



International Oil Pollution
Compensation Funds

Agenda Item 4	IOPC/OCT22/4/4/1	
Date	4 October 2022	
Original	English	
1992 Fund Assembly	92A27	●
1992 Fund Executive Committee	92EC79	
Supplementary Fund Assembly	SA19	●

THE POTENTIAL IMPACT OF SANCTIONS ON THE INTERNATIONAL LIABILITY AND COMPENSATION REGIME

ACTIVITIES INCREASING THE RISK OF OIL SPILLS

Document submitted by Canada, Japan and the United Kingdom

Summary:	Ship-to-ship oil transfers in international waters and methods to obscure a ship's identification have the potential to increase the risk of spills of crude oil, the risk of financial exposure for the 1992 Fund and the Supplementary Fund, and are of grave concern for International Oil Pollution Compensation (IOPC) Funds Member States.
Action to be taken:	<u>1992 Fund Assembly and Supplementary Fund Assembly</u> Information to be noted.

1 Introduction

- 1.1 There has been an increase, in the past three years, in ship-to-ship transfers of crude oil in international waters and 'dark operations' to circumvent sanctions and high insurance costs.
- 1.2 As the G7 and other allies work together to implement sanctions that restrict the trade of Russian oil, and continue to hold Russia accountable for its illegal war in Ukraine, these dangerous activities are now being used to circumvent these restrictions. This is of grave concern for IOPC Funds Member States.
- 1.3 Ship-to-ship transfers and 'dark operations' increase the risk of crude oil spills and the potential for oil pollution damage in nearby Member States. Furthermore, these actions make it difficult to assign liability when ship-source spills do occur. This increases risk to the IOPC Funds, as they may assume more financial liability in the absence of being able to implement the polluter-pays principle.

2 Background

- 2.1 Canada, Japan, and the United Kingdom are extremely concerned with reports of an increase of ship-to-ship transfers in international waters. Transfers typically take place in sheltered waters in order to reduce the risk of spills. While ship-to-ship transfers are a legitimate means to avoid the need to enter a port area or when a vessel is too large to enter a terminal, these crude oil transfers in international waters are being used to disguise the cargoes' destinations with little regulatory and technical oversight, which also increases risks to the crews involved in these operations.
- 2.2 These transfers have the potential to undermine the spirit of the regulation of ship-to-ship operations for oil tankers prescribed by MARPOL Annex I, Chapter 8 – safety standards developed and adopted by maritime nations intended to prevent pollution during the transfer of oil cargo between oil tankers

at sea. These transfers are taking place in various locations around the globe, which increases the risk of crude oil spills for a vast number of IOPC Fund Member States.

- 2.3 There has also been an increase in crude oil tankers that are 'going dark' (i.e. turning off satellite responders), which also increases the risk of collisions and oil spills. Various reports also note other behaviours such as ID and location tampering, course deviations, and drifting close to other ships. These methods of obfuscation could result in participating shipowners evading their liability under the 1992 Civil Liability Convention and further increase the risk of the IOPC Funds paying compensation from the first dollar up for a 'mystery spill'.
- 2.4 When the two activities of crude oil ship-to-ship transfers in international waters and methods to conceal a ship's identity are combined, the result could be catastrophic and significantly increases the risk of a crude oil spill in nearby Member States as well as the exposure of the 1992 Fund and Supplementary Fund.
- 2.5 Flag states are called upon to ensure that tankers under their flag adhere to the spirit of the safety convention requirements and practice safe shipping standards that minimise the risk of oil pollution. Furthermore, flag states should consider requesting that a notification be sent to the flag states when a vessel flying their flag is engaged in a mid-ocean operation by including it in vessel's ship-to-ship operations manual. Additionally, port states should ensure enforcement of the safety and liability conventions on these vessels and ensure that ship-to-ship transfer operations are conducted in accordance with the applicable safety convention requirements.

3 Action to be taken

1992 Fund Assembly and Supplementary Fund Assembly

We ask that the 1992 Fund and Supplementary Fund Assemblies take note of these risky practices and condemn the act of ship-to-ship transfers in international waters as well as dark operations and other methods for concealing a ship's identity, all of which increase the risk of spills of crude oil from tankers and the exposure of the IOPC 1992 Fund and Supplementary Fund.
