



By: Tomorrow's Affairs Staff

Why the "shadow fleet" undermines Western policy towards Russia?



When the US, the European Union and their allies **imposed** a price cap and transport restrictions on Russian oil in late 2022, the mechanism seemed robust enough to cut off important sources of revenue for the Kremlin.

It is difficult to imagine that a system that controls insurance, transport and finance, with Western shipping companies and banks at its centre, could be seriously undermined.

In the months that followed, however, a parallel maritime network for the transport of oil - the so-called "shadow fleet" - developed.

Today, three years later, this fleet **numbers** between 1,200 and 1,600 tankers, representing almost a fifth of the world's oil transport capacity.

The ships are old, often on the edge of what is technically functional, and **registered** under "flags of convenience" in countries that do not check ownership and seaworthiness.

Their route is via a dark network of middlemen, letterbox companies and ship-to-ship cargo transfers, far from inspections.

How the shadow economy works?

The mechanism of the "shadow fleet" is based on a simple calculation. The Western price cap of 60 dollars per barrel of Russian crude oil only applies if the services of Western insurers and shippers are **utilised**.

If the shipment is organised by a network of companies registered in Djibouti, Panama, or Liberia, with no Western insurers involved, the cargo becomes "invisible" to the regulators.

Tankers switch off their AIS transponders, change names and flags, and transfer oil from ship to ship in international waters. In this way, Russian Urals, which is officially banned, appears in India or China as a "mixture" of neutral origin.

According to estimates, Russia earns an additional nine to ten billion dollars a year in this way, which it would not be able to earn if the cap were **applied** consistently.

For a country at war, this is financial oxygen. For the Western allies, it is a sign that the sanctions regime has deep cracks.

The biggest buyers of the oil transported in this way are India and China. Indian refineries, such as Nayara Energy, **continue** to buy crude oil from Russian middlemen and use "shadow fleet" vessels, despite formal compliance with Western measures.

This allows them cheaper stock and more competitive exports of derivatives while providing Moscow with a stable income.

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For Moscow, the existence of the "shadow fleet" has a dual function.

Economically - because it enables it to continue exporting oil and thus maintain the flow of foreign currency - and in terms of security policy, as the nature of this fleet harbours the potential for destabilisation.

The tankers **belonging** to this network are on average more than 20 years old and often lack adequate insurance or technical monitoring.

This increases the likelihood of accidents, and the consequences would be far-reaching: an oil spill in the Persian Gulf could slow down global energy supplies, while an incident in the Baltic Sea or the Bosphorus would temporarily block one of the world's busiest routes.

Such events, even if they are the result of negligence, open up scope for political manipulation.

Moscow can present them as the result of Western sanctions and at the same time use their effects - market disruption and rising prices - as a form of pressure on its opponents.

Western countermeasures and their limits

Since the beginning of 2025, the US, the EU, and the UK have been increasing pressure.

Hundreds of tankers have been **sanctioned**, the British navy in the English Channel stops and searches dozens of suspicious ships every month, and insurance companies are given ever stricter guidelines.

Sanctions are only effective if there is collective will and coordination

Australia and Canada have **joined** in with their own blacklists. However, it is in the nature of the network that when one ship stops, two new ones enter the system.

The problem is structural. The global oil trade is too dispersed to be fully controlled. Traders use legal loopholes, third countries protect their own profits, and the law of the sea remains lax and slow.

Sanctions are only effective if there is collective will and coordination, and this will is often constrained by vested energy interests.

Risks that go beyond the economy

The greatest danger of the "shadow fleet" is perhaps not the financial impact but the safety risk.

Twenty-plus-year-old ships that are not properly maintained and insured are travelling through one of the busiest maritime corridors.

Any incident can cause an environmental disaster but also the blocking of important routes.

In the Baltic Sea or the Bosphorus, a stranded tanker could become a serious international problem.

The "shadow fleet" becomes an instrument of hidden power

At the same time, the "shadow fleet" becomes an instrument of hidden power.

A ship carrying oil can also be a platform for intelligence gathering, the covert transport of technology, or even the **sabotage** of submarine cables and infrastructure.

Given the blurring lines between economics and security, this scenario cannot be ignored.

Forecasts for the near future

In the near future, the US and the EU can be expected to try to restrict the "shadow fleet", not only by imposing sanctions on the ships and the companies that manage them, but also by introducing secondary measures against the actors who use their services.

This means that major buyers of Russian oil, especially Indian and Chinese refineries, as well as banks and intermediaries that finance these supplies, could come under fire.



If the West does not find a way to contain this fleet, it risks losing not only the battle for Russian revenues but also authority over the sanctions instrument itself

Such an approach would open up a new field for economic and political conflict, as Washington and Brussels would have to target states that are also their most important trading partners.

Another option is to develop a form of tacit recognition - consciously tolerating the existence of the fleet and trying to limit its operation to minimum safety standards, if only to avoid environmental disasters and naval blockades.

The most dramatic scenario is a serious accident or deliberate incident that would turn the whole story from a "shadow economy" problem into an international security issue, with consequences that could include the use of force.

The "shadow fleet" phenomenon is therefore a mirror of today's world: it shows how the global economy makes its way through prohibitions, how states use grey areas to maintain profits and influence, and how trust in the rules-based order is undermined.

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If the "shadow fleet" continues to function unhindered, the result will not only be that Russian revenues are preserved but also that the instrument of sanctions itself is seriously undermined as a means of international

pressure.

This will not only cause the energy regime against Moscow to collapse but also the credibility of the West to impose restrictions on other countries in the future.

This is precisely where the long-term danger lies - the sanctions lose their deterrent function, and the international system loses one of the few remaining means of non-violent coercion.