Insights from Windward Maritime AI
Ukraine/Russia conflict – impact on maritime trade | weekly executive summary

Regulation and market trends

- We are seeing the increasingly important phenomenon of “conscious capitalism” – companies choosing the maximum distance from Russia, rather than clearing the minimum bar of compliance (as with previous sanction regimes). This overturns the market perception, which was that the Biden and Johnson administrations would not be keen enforcers of sanctions.
- Banks and trading companies are increasingly engaging in “self-sanctioning” against Russian entities in the shipping and commodities sector to avoid issues with regulators and public displeasure.
- War risk insurers that charge a premium for providing insurance coverage for trading in disputed areas are halting coverage of the Black Sea and Sea of Azov due to fear of secondary sanctions.
- Pulling out of Russia is expanding regionally and among business sectors – with Rio Tinto becoming one of the latest to pull out of Russia. This is important, since they are from the dry bulk sector and from Australia (which has lagged behind on Russian sanctions).
- The British decision to ban ships with a Russian connection from its ports, seemingly set to be followed by the European Union, has broadened the potential scope of sanctions.
- Oil and gas trade haven’t yet been sanctioned. But we have seen oil majors, such as Shell, shun Russian oil completely, with U.S. and UK buyers expected to be under increased scrutiny due to the upcoming ban on these imports.

Level of transactions with Russian entities

- Based on Windward’s analysis of the reported data since February 28, the daily number of Russian-owned vessels seeking jobs has tripled.
- During the first six days of March, the average number of Russian port calls was 120 per day (and declining). During the same period in 2021, the average number of daily port calls by commercial vessels was 40% higher.
- As of March 9, there are 90 tankers with an estimated amount of 65,000,000 Russian crude oil barrels that still haven’t arrived at their final destinations. There are seven Russian crude oil carriers with about 5,000,000 barrels of crude oil reporting that they are heading to the United States, with expected arrivals in the coming days.
- As of March 7, there are 248 tankers that are reporting they are headed to Russia – 149 are sailing under the Russian flag and 13 are owned or operated by Russian affiliated companies. Only 86 tankers are currently reporting they are heading to Russia and are not affiliated with Russian companies.

- The sanctions, according to Clarksons, have led to significant freight rate increases: large crude carriers (VLCCs; tankers that carry 2 million barrels) built in 2015 or later are $27,500 per day, an increase of 591% (week on week). Rates for newer Suezmaxes (capacity: 1 million barrels) are at $28,000 per day, an increase of 285% and rates for newer Aframaxes are at $41,800 per day, an increase of 157%. Product tanker rates are up double digits from last week.
- As of March 10, the number of ship-to-ship operations between non-Russian and Russian-flagged vessels was halved from the previous week.
- The number of bunkering operations between non-Russian flagged bunkering vessels and Russian-flagged vessels (grouped by weeks) shows a decrease.

Maritime security

- Different reports indicate that many of Ukraine's ports have been mined, effectively blocking traffic in and out of the port. Approximately 200 vessels and 3,500 sailors are directly affected.

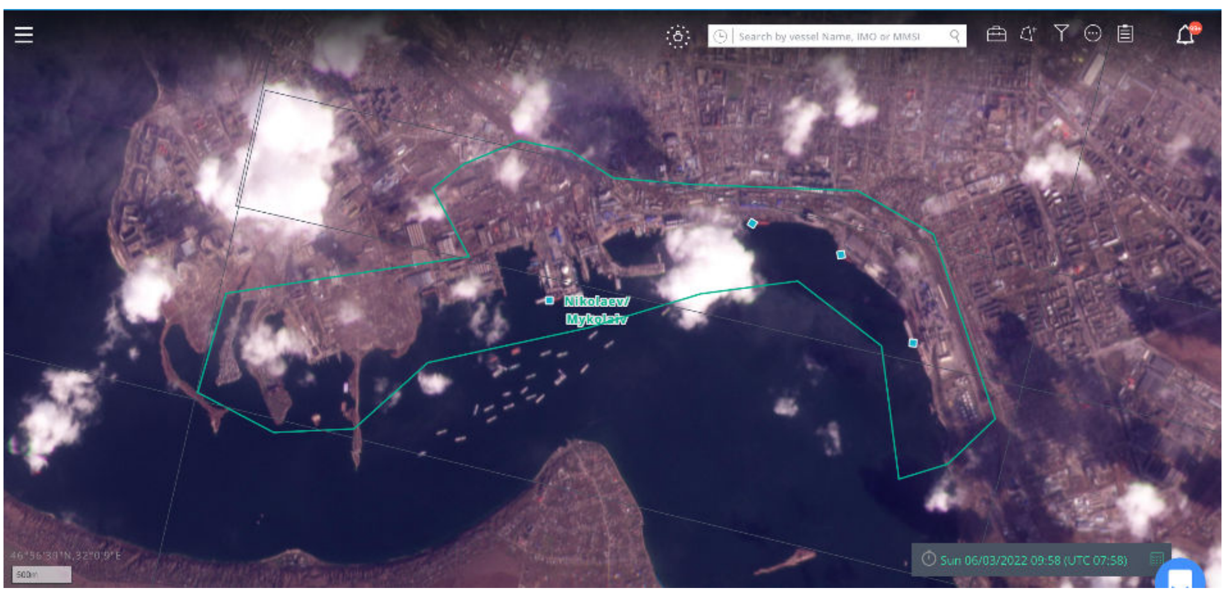

Image 1: Satellite image indicating multiple non-transmitting vessels out of Nikolaev port (Ukraine)

- Reports on seizures of oligarch yachts and other Russian key assets, including ships, are increasing and we expect significant scrutiny to increase on this front.
- As Windward data indicated an increase in Russian vessels seeking their next charter, it is fair to say that unemployment is one of the strongest drivers for an increase in crime rates.

Containerized goods

- The world's largest shipping companies – CMA, MSC, Maersk, Hapag Lloyd, One and others – have halted all activity with Russia.
- Container vessels owned or operated by the top three liners active in Russia have made 1,244 port calls) in Russian ports in the past 12 months. This represents 28% of all container vessel operations taking place at Russian ports.
- Using data from Windward's Ocean Freight Visibility solution and the World Bank, we are able to estimate that MSC, CMA and Maersk would have been in charge of moving approximately 101,000 containers in and out of Russia in the coming month of March.
- The flip side – our vessel behavior data has unveiled an interesting side effect of the supply chain disruption caused by the conflict: ports in Cyprus, Bulgaria, Latvia & Finland have a 40-80% increase in congestion, which will have a significant effect on global shipping.

Expectations for next week

- We expect further escalation of the economic sanctions and the reaction of market participants. It seems many banks have been busy until now with blocking sanctions and will now expand their focus to further reviewing their trade finance and ship finance books.
- The supporting maritime ecosystem – insurance companies, classification societies, P&I clubs, etc. will be looped in to the sanctions play and will review their books of business with anything and everything Russia.
- Belarus and Russia will be increasingly put into a bucket of economic sanctions.
- The Western powers will accelerate negotiations with Iran and Venezuela to free up more crude supply ahead of a possible ramp-up of sanctions on Russia's energy sector to prevent crude prices getting to $200 per barrel.