

OUTLOOK: IRAN MARITIME SECURITY TENSIONS: 20 JULY 2019

EXECUTIVE SUMMARY

Tensions continue to escalate in the Persian Gulf and the Strait of Hormuz despite attempts by the UK and other European nations to assuage animosities between Iran and the US. New guidance has been issued for commercial vessels transiting the region. The guidance stresses that Armed private security should not be used as a risk mitigation measure in this region.

Iran's seizure of the British flagged tanker MT Stena Impero and the boarding and release of the British owned, Liberian flagged MV Mesdar on 19 July have ramped up tensions in the area, leading to the UK government advising all UK shipping to stay out of the area for an "interim period".

BACKGROUND

On 19 July, Iranian Islamic Revolutionary Guard Corps (IRGC) forces in fast boats and a helicopter seized the Stena Impero for "violating international maritime rules", a claim refuted by the vessel's owners who said the vessel was in "full compliance with all navigational and international regulations". A second tanker, the MV Mesdar, was also boarded but later released. The UK Foreign Secretary said the seizures were "completely unacceptable" and warned of "serious consequences" if the situation is not resolved quickly.

On 11 July, armed Iranian boats reportedly attempted to seize a BP-owned oil tanker as it sailed from the Persian Gulf toward the Strait of Hormuz. Boats from the IRGC approached the tanker, British Heritage, and ordered it to change course toward Iranian waters. British Royal Navy frigate HMS Montrose, which had been escorting the tanker, came between the vessels and issued a verbal warning for the Iranian boats to back away. The IRGC boats heeded the warning and withdrew.



Iran denied any attempt to seize the British vessel, however the incident occurred only a day after Iranian President Hassan Rouhani warned Britain it would face "consequences" over the seizure of an Iranian oil tanker. On 5 July, British Royal Marines and Gibraltar authorities seized Iranian tanker, Grace 1, based on evidence that it was carrying oil to Syria in breach of EU sanctions. Four crewmen were arrested, including the captain and chief officer. They were conditionally released on bail on 12 July. No charges have been filed, but investigations continue, and the Iranian tanker remains impounded. Tehran has denied the ship was heading for Syria and demanded that the vessel be released immediately.

The flurry of incidents is a mark of rising hostilities between Iran and the West. Since May, six oil tankers have been attacked or targeted near the strait of Hormuz. On 13 June, two tankers were damaged by explosions in the Gulf of Oman after passing through the Strait of Hormuz. The Marshall Islands-flagged *Front Altair* was carrying 75,000 tonnes of naphtha. An explosion on the vessel triggered a fire. Taiwan's state oil refiner CPC Corp, which chartered the *Front Altair*, initially said the vessel was "suspected of being hit by a torpedo".



Meanwhile, the Panama-flagged *Kokuka Courageous* sustained damage to its hull following a "security incident". The US military said this hull damage was "consistent with a limpet mine attack"

On 12 May, four tankers were damaged by explosions within the UAE's territorial waters in the Gulf of Oman. The vessels were the Saudi Arabia-flagged *Amjad* and *Al Marzoqah*, the Norwegian-flagged *Andrea Victory*, and the UAE-flagged tanker *A Michel*. No casualties were reported however the explosions blew holes in the tankers' hulls. A UAE report presented to the UN Security Council members said the blasts were caused by "a sophisticated and co-ordinated operation carried out by

an actor with significant operational capacity, most likely a state actor". The report estimated that the operation involved small, fast boats and trained divers, who were likely to have placed limpet mines on the vessels' hulls, with an aim to disable the vessels but not destroy them. The report says the four explosive charges were all detonated within less than an hour. The UAE report did not directly accuse Iran.

In June, the Iranian military shot down a US drone that it claimed was in Iranian territory, nearly sparking a retaliatory armed response by the Trump administration. Political officials and analysts are concerned by the rapid escalation of events.

BIGGER PICTURE: THE IRAN NUCLEAR DEAL AND INCREASED SANCTIONS

The increasing tensions stem from a 2018 decision by the Trump administration to abandon the Joint Comprehensive Plan of Action (JCPOA; Iran nuclear deal). The administration argued that the 2015 deal was inadequate, failing to address Iran's ballistic missiles or regional activities. The International Atomic Energy Agency states that Iran remained compliant with the deal. Despite this, the US government reinstated and imposed more stringent sanctions against Iran. The administration initially granted waivers to allow some nations to trade with Iran without punishment. However, in April, President Trump ended sanction waivers, essentially enacting a global ban on Iranian oil and cutting off the nation's primary revenue source. These actions have undermined the key tenet of the nuclear agreement: Iran was to allow oversight of its nuclear program in exchange for economic relief.

The tensions between the US and Iran have had secondary effects on Iran's relationship with Europe. Tehran has called for the EU to compensate for Trump's decision to pull out of the deal. Further, on 7 July, Iran announced that it is stockpiling and enriching uranium at 5% above the cap of 3.67% set in the JCPOA. A senior Iranian official, Ali Shamkhani, said Iran has no intention to decrease uranium enrichment until it achieves its "full rights" to an economic relationship with the EU under the deal. This includes the development of a financial mechanism to circumvent the impact of US sanctions on firms wishing to trade with Iran. Shamkhani added that Iran is operating within the terms of the agreement; Iran is entitled to downgrade its commitments if the other side fails to meet their own. Shamkhani accused European countries of lacking the political will to keep their side of the agreement. The EU has countered that legal and technical difficulties, not the lack of political will, have delayed progress.

Beyond uranium enrichment, Iran has taken other measures in response to US actions. Following Trump's decision to end sanction waivers in April, the Tehran government threatened to impede traffic through the Strait of Hormuz. The Strait is a critically important waterway; nearly 18.5 million barrels of crude oil and petroleum go through the Strait each day, accounting for 20% of the world's crude supply. Oil tankers and commercial vessels rely on unimpeded travel through the Strait to access world oil markets. Disruption in the narrow strait could be catastrophic to global oil markets.

Yet despite the rising tensions, the US and Iran remain at loggerheads. On 20 June, Iran downed a US military drone that they claimed had entered into the country's territory. US officials maintained the drone was shot down in international airspace over the Strait of Hormuz. In retaliation, President Trump initially approved military airstrikes on radar and missile batteries in Iran but pulled back as the operation was underway.

IMPACT ON MARITIME SECURITY

Iran has been described as the Middle East's "most powerful military force", ranking 14th in global military power. On land, Iran shares its borders with Iraq, Turkey, Azerbaijan, Turkmenistan, Armenia, Afghanistan, and Pakistan—nations that are unlikely to allow US troops to cross their borders for renewed military engagements. As a result, Iran has spent a considerable share of its \$12.6 billion defence budget on its naval forces, operating under the premise that the Persian Gulf and the Strait of Hormuz would be the front line of potential confrontation with the US.

Iran's estimates have proven accurate. On 13 May, US top national security aides updated a military plan to send up to 120,000 troops in the event that Iran attacks American forces or accelerates work on nuclear weapons. The plans do not indicate any call for land invasion. Yet however determined to protect Iranian territory, it is unlikely that Iran will conduct offensive military action. Analysts estimate that Iran could not successfully close the strait for a prolonged period, as it is outgunned by the US and its allies. Rather, Iran is likely to act strategically, focusing on limited disruption of crude oil transport in the Strait, and adversely affecting the western economy. Iranian naval tactics have historically included swarming to isolate vessels or sending small harrying forces against larger target vessels. Iran has small boats and submarines that are capable of laying mines or otherwise disrupting shipping.

On 6 May, the US sent a carrier strike group to the Middle East to send a "clear and unmistakable message" to Iran. US National Security Adviser John Bolton did not clarify whether the US was responding to a specific provocation. The US Navy says the strike group left Naval Station Norfolk, Virginia, on a regularly scheduled deployment. On 11 July, the Pentagon revealed plans for an international military task force to protect oil tankers and other vessels in the Gulf. The US and its allies would escort commercial vessels in the region following the spate of recent attacks.

The UK is also increasing military presence in the Gulf. Alongside four mine-hunting vessels, a second warship has been deployed to protect British commercial oil tankers. The HMS Duncan will work alongside the Royal Navy's frigate HMS Montrose and UK allies. However, it will not participate in the Pentagon's international military task force. The UK lacks sufficient naval assets in the region to protect all British-owned shipping, but UK leadership is wary of having the US in sole command of a multinational operation. Mohamed ElBaradei, a former director general of the International Atomic Energy Agency, has asked the UK not to join US international military task force to protect oil tankers in the Gulf. ElBaradei accused the US of taking the world down a dead-end street.

On 13 July, British Foreign Secretary Jeremy Hunt offered to release the impounded Iranian oil tanker Grace 1 in an effort to defuse tensions. Hunt told his Iranian counterpart Mohammed Javad Zarif that the UK would facilitate the release "if we received guarantees that it would not be going to Syria, following due process in Gibraltar courts." Zarif replied that "Iran wants to resolve issue and is not seeking to escalate," Mr Hunt tweeted.

OUTLOOK AND GUIDANCE

In the absence of a diplomatic solution between Iran and the US, which does not appear to be forthcoming, the situation in the Gulf could become unstable. Whilst it was initially thought unlikely that Iran would take overt offensive action against commercial vessels operating in the Strait of Hormuz, the 19 July incidents have demonstrated a willingness to exploit an opportunity and seize the initiative as well as underscoring the IRGC's capability. It remains unlikely, but not impossible, that Iran will engage military vessels at this stage. Any defensive measures taken against an increasingly confrontational US could cause further escalation.

The seizure of the Stena Impero has generated a clear message of support for UK from the American President.

In terms of impounded vessels, UK and Iran now have a 'chess piece' each. There is likely to be a period of international posturing and increased local activity before a solution is reached – potentially an exchange of vessels in due course. The fragility of the regional situation should not be underestimated; an ill-considered move by any of the main actors (or their satellites) will have very serious consequences.

On 8 July, the Oil Companies International Marine Forum published a press release regarding Safety & Security and the use of Privately Contracted Armed Security Personnel (PCASP) in Arabian Gulf, Strait of Hormuz and Gulf of Oman. The guide lists three aspects of vital importance:

1. Armed private security should not be used as a risk mitigation measure in this region;
2. Those operating in region must remain vigilant and listen for military warnings at all times;
3. Navigational norms in the Strait of Hormuz should continue to be complied with

It is recommended that companies review the following:

- BMP5, Section 2
- US Maritime Advisories
- Industry Releasable Threat Bulletins
- Flag Security Advisories and Bulletins
- The ship's hull and machinery, war risk and P&I Insurances before sailing into the region to ensure the ship has cover and remains within cover throughout

GUIDANCE TO VESSELS:

1. Undertake a new ship-and voyage-specific threat risk assessment before entering any region where there has been an incident, or the threat has changed.
2. Where transit includes passage through a confined strait, if navigationally safe to do so, consider unmanned machinery spaces (UMS) for the duration.
3. Consider transiting at full speed whilst ensuring this is only done where it is commensurate with safe navigation and manoeuvring permits.
4. Consider if a Day/Night transit is appropriate to the threat posed.
5. After the risk assessment, review the Ship's Security Plan and Vessel Hardening Plan.
6. Conduct Security and damage control Training/Exercises prior to entering areas of increased risk.

More information can be found at <https://www.maritimelobalsecurity.org/>

ABOUT MS RISK

MS Risk is a privately-owned company domiciled in the Isle of Man. It is underwritten by a syndicate of Lloyd's of London for special risks case management in all jurisdictions. It also acts as retained advisors to syndicates in the Lloyd's of London specialty risk insurance markets: kidnap for ransom, extortion, hijack, illegal detention, illegal war tax, malicious product tamper, terrorism, political and war risk.

MS Risk is always mindful and compliant to legislation and guidelines on the use of private security services including, but not limited to the US FCPA (1977), UK Bribery Act (2010), Canadian Bill C-48 (2007), ASX 8 Corporate Governance Principles, and the World Bank/IFC Voluntary Principles on the Use of Government and Private Security Forces. MS Risk is a signatory of the Swiss government's International Code of Conduct. It is transparent and compliant to market expectations on legal and ethical conduct in the performance of services.

MS Risk has a dedicated team of researchers, a 24/7 hotline service and a pool of trained and experienced consultants to support client needs.

MS Risk supports clients in a variety of business sectors with the following services:

SECURITY CONSULTING

- Risk assessments and intelligence reporting
- Planning and management
- Due diligence and investigations

PROJECT MANAGEMENT

- Interim security
- Training
- Special assignments

CRISIS RESPONSE

- Crisis management
- Business continuity management
- Hostile operations support to commercial interests

VIRTUAL SECURITY DIRECTOR SERVICE

- For clients lacking a full-time security executive

References are always available.

More information is found at www.msrisk.com

24 hr Global Contact Information: +44 207 754 3555 • Email: operations@msrisk.com

MS RISK

South Suite, Ragnall House, 18 Peel Road • Douglas, Isle of Man, IM1 4LZ

Directors: S.J. Bingham, P.A. Crompton, P.O.J. Tracy

Registered in the Isle of Man No. 007435V