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The Qatar situation - assessing the impact on shipping

# The Qatar situation - assessing the impact on shipping



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Geopolitical developments, politely called “exogenous factors” have a funny way of creeping up on shipping people, and, sometimes, but not always, impacting trade flows in ways not envisioned only a few days earlier.

This past week, observers in all businesses were surprised to see a group of Arab states - Saudi Arabia, Egypt, Bahrain and the UAE - unceremoniously sever their business ties with Qatar, based on the latter’s recent

alleged payments to terrorist organisations as ransoms. and to Iran.

Shipping could be impacted, potentially, because of Qatar’s role as the leading exporter of LNG, accounting for approximately one third of the 265m tons shipped internationally in 2016, and also as a loading area, albeit a small one, shipping less than 1m barrels per day for light crude oil cargoes outbound from the Arabian Gulf.

It is too early to tell what the impacts on international shipping will be. Locally, on landside logistics and around ports in the Arabian Gulf there will be impacts, where **Qatari flagged vessels may not call at certain ports in the region** (/news/middle-east-africa/26087.html?highlight=WyJxYXRhcilslInFhdGFyJ3MiLCJxYXRhciciXQ==), for example. But the impacts do not extend beyond the region - yet. Bruce Paulsen, partner at New York law firm Seward & Kissel, told Seatrade Maritime News: “At this point, it’s not a legal issue for US persons. US companies can continue to do business with Qatari sellers of hydrocarbons.”



If what is now a regional spat ratchets up further, **international shipping and cargo trades may be impacted** (/news/middle-east-africa/26094.html?highlight=WyJxYXRhcilnFhdGFyJ3MiLCJxYXRhciciXQ==). The UK law firm Holman Fenwick Willan (HFW), in a brief to clients, has noted that: “Very Large Crude Carriers regularly conduct multi-loads of crude at multiple Middle East ports. Barring vessels that have called at Qatar from entering other ports in the region could require traders to vary their trading patterns.” Bunkering logistics may also require adjustments; HFW have noted that: “major bunkering ports such as Fujairah, where some three-quarters of tankers sailing through the Gulf stop to refuel, are refusing all vessels sailing to or from Qatar.”

Andrew Baird, Dubai-based Partner at Watson Farley & Williams, said: “We would expect to see a rise in charterparty disputes and a focus on force majeure provisions and parties seeking to cancel or renegotiate charters as a result.”

More worrisome could be potential actions by Egypt if the situation heats up, with HFW noting that: “Egypt has not yet indicated whether it intends to block Qatar-linked vessels/cargo from using the Suez Canal - a common route for tankers.” Baird, from Watson Farley & Williams, said, “the consensus is that given Egypt imports a large amount of its LNG from Qatar, there are likely to be less drastic measures imposed”. He commented: “Also importantly the Suez Canal remains open to Qatari flagged vessels as an international waterway.”

Baird told Seatrade Maritime News: “Clearly shipowners will have to vary their trading patterns to take into account the inability to trade into and out of Qatar and this is of particular relevance to crude and LNG exports from Qatar,” adding that “Specifically as regards LNG exported by Qatar, a certain amount is destined for Middle East countries and if for example Egypt were to have to import from elsewhere we could see LNG prices escalate significantly as a result.”

Another set of views is that this week’s steamy developments might evaporate over time. Matthew Thomas, partner in the Washington, DC office of lawyers Blank, Rome, said: “Over the last decade the GCC states have been moving closer together, with a long-term view towards a ‘Gulf Union’-type common market, so this dispute seems more like a bump in the road towards closer unification, as opposed to a wholesale strategic realignment to cut off Qatar.”

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- On the receiving end - shipping
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