

Somali pirates in retreat

Although the number of successful hijackings has fallen, oil tankers still offer the richest of pickings, writes Nigel Bance.

Transit through the Gulf of Aden, Gulf of Oman and the Indian Ocean no longer carries the threat of recent years and insurance rates for a one-way trip have fallen from \$25,000 to \$2,000.

Would-be pirates are well aware of the high risks involved, with bodies washing up on the coastlines a stark reminder that some have paid the ultimate price, according to one source with first-hand experience of Somali piracy. Many vessels now carry armed guards and a single hunting rifle can take out even the best-armed pirates from a considerable distance. More moderate factors have also contributed to the decline in hijackings, with a semblance of authority in Mogadishu and donor offers to promote alternative employment in the 'pirate villages' – the safe havens that have been awash with \$100 bills, the standard denomination for ransom payments that are usually dropped into the sea by parachute, very close to hijacked vessels, from Kenya-based light aircraft chartered by private security companies.

The threat of jail, even a life sentence, is the most compelling deterrent, with 1,140 pirates currently held in 21 countries. Pirates have twice attacked two US warships, believing them to be commercial vessels, and are now paying the price despite defence pleas in Virginia's courts that they were mere 'innocent fishermen'. After the first attack, the Somali pirates received life sentences, followed by a consecutive 80 years' imprisonment. More pirates are expected to receive similar heavy sentences later this year.

According to the EU naval force in Somalia, *Operation Atalanta*, aided by the US, Russia, China and India, of the 149 pirates transferred by its warships to 'competent authorities with a view to their prosecution', some 91 have been convicted and 58 are on remand. In Puntland, the pirate heartland, the UN Office on Drugs and Crime has funded a jail where pirates serve upwards of 20 years. In the Seychelles, the UN has converted a mansion in order to house up

to 100 captured pirates awaiting deportation back to Somalia to serve out sentences. Meanwhile, the Somali government has added an extra incentive to combat piracy, offering an amnesty to 'junior' perpetrators.

From the hijacking peak in 2010 when 47 vessels were held for ransom in Somali waters, only two with a combined crew of 54 are now at anchor. The World Bank reports that since the first major hijacking in 2005, 149 ships have been seized for a total ransom value of \$315mn to \$385mn. Naval protection has had a considerable impact, despite initial criticism over its effectiveness and willingness to intervene when attacks were underway. Throughout 2008, 58% of all vessels attacked were pirated, but that ratio reduced to 28% in 2009, 27% in 2010, and 14% in both 2011 and 2012.

Counting the cost

Compass Risk Management, experienced in piracy negotiation, has produced for *Petroleum Review* an analysis of ransoms reportedly paid to Somali pirates for different kinds of vessels from 2008 until the latest release of the 156,000 dwt Greek-owned crude oil tanker earlier this year, the *MT Smyrni*,

hijacked offshore Oman. As can be clearly seen in **Figure 1**, pirates have reaped the highest rewards from oil tankers.

Smyrni was, by far, one of the most complex negotiations ever completed, with the ransom paid in two parts – offshore and onshore – doubling the danger that something could go wrong. No armed guards had been aboard the vessel when it was attacked. Despite the tanker's recent construction there was no citadel to retreat into, so the 26-strong crew succumbed quickly. The tanker sailed around the Somali coastline for several days, its movements directed by the pirates. It was tailed by a Mombasa-based tug, the *Condor*, with a private security firm aboard, including a forensic and medical team. *Condor* also carried spare fuel for the tanker, and was accompanied by the Spanish frigate *Mendez Nunez*.

Actual ransoms paid tend not to be disclosed but estimates for the *Smyrni* range from \$10mn to \$14.5mn. If that higher figure was indeed paid, it would be the highest to date. It is common for the pirate commander to personally skim up to \$3mn on the ransom for an oil tanker.

According to Neil Young Associates, in the 12 months to end-May 2013, Somali and Yemeni pirates made an estimated \$23mn in ransoms and, on average, vessels were held for 13.2 months.

While there are some indications that the Somali pirates are in retreat, the next oil or product tanker to be taken might well incur a huge ransom given the risk that pirates now take to operate. Meanwhile, in West Africa, piracy in the Gulf of Guinea has turned into a kidnapping nightmare for crew who are taken onshore. There have been deaths and violence is on the increase. ●

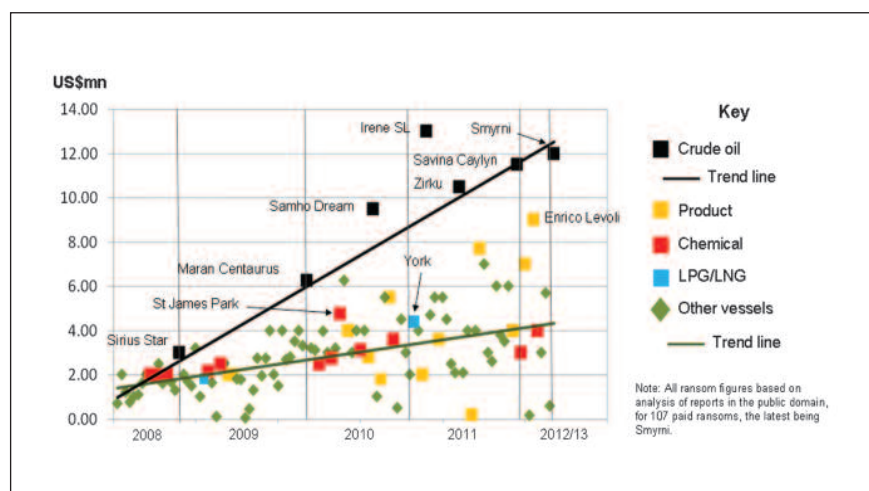


Figure 1: Ransoms reportedly paid to Somali pirates, by vessel type
Source: Compass Risk Management