



International Oil Pollution
Compensation Funds

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INCIDENTS INVOLVING THE IOPC FUNDS — 1992 FUND

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Note by the Secretariat

Objective of document:	To inform the 1992 Fund Executive Committee on the latest developments regarding this incident.
Summary:	<p>In October 2018 the Director was served with proceedings concerning an incident that occurred two years earlier, in 2016. On 13 October 2016, the articulated tug-barge (ATB) composed of the tug <i>Nathan E. Stewart</i> and the tank barge <i>DBL 55</i> ran aground on Edge Reef near Athlone Island, at the entrance to Seaforth Channel, approximately 10 nautical miles west of Bella Bella, British Columbia, Canada. The tug's hull was eventually breached, and approximately 110 000 litres of diesel oil was released into the environment. The tug subsequently sank and separated from the barge.</p> <p>A first nation community consisting of five tribes, who allegedly has aboriginal title and rights over the area impacted by the incident, has brought a legal action against the owners, operators, the master and an officer of the <i>Nathan E. Stewart/DBL 55</i> ATB in the Supreme Court of British Columbia. The claimants also include as third parties, among others, the Ship-source Oil Pollution Fund of Canada, the 1992 Fund and the Supplementary Fund.</p>
Recent developments:	The legal action brought by the first nation community has been stayed by the Federal Court of Canada pursuant to an order rendered in July 2019 in the context of limitation proceedings commenced by the owners of the tug and the barge. The Federal Court has ordered that a limitation fund be constituted pursuant to the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (Bunkers Convention 2001), and the Convention on Limitation of Liability for Maritime Claims, 1976, as modified by the 1996 Protocol (LLMC 76/96), on the basis of the combined tonnage of the tug and barge. The Court has also concluded that there is no factual basis upon which a Civil Liability Convention fund could be constituted at this time.
Action to be taken:	<p><u>1992 Fund Executive Committee</u></p> <p>Information to be noted.</p>

^{<1>} This incident was first reported to the 1992 Fund Executive Committee at its session in October 2018 as 'Incident in Canada' (document IOPC/OCT18/3/13).

1 Summary of incident

Ship	Articulated tug-barge (ATB) composed of the tug <i>Nathan E. Stewart</i> and the tank barge <i>DBL 55</i>
Date of incident	13.10.2016
Cause of incident	Human error (probably due to fatigue)
Quantity of oil spilled	110 000 litres of diesel oil
Area affected	Entrance of Seaforth Channel, British Columbia, Canada
Flag State of ship	United States of America
Gross tonnage	ATB unit less than 5000 units of tonnage (tug 320 GT)
P&I insurer	Starr Indemnity & Liability Company
Limitation of liability (LLMC 76/96)	CAD 5 568 000 (£3.3 million) ^{<2>}
Legal proceedings	The 1992 Fund and the Supplementary Fund have been named as 'other parties or persons' in legal proceedings by a first nation community against the shipowners in the Supreme Court of British Columbia. The shipowners initiated limitation proceedings in the Federal Court of Canada. The Federal Court has issued directions for the establishment of a limitation fund and the filing of claims, pursuant to the Bunkers Convention 2001 and the LLMC 76/96.

2 Background information

- 2.1 In October 2018, the Director was informed of an incident that occurred in 2016. On 13 October 2016, the articulated tug-barge (ATB) composed of the tug *Nathan E. Stewart* and the tank barge *DBL 55* ran aground on Edge Reef near Athlone Island, at the entrance to Seaforth Channel, approximately 10 nautical miles west of Bella Bella, British Columbia, Canada. The tug's hull was eventually breached and approximately 107 552 litres of diesel bunker oil and 2 240 litres of lubricants were released into the environment. The tug subsequently sank and separated from the barge.
- 2.2 The ATB was returning from Alaska where it had delivered jet fuel and gasoline and was on its way to the Port of Vancouver. After discharge in Alaska, on the return voyage the barge *DBL 55* was in ballast. On its previous voyage, the *DBL 55* was loaded with jet fuel and gasoline.
- 2.3 When the *Nathan E. Stewart* was in pushing mode, the bow of the tug was secured to the V-shaped indent at the stern of the barge with pneumatically operated pins. When the two vessels were connected in this manner, they became an articulated tug-barge (ATB). It would appear the *Nathan E. Stewart* routinely transited from petroleum facilities in the State of Washington, United States of America, and Vancouver, British Columbia, Canada, with the *DBL 55* or one of the company's other tank barges loaded with refined petroleum products to be delivered to various ports in Alaska.
- 2.4 The ATB was insured by Starr Indemnity & Liability Company (a fixed premium insurer).

3 Response operations

- 3.1 The crew attempted to surround the ATB with an oil containment boom, which failed due to the sea and weather conditions.
- 3.2 A unified command was formed to lead the incident response. The command included representatives of the respective owners of the tug and the barge, Canadian authorities, as well as representatives of the first

^{<2>} The exchange rate used in this document, as at 30 June 2019, was £1 = CAD 1.6631.

nation community and a number of spill contractors directly engaged by the shipowners. All of the incident response activities mandated by the unified command were funded by or on behalf of the shipowners.

- 3.3 Bunker oil from the tug was transferred to one of the barge's tanks. Approximately 30 000 litres of diesel fuel was transferred by the crew from the *Nathan E. Stewart* to the *DBL 55* before the tug sank. Some 119 000 litres of diesel oil and lube oil were recovered from the tug during emergency response efforts.
- 3.4 In November 2016, the *Nathan E. Stewart* was raised by a salvage team, placed on a deck barge, and towed away. The unified command issued its final 'situation report' and the on-water portion of the incident response officially ended before the end of that month.
- 3.5 The shipowners continue to participate in an ongoing environmental impact assessment process in respect of the incident, in conjunction with federal and provincial government agencies and a first nation community.

4 **Applicability of the Conventions**

- 4.1 Canada is a Party to the 1992 Civil Liability and Fund Conventions and the Supplementary Fund Protocol.
- 4.2 The application of the Conventions, however, is not clear in this case. Firstly, there is a question over whether the *Nathan E. Stewart/DBL 55* ATB falls within the definition of 'ship' under Article I(1) of the 1992 Civil Liability Convention (CLC).
- 4.3 Secondly, at the time of the incident, the barge was empty and was therefore not carrying oil in bulk as cargo. In addition, it has not been established whether during any previous voyage it had carried any persistent oil in bulk as cargo. Its last known cargo was jet fuel and gasoline, which are non-persistent products.
- 4.4 If the ATB carried non-persistent oil on previous voyages, it would appear that the Civil Liability and Fund Conventions would not be applicable. In that case, since the spilled oil was bunkers, the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (Bunkers Convention 2001) should apply instead.

5 **Investigation into the cause of the incident**

Investigations into the cause of the incident indicate that the incident was due to human error caused by fatigue. It seems that the ATB missed a change of course and ran aground.

6 **Claims for compensation**

- 6.1 The 1992 Fund has not received any claims in relation to this incident, but based on the pleadings submitted in Court, it is understood that the shipowners have paid some CAD 3.5 million (£2.1 million) to the first nation community, in respect of services rendered during the incident response, and subsequent claims arising out of the incident. It also appears that in February 2017, the shipowners' insurers provided a letter of undertaking for the value of CAD 12 million (£7.2 million), to the first nation community.
- 6.2 The first nation community has not yet quantified its claims but it alleges to have incurred (i) operational expenses in the course of the incident response and the subsequent environmental impact assessments which have not been fully compensated by the shipowners and (ii) losses resulting from the loss of marine resources based on (a) aboriginal rights to be established in the civil proceedings (see section 8 below), (b) commercial licences rights and (c) public rights to fish.
- 6.3 In addition, the shipowner has supported all the costs of the incident response, including costs incurred by the Canadian agencies.

6.4 It is also understood that in December 2016, the shipowners' insurers provided a letter of undertaking for the value of CAD 20 million (£12 million) to the Ship-source Oil Pollution Fund (SOPF) but that the amount of this undertaking has been reduced by consent by CAD 3 million (£1.8 million) to reflect claims paid by the shipowners.

6.5 The amount of the above-mentioned undertaking has now been reduced to take account of the limitation fund constituted by the shipowners (CAD 5.6 million).

7 Limitation proceedings

7.1 In May 2019, the shipowners filed an action before the Federal Court of Canada to establish a limitation fund and stay the Supreme Court of British Columbia proceedings (see section 8 — Civil proceedings).

7.2 Also in May 2019, a first nation community filed a notice of motion objecting to the jurisdiction of the Federal Court over the limitation action (see section 8 — Civil proceedings).

7.3 The owner of the barge *DBL 55* is an affiliate of the owner of the tug *Nathan E. Stewart*. The shipowners allege that, notwithstanding the use of the coupling system, the tug and the barge remained two separate vessels.

7.4 In support of their motion to constitute a limitation fund, the shipowners filed an affidavit from one of their employees stating that the tug navigated from petroleum facilities in the State of Washington, the United States of America to the Port of Vancouver, British Columbia, Canada, with the barge (or another tank barge) loaded with refined petroleum products and that at no time did the barge carry any type of persistent oil as cargo.

7.5 The shipowners also argued that the 1992 CLC was not applicable in this case, as neither the tug nor the barge falls within the definition of 'ship' in the 1992 CLC. In particular, the shipowners argue that:

- The barge is not a 'ship' because at no time did it carry any type of persistent oil as cargo.
- The tug and the barge are to be considered as two separate ships for the purposes of a limitation of liability analysis. The tug is not a 'ship' because it was not capable of carrying oil as cargo. The diesel fuel and lubricants that were released during the incident were bunkers used solely for the operation or propulsion of the tug.

7.6 The claimants have stated that they did not assert the ATB was carrying persistent oil as cargo, which is what would engage the CLC, but were relying instead on the Bunkers Convention 2001. The claimants clarified that only as a precaution, they had pleaded—as a matter of law, not as a matter of fact—the application of the 1992 CLC is the alternative.

7.7 In their submissions, the claimants disputed the shipowners' assertion that the tug was a separate ship from the barge but argued that, if the shipowners should prevail on that point, that would be another reason why the 1992 CLC could not be applicable, since oil held as cargo in the barge would not be cargo of the tug, and therefore the tug could not be considered as carrying oil in bulk as cargo, as required by the definition of 'ship' under the 1992 CLC.

Judgment by the Federal Court of Canada in July 2019

7.8 The Federal Court of Canada rendered a decision in July 2019 granting the shipowners' motion and ordering that any claimants are precluded from commencing or continuing before any court other than the Federal Court, proceedings against the shipowners until the limitation action has been determined. Therefore, the first nation could not continue its action in the Supreme Court of British Columbia against the shipowners. The Court also decided that a limitation fund should be constituted pursuant to the Bunkers Convention 2001 and the Convention on Limitation of Liability for Maritime Claims, 1976, as modified by the

1996 Protocol (LLMC 76/96), on the basis of the combined tonnage of the tug and barge. The Court concluded that there was no factual basis upon which a CLC fund could be constituted at that time.

- 7.9 As a result of the Court's decision, claims will be processed in the Federal Court as part of the limitation action.
- 7.10 At a later stage, the Court will also have to determine whether or not, for the purpose of limitation, the barge and tug formed one unit.
- 7.11 Eventually, the shipowners will be subject to discovery and will have to communicate all relevant information/documentation which should include the details about the nature of the substances carried on board the tug and the barge. This should enable the Court to reach a decision on whether or not the incident falls within the scope of the 1992 CLC.
- 7.12 Following the Court's decision, the shipowners have since filed with the Court a bank guarantee in the amount of CAD 5 568 000 (£3.3 million).

8 **Civil proceedings**

- 8.1 In October 2018, a first nation community consisting of five tribes brought a legal action against the owners, operators, the master and an officer of the *Nathan E Stewart/DBL 55* ATB in the Supreme Court of British Columbia. The claimants also include as third parties SOPF, the 1992 Fund and the Supplementary Fund.
- 8.2 The claimants say they have aboriginal title and sovereign rights in the affected area. They also state that the area affected by the spill is a traditional harvesting site for food resources such as clams and abalone. The claimants allege that the spill caused immediate and long-term impacts or risks of impacts on populations of marine resources, with loss of harvesting opportunities. The claim includes losses relating to past and future interference with the claimants' use and enjoyment of the area. The claim is also for expenses in connection with response efforts, including impact assessment. The claimants also request that the shipowner take necessary action to evaluate the long-term impact of the spill.
- 8.3 The claimants argue for the application of the Bunkers Convention 2001 or, as an alternative, of the 1992 CLC and, in the latter case, seek from the 1992 Fund and the Supplementary Fund any damage in excess of the 1992 CLC. Furthermore, the claimants challenge the validity and application of the limitation of liability or other restriction in the type of damage they can recover under the Conventions as being illegal and an infringement on their aboriginal rights since they were not consulted, nor did they agree to any restriction on the right to full compensation.
- 8.4 The shipowners filed an application to stay the proceedings at the Supreme Court of British Columbia. The shipowners contest the jurisdiction of the Supreme Court of British Columbia and maintain that the Federal Court is a more suitable forum for those claims to be adjudicated (see section 7 — Limitation proceedings).
- 8.5 The claimants filed a motion seeking to have the Supreme Court of British Columbia confirm its jurisdiction to adjudicate the claims against the shipowner, despite the Federal Court limitation action. However, they have since adjourned the presentation of that motion.

9 **Director's considerations**

- 9.1 The application of the Conventions is not clear in this case, principally on two fronts: firstly it has not been established whether the *Nathan E. Stewart/DBL 55* ATB could be considered a 'ship' under Article I(1) 1992 CLC; and secondly even if this was the case, the unit was not actually carrying oil in bulk as cargo at the time of the incident and it is not clear whether it was carrying any persistent oil during any previous voyage. Its last known cargo was jet fuel and gasoline, which are non-persistent products.

- 9.2 In July 2019, the Federal Court of Canada found that, on the basis of the facts known to that date, there was no factual basis to invoke the application of the 1992 CLC. On the other hand, the claimants are not relying on the 1992 CLC, but on the Bunkers Convention 2001, and as a precaution, they had pleaded the application of the 1992 CLC as the alternative.
- 9.3 It is therefore very unlikely that the IOPC Funds will remain involved in this case. The IOPC Funds are taking steps to obtain a clear confirmation of the product carried by the barge so as to obtain a declaration, by consent or by determination of the Court, that the IOPC Funds are no longer interested parties to these claims.
- 9.4 Until such a declaration is made, the IOPC Funds are still deemed interested parties in the proceedings, and therefore the Director will continue to monitor this case and will report any developments to the Executive Committee at a future session.

10 **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.
