



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUND

EXECUTIVE COMMITTEE  
32nd session  
Agenda item 3

FUND/EXC.32/5  
28 August 1992

Original: ENGLISH

## INCIDENTS INVOLVING THE IOPC FUND

### RIO ORINOCO

Note by the Director

#### 1 Introduction

The RIO ORINOCO incident which occurred in the Gulf of St Lawrence (Canada) on 16 October 1990 is one of the most important incidents with which the IOPC Fund has been involved. All third party claims resulting out of this incident have now been settled and paid. The only remaining issues relate to the investigation into the cause of the incident and to the indemnification of the shipowner. This document contains a summary of the developments of this incident.

#### 2 The Incident

2.1 The asphalt carrier RIO ORINOCO (5 999 GRT), registered in the Cayman Islands, experienced problems with her main engine whilst en route from Curacao to Montreal with about 9 000 tonnes of heated asphalt cargo and about 300 tonnes of intermediate fuel oil and heavy diesel oil on board. While repairs were being effected in the Gulf of St Lawrence, the ship dragged anchor in bad weather and grounded on the south coast of Anticosti Island on 16 October 1990. An estimated 185 tonnes of the intermediate fuel oil was spilled and came ashore east of the grounding position. About ten kilometres of the coastline were heavily polluted, and small patches were spread over a further 30 kilometres. No asphalt cargo was spilled. Over subsequent weeks the cargo cooled and a significant part became solid.

2.2 The weather deteriorated and the grounded ship moved, finally coming to rest wedged between two rock shelves. Three attempts were made by the shipowner between 1 and 5 November to pull the ship free, but without success. Renewed attempts to refloat the vessel were made by the Canadian Coast Guard in December 1990, but these attempts also failed. After extensive preparations, the ship was finally refloated on 7 August 1991 and taken to a safe haven at Sept Iles.

2.3 The RIO ORINOCO was entered with Sveriges Ångfartygs Assurans Förening (the "Swedish Club") in respect of both hull and P & I insurance.

2.4 The RIO ORINOCO was declared a constructive total loss by the hull insurer on 18 November 1990, and the Canadian Coast Guard then assumed control of the ship. On 23 November, the shipowner informed the Coast Guard that he was financially incapable of removing the ship and her cargo.

2.5 The limitation amount applicable to the RIO ORINOCO was fixed by the Canadian Court at Can\$1 182 617 (£519 700). The limitation fund was constituted by the P & I insurer by means of a letter of guarantee.

### **3 Clean-up Operations and Waste Disposal**

3.1 The Canadian Coast Guard made attempts to collect oil at sea but with little success in the difficult sea conditions.

3.2 On-shore clean-up operations on Anticosti island were carried out during the period up to 10 November 1990 by contractors on behalf of the shipowner. The operations were terminated for the winter on that date due to deteriorating weather conditions. By then most of the beaches had been cleaned, and the environmental impact is believed to have been minimal.

3.3 A joint inspection of the affected coast was carried out in June 1991 by the Canadian authorities and experts representing the Swedish Club and the IOPC Fund. The inspection showed that the natural weathering processes during the winter had resulted in considerable improvements in all previously oiled areas, and no new areas of oiling were observed. Although remaining oily residues constituted little or no threat to wildlife, rising temperatures were softening thicker accumulations, and some further cleaning was justified in view of the use of the shores by hunters, fishermen, hikers and residents. This cleaning was carried out in July 1991.

3.4 During the clean-up operations carried out in the autumn of 1990, about 300 tonnes of oily waste were recovered. Various possibilities of treating the waste were investigated. It proved impossible to obtain permission from the local authorities for disposal within the Province of Quebec. After the disposal operations had been put out to tender, the waste was exported to disposal facilities in the United States in October 1991.

3.5 Oily waste recovered during the clean-up in July 1991 was transported by helicopter to Port Menier, where disposal was effected during experiments with a burning system developed by the Coast Guard.

### **4 Removal of the RIO ORINOCO, her Bunker Oil and her Cargo**

4.1 Under Canadian law, the Government may take the necessary measures to minimise or prevent pollution from a ship, including the removal and destruction of the ship. The Coast Guard maintained that the RIO ORINOCO, her asphalt cargo and remaining bunker oil represented a threat of pollution, as there was a serious risk that the ship would break if left over the winter. The Coast Guard considered therefore that all options to prevent the ship from losing her cargo should be explored.

4.2 The IOPC Fund engaged an independent expert to follow closely the operations taken for the purpose of removing the RIO ORINOCO and her cargo. This expert was present at the site of the wreck during a large part of the operations and took part in numerous discussions with the Canadian authorities concerning the various options available. Discussions were also held on these issues between the Canadian Government and the Director.

4.3 It was decided by the Coast Guard that the remaining bunker oil (some 115 tonnes) should be removed and this operation was carried out in December 1990. Only unpumpable residues remained on board the RIO ORINOCO.

4.4 After the attempts made by the shipowner in November 1990 to pull the ship free of the ground had failed, the various options for removing the ship were discussed between the Coast Guard, the Swedish Club and the IOPC Fund. The RIO ORINOCO had been damaged to such an extent that there was insufficient residual buoyancy for the ship to refloat. It was not possible to remove the cargo by pumping because it had become solid. The Coast Guard decided to try to refloat the vessel by using two barges, one connected to each side of the RIO ORINOCO, to provide additional buoyancy. The preparations for the operation were completed in early December; due to unusually bad weather, however, it was decided on 21 December 1990 to call off any attempt to remove the vessel until the following spring. The Coast Guard then retained a contractor to maintain the ship over the winter period.

4.5 The Coast Guard, in consultation with the IOPC Fund, gave further consideration to the various options for removing the vessel and her cargo. After the task had been put out to tender, a contract was concluded between the Canadian Government and a Canadian contractor (Groupe Desgagnés). Under the contract, Groupe Desgagnés should, against a lump sum, remove the RIO ORINOCO from her grounded position and take her to a place of safety. The method to be used would consist in removing part of the asphalt cargo so as to facilitate the refloating of the vessel. The contract was based on a "no cure, no pay" formula.

4.6 Between 23 July and 5 August 1991, some 2 300 tonnes of asphalt were removed. The RIO ORINOCO was refloated and pulled free on 7 August. The ship was then towed to Sept Iles without any complications arising. No spill of bunker oil or asphalt occurred during the refloating or during the towing operation.

4.7 The Canadian authorities arranged for a judicial sale of the RIO ORINOCO. The vessel and her cargo were acquired by the Groupe Desgagnés, the only bidder, for an amount of Can\$100 000 (£43 950). The RIO ORINOCO was then towed to the port of Quebec, where the remaining asphalt cargo (about 6 000 tonnes) was removed.

## **5 Claim Settlements**

### Canadian Government's Claims

5.1 In 1991 the Canadian Government submitted claims totalling Can\$10 759 213 (£5.2 million) in respect of the operations carried out by or on behalf of the Coast Guard up to 31 January 1991 in connection with attempts to remove the ship from its grounded position and the cost of the actual removal of the ship to a place of safety. These claims were approved by the Executive Committee in the total amount of Can\$10 218 848 (£4 926 771) as proposed by the Director (document FUND/EXC.28/9, paragraph 3.3.3).

5.2 The IOPC Fund paid Can\$6 million (£2 962 232) to the Canadian Government on 20 November 1991 and Can\$4 218 848 (£1 964 539) on 10 February 1992. Payment had to be made in two instalments as the IOPC Fund's working capital was insufficient to cover such a significant payment in respect of an incident which had not been taken into account in the assessment of the 1990 annual contributions.

5.3 At its 31st session, the Executive Committee considered a further claim presented by the Canadian Government for Can\$1 623 010.96 (£713 250) in respect of the operations carried out by the Canadian Coast Guard from 31 January 1991 to the end of the incident, as well as the operations carried out by the Ministry of Environment and the Ministry of Fisheries and Oceans. The claim was approved by the Executive Committee in the amount of Can\$1 573 000 (£718 429) as proposed by the

Director (FUND/EXC.31/7, paragraph 4.1.2). The IOPC Fund paid the settlement amount to the Canadian Government in June 1992.

#### Swedish Club's Claims

5.4 The Swedish Club submitted subrogated claims in respect of the costs of clean-up and waste disposal totalling Can\$2 111 437 (£927 900). These claims were settled in full by the Director in accordance with previous authority given by the Executive Committee. Payments were made to the Swedish Club during the period from September 1991 to February 1992. After making a reduction to take account of the limitation amount (Can\$1 182 617), the IOPC Fund paid a total amount of Can\$928 820 (£408 182) in respect of these claims.

5.5 At its 31st session, the Executive Committee considered a further subrogated claim for waste disposal costs submitted by the Swedish Club in the amount of Can\$118 562 (£52 104). The claim was reduced by Can\$7 338.94 in respect of Canadian Goods and Service Tax, paid to a contractor. The Swedish Club expects to be able to recover this sum from the contractor as it was paid in error. The Club has, however, reserved its right to claim this amount from the IOPC Fund in the event that it cannot be recovered from the contractor. The Executive Committee approved settlement of this claim in the amount of Can\$111 223.53 (£50 453) as proposed by the Director (document FUND/EXC.31/7, paragraph 4.1.3), and that amount was paid to the Swedish Club in June 1992.

#### Indemnification

5.6 Indemnification of the shipowner in the amount of Can\$295 654 (£130 000) has not yet been paid as the limitation proceedings have not been completed.

### **6 Summary of Payments by IOPC Fund**

The payments made or to be made by the IOPC Fund in respect of this incident can be summarised as follows:

	£
Compensation:	
Canadian Government (Can\$11 791 848)	5 645 200
Swedish Club (Can\$1 041 043)	458 635
Fees and expenses	159 446
Indemnification (estimate)	<u>130 000</u>
	<u>6 393 281</u>

### **7 Investigation Into the Cause of the Incident**

7.1 The Canadian authorities have carried out an investigation into the cause of the incident. The report of this investigation is not yet available. It is expected that the report will be issued in late 1992 or early 1993.

7.2 The report of the investigation will be examined by the Director who will inform the Executive Committee of the outcome at its next session.

### **8 Action to be Taken by the Executive Committee**

The Executive Committee is invited to take note of the information contained in this document.