Geopolitical Threats and Non-EU Dependencies

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CONTEXT

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- USTR Section 301 actions and China's reciprocal Special Port Service Fees
- The EU ETS, Fuel EU vs IMO Net-Zero Framework and the risk of double charging
- The rise of the "dark fleet" and substandard or fraudulent flags and registries
- Escalations in the Red Sea and Gulf regions, and growing concerns around GPS jamming

USTR Section 301 actions and China's reciprocal Special Port Service Fees

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Background

In April 2025, the U.S. Trade Representative (USTR) imposed Section 301 measures targeting China's maritime, logistics, and shipbuilding sectors.

Five Annexes introduce port fees and tariffs on Chinese-linked ships and equipment.

10 Oct 2025 – USTR issued modifications under Section 301.

Fees begin 14 Oct 2025; public comments close 12 Nov 2025.

In response, on 14 October 2025, China's Ministry of Transport (MOT) implemented Special Port Service Fees on U.S.-linked vessels, framed as a reciprocal countermeasure.

The result is a tit-for-tat escalation with significant implications for global shipping, trade costs, and regulatory certainty.

USTR Section 301 actions and China’s reciprocal Special Port Service Fees

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USTR Section 301 Modifications (10 Oct 2025)

Annex	Scope	Key Change	Status
I	Chinese-owned/operated ships	Adds exemption for ethane/LPG carriers ordered < 17 Apr 2025 & on ≥ 20 yr TC by 31 Dec 2027	Starts 14 Oct 2025
II	Chinese-built ships (any flag)	Clarified carve-outs ≤ 4 000 TEU / ≤ 80 000 DWT bulk / ≤ 55 000 DWT others	Comments due 12 Nov
III	Vehicle carriers (ro-ro family)	Fee = **$46 / NT** (from CEU); deferral to 10 Dec 2025; MSP & U.S. flag ≤ 10 000 DWT exempt	Effective 14 Oct
IV	LNG licence lever	**Removed** (retro 17 Apr 2025)	Eliminated
V / V.B	STS cranes & yard equipment	Tariffs 100–150 % on China-origin gear	Open for comment

USTR Section 301 actions and China’s reciprocal Special Port Service Fees

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China’s Special Port Service Fees (on U.S.-linked Vessels)

Scope & Rates

- Applies to U.S.-owned, operated, flagged or built ships and vessels with ≥ 25 % U.S. equity or voting rights.
- Fee per net ton: ¥ 400 ($56) from 14 Oct 2025 → ¥ 640 (2026) → ¥ 880 (2027) → ¥ 1 120 (2028).
- Charged only at first Chinese port call per voyage (max 5 times per year).

Structural Shift – “From Flag State to Shareholder State”

- Determines U.S. linkage by ownership, not flag or build.
- Targets companies with U.S. capital market exposure; 25 % threshold applies to direct or indirect shareholding.

Possible Next Steps

- Expansion to charterers/cargo owners with U.S. institutional ownership under consideration.
- Implementation guidelines expected from China’s Ministry of Transport (Q4 2025).

USTR Section 301 actions and China’s reciprocal Special Port Service Fees

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Geopolitical & Market Effects

- **Dual Fee War** → Higher voyage costs, longer routes, re-flagging strategies.
- **Capital Ownership Scrutiny** → Shift of compliance focus to shareholder structure and public listings.
- **Port-Equipment Realignment** → U.S. ports seek non-Chinese OEMs; higher capex & delays.
- **Supply-Chain Ripple** → Bulk, oil and car trades face added freight costs; inflationary effects.
- **Legal & WTO Risk** → Potential dispute filings; fragmentation of global maritime rule set.
- **Strategic Re-ordering** → “Friend-shoring” of shipbuilding to Japan/Korea/EU; more regional fleets.

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Industry Positions and Next Steps

ICS/CSA Positions:

- Oppose broad application of fees to non-Chinese entities with no nexus to China.
- Support exemptions for smaller U.S.-flagged vessels and long-term chartered LPG carriers.

Recommendations for Members:

- Review ownership and chartering structures for U.S. linkages.
- Prepare documentation for Chinese port calls.
- Monitor USTR docket (comments due 12 November 2025).
- Engage with ICS/CSA to ensure industry concerns are reflected in submissions.

Strategic Outlook:

- Risk of prolonged tit-for-tat escalation.
- Potential WTO disputes and further retaliatory measures.
- Need for coordinated advocacy to avoid systemic disruption of global shipping.

USTR Section 301 actions and China’s reciprocal Special Port Service Fees

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CLOSING LINE

The U.S. Section 301 actions and China’s Special Port Service Fees represent a new front in maritime trade tensions.

Both regimes are complex, politically charged, and carry significant compliance and cost implications for global shipping. Industry engagement and coordinated advocacy will be critical to mitigate risks.

The EU ETS, Fuel EU vs IMO Net-Zero Framework and the risk of double charging

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EU ETS (Emissions Trading System)

- Scope: Since January 2024, shipping emissions are included in the EU ETS.
- 50% of emissions from voyages into/out of EU ports.
- 100% of emissions from intra-EU voyages.
- Mechanism: Shipping companies must purchase and surrender EU Allowances (EUAs) for verified CO_2 emissions.
- Revenue: Funds flow into the EU budget, not earmarked for maritime decarbonisation.
- Challenge: Regional measure applied extraterritorially, creating compliance overlap with IMO's global scheme.

The EU ETS, Fuel EU vs IMO Net-Zero Framework and the risk of double charging

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FuelEU Maritime

- Entry into force: 1 January 2025.
- Objective: Mandates a progressive reduction in the GHG intensity of energy used on board ships calling at EU ports.
- Penalties: Non-compliance leads to financial penalties, with revenues directed to EU innovation funds.
- Overlap: Operates alongside EU ETS, meaning ships face both a carbon price (ETS) and a fuel standard (FuelEU).

The EU ETS, Fuel EU vs IMO Net-Zero Framework and the risk of double charging

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IMO Net-Zero Framework (NZF)

- Adoption expected: October 2025 (MEPC Extraordinary Session).
- Entry into force: March 2027; contributions payable from 2029 based on 2028 fuel use.
- Mechanism:
  - Global GHG Fuel Intensity (GFI) standard.
  - Emissions pricing contributions to the IMO Net-Zero Fund.
  - Rewards for uptake of zero/near-zero GHG fuels (ZNZs).
- Revenue scale: Estimated $25bn in 2029, rising to $100bn annually by 2035.
- Global scope: Applies uniformly to all ships, ensuring a level playing field.

The EU ETS, Fuel EU vs IMO Net-Zero Framework and the risk of double charging

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Risk of Double Charging

- Overlap: Ships trading to EU ports could face EU ETS + FuelEU penalties + IMO NZF contributions for the same tonne of CO_2.
- Consequences:
  - Distorted competition: EU-trading ships pay more than ships trading elsewhere.
  - Carbon leakage: Risk of rerouting cargo to non-EU hubs.
  - Undermines IMO: Weakens global consensus if regional regimes persist.
- **Industry position (ICS & partners):**
  - **EU should align ETS/FuelEU with IMO NZF once adopted.**
  - **Avoid duplication by crediting IMO contributions against EU obligations.**
  - **Ensure revenues are used to support shipping's decarbonisation, not diverted to general budgets.**

The EU ETS, Fuel EU vs IMO Net-Zero Framework and the risk of double charging

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CLOSING LINE

Shipping needs one global framework, not overlapping regional schemes.

Aligning EU ETS and FuelEU with the IMO Net-Zero Framework is essential to avoid double charging, protect competitiveness, and accelerate genuine decarbonisation.

The rise of the "dark fleet" and substandard or fraudulent flags and registries

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What is the "Dark Fleet"?

- The term describes unregulated or semi-clandestine vessels, often older tankers, that deliberately avoid scrutiny.

- They are heavily used to transport sanctioned oil and commodities from countries like Russia, Iran, and Venezuela.

- These ships often switch flags frequently ("flag hopping"), use false or fraudulent registries, or even turn off AIS tracking systems to conceal movements.

The rise of the “dark fleet” and substandard or fraudulent flags and registries

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Fraudulent & Substandard Flags

- Flags of convenience (open registries) allow shipowners to register vessels in jurisdictions with minimal oversight.
- Some registries are outright fraudulent—set up without proper state authorization, issuing documents that look official but lack legal standing.
- Others are substandard, offering lax enforcement of safety, labor, and environmental rules.
- Result: ships that are poorly maintained, uninsured, and prone to accidents, but still active in global trade.

The rise of the “dark fleet” and substandard or fraudulent flags and registries

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Scale of the Problem

- Estimates suggest 600+ tankers (around 10% of the global fleet) are now part of the dark fleet.
- At least a dozen fraudulent registries have been identified, with sanctioned vessels exploiting them to continue trading.
- These ships often lack valid classification, insurance, or safety certification, creating systemic risks.

The rise of the “dark fleet” and substandard or fraudulent flags and registries

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Why It Matters

- **Safety & Environment: Older, poorly maintained ships increase the risk of oil spills, collisions, and loss of life.**
- Regulatory Integrity: Fraudulent registries undermine the IMO system and the principle of “no more favourable treatment.”
- Geopolitical Risk: The dark fleet enables sanctioned states to bypass restrictions, weakening the effectiveness of international sanctions.
- **Fair Competition: Legitimate operators face higher costs for compliance, while dark fleet operators undercut them.**

The rise of the “dark fleet” and substandard or fraudulent flags and registries

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Industry & Regulatory Response

- IMO & Flag States: Pressure is building for stronger oversight of registries and stricter enforcement of flag state responsibilities.
- Port State Control: Inspections are increasingly targeting high-risk vessels, but enforcement is uneven.
- Insurance & Finance: Major insurers and banks are withdrawing cover from suspicious vessels, but shadow networks of alternative insurers have emerged.
- Industry Advocacy: ICS and others are calling for global action against fraudulent registries and for greater transparency in ship ownership.

The rise of the “dark fleet” and substandard or fraudulent flags and registries

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CLOSING LINE

The industry must push for coordinated global action—closing fraudulent registries, strengthening port state control, and ensuring that sanctions enforcement does not come at the expense of maritime safety.

Escalations in the Red Sea and Gulf regions, and growing concerns around GPS jamming

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Escalations in the Red Sea & Gulf

- Houthi attacks: Since late 2023, Houthi forces in Yemen have escalated missile and drone strikes on commercial shipping in the Red Sea, targeting vessels linked to Western or Israeli interests.

- Strait of Hormuz tensions: Iranian forces have intermittently harassed or detained tankers, heightening risks in one of the world's most critical oil chokepoints.

- **Impact on trade: Major carriers have rerouted vessels around the Cape of Good Hope, adding 10–14 days to voyages and raising freight costs. Insurance premiums for Red Sea transits have surged.**

- Geopolitical backdrop: These incidents are tied to wider regional conflicts and great-power rivalries, making the maritime domain a frontline for geopolitical signaling.

Escalations in the Red Sea and Gulf regions, and growing concerns around GPS jamming

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Growing Concerns Around GPS Jamming

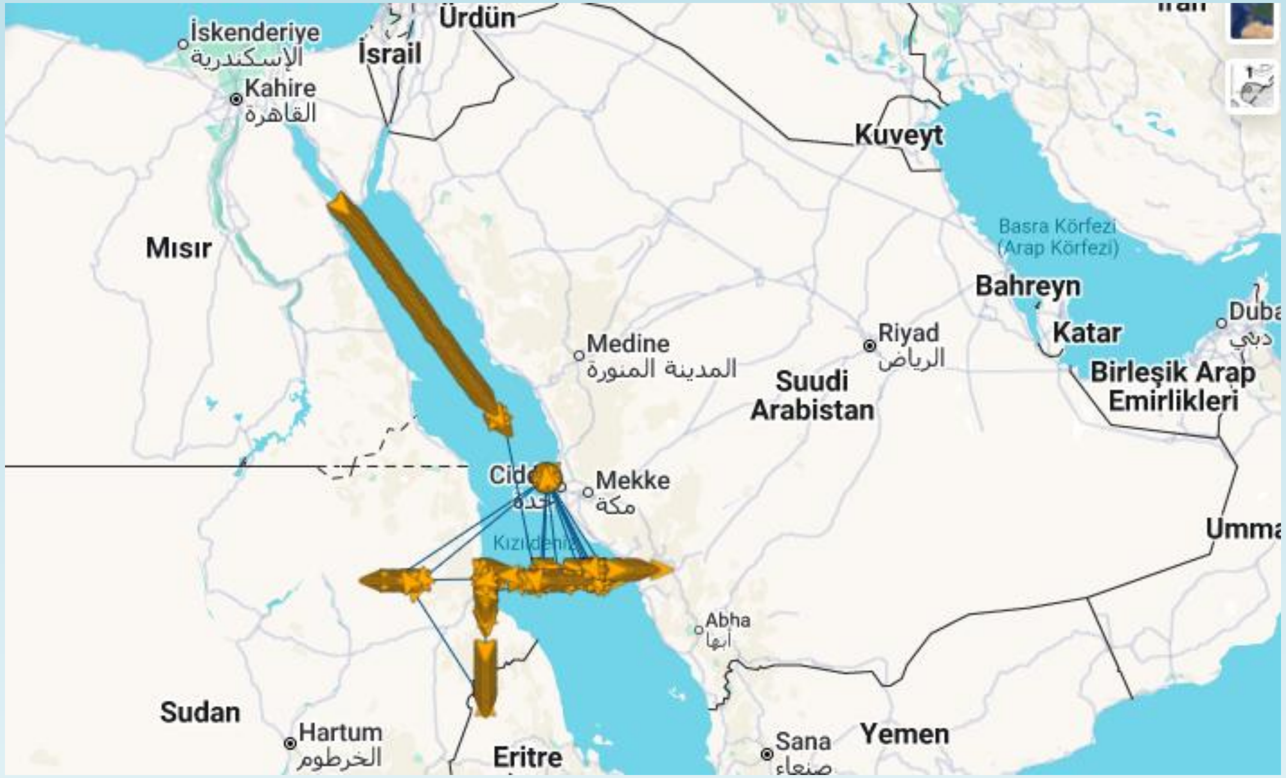
- Sharp rise in incidents: Reports of GPS spoofing and jamming in the Red Sea have surged dramatically. In mid-2025, over 150 vessels in a single day reported GPS outages to satellite providers.

- AIS spoofing: Ships have also experienced false Automatic Identification System (AIS) signals, creating "ghost ships" on radar and complicating traffic management.

- **Consequences:**
  - **Navigation errors and near-groundings (one major container vessel grounded in May 2025 due to GPS interference).**
  - **Disrupted distress communications, raising risks in emergencies.**
  - **Increased reliance on traditional navigation methods (sextants, radar, visual bearings) as backups.**

Escalations in the Red Sea and Gulf regions, and growing concerns around GPS jamming

MSC Antonia subject to GPS jamming on 10th May 2025



Escalations in the Red Sea and Gulf regions, and growing concerns around GPS jamming

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Why It Matters

- **Safety: GPS jamming undermines the most basic element of maritime safety—knowing where you are.**
- **Trade resilience: The Red Sea and Gulf are arteries for global energy and container flows; disruptions ripple through supply chains worldwide.**
- Strategic risk: Electronic warfare in these regions signals a new dimension of conflict—where cyber and electronic attacks complement physical threats.

Escalations in the Red Sea and Gulf regions, and growing concerns around GPS jamming

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CLOSING LINE

Escalations in the Red Sea and Gulf are no longer just about missiles and drones—they now include electronic warfare that blinds ships.

This combination of physical and digital threats is reshaping maritime security and demands urgent, coordinated responses.

Thank you for listening