

New risk factor flares in Middle East after seizure of MSC Aries by Iran



The Strait of Hormuz is a key access point to the UAE's Jebel Ali, the world's 12th busiest container port. Photo credit: Below the Sky / Shutterstock.com.

Greg Knowler, Senior Europe Editor | Apr 15, 2024, 12:56 PM EDT

The seizure of the container ship *MSC Aries* by Iranian military forces Saturday on the grounds that the vessel is linked to Israel has added yet another risk factor for shipping operating in an increasingly volatile region.

Shipping groups roundly condemned the hijacking of the 14,300-TEU vessel chartered by Mediterranean Shipping Co. near the entrance to the Persian Gulf at the Strait of Hormuz, a narrow waterway through which about one-fifth of the world's daily petroleum liquids consumption passes and a key access point to Jebel Ali, the world's 12th busiest container port.

The vessel was en route from Khalifa in the United Arab Emirates to Jawaharlal Nehru Port in India, according to S&P Global Market Intelligence. Reuters reported Monday that Iran's foreign ministry said the Portuguese-flagged ship was seized for "violating maritime laws."

"Iran's seizure of the *MSC Aries* is a flagrant breach of international law and an assault on freedom of navigation," Guy Platten, secretary-general of the International Chamber of Shipping, said in a statement over the weekend.

"This reprehensible attack against a merchant ship once again places innocent seafarers on the front lines of geopolitical conflict," he added. The ship and its 25 crew members were taken to Iranian waters.

The seizure of the *MSC Aries* occurred just hours before Iran launched a barrage of drones and missiles at Israel in retaliation for an Israeli air strike on the Iranian consulate in Damascus on April 1 that killed one of Iran's high-ranking military leaders. Reuters reports that Iran last week threatened to close the Strait of Hormuz.

Platten advised ships transiting the region to conduct a thorough threat assessment and liaise closely with military forces "to ensure they are fully protected against further possible aggression by Iranian forces."

Reuters noted that the *Aries* is leased by MSC from Gortal Shipping, an affiliate of Zodiac Maritime partly owned by Eyal Ofer, an Israeli businessman.

'Bad situation...[gets] worse'

The seizure of the *MSC Aries* comes as Red Sea attacks on shipping by Iran-backed Houthi rebels in Yemen have forced virtually all shipping to divert around southern Africa, adding up to two weeks to voyage times. The Houthis have said their missile and drone attacks on commercial shipping are being launched to effectively open another front in the Israel-Hamas war in Gaza.

"An already bad situation in the Red Sea and Gulf of Aden has just gotten worse and could put ocean freight container imports and oil exports in the Middle East at risk," said Peter Sand, chief analyst at rate benchmarking platform Xeneta.

Sand said any widening of hostilities that have already resulted in huge disruption to ocean freight services in the Red Sea region would be "extremely concerning."

"For example, Dubai is a regional hub for imports as well as sea-air corridors, with containers arriving by ocean via the Strait of Hormuz for onward travel by air to Europe

and North America,” he said. “If ships are impacted sailing into the Arabian Gulf, then the disruption would be considerable.”

Also expressing concern was Alan Murphy, CEO of Sea-Intelligence Maritime Analysis. While he hoped that “cooler heads prevail,” Murphy said in his Sunday Spotlight newsletter it would be prudent for the shipping industry to start planning for an escalation of hostilities that encompasses the Strait of Hormuz.

Murphy offered two scenarios that he said are on the table after the *MSC Aries* seizure.

“The first scenario is that the Strait of Hormuz sees attacks against Israeli, and likely US and UK vessels, in the same way as in the Red Sea,” he said. “This means capacity will be curbed, but not shut off, as regional carriers will continue to operate, as we also see in the Red Sea.

“The second scenario is a ‘hot’ war involving Iran, making the Strait of Hormuz so risky that for a while, shipping services are essentially halted,” Murphy added. “This would be extremely problematic, not only for container shipping but also for oil tankers and hence the oil prices.”

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