



## DE-DOLLARISATION & FREIGHT MARKETS

### Executive Summary

*The petrodollar system established in the 1970s linked oil pricing to the US dollar and recycled surplus revenues into US financial assets. That structure, exacerbated by the Iran war, is now under accelerated pressure.*

*Saudi Arabia has not renewed its long-standing bilateral exclusivity arrangement and has joined mBridge, a multi-central bank digital currency settlement platform. Iran has introduced yuan settlement as a condition for transit through the Strait of Hormuz, with at least two vessels reported to have paid in yuan.*

*In dry bulk markets, China Mineral Resources Group has begun pushing yuan invoicing in iron ore contracts with major suppliers including BHP. These developments do not yet change short-term freight pricing mechanics, but they may affect correlations between freight, fuel, and underlying commodity prices over time.*

**~20%**

Global oil & gas transiting  
Hormuz

**80%**

Iran's crude exports  
bought by China

**95.3%**

mBridge volume in e-yuan

For roughly five decades, global oil and commodity trade was predominantly denominated in US dollars. Producers accumulated dollar revenues and recycled surplus funds into US Treasuries and other dollar assets. In return, the United States provided maritime security and maintained open access to major shipping routes.

The system depended on broad participation by OPEC producers and consistent dollar settlement in global energy trade.

## Timeline

### 2000–2003: Iraq Test Case

Iraq briefly priced oil exports in euros in the early 2000s. The system ended following the 2003 invasion. The episode is often viewed as an early test of non-dollar commodity pricing in oil markets.

### 2022: Russia - Sanctions And System Adaptation

The freezing of approximately \$300 billion in Russian foreign reserves in 2022 changed how many central banks assess dollar exposure. Dollar reserves were increasingly treated as potentially restricted during geopolitical conflict.

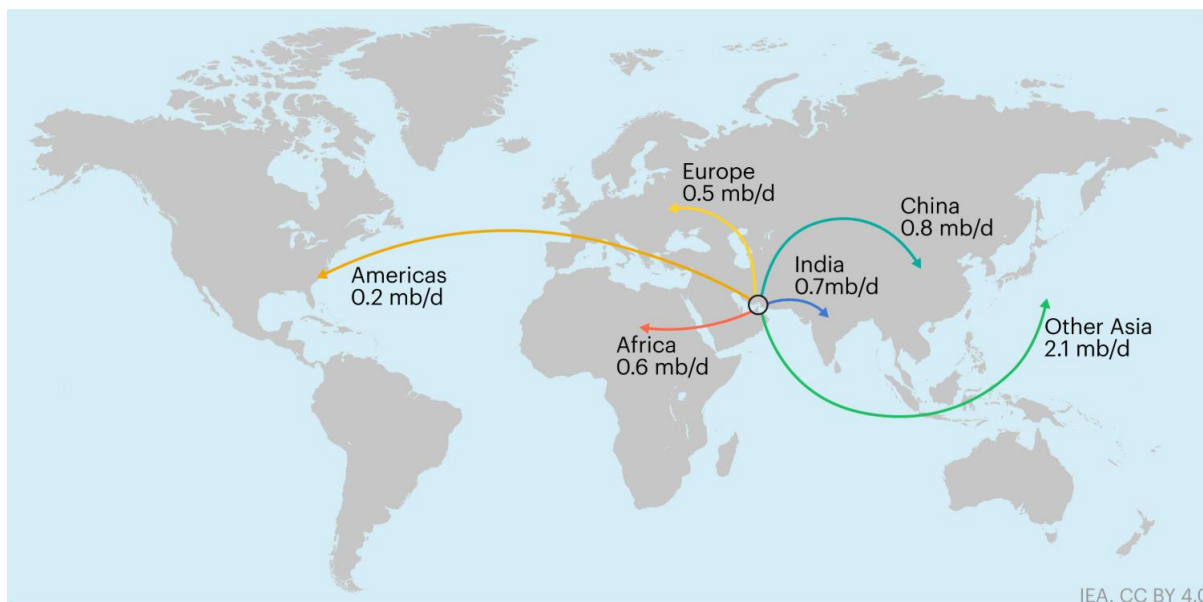
Russia responded by rerouting exports at discounted prices, expanding non-dollar settlement, and using intermediaries in the UAE and other trading hubs. China's CIPS system processed increased volumes during this period, and yuan and rupee settlement became more common in energy trade.

### 2026: Iran - Hormuz Transit Pricing

Iran has linked transit conditions through the Strait of Hormuz to yuan settlement. At least two vessels have reportedly paid yuan-denominated fees via Chinese intermediaries.

This represents the first known case of a major maritime chokepoint being used to influence settlement currency choice directly in commodity flows.

## Oil product exports transitioning through the Strait of Hormuz by destination (2025)



Source: IEA analysis based on Kpler. Total does not match sum of adding individual numbers due to destinations not indicated.

## China's Settlement Infrastructure

China operates three main settlement systems used in cross-border trade: CIPS, mBridge, and the digital yuan (e-CNY). Together, these systems enable commodity transactions to be settled outside traditional dollar clearing networks.

CIPS processed an average of 920 billion yuan per day in March 2026, a 50% increase from the previous month, with a peak daily volume of 1.22 trillion yuan. mBridge has recorded more than 4,000 transactions totalling around \$55 billion, with roughly 95% settled in digital yuan. The e-CNY functions as a sovereign digital settlement rail that operates independently of SWIFT and traditional correspondent banking systems.

These systems reduce reliance on Western payment infrastructure and are increasingly being used in energy and commodity trade settlement.

## Iron Ore and CMRG Structural Shift

**\$123bn**

BRI Deals H1 2025 (Record Six Months)

**75%**

Global Seaborne Iron Ore Demand Controlled by China

**\$2.9bn**

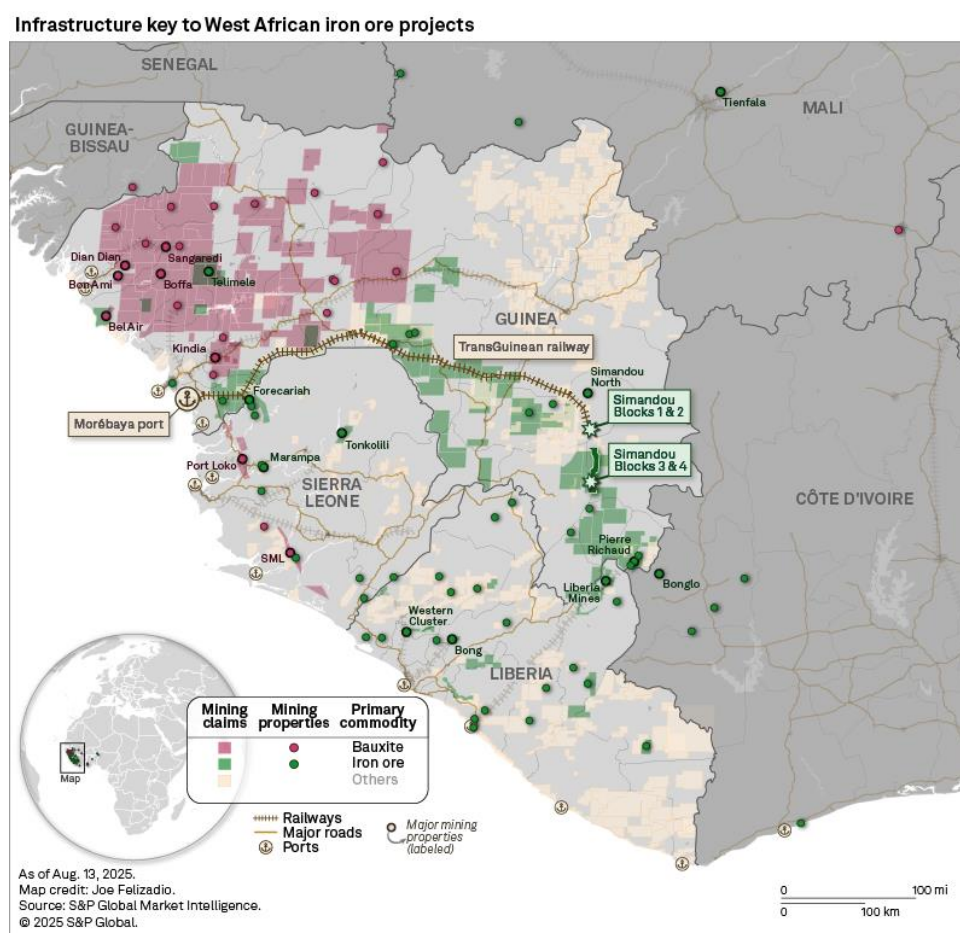
CMRG Registered Capital

China is the largest importer of seaborne iron ore, accounting for roughly three-quarters of global volumes.

China Mineral Resources Group (CMRG) was established in 2022 to coordinate iron ore procurement. It reports directly into senior Chinese economic planning structures. Last year it began to impose purchasing restrictions on certain Australian iron ore products and has increased pressure on suppliers to adopt yuan-denominated invoicing.

BHP accepted yuan-denominated settlements for 30% of its spot iron ore trade, a move initiated in late 2025 and continuing into 2026 as part of a move to appease Chinese buyers.

## Freight Market Implications

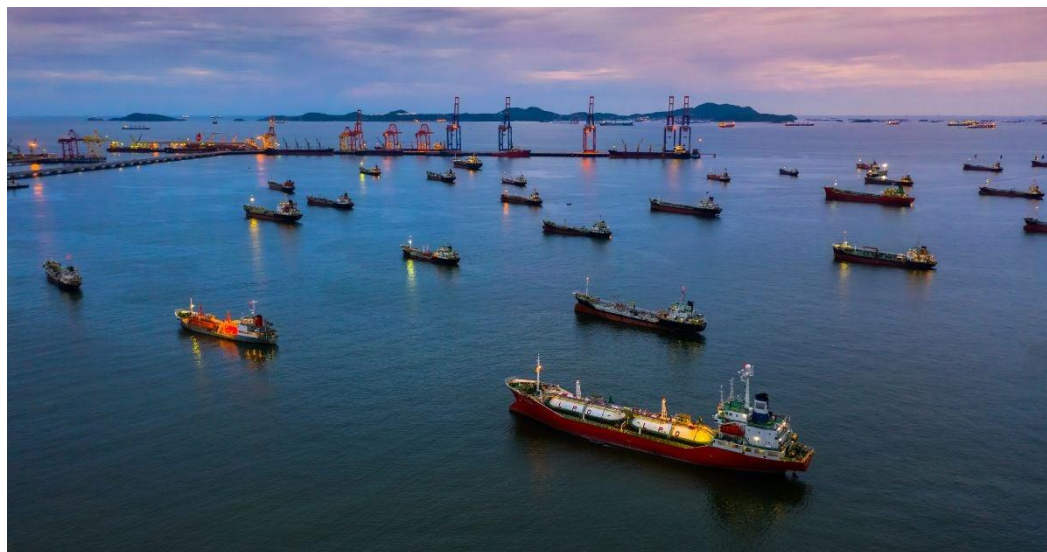


Source: S&P Global

In dry bulk markets, freight pricing remains closely linked to Chinese steel production and infrastructure demand. The Baltic Capesize Index continues to reflect vessel supply and Chinese industrial activity rather than settlement currency.

The Simandou iron ore project in Guinea, supported by Chinese investment, is expected to diversify supply away from Australia’s Pilbara region. Once operational, it will add a long-haul supply source into the Capesize shipping network.

This may increase average voyage distances and alter tonne-mile demand patterns in dry bulk markets over time. If settlement currencies diverge more meaningfully, correlations between freight rates, oil prices, and bunker costs may shift. These effects are currently limited but may become more relevant as alternative payment systems scale.



*Source: Vessels dropping anchor outside of Strait of Hormuz as tensions escalate*

In tanker markets, disruptions in the Strait of Hormuz typically result in higher Brent prices and increased bunker fuel costs, which reduce voyage margins. These relationships remain the dominant short-term drivers of pricing.

However, yuan-settled crude flows, particularly those linked to Iranian exports, may create cost differentials for Chinese-linked shipping routes. These differences are not fully captured in standard dollar-based freight models.

## Conclusion

**57%**

Global Foreign Exchange Reserves Remain Held in US Dollars

**2%**

Of Foreign Exchange Reserves is in Renminbi

**3.7%**

Cross-Border Yuan Settlement Up from Under 1% In 2012

While the dollar-based system remains prominent, there has been a shift away from exclusive dollar settlement in commodities. This is occurring through the gradual expansion of alternative payment infrastructure rather than a replacement of the existing system.

Key drivers include sanctions-related risk management, the development of central bank digital currency platforms, and the increasing consolidation of commodity purchasing power in large importing economies.

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