
Iran fuel imports nosedive as sanctions bite

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Reuters reported that only 3 cargoes of gasoline have so far reached Iran in July, much less than the seasonal norm, as new sanctions cause ships carrying fuel to be diverted.

A series of new sanctions agreed since June specifically targets Iran's oil trade and industry, making it even harder to do business with the Islamic Republic. It is the world's fifth largest crude exporter but has to import around 40% of its gasoline needs because domestic refining capacity is inadequate.

A Dubai based trader said that traditionally during the summer holiday driving season, Iran needs 11 to 13 cargoes a month.

The document seen by Reuters showed that only 3 cargoes of gasoline had arrived this month and were supplied by Turkish refiner Tupras and Unipet, the trading arm of China's Sinopec.

2 Gulf based traders said that another cargo is expected to arrive from Venezuela at the Iranian port of Bandar Abbas. The new rounds of sanctions are making things hard right now and many ships are being diverted so Iran is only getting a fraction of its actual summer demand.

Earlier this month the owner of a gasoline tanker refused to allow the vessel to sail to Iran from Turkey. Owners of ships are really worried right now about sending shipments to Iran and that's why Iran is looking for alternative companies and countries to import from.

As the pressure has mounted on Iran, insurance market Lloyd's of London said that it would not insure or reinsure petroleum shipments going into Iran. Lloyd's, which has 15% to 20% of the global marine insurance sector, is seen as a major influence on other insurance markets with more players pulling back from offering cover to Iran.

Major shipping associations have also created clauses in contracts that enable ship owners to refuse to deliver refined petroleum cargoes to Iran. Some of Iran's traditional suppliers such as China and Turkey are expected to stay loyal. Venezuela, although very distant, making shipments costly is a clear ally.

One of the traders said that the Iranians are looking for countries that don't care about the sanctions and Venezuela is one of them, despite the fact that it's really far away. Iran can also adapt by upgrading its refining capacity, although this requires time and investment. Other strategies include smuggling refined products by land.

(Sourced from Reuters)

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