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## Considerations Following the Persian Gulf Attacks

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*As attacks on vessels increase the risk of shipping in the Straits of Hormuz and throughout the Persian Gulf, vessel owners and operators, as well as shippers, should review their charter parties and assess risk management plans to ensure the safety of crews and vessels transiting the Persian Gulf.*

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### NEW DEVELOPMENT

U.S.-Iranian tensions recently came to a head when four tankers were attacked off Fujairah in May, a port in the United Arab Emirates in the Gulf of Oman. This was followed up by an attack on two Japanese vessels, the *M/T Front Altair* and *M/T Kikuko Courageous*, in the Gulf of Oman on June 13, 2019. U.S. government agencies have accused Iran of being behind the attacks. Tensions continue to rise, although President Trump has called the attacks “very minor.” In the meanwhile, shipping companies are taking steps to reduce their risks transiting in the Straits of Hormuz and Gulf of Oman.

### BACKGROUND

The attacks and tankers in the Persian Gulf region are reminiscent of the incidents involving international shipping surrounding regional conflicts, including the “Tanker War” in the 1980s and the re-flagging of Kuwaiti vessels to the U.S. registry during the Gulf War in the 1990s. During the Tanker War period in 1984, and the eight-year Iraq-Iran conflict, both sides attacked tankers

and merchant ships in the Persian Gulf. At that time, the U.S. military provided escorts to tankers, some of which carried the U.S. flag.

As regards recent tensions with Iran, since withdrawing from the Joint Comprehensive Plan of Action (“JCPOA”) on May 8, 2018, tensions between the United States and Iran have been ratcheting to their most tense level in years. These flames have been fanned by hardliners on both sides. Credible analyses have noted that the White House has been intensely working on a future strategy to address these developments. And, as a result, shipping companies operating in the Persian Gulf region have been taking additional steps to manage their risks.

### ANALYSIS

#### Commercial Operational Responses

Owners and operators have been taking a variety of approaches to manage risks related to the tensions in the Straits of Hormuz. Many shipowners have been exercising

extreme caution and instructed vessels to take several precautions when operating in the area. Some reports have also noted that certain companies have avoided trading in the vicinity of the Straits of Hormuz. Other recommendations from shipowner organizations include increasing lookouts and security patrols, keeping VHF radio watch, and maintaining dialogue with port authorities. Owners and operators have also been advised to ensure key doors and hatches are shut to prevent loss in case of an incident.

### Insurance Risk Management Actions

Review of charter party risk allocation provisions is imperative with this development. Protection and Indemnity (“P&I”) clubs reminded members that excess coverage is available to cover war risks. Such war risks premiums are reported to be spiking as a result to these incidents. Simultaneously, there have been increases in insurance costs to load cargoes that would be travelling through the Persian Gulf. Nonetheless, insurance and P&I coverage provide valuable means to manage risk amidst heightened tensions.

### Potential U.S. Response

The United States continues to consider many options to respond to these heightened tensions. As has been well-reported, the United States has been considering responding to or escalating hostilities. As regards shipping, the United States and its allies may need to start escorting commercial vessels to prevent further attacks in Gulf oil shipping lanes. However, such escorts may not be a guarantee to prevent damage against further attacks.

### CONCLUSION

Vessel owners and operators should review operations and risk management options to adequately prepare for any trading in the Persian Gulf region. Charterers and cargo owners should also ensure that any vessel whose services they utilize has taken adequate precautions. Finally, the shipping community should monitor the response of the United States and its allies as they make plans for trading in the region.

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