

CLUB CIRCULAR

Monday, January 26, 2015

BSM-RM-10/002/15

To: All Members

Low Sulphur Fuel Oil Effects on Charter Parties

The circulars aims to raise awareness about LSFO precautions that can be implemented while planning voyages and making contractual arrangements with Charterers and Bunker Suppliers after January 2015.

It always is important for Owners need to review Bunker Clauses that refer to the quality of fuel to be supplied by Time C/P to ensure they meet the requirements of Owners for each ship. Bunkering Clause need to be carefully drafted and address the following aspects:

- The ISO specification and other specific features/properties that the fuel should possess
- Price setting formulas for delivery and redelivery bunkers
- Bunker consumption criteria
- Bunkering supply arrangement clauses
- Bunker sampling and testing provisions
- Specific MARPOL complianct fuel provisions

It is recommended to put a clear description of the vessel's tank capacity into the C/P.

In Clause aspects, warrant that vessel shall comply with MARPOL Annex VI. Reg. 14 and 18 with the requirements of any ECAs. Warrant that the vessel shall be able to consume fuels of the required sulphur content when ordered by the Charterers to trade within any such areas. Warrant that any bunker suppliers, bunker craft operators and bunker surveyors used by the Charterers to supply such fuels shall comply with Reg. 14 and 18, including the Guidelines in respect of sampling and the provision of bunker delivery notes. Charterers shall indemnify, defend and hold harmless the owners in respect of any loss, liability, delay, fines, costs or expenses arising or resulting from the Charterer's failure to comply.

If a vessel is inspected by PSC or other administrations and found fuel onboard to violate the MARPOL standard, that could be involved by possible

supply problems, contamination on board, sampling procedures, testing procedures. In any event it is likely that very technical and scientific investigation would be to follow in order to determine what the root cause may be. Ship owners need to be ready to expect that the enforcing government agency will focus first and foremost on the vessel for enforcement action and penalties even if the ultimate issue is the fuel as supplied given that contractual disputes between an owner and a charterer will unlikely be a way of raising a defence in such a situation.

Careful contracting is very important to loss prevention as an unsuitable contract or an overlooked clause could have an unexpected and much undesired effect that will hit the bottom line as sure as a mechanical breakdown could. Taking the time to review existing arrangements in the light of the upcoming regulations and ensuring new contracts are drafted appropriately will limit the scope and risks for disputes in the future.

If our valued member has any doubt, please contact our Risk Management Department at riskmanagement@britishsteamship.com.

Yours faithfully

British Steamship Management Limited

Manager of

British Steamship P&I Association (Bermuda) Limited

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