



International Oil Pollution
Compensation Funds

Agenda Item 7	IOPC/APR25/7/1	
Date	7 April 2025	
Original	English	
1992 Fund Assembly	92AES29	●
1992 Fund Executive Committee	92EC84	
Supplementary Fund Assembly	SAES13	

IMO LEASE AGREEMENT

PROPOSED AMENDMENTS TO THE UNDERLEASE

Note by the Secretariat

Summary:

At its October 2015 session, the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, noted with appreciation that the Secretary-General of the International Maritime Organization (IMO) had confirmed the Organization's agreement to accommodate the IOPC Funds' Secretariat within the IMO Headquarters building, with effect from June 2016 (document [IOPC/OCT15/11/1](#), paragraph 7.4.2).

Subsequently, on 15 February 2016, an underlease agreement was formally concluded and executed by the Secretary-General of IMO and the Director of the IOPC Funds. The underlease entered into force on 1 March 2016 and is scheduled to remain in effect until 25 October 2032. The underlease has a contractual break point of 31 October 2024 at which point either party has the opportunity to terminate the underlease provided that appropriate notice is provided.

In accordance with the terms of the underlease, the IOPC Funds contribute towards:

- (i) rent, based on the proportion of space occupied within the IMO Headquarters;
- (ii) a service charge covering common services, calculated on the basis of floor area occupied; and
- (iii) a medical charge reflecting staff access to IMO's Medical Unit.

By letter dated 12 December 2024, IMO submitted a proposal for amendments to the financial terms of the underlease, citing substantial increases in inflation and operational costs. In the same correspondence, IMO further advised that it had exercised its right to terminate the underlease, with effect from the date of the letter, should the proposed amendments not be accepted.

Action to be taken:

1992 Fund Assembly

- (a) Take note of the information set out in this document;
- (b) Consider the amendments to the underlease proposed by IMO; and
- (c) Decide whether to instruct the Director to approve the proposed amendments, as detailed in the Annex.

1 Introduction

1.1 Underlease of IOPC Funds' offices

On 15 February 2016, the Secretary-General of the International Maritime Organization (IMO) and the Director of the IOPC Funds signed an underlease agreement under which IMO agreed to underlet office premises to the IOPC Funds. The space is located in the rear wing of the first floor of the IMO Headquarters building. The superior lease is held by IMO with the Government of the United Kingdom. The underlease entered into effect on 1 March 2016 and is due to expire on 25 October 2032 (document [IOPC/APR16/7/1](#)).

1.2 Key terms of the underlease:

- From 1 September 2016 to 31 October 2024, rent was fixed at £429.60 per square metre per year. The IOPC Funds occupy 600.4 m², corresponding to an annual rent of approximately £258 000.
- The underlease has a contractual break point of 31 October 2024.
- Not less than one year before the break point, IMO and the IOPC Funds are required to jointly commission an independent review of the rent and agree an annual rent for the period between 1 November 2024 and 25 October 2032. The revised rent is payable from 1 November 2024 unless notice of termination is given in accordance with the underlease.
- A service charge of £102 000 per annum is payable, proportionate to the area occupied. This charge supports the provision of common services such as utilities and access to shared facilities.
- A fixed medical charge of £395 per person annually is also payable for staff use of IMO's Medical Unit.
- The underlease permits termination by either party at the break point with not less than nine months' written notice, or thereafter with not less than twelve months' notice.

2 Proposed amendments

2.1 Rent review and increase

2.1.1 Under the terms of the underlease, the rent review was required to be conducted and concluded no later than 31 October 2023, one year before the contractual break point of 31 October 2024. Any revised rent would then become payable from 1 November 2024. However, the rent review process was not completed within this timeframe and instead took place after the break point.

2.1.2 On 23 September 2024, the outcome of the rent review was communicated to the IOPC Funds, with IMO proposing a revised annual rent of £375 000 for the period from 1 November 2024 to 25 October 2032, based on a rental valuation of £625.80 per square metre per year. As this determination was received after the 1 July deadline for budget proposals under the underlease, the revised rent could not be incorporated into the IOPC Funds' 2025 budget submission to the governing bodies.

2.1.3 To formally reflect this adjustment, it is proposed that a new clause, paragraph 2.5, be incorporated into the underlease as follows:

'Following the independent rent review, the total annual rent payable from 1 November 2024 to 25 October 2032 shall be £375 000, based on a current rental valuation of £625.80 per square metre per year.'

2.1.4 The Government of the United Kingdom has reaffirmed its ongoing support for the arrangement and has confirmed that, from 1 January 2025, it will continue its 80% contribution towards the higher rent proposed by IMO following the independent rent review exercise.

2.2 Service charge amendment

2.2.1 In addition to rent, the IOPC Funds pay a service charge to support shared services in the IMO building. In its 12 December 2024 letter IMO proposed several amendments to the underlease regarding the service charge.

Current framework

2.2.2 Under the current arrangement, the IOPC Funds pay a service charge of £102 000 per annum, proportionate to the occupied area. This charge contributes to the cost of shared services, including building utilities, access to communal areas, and parking. The underlease permits annual increases in line with the UK Consumer Price Index (CPI), subject to a cap of 3% unless the CPI remains at or above 3% for two consecutive years. IMO must notify the IOPC Funds of any increase by 1 July of the preceding year.

Exceptional adjustment (2023)

2.2.3 The IOPC Funds has exercised flexibility in the past regarding unforeseen circumstances that increase IMO costs to operate the building. At its May 2023 session, the 1992 Fund Assembly authorised the Director to accommodate an exceptional, one-off increase in shared costs following a 38% rise in utility expenses. This resulted in an additional unbudgeted expenditure of £44 325 (document [IOPC/MAY23/7/1](#)), notwithstanding the absence of specific provision for such adjustments in the underlease.

Proposed revision

2.2.4 IMO has proposed replacing the capped model with a cost-based approach under which the IOPC Funds would pay a share of actual expenditure, apportioned according to occupied space. The revised clause would read:

‘Service charge: In addition to the rent, the IOPC Funds shall pay a service charge in proportion to the area it occupies, to cover common services provided by IMO, as detailed in monthly invoices issued by IMO and itemised in paragraph 9. The service charge shall be based on the actual expenditure incurred during the relevant year for the services provided to the IOPC Funds.’

2.2.5 It is also proposed that paragraphs 5 and 5.1 of the underlease, which establish the cap on service charge increases, be deleted.

2.3 Medical charge amendment

Current framework

2.3.1 The underlease currently provides for a fixed annual charge of £395 per person for use of IMO’s Medical Unit.

Proposed amendment

2.3.2 IMO has proposed replacing the fixed charge with a variable rate calculated on the basis of actual costs and proportional staff use. The proposed clause reads:

‘Medical charge: In addition to the rent and the service charge, the IOPC Funds shall pay a medical charge for the use by IOPC Funds staff of IMO’s Health and Wellbeing Services. The annual medical charge shall be calculated in proportion to the overall medical expenditure of IMO for the relevant year, based on the IOPC Funds’ staff headcount.’

2.3.3 This amendment is intended to align the medical charge more closely with actual usage and expenditure.

3 Budgetary implications

3.1 As formal notification of the proposed increases in rent, service charge and medical costs was not received until some time after the 1 July 2024 deadline for the IOPC Funds' budgeting process, the adjustments could not be reflected in the approved 2025 budget of the 1992 Fund. Consequently, the financial implications of the proposed amendments were not considered by the governing bodies during their November 2024 sessions.

3.2 The Secretariat has since been advised that IMO is preparing updated estimates of financial impact, including revised projections for both service and medical charges. Upon receipt, these estimates will be reviewed and, as necessary, integrated into revised budget forecasts for the consideration of the governing bodies at a future session.

4 Termination of underlease

4.1 On 12 December 2024, IMO submitted a proposal for amendments to the financial terms of the underlease, as set out in the Annex. The proposal cited significant increases in inflation and operational costs as the rationale for the proposed revisions. In the same communication, IMO further advised that it had exercised its right to terminate the underlease with immediate effect from the date of the letter, should the proposed amendments not be accepted.

4.2 Following the issuance of the formal notice of termination, the Director has maintained ongoing communication with the Government of the United Kingdom, ensuring it remains fully apprised of developments, including potential implications for the accommodation of the Secretariat.

4.3 The Director wishes to express sincere appreciation to the Government of the United Kingdom for its longstanding and valued support. The Government of the United Kingdom has played a pivotal role in facilitating the relocation of the IOPC Funds to the IMO Headquarters and remains a key partner in this regard, providing substantial financial assistance through its 80% contribution to the rental costs.

5 Director's considerations

5.1 The Director fully acknowledges the financial challenges that have arisen in recent years, including significant increases in utility and operational costs. Recognising that such factors may necessitate a reassessment of existing cost-sharing arrangements, the Director appreciates the ongoing support provided by IMO in hosting the IOPC Funds' Secretariat.

5.2 The Director recommends that the 1992 Fund Assembly approve the proposed amendments to the underlease.

6 Action to be taken

1992 Fund Assembly

The 1992 Fund Assembly is invited to:

- (a) take note of the information contained in this document;
- (b) consider the proposed amendments to the underlease; and
- (c) decide whether to instruct the Director to approve the proposed amendments as set out in the Annex.

* * *

ANNEX

AMENDMENT TO THE AGREEMENT

concerning underlease of office accommodation on 1st floor rear wing
at 4 Albert Embankment, London SE1 7SR

Whereas, the International Maritime Organization (IMO), a specialized agency of the United Nations, holds a lease (the "superior lease"), dated 2 February 1996, for its headquarters premises at 4 Albert Embankment, London SE1 7SR, United Kingdom, the lessor being the Secretary of State for Transport, United Kingdom.

Whereas IMO and the International Oil Pollution Compensation Fund (IOPC Funds), established by two IMO conventions, the Protocol of 1992 to Amend the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage and the Protocol of 2003 to the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1992 entered into an agreement entitled "Agreement concerning underlease of office accommodation on 1st floor rear wing at 4 Albert Embankment, London SE1 7SR" on 15 February 2016 (the Agreement);

Whereas the parties wish to amend the Agreement in accordance with the terms set forth below.

Now, therefore, the parties agree as follows:

1 *Addition to paragraph 2 of the Agreement*

The following text is added after sub-paragraph 2.4 as new sub-paragraph 2.5:

"2.5 Following the independent rent review, from 1 November 2024 to 25 October 2032 the total annual rent shall be £375,000 based on current rental valuation of £624.58/m²/year."

2 *Amendment to paragraph 3 of the Agreement*

Paragraph 3 is replaced by the following text:

"3 **Service charge:** In addition to the rent, the IOPC Funds shall pay a service charge in proportion to the area it occupies to cover common services provided by IMO as per monthly invoices paid by IMO as itemized in paragraph 9. The service charge will be based on expenditure incurred during the relevant year for the services provided to IOPC Funds".

3 *Amendment to paragraph 4 of the Agreement*

Paragraph 4 is replaced by the following text:

"4 **Medical Charge:** In addition to the rent and the service charge, the IOPC Funds shall pay a medical charge for the use by IOPC Funds staff of IMO's Health and Wellbeing Services. The annual medical charge for IOPC Funds shall be calculated in proportion to the medical expenditure of IMO for the year based on the IOPC staff headcount. The services covered by this medical charge include access to the doctor and nurse for consultation, emergency first aid, and travel health advice; pre-employment health assessment or examination, including an initial blood test, ECG, hearing test, BP, pulse, height, weight, review of the health forms; mental health / counselling and onward referral; ergonomic advice and flu vaccinations. Other medical services such as travel vaccinations and specific blood tests will be charged separately in accordance with the actual cost of the services provided".

5 *Deletion of paragraph 5 and 5.1 of the Agreement*

Paragraphs 5 and 5.1 are deleted in their entirety.

6 *Confirmation of the remaining terms*

Except as expressly amended by this Amendment, all other terms and conditions of the Agreement shall remain unchanged and in full force and effect.

7 *Effective date*

1. This Amendment shall be effective as of 1 July 2025.

Signed:

.....

Arsenio Dominguez

Secretary-General

International Maritime Organization

.....

Gaute Sivertsen

Director

International Oil Pollution
Compensation Fund
