



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUNDS

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1992 Fund Assembly	92AES18	
1992 Fund Executive Committee	92EC61	•
1971 Fund Administrative Council	71AC32	
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INCIDENTS INVOLVING THE IOPC FUNDS – 1992 FUND

HEBEI SPIRIT

Submitted by Republic of Korea

Summary:	This document includes the information about the status of compensation for the <i>Hebei Spirit</i> incident that took place in the waters off the western coast of the Republic of Korea.
Action to be taken:	<u>1992 Fund Executive Committee</u> The 1992 Fund Executive Committee is invited to take note of the information contained in this document and apply the proposed calculating method in determining the level of payment at the next meeting.

1 Introduction

On 7 December 2007, an oil tanker *Hebei Spirit* collided with a crane barge, spilling approximately 10 900 tonnes of crude oil in the waters off Taean-gun, Chungcheongnam-do, Korea. Given that the compensation process for the oil spill has long dragged on, this document is submitted to ask the 1992 Fund Executive Committee to make appropriate amendments to the current level of payment so that the compensation process can be made as smooth as possible.

2 Reparation and compensation status

- 2.1 After the establishment of a ‘Special Committee on *Hebei Spirit* oil spill’, at the first meeting on 19 June 2008, it was decided that the Korean Government would make advance payments on all accepted/approved claims by the Funds and/or court-decided claims. Furthermore, it was also decided that the Korean Government would bear all financial burden of making payment of additional compensation for claims beyond the Funds’ limit (KRW 321.6 billion).
- 2.2 The Funds have assessed a total of KRW 2.776 trillion claimed by the victims, of which KRW 198.8 billion was approved.
- 2.3 The Skuld Club has paid KRW 171.9 billion in compensation to claimants in accordance with the agreement signed in July 2008 with the Korean Government that the Club will make 100% of payment on all approved claims by the Fund.
- 2.4 For the past few years, the Korean Government has continuously made an effort for an increase in the level of payment. Nevertheless, the 1992 Fund has denied our request citing several reasons including an excessive amount of claims and uncertainty over the court decision. As a result, the level of payment has been maintained at 35%.

3 Issues for consideration

- 3.1 If the level of payment does not change until the final judgement of the Appeal Court, the 1992 Fund will provide only KRW 47.2 billion under the current level of payment which is limited to 35%. Thus, the Korean Government has to find other ways, including borrowing of outside funds, to make up the rest of compensation in accordance with the Special Act on Assistance to Residents Suffering Damage from the *Hebei Spirit* Oil Spill Incident.
- 3.2 In this context, if the level of payment cannot be raised, the Korean Government would ultimately face additional burden of securing relevant resources and paying the interest.
- 3.3 The breakdown on the interest to be paid by the Korean Government(Unit: KRW 100 million)

The Funds' Compensation Limit	Level of payment	Source of financing		Burden for Korean Government	
		Funds	Korean Government	Maturity	Estimated interest
1 348 of 3 216	35%	472	876	as of April 2015(estimated date for final court decision)	22
	50%	674	674		17
	80%	1 078	270		7
	100%	1 450	0		0

4 The Korean Government's position and measures to be taken

- 4.1 The Korean Government has been making every effort to make a full and prompt reparation and compensation to the victims suffering from the *Hebei Spirit* incident. In line with this, the Korean Government would like to request the 1992 Fund to take more proactive actions in making reparation and compensation in order to mitigate their sufferings.
- 4.2 As the 1992 Fund and the claimants have both appealed on the judgement from the Limitation Court (residents' claim: KRW 520.6 billion, the government's claim (standing last in the queue (SLQ)): KRW 217.9 billion), the judgement of the first trial on an appeal is expected to be rendered sometime in the first half of 2014.
- 4.3 Although as at 9 April 2014 it is premature to expect the judgement of the first trial, it would be reasonable to assume that the current level of payments can be revised upward if the level of payments were calculated based on the amount of the judgement of the first trial on an appeal excluding SLQ claims. Accordingly, the financial burden to be imposed on the Korean Government would be mitigated to some extent.
- 4.4 Against this backdrop, the Korean Government would like to ask for the 1992 Fund kind cooperation in calculating the level of payment based on "judgement amount" instead of the current "claimed amount" so that financial burden on the Korean Government can be minimised.

5 Action to be taken

1992 Fund Executive Committee

The 1992 Fund Executive Committee is invited to take note of the information contained in this document and apply the proposed calculating method in determining the level of payment at the next meeting.