



## BUDGET FOR 2007 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

### Note by the Director

<b>Summary:</b>	The budgetary implications of the <i>Solar 1</i> incident, which occurred on 12 August 2006 in the Philippines, are examined. In the light of STOPIA 2006 applying to the incident, the Director considers that there is no need for any increase in the amount to be levied in contributions to the General Fund, compared to the proposal of £3.0 million in document 92FUND/A.11/26.
<b>Action to be taken:</b>	Decide whether the <i>Solar 1</i> incident requires any increase in the levy of contributions to the General Fund.

### **1** Introduction

- 1.1 In document 92FUND/A.11/26 the Director has proposed that the levy of 2006 contributions to the General Fund be set at £3.0 million. The Director's assessment of the need for contributions has, as regards incidents, been based on the incidents listed in Annex III to that document. However, the list in Annex III does not include the *Solar 1* incident, which occurred on 12 August 2006 in the Philippines. The limitation amount applicable to the *Solar 1* is 4.51 million SDR (£3.6 million). It is expected that the total amount of the established claims arising from the incident will exceed that amount.
- 1.2 However, the owner of the *Solar 1* is party to the Small Tanker Oil Pollution Indemnification Agreement 2006 (STOPIA 2006). The effect of STOPIA 2006 is that the maximum amount of compensation payable by owners of all ships of 29 548 tonnage or less is 20 million SDR (£16 million). The 1992 Fund is not a party to the agreement, but the agreement confers legally enforceable rights on the 1992 Fund of indemnification from the shipowner involved. The 1992 Fund will, nevertheless, be liable to compensate claimants in accordance with the 1992 Fund Convention, but is entitled to indemnification by the shipowner of the difference between the limitation amount applicable to the ship under the 1992 Civil Liability Convention and the total amount of the admissible claims or 20 million SDR, which ever is the less.
- 1.3 As a result of discussions with the International Group of P&I Clubs the Director will submit to the Assembly under agenda item 31 a document setting out a proposal for the administrative procedures for implementation of STOPIA 2006 (document 92FUND/A.11/29). Pending the Assembly's consideration of this matter, it has been agreed between the Director and the Shipowners' Mutual Protection and Indemnity Association (Shipowners' Club) that the 1992 Fund should assume responsibility for compensation payments once the Club had paid compensation up

to the limitation amount applicable to the *Solar 1* under the 1992 Civil Liability Convention. The 1992 Fund would then seek regular reimbursements from the Club up to the STOPIA limit, the reimbursements to be made by the Club within two weeks of being invoiced by the Fund. If this procedure is followed it should not be necessary for the Fund to levy contributions in respect of this incident unless the total amount of the admissible claims were to exceed the STOPIA limit.

- 1.4 In the Director's view it is unlikely that the total admissible claims arising from the *Solar 1* incident will exceed the STOPIA 2006 limit of 20 million SDR (£16 million). The 1992 Fund's involvement in the payment of compensation would, therefore, under the arrangement with the Shipowners' Club, be limited to payments which will be reimbursed by the Club within a very short period of time. The 1992 Fund will incur some costs in relation to experts and lawyers fees. In the unlikely event that the total amount of admissible claims were to exceed 20 million SDR during 2006, the compensation payments to be made by the 1992 Fund could be met from the working capital. The Director considers therefore that the payments to be made by the 1992 Fund in respect of *Solar 1* incident do not require any increase in the levy of contributions to the General Fund proposed in paragraph 8 of document 92FUND/A.11/26.

**2 Action to be taken by the Assembly**

The Assembly is invited:

- (a) to take note of the information contained in this document; and
  - (b) to decide whether as a result of the *Solar 1* incident there is a need for an increase in the levy to the General Fund.
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