Jeantet

Newsletter

November 2026

MIDDLE EAST DESK | SHIPPING INSIGHTS #2

Sanctions at Sea: Consequences for Maritime Contracts and Arbitration

EDITORIAL

Our first issue of *Shipping Insights* looked at how current events in the Middle East affect the performance of shipping contracts: deviation, safe port and safe route obligations, off-hire, force majeure and insurance. It identified sanctions exposure as a recurring element of due diligence. This second issue focuses on sanctions, now a decisive factor for anyone trading through Hormuz and the Gulf, through the eight questions we hear most often, each with a short answer and a practical tip.

We are therefore pleased to share this second edition, and to continue building, issue after issue, a practical reference on the legal questions facing the shipping industry in and around the Middle East.

Warm regards,

Joséphine Hage Chahine - Ali Baydoun

Co-Heads, Middle East Desk-Jeantet



The 2026 picture in 30 seconds

- United States. OFAC, the US Treasury's sanctions office, keeps blacklisting ship owners and managers in the UAE, Oman and Qatar for carrying Iranian oil, and a US naval blockade targets Iranian ports.
- European Union. Over 670 Russian "shadow fleet" tankers are listed and, since July 2026, so are the vessels that refuel them or transfer cargo with them at sea.
- Syria. Most sanctions were lifted in 2025, but persons linked to the former regime remain listed.

Five red flags before you fix a vessel:

- The counterparty, its parent or its bank is registered in a jurisdiction often targeted by OFAC.
- The vessel flies a flag of convenience or has recently changed name, flag or manager.
- The vessel's tracking system (AIS) was switched off on past voyages, especially near Iranian or Venezuelan waters.
- Orders include a ship-to-ship transfer with a receiving vessel you cannot identify.
- Payment runs through an unusual bank, currency or third party.

***Bottom line**: none of these is unlawful in itself, but each is a reason to ask questions before signing.*

Part I – Your contracts

1. Can my sanctions clause get me out of a risky voyage?

Yes, if it is well drafted: courts and arbitrators read these clauses word by word, and one word can change the outcome.

- "could expose" to sanctions: a real, identifiable risk is enough;
- "would expose" to sanctions: an actual legal prohibition is required, a mere risk of US sanctions is not;
- "to comply with mandatory law": held to cover US sanctions.

***Our tip**: choose "risk" over "prohibition", name the authorities (UN, EU, UK, US), spell out the consequences (refusal, suspension, termination, discharge, who pays) and make warranties reciprocal, as the BIMCO clauses do.*

2. No sanctions clause: Can I rely on the law?

Only partly. Under French law, UN and EU sanctions are binding: a party can and must refuse to perform in breach of them. US sanctions count only if they are the law of the place of performance and make performance unlawful there; otherwise they are a mere fact.

Example: a charter to a Dubai company designated by OFAC but not by the EU remains lawful, even though the French owner risks losing access to US banks, insurers and the dollar.

***Our tip**: for US sanctions, only a contractual clause will protect you.*

3. Is it force majeure?

Rarely. Article 1218 of the French Civil Code requires three cumulative tests:

- beyond your control: usually met for a sanction, blockade or war;
- unforeseeable at signature: hard to show for Red Sea trades fixed after October 2023 or Gulf trades fixed after February 2026;
- impossible to overcome: a closure, embargo or designation may qualify, higher costs will not, and there must be no alternative route, vessel, bank or currency.

***Our tip**: list sanctions, designations, blockades and strait closures expressly as force majeure, whether or not foreseeable at signature.*

4. Performance is possible, but ruinously expensive: what to do?

That is hardship (Article 1195 of the French Civil Code): you may request renegotiation but must keep performing and, failing agreement, the parties may terminate or ask the court to revise the contract. The process is slow and often excluded by contract. English law gives no relief for mere extra cost.

***Our tip**: draft your own hardship clause, with clear triggers (e.g. war risk premiums above a threshold) and consequences (price adjustment, cost sharing, termination).*

5. Can I turn away a cargo to avoid US sanctions?

Careful. The EU Blocking Statute prohibits EU operators from complying with the US sanctions listed in its Annex, and counterparties can enforce it in court. If a termination looks driven by US sanctions, you must prove otherwise or risk having it set aside. Refusal is, however, required where EU sanctions also apply.

***Our tip**: document other grounds (EU sanctions, insurance, crew safety, commercial reasons) or, if heavily exposed to the US, seek prior authorization from the European Commission.*

Part II – Your arbitrations

6. Can a tribunal order me to pay a sanctioned party?

Not under a contract blocked by EU sanctions. The EU "no-claims" rule bars sanctioned parties' claims under such contracts (the claimant must show its claim falls outside it), and an award granting one may be set aside or refused enforcement in the EU. French courts also treat UN and EU sanctions, but not US sanctions, as international public policy, where the breach is real and concrete.

***Our tip**: raise the relevant UN and EU sanctions in the arbitration and make sure the award deals with them.*

7. Who pays the arbitrators when a party is sanctioned?

Paying or receiving funds from a sanctioned party may itself breach sanctions, for arbitrators and counsel too. The UK has issued general licences for this under its Russia regime; in the EU, releasing frozen funds requires prior authorisation (in France, from the Direction générale du Trésor). Under LMAA or SMA terms, arbitrators invoice the parties directly and must check the position themselves.

***Our tip**: screen the parties, their banks and the source of funds early, agree who applies for any licence, and build the delay into the timetable.*

8. Will I actually get paid?

Sanctions do not stop a creditor from protecting itself: tribunals have ordered debtors linked to sanctioned entities to provide security, and creditors have arrested cargoes to secure their claims pending arbitration. The difficulty comes at the payment stage: an award for a sanctioned party can only be paid into a frozen account or under licence, and one against it may be hard to collect. Saudi Arabia, the UAE and Qatar apply the New York Convention, but practice differs between onshore and DIFC/ADGM courts.

***Our tip**: secure your claim early, ask the tribunal to decide who bears any licence cost, and map the counterparty's assets when drafting the arbitration clause.*

Conclusion:

Sanctions are a drafting issue before they become a dispute: the right clause today avoids the arbitration tomorrow.

Jeantet's Middle East Desk assists shipowners, charterers, traders, financiers and insurers on these issues, from contract drafting and compliance to arbitration and enforcement, in France and in the Gulf, in French, English and Arabic.

For further information, please contact: Ali Baydoun-Joséphine Hage Chahine, Co-Heads, Middle East Desk- Jeantet.

Contacts



Ali Baydoun
Counsel

Mail : abaydoun@jeantet.fr
Tel : +33 1 45 05 80 73



Joséphine Hage Chahine
Counsel

Mail : jhagechahine@jeantet.fr
Tel : +33 1 45 05 80 76