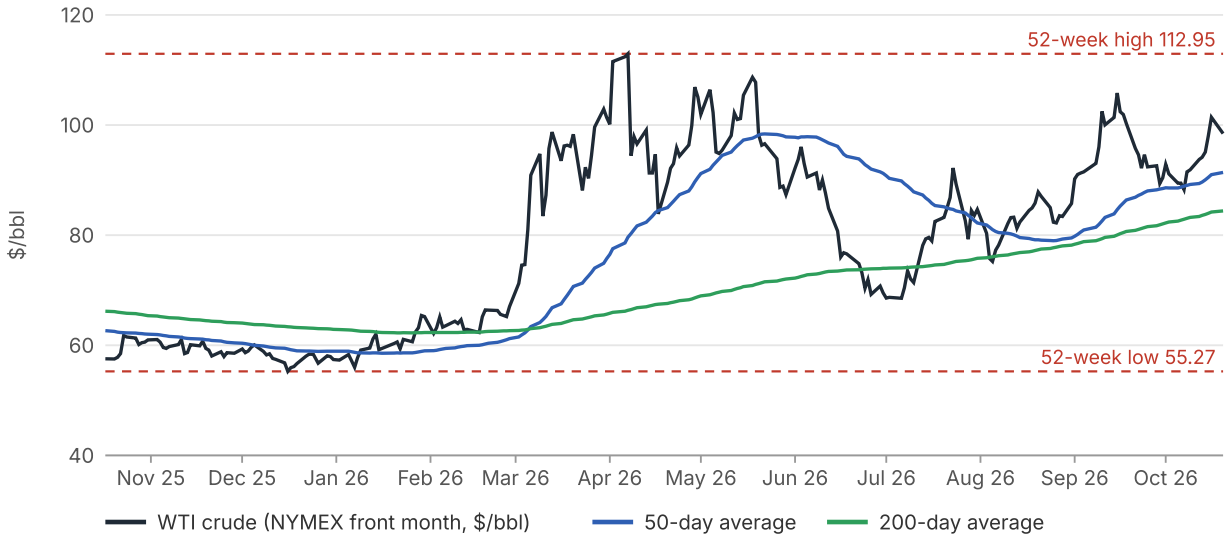
Washington has paired diesel relief with vessel-specific rehabilitation

- OFAC issued Russia-related General License 135 on 9 October 2026, authorising transactions related to the sale, delivery, offloading and importation of diesel fuel of Russian Federation origin.[1] Reuters later reported that the arrangement would allow more than 2.25 million barrels of Russian diesel into U.S. and global markets, while Trump said Russia would immediately supply over 300,000 tons, followed by further volumes subject to refinery conditions.[6,11]
- Treasury has already established a template for vessel rehabilitation by sale. On 8 October, OFAC removed HAKUNA MATATA and PINOCCHIO from the SDN List after what Treasury described as a demonstrated change in circumstances, including removal from the shadow fleet and sale to non-sanctioned or U.S.-aligned operators.[2]
- This combination matters because diesel is a product-tanker issue as much as a macro oil issue. If licensed Russian diesel cargoes move physically, demand shifts toward compliant carriage, documentation and acceptable counterparties rather than simply toward any nominally available hulls.[1,6]

Usable tanker liquidity remains constrained despite policy headlines

- Reuters reported on 15 October that the administration was considering easing sanctions on vessels that transported sanctioned oil and fuel, but analysts said the impact on tanker availability would likely be limited. Reuters and Kpler said delisting would have 'virtually no impact' on the tanker crisis because uncertain seaworthiness, insurance, crewing, management and maintenance are the deeper constraints.[3]
- The shadow fleet is large, but scale does not equal commercial usability. Kpler said the shadow fleet had grown to about 3,300 ships by December 2025, moving roughly 3,733 million barrels of oil, around 6-7% of global crude flows, sustained by fragmented ownership, flag changes, AIS manipulation, irregular STS activity and opaque insurance structures.[10]
- Quality is a key fault line. Lloyd's List Intelligence said many dark-fleet vessels have not been inspected recently, have substandard maintenance, unclear ownership and in some cases no insurance; it also noted a typical cargo-ship lifespan of around 25 years, even as sanctions have kept older ships trading longer.[12,13]

Figure 1: WTI remains elevated despite a modest one-month pullback



Source: NYMEX WTI crude futures daily closes via Yahoo Finance; GoldSquawk calculations, as of 20 October 2026.

Freight stress keeps the focus on routing and reallocation

- Reuters said tanker rates had surged because of attacks, war-risk insurance costs and more complex operations to move oil out of the Strait of Hormuz, all of which reduced effective ship availability. It also reported that the Iran war had increased the use of STS transfers to move oil out of Hormuz, raising tanker demand.[3,4]
- On 16 October, Gulf of Oman–China VLCC freight was reported at WS 776 versus WS 841 a week earlier, still near record highs. Separately, Reuters reported on 25 September that STS transfers in the Gulf of Oman had reached their limits, with queues for tugs and labour as Gulf exporters relied more heavily on these workarounds.[4,5]
- Russia's flows still have reasons to remain flexible and partly opaque. Reuters reported on 19 October that Northern Sea Route oil exports in 2026 were nearly 50% above the prior year, with about 20 million barrels shipped to Asia from the start of navigation in July to mid-October, while Russia's seaborne fuel exports in October were broadly steady at 7.804 million metric tons despite regional shifts in loading patterns.[14,15]

- Against this backdrop, oil prices remain firm rather than distressed: WTI settled at $98.46/bbl on 20 October, above its 50-day and 200-day moving averages of $91.39 and $84.40 respectively, though still below the 52-week high of $112.95.[oil_technical]

Scenarios

- **Rehabilitation case:** Treasury expands vessel-specific delistings tied to sale, remediation and acceptable ownership, while GL 135 remains operational. The likely effect would be modest easing in perceived freight tightness and some migration of Russia-linked product flows toward more compliant shipping channels, though physical gains would still depend on insurance, class and terminal acceptance.[2,1,3]
- **Optical relief case:** Policy headlines continue to soften sentiment, but most delisted vessels fail to regain mainstream commercial acceptance. In that case, the main effect is political and psychological, while freight remains driven by war-risk costs, STS congestion and routing disruption rather than by formal sanctions-list changes.[3,4,5]
- **Shadow reallocation case:** Selected Russia-linked cargoes gain legal cover while enforcement pressure stays firm on Iranian-linked networks. The likely effect would be a re-sorting of scarce workable shadow tonnage across sanctions theatres rather than a broad increase in usable global tanker supply.[2,9,10]

Levels to watch

- WTI last close: $98.46/bbl
- WTI 50-day moving average: $91.39/bbl
- WTI 200-day moving average: $84.40/bbl
- WTI 52-week high: $112.95/bbl
- WTI 52-week low: $55.27/bbl

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Glossary

OFAC: The U.S. Office of Foreign Assets Control, which administers and enforces U.S. sanctions programmes.[8]

General License: A sanctions authorisation that permits specified categories of transactions without requiring each party to apply for a separate licence.[8]

SDN List: The U.S. sanctions list of Specially Designated Nationals and Blocked Persons; listed parties are generally cut off from U.S. persons and the U.S. financial system.[7]

STS transfer: Ship-to-ship transfer, where cargo is moved between vessels at sea or at anchorage, often used to manage routing constraints or obscure cargo origin.[5][6]

Worldscale: A standardised freight-rate benchmark used in tanker markets, often quoted as 'WS' followed by a rate number.[6]

P&I insurance: Protection and indemnity insurance covering third-party maritime liabilities, a key requirement for mainstream tanker employment.[1]

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