



INCIDENTS INVOLVING THE 1992 FUND

HEBEI SPIRIT

Note by the Director

Objective of document:	To provide the Executive Committee with the most up-to-date information on the estimated exposure of the 1992 Fund.
Summary of document:	<p>The most recent estimate by the Fund's experts of the total amount of the losses caused by the spill is between KRW 567.3 billion and KRW 602.3 billion (£280.03-297.30 million) (paragraph 3.1).</p> <p>On the basis of the information available as at 12 March 2009, the Director proposes to maintain the level of the 1992 Fund's payments at 35%, to be reviewed at the next session of the Executive Committee (paragraph 3.4).</p>
Action to be taken:	Decide whether to maintain the level of payments at 35%.

1 **Introduction**

The Director has, since the issue of document 92FUND/EXC.42/11/Add.1, obtained from the 1992 Fund's experts the most up-to-date information on the estimated total exposure of the Fund. The revised estimated figures are set out below.

2 **Estimated total exposure**

2.1 **Clean up**

- 2.1.1 The original estimates for the costs in the clean-up sector were based on the assumption that clean-up operations would finish by June 2008. By that time, clean-up operations had indeed been completed or significantly scaled down in several sites along the western coast of the Republic of Korea. However, public concerns as to the level of clean up have prompted the authorities to request the clean-up contractors to continue their work in some areas. As a result, clean-up operations were still ongoing in some remote locations well beyond the first half of 2008. Further clean-up operations have been planned to resume in some locations and are expected to continue until the end of April 2009.

- 2.1.2 The updated estimate of the expected costs for the at-sea and onshore clean up, consequent disposal of waste and for environmental restoration and monitoring as a result of the incident totals approximately KRW 163 284 million (£80.6 million)^{<1>}.
- 2.1.3 This estimate includes the changes from the previous estimate in respect of the cost of cleaning of vessels, the cost of shoreline activity, including the costs of contractors employed to carry out the clean up, village labourer costs, the cost of material used, the cost of disposal of solid and liquid waste collected, the costs for restoration of waste disposal sites and temporary access roads, as well as the planned extension of some clean-up activities to April 2009 and the estimated costs of monitoring the clean-up operations and sampling by the national and local authorities.
- 2.2 Fisheries and mariculture
- 2.2.1 The Fund's experts have reviewed the most recent information available on the impact the pollution has had on the fisheries and aquaculture industry in the areas affected. The experts have considered that fishing restrictions had continued longer than expected and that capture fisheries activities had not returned to normal until late in the summer of 2008. Furthermore, there is some evidence that many aquaculture businesses have struggled to return to normal business levels although it is still unclear whether that was caused by the pollution resulting from the *Hebei Spirit* incident or by other circumstances.
- 2.2.2 Although it cannot therefore be ruled out that the total amount of admissible claims for damages to the fisheries and aquaculture sector will be higher than that originally estimated, the Fund's experts consider that, since most of the information which has become available since the October 2008 session of the Executive Committee is based on a number of assumptions, it is not possible at this stage to determine with any significant degree of accuracy what the effect will be on the total amount of the damages. Therefore, at this stage, the October 2008 estimate of the total losses in the fisheries and mariculture sector in the region of KRW 206 billion (£101.7 million) is maintained.
- 2.3 Tourism
- 2.3.1 The number of tourism claims actually received as at 12 March 2009 is still limited and the supporting information provided is not sufficient to predict, with any useful degree of certainty, what the total claimed amount may be in the future. From a preliminary observation of the tourism activities, in comparison with the statistics provided by various tourism bodies within the affected area, it is clear that tourism businesses have suffered a decline following the incident. Also, due to the extension of the clean-up activities well beyond the first half of 2008, the losses in the tourism sector may be higher than what was originally estimated. More accurate statistics are likely to become available once data for the whole 2008 tourism season have been collected.
- 2.3.2 Additional statistical information made available since the last session of the Executive Committee tends to confirm that circumstances other than the contamination caused by the incident might have had an impact on tourism activities. Data on those other circumstances and the impact they may have had are being collected and will have to be considered by the 1992 Fund's experts before any changes can be made to the estimates of the overall impact of the *Hebei Spirit* incident on the tourism sector.
- 2.3.3 Therefore, at this stage, the October 2008 estimate that the total losses in the tourism sector will be in the range of KRW 198 billion to KRW 233 billion (£97.7 million-£115 million) is still valid.

^{<1>} In this document, conversion of currencies in has been made on the basis of the exchange rate as at 11 March 2009 £1 = KRW 2 025.88.

3 Director's considerations

- 3.1 On the basis of the current information, the Director considers that the total amount of the losses arising from the *Hebei Spirit* incident could be estimated as set out in the table below:

Category of loss	Estimated losses June 2008 (KRW billion)	Estimated losses October 2008 (KRW billion)	Estimated losses March 2009 (KRW billion)	Estimated losses March 2009 (£ million)
Clean up	134.5	162.3	163.3	80.61
Fisheries and mariculture	206	206	206	101.68
Tourism	198-233	198-233	198-233	97.74-115.01
Total	538.5-573.5	566.3-601.3	567.3-602.3	280.03-297.30

- 3.2 At its March 2008 session, the Executive Committee decided that the conversion of 203 million SDR into South Korean Won (KRW) should be made on the basis of the value of that currency *vis-à-vis* the SDR on the date of the adoption of the Executive Committee's Record of Decisions of its 40th session, ie 13 March 2008 at the rate of 1 SDR = KRW 1 584.330. The conversion on the basis of the rate applicable on that day gives 203 million SDR = KRW 321 618 990 000 (£159 million) (cf document 92FUND/EXC.40/11, paragraph 3.7.7).
- 3.3 At its June 2008 session, the Executive Committee decided that, in view of the uncertainty as to the total amount of the potential claims, and in view of the need to ensure equal treatment for all claimants, any payments made by the 1992 Fund should for the time being be limited to 35% of the amount of the damage actually suffered by the respective claimant as assessed by the Fund's experts. This percentage was maintained by the Executive Committee at its October 2008 session (cf document 92FUND/EXC.42/14, paragraphs 3.9.7 and 3.9.8).
- 3.4 In view of the information set out above and the remaining uncertainties as to the total amount of admissible claims, the Director proposes to maintain the level of payments at 35% of the amount of the loss or damage as assessed by the Fund's experts. He also proposes that this percentage should be reviewed at the Executive Committee's next session.

4 Action to be taken by the Executive Committee

The Executive Committee is invited:

- (a) to take note of the information contained in this document;
 - (b) to decide whether to maintain the level of payments at 35%; and
 - (c) to give the Director such instructions in respect of the handling of this incident as it may deem appropriate.
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