



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUND

SEVENTH INTERSESSIONAL
WORKING GROUP
Agenda item 2

FUND/WGR.7/20/2
26 April 1994

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FIXED COSTS

Note by the United Kingdom Delegation

1 The United Kingdom delegation proposes that the IOPC Fund should review its policy towards payments to Governments for the fixed costs of resources to respond to oil spillages. At the moment, the Fund pays for the costs of clean-up operations, plus a small amount towards the standing costs of maintaining facilities for pollution prevention and clean-up. This latter amount should be increased, to promote the adoption of better facilities throughout the world.

2 The United Kingdom's Marine Pollution Control Unit exists to respond to marine pollution around the United Kingdom coast, including oil spillages. A number of other countries have similar organisations. The existence of these units helps to reduce the costs which fall on the Fund, by working to prevent or lessen the effect of any incident. It would be in the interests of the oil industry and of the Fund for an effective response capability to be established anywhere in the world where there is a risk of ship-sourced oil pollution.

3 However, whilst it is the Fund, and thus the oil industry, which enjoys the financial benefits of this capability, the financial burden falls mostly on states, unless there is a spillage. By providing some element of compensation for the standing costs of response and clean-up, the Fund would remove this possible disincentive, and so encourage the establishment of other units.

4 This delegation is not proposing that the Fund should pay for the entire costs of such facilities, but that its payments should be increased better to reflect the value of effective response action to the Fund. Payments made for standing costs should prove to be cost effective, by reducing future calls against the Fund. This factor will need to be taken into account when deciding the appropriate level of payments. The level of payments will also need to be judged against the disincentive involved.
