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10 Anson Road #33-06A International Plaza Singapore 079903 | 6990 4270



The Declining Dollar's Impact on US Sanctions Enforcement

by Punit Oza, FICS

The United States has long wielded economic sanctions as one of its most powerful diplomatic tools, leveraging the dominance of the US dollar in global finance to impose its will on adversaries and pressure allies to comply with American foreign policy objectives.

However, the gradual erosion of dollar hegemony in international transactions is fundamentally altering the effectiveness of US sanctions, creating new challenges for American policymakers and potentially reshaping the global economic order.

The Foundation of Dollar-Based Sanctions Power

For decades, the US dollar's role as the world's primary reserve currency has provided Washington with extraordinary leverage over global financial systems. This dominance stems from several interconnected factors that have created what economists call the "dollar trap" - a self-reinforcing cycle where dollar usage begets more dollar usage.

The foundation of this system traces back to the 1944 Bretton Woods

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Agreement, which established the dollar as the anchor of the international monetary system, and was further cemented after the 1971 Nixon Shock when the US abandoned the gold standard. The subsequent petrodollar system, forged through agreements with Saudi Arabia and other oil producers in the 1970s, ensured that global energy markets would be priced and settled in dollars, creating permanent demand for US currency.

Today, approximately 60% of global foreign exchange reserves are held in dollars, while roughly 40% of international debt securities are dollar-denominated. The Society for Worldwide Interbank Financial Telecommunication (SWIFT) network, through which most international wire transfers flow, processes about \$5 trillion in daily transactions, with an estimated 40% involving dollars. This infrastructure creates multiple chokepoints where US authorities can exercise control.

When the United States imposes sanctions, it effectively threatens to cut targeted entities off from this dollar-centric financial ecosystem. Banks and businesses worldwide face a stark choice: comply with US sanctions or risk losing access to American markets and financial institutions. This secondary sanctions effect has historically made US economic measures far more potent than those imposed by other nations, as non-compliance could result in exclusion from the world's largest economy and its financial networks.

The Treasury Department's Office of Foreign Assets Control (OFAC) has become one of the most feared regulatory bodies globally, with its sanctions lists capable of instantly isolating individuals, companies, and entire nations from international commerce. The Specially Designated Nationals (SDN) list now contains over 6,000 entries, and violations can result in penalties reaching into the billions. Major European and Asian banks have paid over \$20 billion in fines for sanctions violations since 2009, demonstrating the reach and enforcement power of dollar-based restrictions.

Historical Precedents and Evolution

The modern sanctions regime has evolved significantly since the Cold War era. Early sanctions programs, such as those against Cuba beginning in 1960, were primarily trade-based embargoes that relied on US market access rather than financial leverage. The transformation began in earnest following the September 11 attacks, when the US began aggressively using financial intelligence and banking regulations to combat terrorism financing.

The Iran sanctions program, particularly after 2010, became the template for modern financial warfare. By targeting Iran's central bank and threatening secondary sanctions against any institution conducting business with Iranian entities, the US essentially forced global banks to choose between Iranian and American markets. The result was Iran's near-complete isolation from the international financial system, contributing to a collapse in oil exports from 2.5 million barrels per day in 2011 to fewer than 1 million by 2013.

Similarly, the sanctions imposed on Russia following its 2014 annexation of Crimea demonstrated the speed and scope of dollar-based financial restrictions. Major Russian banks found themselves unable to access international capital markets, while energy companies lost access to Western technology and financing. The 2022 escalation following Russia's invasion of Ukraine saw unprecedented measures, including the freezing of Russian central bank reserves and the partial exclusion of Russian banks from SWIFT.

Emerging Challenges to Dollar Hegemony

Several structural shifts in the global economy are now undermining the dollar's monopolistic position in international finance. The most significant challenge comes from China's systematic effort to internationalize the renminbi and create alternative financial infrastructure. Beijing's strategy operates on multiple levels, from bilateral trade agreements that bypass dollar settlements to the development of competing international institutions.

The Belt and Road Initiative has created new trade corridors where transactions increasingly occur in renminbi or through bilateral currency swaps, reducing dependence on dollar clearing systems. China has signed currency swap agreements worth over \$500 billion with more than 40 countries, enabling direct trading without dollar conversion. The China International Payment System (CIPS), launched in 2015, now processes over \$12 trillion annually and connects more than 1,300 financial institutions across 100 countries.

Russia's response to Western sanctions has accelerated the development of alternative financial infrastructure. Moscow's pivot toward yuan-denominated energy transactions with China and India demonstrates how sanctioned nations can adapt to circumvent dollar-based restrictions. In 2023, China became Russia's largest trading partner, with bilateral trade reaching \$240 billion, much of it conducted in yuan. Russia has also developed its own financial messaging system, SPFS, which now connects over 400 users and has signed cooperation agreements with similar systems in other countries.

The European Union's own frustrations with extraterritorial US sanctions have led to initiatives designed to reduce dollar dependence. The Instrument in Support of Trade Exchanges (INSTEX), created to facilitate trade with Iran, represents European efforts to maintain economic relationships despite US sanctions. While INSTEX has had limited success, it signals growing European willingness to challenge US financial dominance when it conflicts with European interests.

Central bank digital currencies (CBDCs) represent another potential challenge to dollar dominance. Over 100 countries are exploring or developing CBDCs, with China's digital yuan leading in both technological sophistication and adoption. The digital yuan enables direct peer-to-peer transactions without traditional banking intermediaries, potentially allowing for sanctions-resistant international payments. Pilot programs have already demonstrated cross-border functionality with Hong Kong and other jurisdictions.

The Cryptocurrency Wild Card

The rise of cryptocurrencies adds another layer of complexity to sanctions enforcement. While Bitcoin and other major cryptocurrencies are not truly anonymous, they do provide alternatives to traditional banking systems that can complicate sanctions enforcement. North Korea has reportedly generated hundreds of millions of dollars through cryptocurrency theft and mining operations, using these funds to support its nuclear program despite comprehensive international sanctions.

However, the regulatory landscape around cryptocurrencies is rapidly evolving. The US has increasingly used existing sanctions authorities to target cryptocurrency addresses and exchanges, while developing new tools for blockchain analysis. The 2022 sanctions against Tornado Cash, a cryptocurrency mixing service, demonstrated US willingness to target decentralized finance protocols. Nevertheless, the emergence of privacy-focused cryptocurrencies and decentralized exchanges continues to present challenges for traditional sanctions enforcement.

Regional Financial Fragmentation

The global financial system is experiencing increasing regionalization as countries seek to reduce dependence on dollar-based systems. The ASEAN+3 monetary cooperation framework has established the Chiang Mai Initiative, a \$240 billion currency swap arrangement that allows member countries to support each other during financial crises without relying on US institutions.

In South America, countries have increasingly turned to bilateral trade agreements denominated in local currencies. Argentina and Brazil have discussed creating a common currency for regional trade, while both countries have expanded trade with China using yuan settlements. These developments reflect a broader trend toward regional financial integration that reduces exposure to US sanctions.

The Middle East has seen similar developments, with the UAE and Saudi Arabia both exploring digital currencies and alternative payment systems. The recent Chinese-brokered rapprochement between Saudi Arabia and Iran included discussions about non-dollar trade mechanisms, potentially undermining one of the key pillars of dollar recycling.

Technological Disruptions and Adaptations

Advances in financial technology are creating new possibilities for sanctions circumvention while also providing new tools for enforcement. Artificial intelligence and machine learning are being deployed both to detect sanctions violations through pattern analysis and to develop more sophisticated evasion techniques.

The rise of fintech companies and digital payment platforms has created new intermediaries that operate outside traditional banking oversight. While many of these platforms have implemented compliance programs, the sheer volume and complexity of digital transactions make comprehensive monitoring increasingly difficult.

Distributed ledger technology beyond cryptocurrencies is also creating new possibilities for international settlements. Trade finance platforms using blockchain technology can facilitate transactions without traditional correspondent banking relationships, potentially reducing the leverage that dollar-based sanctions provide.

Strategic Responses and Adaptations

The United States has recognized these challenges and begun adapting its sanctions strategy accordingly. Recent measures have focused more heavily on targeting specific technologies and supply chains rather than relying solely on financial isolation. The semiconductor sanctions against China represent this shift toward more granular, technically-focused restrictions that are harder to circumvent through alternative payment systems.

Export controls have become increasingly sophisticated, targeting not just finished products but also the equipment and materials needed to produce sensitive technologies. The Entity List maintained by the Commerce Department now includes over 600 Chinese companies and institutions, effectively cutting them off from US technology regardless of payment mechanisms.

Enhanced surveillance and enforcement mechanisms are also evolving to address new challenges. Treasury's use of blockchain analysis to track cryptocurrency transactions represents a significant technological upgrade in sanctions enforcement capabilities. The department has established dedicated teams focused on digital assets and has expanded cooperation with international partners to monitor alternative payment systems.

Diplomatic efforts have intensified to maintain sanctions coalitions and prevent defection by key allies. The coordination of sanctions packages among G7 nations and NATO allies demonstrates recognition that unilateral US measures may become less effective as alternative financial systems mature. The creation of multilateral sanctions coordination mechanisms, such as those established for Russia sanctions, shows how enforcement is adapting to a more multipolar financial world.

Economic and Political Ramifications

The declining effectiveness of dollar-based sanctions has significant implications for US foreign policy and global economic stability. Traditional allies have become more willing to challenge US sanctions when they conflict with national economic interests. European companies have increasingly sought US government licenses to maintain business relationships with sanctioned entities, while some have restructured operations to reduce US jurisdiction exposure.

The fragmentation of global financial systems also creates risks for economic stability. Multiple clearing systems

and currency blocs could lead to reduced liquidity and increased transaction costs. The potential for financial balkanization raises concerns about the ability to coordinate responses to future financial crises.

For developing countries, the emergence of alternative financial systems provides new options but also new complexities. While reduced dollar dependence might offer greater policy autonomy, it also requires building new institutional relationships and technical capabilities.

Long-term Implications for Global Economic Architecture

The gradual decline of dollar-based sanctions effectiveness reflects broader shifts in global economic power. As multiple reserve currencies emerge and alternative financial systems mature, the international monetary system appears to be evolving toward greater multipolarity. This transition could fundamentally alter how economic coercion operates in international relations.

Regional financial blocs may become more important as countries seek to insulate themselves from external sanctions pressure. The success of regional payment systems and currency arrangements will likely determine whether the global financial system fragments into competing blocs or evolve into a more balanced multipolar system.

The role of international institutions may also evolve. Traditional bodies like the IMF and World Bank, which have been closely aligned with Western interests, may face competition from alternatives like the Asian Infrastructure Investment Bank and New Development Bank. This institutional competition could lead to more diverse approaches to economic governance and development financing.

Conclusion

The declining dominance of the US dollar in international finance represents a fundamental challenge to American sanctions policy and, more broadly, to US global economic leadership. While dollar-based restrictions remain powerful tools, their effectiveness is gradually eroding as alternative payment systems mature, regional financial integration advances, and economic multipolarity increases.

This transition requires fundamental adaptations in how the United States approaches economic statecraft. Greater emphasis on multilateral coordination, more sophisticated targeting mechanisms, and recognition of the limits of financial coercion will be essential. The development of new enforcement technologies and diplomatic strategies will determine whether the US can maintain meaningful sanctions capabilities in a more fragmented financial world.

The implications extend far beyond sanctions policy, potentially reshaping the entire architecture of international economic relations. The emergence of competing financial systems could lead to a more balanced but also more complex global economy, where economic leverage must be carefully calibrated and diplomatically sustained. The challenge for policymakers will be navigating this transition while maintaining

stability and preventing the complete fragmentation of global financial systems. The outcome will significantly influence the distribution of economic power and the conduct of international relations in the decades ahead. ♦

About the Author



Mr Punit Oza FICS is International President of the Institute of Chartered Shipbrokers.

An Interview with Capt. Shiraz Lakhani - 2025 Best Overall Student

By Capt. Saunak Rai, FICS

Interviewer: Capt. Saunak Rai, ICS Singapore Chairman, Head of FuelNG

Interviewee: Capt. Shiraz Lakhani, Deputy Marine & Safety Director, PG Ship Management Pte Ltd

Q Congratulations on an outstanding achievement in winning Best Student in three core subjects – Shipping Business, Shipping Law and Shipping Finance and Best Overall Student. This is a truly an exceptional achievement in the ICS examinations. What motivated you to pursue the Institute of Chartered Shipbrokers qualifications and how did you balance professional commitments with your examination preparation?

A Thank you for this opportunity. Winning Best Student awards in Shipping Business, Shipping Law, Shipping Finance, and Best Overall Student is deeply meaningful and special to me, especially when it is recognized by globally renowned Institute of Chartered Shipbrokers (ICS). My motivation to pursue the institutes examinations was to attain a deeper understanding on how real shipping decisions are made and to gain a wider perspective on various aspects of on-field decision making which I may be unaware of in my day job which involves managing technical operations of large liquefied petroleum & petrochemical gas carriers. Balancing both professional commitments with exam preparation is always a slippery slope and needs to be worked on regular basis considering dynamics of day job.

Q Was there a defining moment when you realised you were on the right preparation track and how do these awards align with your long-term career ambitions in shipping?

A Well, it is hard to identify a single defining moment among the multiple moments experienced while preparing for examinations. The institutes curriculum is vast and provides liberty to explore various academic material available and there was always room to explore and gain a deeper insight into the subjects. It was a bit of a roller coaster ride as the moment I felt I was on the right track I would come across material or a topic which I was not well versed and felt the need to read more on the specific subject matter. ICS awards have reinforced my belief that disciplined preparation, curiosity about the industry, and a practical mindset can make a meaningful difference – not only in examinations, but in professional decision-making within the shipping industry. Key here is to direct the efforts towards knowledge attainment and awards are a recognition of efforts which support enhancement of career ambition.

Q How did you structure your study plan across multiple demanding subjects and what techniques helped you retain and connect large volumes of technical information?

A I followed a structured study plan over several months, regularly reviewed past examination reports, and focused on clarity of expression because in shipping, clear thinking and clear communication are just as important as technical knowledge. Consistency was key here. A useful technique which I utilized is rather than studying subjects in isolation, I treated Shipping Business, Law, and Finance as interconnected disciplines. The logic behind this approach was as commercial decisions carry legal consequences, financial structures influence operational strategy, and legal risk ultimately impacts profitability. So, here's the mantra for preparing multiple subjects in a cohesive manner.

Q Did your preparation differ between Shipping Law and Shipping Finance? How did you identify and work on your weak areas?

A Yes, significantly. For Shipping Law, I focused on understanding principles, risk allocation, and how clauses operate in practice, especially in charterparties and contracts of carriage. Precision and logical structure were essential. For Shipping Finance, my focus was on understanding relationships – between market cycles, asset values, cash flow, and risk. Rather than complex calculations, I emphasised commercial logic and decision-making from both owner and lender perspectives.

Q What do you consider the most important commercial drivers in today's shipping markets & how do geopolitics and global trade patterns influence shipping business decisions?

A In today's shipping markets, I believe the most important commercial drivers are freight rate volatility, supply-demand balance of tonnage, operating costs, regulatory compliance, and access to capital. Firstly, freight rates remain the primary revenue driver, but they are increasingly volatile due to short-term disruptions such as port congestion, weather events, sanctions, and sudden trade policy changes viz tariffs, security specific events etc. Owners and charterers must therefore focus not only on spot earnings but also on risk management through period coverage and diversification. Secondly, the supply-demand balance of vessels is critical. Orderbook levels, fleet age, scrapping activity, and delivery delays directly influence market cycles. In several segments today, a relatively disciplined orderbook combined with ageing fleets has supported stronger fundamentals, but this can change quickly if sentiment shifts. Thirdly, operating and capital costs have become major commercial considerations. Bunker price volatility, availability of compliant fuels, alternate fuels, crew costs & competency management (trainings), insurance premiums, and financing costs all affect voyage economics and asset values. Commercial decisions today must be made with a much sharper focus on cost efficiency and cash-flow resilience as ultimately the bottom line in P&L and balance sheet matters.

Q Which areas of Shipping Law did you find most challenging? Why is understanding Shipping Law critical even for non-legal professionals? What key legal principles govern disputes between owners and charterers?

A I often find case law as a tricky area to retain especially in the examinations. Although I find the cases interesting and enjoy reading them at lengths, I have realised it is a different skill set needed to present the case law to the question asked in the examinations. It would not be right to digress from the question asked in exams by presenting a case where the principles applied don't really do justice to what the examiner is looking for in students' response. For non-legal professionals, a sound knowledge of Shipping Law allows us to identify risks early, negotiate better contracts, and try to avoid disputes. Even a basic understanding of laytime, off-hire, cargo claims, and liabilities can significantly influence commercial outcomes or provide an amicable resolution to disputes.

Q What makes shipping finance fundamentally different from corporate finance? What are the main risks lenders face in ship finance?

A Shipping finance is asset-heavy, cyclical, and highly sensitive to market volatility. Vessel values fluctuate significantly, revenues are uncertain, and assets are mobile across jurisdictions. This makes risk assessment more complex than in traditional corporate finance and requires a deep understanding of both market cycles and operational realities.

Q How do Shipping Business, Law, and Finance interconnect in real-world decision-making?

A In my opinion, there is a significant connection here. For Shipping Law, focus is on understanding principles, risk allocation, and how clauses operate in practice especially in charterparties and contracts of carriage. Precision and logical structure is essential for decision making. In Shipping Finance, emphasis is on understanding relationships between market cycles, asset values, cash flow, and risk allocation. Whereas shipping business is an overarching umbrella which binds shipping finance, shipping

law and commercial acumen.

Q How should a shipping professional prioritise when faced with competing pressures? How does a strong foundation in these subjects improve strategic leadership?

A When faced with competing pressures, a shipping professional should prioritise decisions based on safety and compliance first, commercial sustainability second, and value creation third. In shipping, mistakes often have long-term financial, legal, and reputational consequences, so clear prioritisation is extremely essential in my opinion. Nevertheless, the priority must always be safety, regulatory compliance, and contractual obligations. No commercial opportunity justifies breaching international conventions, sanctions, or charter-party terms. A strong understanding of shipping law helps professionals quickly identify non-negotiable risks and avoid decisions that may appear profitable in the short term but are damaging in the long run. To summarize, effective prioritisation in shipping is about clarity of principles, disciplined decision-making, and integrated thinking. Mastery of shipping business, law, and finance transforms operational decision-making into strategic leadership, which is essential in today's complex and volatile shipping environment.

Q What advice would you give to students preparing for ICS examinations? What mistakes should candidates avoid and how important is practical experience alongside academic study? If you had to summarise your success in three key principles, what would they be?

A My preparation rested on three pillars: structure, understanding examiner expectations, and application. First, I created a realistic and disciplined study schedule, allocating time based on subject complexity. Second, I studied examiner reports closely to understand how answers are evaluated – what earns marks and what doesn't. Finally, I focused heavily on applying concepts to practical shipping situations rather than memorising theory. That approach helped me write clear, structured answers under time pressure. I would advise students to start early, study examiner reports carefully and focus on understanding rather than memorisation. Clear structure, relevant examples, and disciplined preparation matter far more than attempting to cover everything at the last minute.



Maritime Arbitration – Time consuming and expensive?

by Jagannath / NAU

1. During our recent visit to Chennai, we had the opportunity to interact with the trade during two events, one conducted at [the Southern India Chamber of Commerce and Industry](#) (commonly known as SICCI) and the [Madras Branch of the Institute of Chartered Shipbrokers](#). One of the comments made during our interaction was that Maritime Arbitration was expensive and time consuming. The intention of this article is to try and argue that Arbitration should be the default dispute resolution process at least for International Contracts (including maritime) and that contrary to belief, it is neither expensive nor time consuming if the arbitration clause / process has been well thought of.

2. Why arbitrate?

- a. Maritime Contracts are generally between parties from different jurisdictions. If there is a dispute between these parties and which is litigated (if the Courts have accepted jurisdiction), the winning party would have to consider enforcement of the judgement if it has been provided by a court of another jurisdiction (based on the agreed dispute resolution clause). Enforcement of judgements by other courts is possible if there is some sort of treaty between the two jurisdictions (the jurisdiction which has provided the judgement and the jurisdiction where the judgement is being enforced)ⁱ.
- b. In the case of International Arbitration, as of date, 172 contracting states are signatories of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 10 June 1958) ("[New York Convention](#)") and which includes 151 UN Member States. The aim of the New York Convention is to recognize and enforce international arbitration awards made in the territory of a member stateⁱⁱ.
- c. With respect to court judgements, there is the 2005 [Hague Convention on Choice of Court Agreements](#) which has 32 contracting parties. It works like the New York Convention but given that the number of signatories is not substantial, parties may prefer to arbitrate instead of litigating their disputes.
- d. Both the New York and the Hague Convention on Choice of Court Agreements allow member states to deny the enforcement of awardsⁱⁱⁱ/judgements^{iv} on limited grounds and which are similar in nature.

3. Timelines:

- a. The timelines involved in arbitration would depend on the procedural rules being followed. If the arbitration is conducted either on the small claims or expedited procedure, there are generally strict timelines^v and which allow for the quicker completion of arbitration.
- b. Parties may take tactical positions to derail arbitrations. This may also happen in litigation. The main difference is that arbitrators function as *quasi-judges*, their powers are limited to what is provided under the contract and law. This being the case, delays may indeed be seen in some limited instances. In the case of litigation, parties may have no control as the process would be dictated by the court, and which may in some jurisdictions be swamped with cases to deal with.

i. For instance, in India enforcement of foreign judgements is possible if the judgement has been made in specific reciprocating territories by superior courts. Some of the territories are the UK, UAE, Singapore, Malaysia, Bangladesh, Hong Kong, New Zealand, etc.

ii. See article on [Enforcement under the New York Convention](#) authored by Emmanuel Gaillard and Benjamin Siino.

iii. Art V of the New York Convention.

iv. Art IX of the Hague Convention on Choice of Court Agreement.

v. See Rule 5 of the [LMAA Small Claims Procedure 2021](#), Rule 7 of the [LMAA Intermediate Claims Procedure 2021](#) and Rule 44 of the [SCMA Rules, 4th Edition](#).

4. Expensive:

- a. The arbitration agreed between parties may be either institutional or *ad-hoc*/unadministered arbitration. The main difference between these two types is that to initiate arbitration under institutional rules, parties may first have to make payment of the first tranche/filing fee^{vi} of the arbitral institutional involved. This may not be required under the *ad-hoc*^{vii}/unadministered rules^{viii} (except that to engage an arbitrator, parties may first have to agree and make payment of the appointment fees).
 - b. Given that shipping claims have short time bars (contractual or otherwise), parties would wish to protect time by initiating arbitration or litigation. In the case of *ad-hoc*/unadministered arbitration, this is relatively simple given that most of the rules provide for the submission of a notice of arbitration to commence arbitration. Parties can then continue to negotiate and if unsuccessful, move on to arbitrate their disputes.
 - c. Arbitration Rules of various institutions/associations allow different pathways for low valued claims. Such rules allow for faster processes heard by a single member tribunal with capped costs^{ix}. Should parties be desirous of using the same process for larger claims, they can expressly provide for in their arbitration clause^x.
 - d. We admit that parties, in addition to paying their counsel's fees, would also pay the arbitrator's fees (which is not required in litigation except that there would be a court filing fee based on the size of the dispute). However, arbitrators allow the winning party to recover a higher portion of the costs incurred from the losing party and which may not be the case in litigation. Parties can also choose to arbitrate themselves instead of engaging counsel/representatives, thus avoiding legal costs but this is highly unlikely given the specialized knowledge required.
5. There are other advantages in arbitrating such as choice of appointing a tribunal well versed with the trade practices, confidentiality, etc. In this regard, Lexis Nexis has published [Arbitration vs Litigation: Making the right choice](#) and which provides further details on the advantages and disadvantages. The main disadvantage is that there is limited^{xi} or no right of appeal^{xii} on a point of law which is available in litigation. Having said that, the risks are similar, and our view is to respect the decision of the Tribunal or the court, whatever it may be.

6. Conclusion:

- a. While there may be advantages in litigating, parties would have to first consider whether a court judgement would be enforceable in the first instance? Arbitration scores over litigation in this regard.
- b. Arbitration does provide various pathways to deal with disputes expeditiously and with capped costs. To take advantage of these benefits, parties may wish to incorporate a well-crafted arbitration clause allowing for the use of such pathways.

vi. See Rule 6.3(i) of the [SIAC Rules, 7th Edition, 01 Jan 2025](#).

vii. See Rule 10 of the [LMAA Terms 2021](#) and the Appointment fees stated in the First Schedule.

viii. See Rule 6 of the [SCMA Arbitration Rules, 4th Edition, 01st Jan 2022](#).

ix. See Rule XIII of the [SIAC Rules, 7th Edition - Streamlined Procedure, LMAA Small Claims Procedure 2021](#) for claims not exceeding USD 100,000 and [LMAA Intermediate Claims Procedure 2021](#) for claims from USD 100,000 to USD 400,000 and [R 44 - Expedited Procedure under the SCMA Rules, 4th Edition](#).

x. Arbitrators may seek additional payment of fees given that the work involved for larger claims may be substantial vis-à-vis lower value claim.

xi. See [S69 of the English Arbitration Act 1996](#).

xiii. See [Art V of the Model Law and which forms a part of the Singapore International Arbitration Act 1994](#).

Sustainable Shipping

by Capt. Soumya Bhattacharyya



The concept of sustainable shipping is no longer a niche concern but a central and unavoidable imperative dominating discussions within the maritime industry, regulatory bodies, and academic research. This critical focus stems from the industry's indispensable role in global trade and the mounting pressure to mitigate its environmental footprint. Sustainability in this context is holistically analysed across three main, interconnected pillars: economic, environmental, and social.

Achieving true maritime sustainability requires balancing three crucial dimensions. Economic sustainability focuses on the long-term financial viability of shipping, demanding consistent profitability that successfully integrates the high costs associated with environmental compliance and technological advancements. The environmental pillar mandates minimizing harmful impacts, primarily through the significant reduction of GHG and other emissions, improving energy efficiency, and preventing pollution. Finally, social sustainability addresses the human element by ensuring fairness, promoting equitable opportunities, guaranteeing safe and decent working conditions for seafarers, and fulfilling robust Corporate Social Responsibility (CSR) commitments.

Environmental Impact, Regulations, and the Decarbonization Roadmap

Although maritime shipping is the most carbon-efficient method for freight, its high-volume results in about 2.1% of global CO₂ emissions. The International Maritime Organization (IMO) is driving a severe regulatory shift, aiming for at least a 50% reduction in GHG emissions by 2050 (relative to 2008), with key instruments like EEXI and CII grading ships on efficiency. This regulatory push accelerates the transition to cleaner fuels, requiring significant capital and operational adjustments, potentially increasing logistics costs. Mechanisms to lower these transition costs are critical to prevent disproportionate burdens on developing nations.

The Zero-GHG Fuel Landscape

The pathway to decarbonization hinges on replacing fossil fuels with viable zero- or near-zero GHG alternatives.

- **Green Methanol (CH₃OH):** This is a promising option for mid-sized vessels. It is easier to handle than gaseous fuels and can be produced using renewable electricity and captured CO₂ (e-methanol). While it has lower energy density than heavy fuel oil, it produces very low NO_x and SO_x emissions.

- Green Ammonia (NH₃): Viewed as a high-potential future fuel for large, long-haul vessels as it contains no carbon. Its adoption is challenging due to its toxicity and the risk of releasing nitrous oxide (N₂O), a powerful GHG, upon combustion.
- Hydrogen H₂: The ultimate zero-carbon fuel (emitting only water). Its widespread use is limited by its extremely low energy density, requiring supercooled or highly compressed storage, making it best suited for short-sea shipping and port operations.
- Sustainable Biofuels: Derived from sources like used cooking oil, these offer a near-term solution as "drop-in" replacements for existing engines. Their sustainability requires strict verification to avoid competing with food production.

However, it is important to understand that the above alternatives must be green from ‘well to wake’ for befitting the purpose.

Digital Technologies: Enabling Efficiency and Safety

Digitalization is a critical tool for achieving operational efficiency and emissions reduction immediately as it supports data driven decision making.

Technology	Sustainability Impact
Artificial Intelligence (AI) & Machine Learning (ML)	Used for predictive maintenance and dynamic route optimization, ensuring vessels follow the most fuel-efficient route considering weather and currents.
Internet of Things (IoT) Sensors	Captures real-time operational data across the vessel, allowing continuous monitoring of energy consumption and providing data for CII optimisation and compliance reporting. Such arrangements also reduce seafarers’ workload.
Blockchain Technology	Creates an immutable ledger, enhancing transparency and traceability of green fuels (proving their origin) and providing trusted data for emissions accounting.
Digital Twins & Simulation	Allows operators to simulate the impact of new technologies (e.g., wind-assist) or operational changes before physical implementation, minimizing risk and maximizing efficiency gains.

The Crucial Role of Port Sustainability

Ports, as crucial nodes of the global supply chain, are facing increasing pressure to enhance sustainability efforts, leading to rapidly expanding research. This research focuses on internal actions (like electrifying equipment and cold ironing) and external measures (managing ship and land transport impacts), primarily addressing air quality, climate resilience, and energy use. Ports often align with the UN SDGs, aiming to be catalysts for regional sustainable development while protecting marine ecosystems.

Conclusion

The shift to sustainability in shipping is a complex but essential overhaul of technology, infrastructure, regulation, and economics for the sector's long-term survival and legitimacy. Success hinges a lot on the

About the Author



Capt. Soumya Bhattacharyya
 MOL Ship Management (Singapore) Pte. Ltd.
 DGM, Alt. CSO - Team Leader - OJTI

positive intent of the Governments and the regulatory bodies. Through the adoption of zero-emission fuels, adherence to stricter regulations, and collective action from all stakeholders (shipowners, charterers, regulators, and ports), shipping can successfully decarbonize, ensuring a cleaner, greener maritime future while continuing to support global economic prosperity. ♦

Editorial

by Sridev Mookerjee, FICS

From the Desk of the Editor & Membership Officer Mr Sridev Mookerjee, FICS

As we close the final chapter of 2025, it is my honour and privilege to present the Q4 edition of the ICS Newsletter.

The maritime industry stands at a defining crossroads. The year 2025 will be remembered not merely for its numbers, but for its transformation. It was a year of record-breaking performance, decisive regulation, technological maturity, and renewed operational discipline. Above all, it marked the moment when ambition translated into action.

Milestones of 2025

- **Record-Breaking Global Trade**

Global container volumes surged to an extraordinary 192.9 million TEUs, driven by sustained demand across the Far East and European trade lanes. This historic achievement reaffirmed shipping's

- **The AI Turning Point**

Artificial Intelligence moved beyond pilot programs and experimentation. In 2025, AI became an operational imperative—powering real-time route optimisation, predictive maintenance, risk forecasting, and the intelligent management of complex, unstructured operational data. Digital discipline is no longer optional; it is foundational.

- **Decarbonization Inflection Point**

April 2025 marked a regulatory watershed with the adoption of the IMO Net-Zero Framework (MEPC 83), introducing binding greenhouse gas fuel-intensity limits. The transition from voluntary ambition to enforceable action signals a new era of accountability and innovation.

- **Expansion of Green Shipping Corridors**

Momentum accelerated across global ports investing in alternative fuel infrastructure. Ammonia- and methanol-powered vessel readiness expanded significantly, reinforcing industry commitment to scalable, commercially viable decarbonization pathways.

- **Cybersecurity & the Shadow Fleet**

Regulatory scrutiny intensified as the EU and UK expanded sanctions regimes. Over 10% of the global tanker fleet now operates under heightened monitoring, addressing the dual threats of sanctions evasion and escalating maritime cyber risks. Compliance, transparency, and resilience have never been more critical.

- **The Return of the Panama Canal**

Following years of drought-induced constraints, the Panama Canal returned to full operational capacity in early 2025, restoring stability to global transit schedules and alleviating supply chain pressures.



As we transition into 2026, we do so with clarity and conviction. The maritime industry has demonstrated resilience, adaptability, and leadership in the face of complexity. The coming year will demand even greater collaboration, technological courage, and environmental stewardship.

With the festive season upon us, we extend our warmest Season's Greetings for Christmas and a bright and prosperous New Year. We also look forward to the Chinese New Year, wishing our global maritime community a successful and auspicious Year of the Fire Horse—a rare 60-year cycle symbolizing strength, momentum, and bold progress.

This issue reaffirms our unwavering commitment to professional excellence, ethical leadership, and the green transition. On behalf of the Institute, I thank you for your steadfast dedication to our standards and to the future of our industry.

May 2026 bring favourable winds, steady seas, and continued success as we sail confidently toward a more sustainable and digitally empowered maritime era.

Events

The ICS Singapore Branch hosted an insightful professional talk with Kpler on Navigating Risk and Harnessing AI on 16 October 2025, at the Singapore Shipping Association.



As a part of continuous Membership Drive, we like to once again highlight the following purpose and benefits of renewing your membership and inspire other eligible candidates to take membership of this prestigious shipping and maritime institute.



**INSTITUTE OF
CHARTERED
SHIPBROKERS**
SINGAPORE BRANCH

Local Benefits to Members/Fellows



HARRY'S BAR + DINING
15% off for Members and Fellows
Download the app from [App Store](#) or [Google Play](#).

YUMMY PUNJABY
10% off for Members and Fellows
321 Alexandra Rd #02-14 Alexandra Central Mall,
Singapore 159971





GRAVY RESTAURANT & BAR
- 10% off the bills on ala carte food items
- All time happy hour on alcohol
- No corkage charge on the first bottle if you are bringing your own

We continue to cover more and more articles from the different spectrums of the Shipping Industry to make our Newsletter trendier.

We would be glad to receive more articles from our existing and also newly elected members in order to expand the horizon of our newsletter.

If you've got an article (within 700 words), a poem, or a story that you'd like to share, here is your chance! Email us at membership@ics.org.sg.

In closing, I like to extend my special thanks to Mr Punit Oza, Capt. Saunak Rai, Mr Jagannath Muthu and Capt. Soumya Bhattacharyya for contributing their articles to this newsletter.