



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUNDS 1971 AND
1992

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INCIDENTS INVOLVING THE 1992 FUND

NATUNA SEA

Note by the Director

Summary:

The grounding of the *Natuna Sea* in the Singapore Strait resulted in a spill of some 7 000 tonnes of crude oil. The oil affected Singapore, Malaysia and Indonesia. It is not possible to predict the level of claims for compensation at this stage. Claims for pollution damage in Malaysia have been settled within the limit applicable to the *Natuna Sea* under the 1969 Civil Liability Convention. The total claims for pollution damage in Singapore and Indonesia exceed the limit applicable to the vessel under the 1992 Civil Liability Convention. The 1992 Fund may therefore be required to make payments for pollution damage in Singapore.

Action to be taken: Information to be noted.

1 The incident

- 1.1 On 3 October 2000 the Panamanian tanker *Natuna Sea* (51 095 GT) grounded in the Singapore Strait off Batu Behanti, Indonesia. The vessel was carrying a cargo of 70 000 tonnes of Nile Blend crude oil at the time of the incident. An estimated 7 000 tonnes of crude oil was spilled as a result of the grounding. The vessel was lightened of its remaining cargo and refloated without significant further spillage on 12 October 2000.
- 1.2 The *Natuna Sea* is entered with the London Steam-Ship Owners' Mutual Insurance Association Ltd (London Club).

- 1.3 The IOPC Funds monitored the response to the spill through experts from the International Tanker Owners Pollution Federation Ltd (ITOPF), who arrived on site on 4 October 2000, and a network of local surveyors.

2 Extent of pollution

The oil oscillated with the tides, but with a slow overall movement to the east. On the Singapore side of the Strait a number of islands were polluted, including the resort island of Sentosa, Saint Johns Island, Raffles lighthouse and the Sisters' Islands of Hantu and Kusu. Shoreline oiling also occurred on the southeast coast of Singapore Island. A number of Indonesian islands in the Singapore Strait were also affected by oil, the heaviest accumulations occurring on the north coast of Pulau Batam. Oil also impacted the southeast tip of the Johor Peninsula, in Malaysia.

3 Clean-up operations

Singapore

- 3.1 The Maritime and Ports Authority (MPA) of Singapore directed the response, which initially focused on dispersant spraying. The locally based manager of the *Natuna Sea* participated in clean-up operations by engaging a number of local contractors, including East Asia Response Ltd (EARL) and the Singapore Oil Spill Response Centre. Clean-up equipment of the Petroleum Association of Japan stockpile in Singapore was also deployed.
- 3.2 Several barges equipped with mechanical grabs or skimmers designed for viscous oil, and a large fleet of small vessels utilising scoops and nets, were deployed in the Singapore Strait to recover floating oil. The MPA assisted in the disposal of oil and oily debris regardless of whether it had been collected inside or outside Singapore waters. The oil was bagged and disposed through a company in Singapore.
- 3.3 By 12 October 2000 there was little oil remaining at sea and efforts were then focused on shoreline clean-up. Some 260 people were engaged in shoreline cleaning. Oily waste generated from these operations was handled by contractors appointed by the manager of the *Natuna Sea*.

Indonesia

- 3.4 The manager of the *Natuna Sea* engaged a local contractor to organise shoreline clean-up using a local labour force of over 320 people to collect oil and oiled debris. The collected material was bagged and temporarily stored at a local dump. It was later removed to a landfill site in Singapore whilst the original site was cleaned and landscaped.

Malaysia

- 3.5 The Malaysian Marine Department took charge of the operations at sea and mobilised a small number of fishing vessels to collect oil using scoops and nets.
- 3.6 The Department of Environment organised shoreline clean-up operations using a combination of mechanical and manual techniques. Some 400 people, many of them volunteers, were involved in these operations.

4 Impact of the spill

Singapore

- 4.1 The floating cages of a fish farm at St Johns Island were heavily affected by oil, giving rise to concerns that the fish may be contaminated. The owner of the farm, together with a small

workforce provided by the manager of the *Natuna Sea*, undertook clean-up of the cages and attempted to minimise contamination of the fish by adding feed under the water.

- 4.2 There were reports of a decrease in the number of visitors to the Sentosa Island resort and claims for loss of income may be submitted. A lagoon on Sentosa Island which houses a dolphinarium was lightly contaminated with oil sheens, and steps were taken to limit further ingress of oil by extending the seawater intake to the dolphinarium further out to sea.
- 4.3 It was reported that a number of vessels in the Singapore Strait have had their hulls oiled and claims for cleaning have been submitted to the managers of the *Natuna Sea* (see section 6).

Indonesia

- 4.4 The oil affected fishing and aquaculture activities, and several thousand artisanal fishermen submitted claims for contaminated gear and for business interruption. The impact was greatest along the north coast of Pulau Batam and around the outlying islands where the degree of oil contamination was heaviest.

Malaysia

- 4.5 The spill is reported to have had an impact on fishing activities, although some fishermen were understood to have mitigated their losses by fishing in alternative areas.

5 Applicability of the Conventions

- 5.1 The *Natuna Sea* was registered in Panama, which at the time of the incident was a Party to the 1992 Civil Liability Convention and the 1992 Fund Convention.
- 5.2 Singapore is Party to the 1992 Civil Liability Convention and to the 1992 Fund Convention. Indonesia is Party to the 1992 Civil Liability Convention, but not Party to the 1992 Fund Convention. Malaysia is Party to the 1969 Civil Liability Convention and the 1971 Fund Convention, but not the 1992 Conventions.
- 5.3 As a consequence of two different regimes being applicable to the incident, the shipowner may be required to establish two limitation funds, one in Malaysia and one in Singapore or Indonesia. The limitation amount applicable to the *Natuna Sea* under the 1992 Civil Liability Conventions is approximately 22.4 million SDR (£17 million) and under the 1969 Civil Liability Convention approximately 6.1 million SDR (£5.4 million).
- 5.4 Claims for pollution damage in Indonesia under the 1992 Civil Liability Convention will compete with claims for pollution damage in Singapore under the same Convention and could ultimately have a bearing on whether or not the 1992 Fund will be required to pay compensation for pollution damage in Singapore. If the total amount of claims for pollution damage in Malaysia were to exceed the limitation amount applicable to the *Natuna Sea* under the 1969 Civil Liability Convention, the 1971 Fund would be required to pay compensation.
- 5.5 At their October 2000 sessions the 1992 Fund Executive Committee and the 1971 Fund Administrative Council authorised the Director to make final settlements on behalf of the respective Funds of all claims arising out of the *Natuna Sea* incident to the extent that the claims did not give rise to questions of principle which had not been decided by any of the governing bodies of the 1971 Fund or 1992 Fund (documents 92FUND/EXC.9/12, paragraph 3.7.11 and 71FUND/AC.2/A.23/22, paragraph 17.14.12).

6 Claims for compensation

Singapore

- 6.1 A claim by EARL for US\$1.4 million (£1 million) was provisionally assessed by ITOPF in the amount of US\$400 000 pending further information in support of the claim. The claim was subsequently settled by the London Club for the amount claimed. The 1992 Fund was not party to the settlement. EARL has submitted a further claim for US\$16 000 (£118 000) in respect of damaged clean-up equipment. The London Club has argued that this claim should be met by the equipment insurers.
- 6.2 A claim by MPA in respect of its own personnel and resources for S\$2.5 million (£950 000) was provisionally assessed by ITOPF in the amount of S\$210 000 (£80 000) pending further details of the claim. No further documentation has been provided by MPA.
- 6.3 Claims totalling S\$1.3 million (£50 000) in respect of contractors engaged by MPA to assist in clean-up operations were provisionally assessed by ITOPF at S\$234 000 (£89 000) pending further supporting documentation. The London Club's correspondents are negotiating with the individual contractors based upon ITOPF's assessments.
- 6.4 A fish farm which was heavily impacted by the spill submitted a claim for S\$140 000 (£53 000). This claim was settled by the London Club for S\$95 000 (£36 000).
- 6.5 A claim by a Government Food and Veterinary Authority for S\$56 000 (£21 000) in respect of oiled fish cages has been provisionally assessed by ITOPF in the amount of S\$12 400 (£5 000).
- 6.6 The Sentosa Development Corporation has submitted a claim for S\$800 000 (£303 000) in respect of its involvement in shoreline clean-up operations, including the replacement of a damaged oil containment boom. The claim is being assessed by ITOPF.
- 6.7 The London Club has reimbursed the managers of the *Natuna Sea* US\$8.7 million (£6.2 million) in respect of payments made to various clean-up contractors in Singapore and Indonesia. The 1992 Fund has not received any documentation in support of these payments.

Indonesia

- 6.8 Local government authorities have submitted claims totalling Rp 21 000 million (£2.3 million) in respect of clean-up operations, waste disposal and the costs of collating fishery claims. The claim was assessed by ITOPF at Rp 1 073 million (£116 000).
- 6.9 A claim for Rp 811 million (£88 000) by an Indonesian oil company that participated in the clean-up has been settled by the London Club at Rp 339 million (£37 000).
- 6.10 Fishery claims totalling Rp 102 000 million (£11 million) were assessed by ITOPF at Rp 19.3 million (£2.1 million). In December 2000 the London Club made a partial payment of US\$1.5 million (£1.1 million) in respect of these claims.
- 6.11 The Indonesian authorities have submitted claims totalling Rp 1 058 000 million (£114 million) for alleged damage to the coastal ecosystem including mangroves, corals and tourist beaches. No documentation has been provided in support of these claims.

Malaysia

- 6.12 Clean-up claims totalling RM 1.4 million (£270 000) were settled by the London Club for a total of RM 1.3 million (£251 000) and fishery claims totalling RM 905 000 (£175 000) were settled by the Club for the amount claimed. No further claims are anticipated.

7 Likelihood of involvement of the 1971 Fund and 1992 Fund

- 7.1 All claims for oil pollution damage in Malaysia have been settled at a total of some £462 000. The limitation amount applicable to the *Natuna Sea* under the 1969 Civil Liability Convention is estimated at £5.4 million. The 1971 Fund will therefore not be called upon to make any payments in respect of compensation or indemnification under Article 5.1 of the 1971 Fund Convention.
- 7.2 The claims submitted in Singapore total US\$10.3 million and S\$4.75 million (£9.1 million). The claims submitted in Indonesia total Rp 2 181 000 million (£127 million).
- 7.3 There is therefore a possibility that the total admissible claims for pollution damage in Singapore and Indonesia will exceed the limitation amount applicable to the *Natuna Sea* under the 1992 Civil Liability Convention and that the 1992 Fund may be called upon to make payments in respect of pollution damage in Singapore.

8 Action to be taken by the governing bodies

The Assembly/Executive Committee are invited:

- (a) to take note of the information contained in this document;
 - (b) to give the Director such instructions in respect of this incident as they may deem appropriate.
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