



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUND

ASSEMBLY
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**APPLICATION OF THE CONTRIBUTION SYSTEM LAID DOWN
IN THE FUND CONVENTION TO OIL PASSING
THROUGH THE SUMED PIPELINE**

**DIFFICULTIES FACING EGYPT'S ACCESSION TO THE
INTERNATIONAL OIL POLLUTION COMPENSATION FUND
(SUMED PIPELINE QUESTION)**

Note by the Government of the Arab Republic of Egypt

- 1 Since 1988 the Arab Republic of Egypt has been party to the 1969 International Convention on Civil Liability for Oil Pollution Damage.
- 2 Convinced of the need to accede to the 1971 Fund Convention, Egypt has since 1986 had contacts with the Director of the IOPC Fund to clarify the position of the crude oil transported from Arabian Gulf producers to consumers in the west, passing the territory of Egypt through the Suez Gulf/Mediterranean pipeline system (SUMED).
- 3 The reply to Egypt's question was not clear to ensure that the oil discharged from super-tankers at SUMED's Ain Sukhna terminal to be reloaded to smaller tankers at SUMED Sidi Kerir terminal shall be treated as ship-to-ship transfer, ie not subject to the contributions laid down in Article 10.1 of the Fund Convention.
- 4 The Government of Egypt thinks that some confusion concerning SUMED pipeline technical features was behind this unclear position as:
 - (a) the general discussion at the 1971 Diplomatic Conference was a general discussion about a future sea-to-sea pipeline. This discussion took place several years before SUMED pipeline was designed or constructed;

- (b) also the interpretation adopted by the Fund Assembly in 1980 concerning ship-to-ship oil transfer (document FUND/A/ES.1/13, paragraph 10 (c)) had not taken into consideration the very special technicalities of such a sea-to-sea pipeline like SUMED. The said interpretation states the following:

"Ship-to-ship transfer shall not be considered as receipt, irrespective of where this transfer takes place (i.e. within a port area or outside the port but within territorial waters) and whether it is done solely by using the ship's equipment or by means of a pipeline passing over land. This applies for a transfer between two sea-going vessels as well as for a transfer between a sea-going vessel and an internal waterway vessel and irrespective of whether the transfer takes place within or outside a port area. When the oil, after having been transferred in this way from a sea-going vessel to another vessel has been carried by the latter to an on-shore installation situated in the same Contracting State or in another Contracting State, the receipt in that installation shall be considered as a receipt of oil carried by sea. However, in the case where the oil passes through a storage tank before being loaded to the other ship it has to be reported as oil received at that tank in that Contracting State".

Egypt thinks that the last sentence of this interpretation did not consider the technical necessity and function of tankages in a closed sea-to-sea pipeline system.

5 Egypt believes that giving sufficient information about SUMED pipeline system shall clarify the position of this unique pipeline. Therefore Egypt attaches the layout drawing of the pipeline (Annex I) and the pipeline route (Annex II) and gives the main data and technical characteristics of SUMED pipeline.

► SUMED pipeline was constructed and put into operation in 1977. It comprises two parallel 42 inches lines and extends 320 kilometres from the unloading terminal in the Suez Gulf (Ain Sukhna) to the loading terminal in the Mediterranean (Sidi Kerir). The total capacity is 80 million metric tonnes per year.

► The crude transported through SUMED pipeline is not owned either by SUMED Co or by Egypt. It is owned by the pipeline users (shippers). SUMED acts only as a common carrier of the crude against a transportation fee (tariff).

► SUMED pipeline is a one unit. It is a sea-to-sea closed system transferring crude discharged from tankers at Ain Sukhna offshore terminal to other tankers at Sidi Kerir offshore terminal. All quantities of oil received are redelivered at Sidi Kerir. Egypt does not receive any quantity of this oil, ie the difference between the quantities at both ends is zero.

► Based on this technical fact, the law establishing SUMED Company treats the oil passing through the pipeline as 100% transit oil. No tax, no customs are set on the oil or on users. Moreover, tankers at both ends are not paying any port dues or pilotage fees or any other dues, taxes or fees of any kind whatsoever.

► SUMED pipeline system is designed according to the latest technology. It permits receiving several types of crude at the same time (total types dealt with exceed now 18 types). Therefore the tanks at both terminals are designed as an integral part of this closed system to enable segregation of various types of crude which is often received from the same supertanker at the Sukhna terminal. The tankages are also a technical must to achieve the fastest flow and delivery of oil in the light of the capacity of this pipeline. There is no technological way, except by tankages, to receive and pump several types of crude at the same time in a pipeline with such capacity. Moreover, measurement of oil received is carried out in the respective tanks. This method is technically recognised as the most accurate one and is required by SUMED's shippers.

6 Based upon the above physical and technical facts, Egypt is fully convinced that it is lawful that the crude oil received from tankers at Ain Sukhna and transferred through the inland pipeline to other tankers at Sidi Kerir should not be counted as contributing oil. It should be dealt with as ship-to-ship transfer. The application of the first sentence of the above-mentioned sub-paragraph 10(c) of document FUND/A/ES.1/13 (not the last sentence) is the correct application in this respect^{<1>}.

Therefore Egypt requests the Fund Assembly either to confirm the said application of the said first sentence on the oil received at SUMED pipeline Ain Sukhna terminal, or to amend the last sentence of the sub-paragraph 10(c) to read as follows:

"However, in the case where the oil passes through a storage tank before being loaded to the other ship it has to be reported as oil received at that tank in that Contracting State unless such a storage tank is an integral part of a closed transit pipeline system for oil transfer from ship to ship."

7 In addition to the said legal and technical reasons, Egypt would like to point out, for consideration by the Assembly, the following important and economic facts:

► SUMED pipeline has become a vital artery of the oil transportation and provides to the world oil industry and trade several benefits of greatest economical effects as:

- (a) SUMED pipeline forms the shortest and fastest path along which oil can be transported from the Arabian Gulf to the consuming market while minimizing costs and risks;
- (b) it is also enabling the consuming countries to make savings in inventory investments and tankage costs;
- (c) SUMED enables shippers to optimise the use of their vessels by bringing oil to Ain Sukhna in large tankers and, a few days later, loading the crude oil from Sidi Kerir in smaller tankers to distribute to various destinations. In this way users of the pipeline incur no lightening or two-port discharging costs;
- (d) permitting several types of crude to be transferred, SUMED pipeline provides saving of costs by avoiding two-ports loading at source;
- (e) using SUMED pipeline is safer than transferring directly from tanker to tanker which is very hazardous, particularly in case of transferring from a big tanker to a small one. It is also safer than sea transport by very long ocean route. As such SUMED reduces pollution risks. We think that this point is very important not only for the States parties to the Fund Convention, but also for the IOPC Fund itself;
- (f) in spite of the fact that SUMED, by its technical nature, minimises the risks of pollution, it is considered one of the leading bodies in the area in respect of anti-pollution and environment protection. This is carried out through several costly methods, such as:
 - SUMED deballasting system is one of the most modern and effective ones in the world;

^{<1>}

The said first sentence states:

"Ship-to-ship transfer shall not be considered as receipt, irrespective of where this transfer takes place (ie within a port area or outside the port but within territorial waters) and whether it is done solely by using the ship's equipment or by means of a pipeline passing over land."

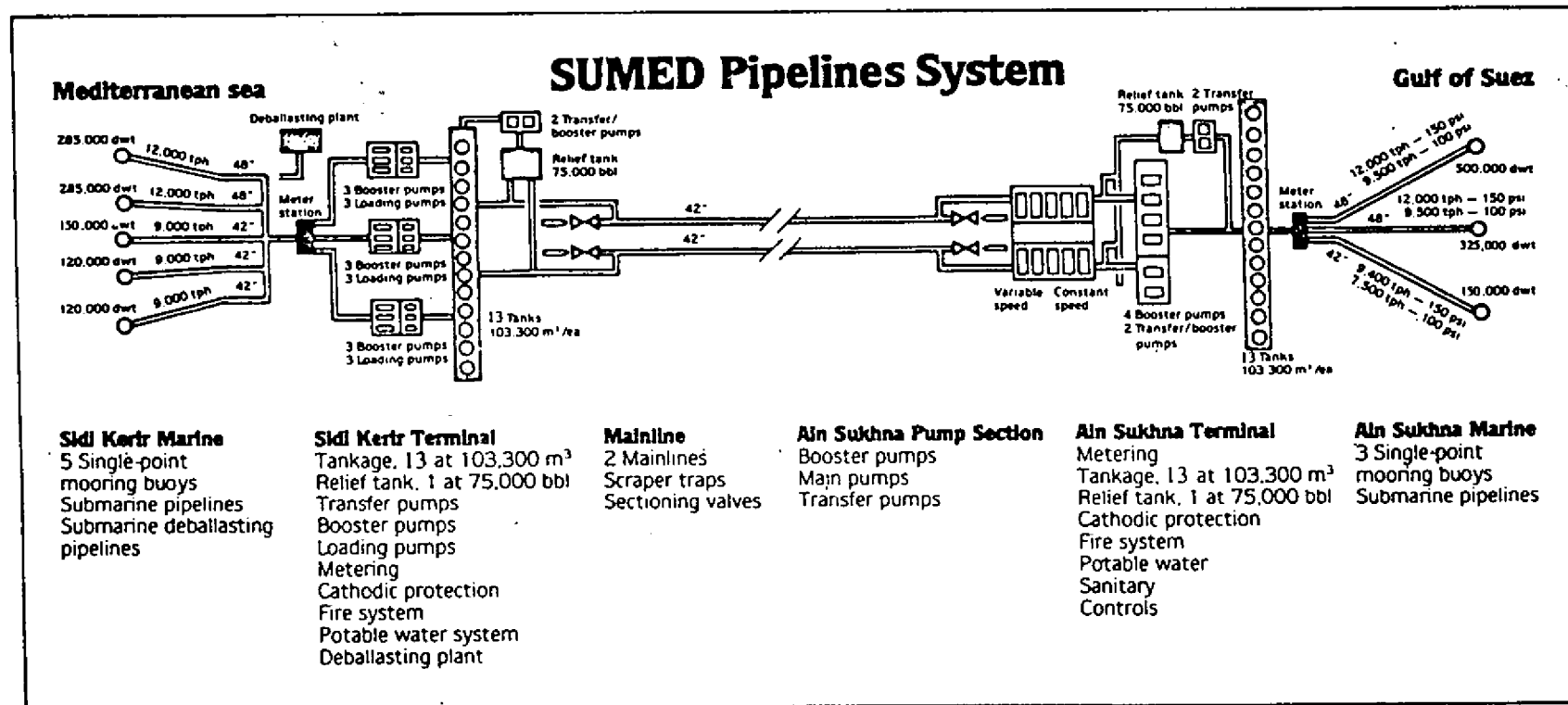
- the first world multi-purpose anti-pollution vessel (Marpol Fighter) is based at SUMED terminal to serve for all anti-pollution and environmental purposes in the Suez Gulf and Red Sea;
- several ocean-going tugs equipped for fire fighting and anti-pollution are on hand in each offshore terminal;
- a helicopter and continuous pipeline patrol system is working 24 hours a day;
- all critical parts of the pipeline are covered by automatic alarm. The pipeline system is always subject to a permitted inspection carried out by SUMED's main clients to ensure its permanent efficiency;
- a comprehensive periodical and accurate maintenance system is adopted by SUMED as well as high standard and efficient courses of technical training.

8 Although the IOPC Fund contributions may be very small in relation to the value of the oil, they are huge in relation to SUMED transportation tariff. Egypt/SUMED cannot afford bearing any contribution on this transit oil. Otherwise, it will be a sort of penalising a project which is providing a great benefit to the world and the environment.

9 In order to facilitate its accession to the Fund Convention and taking into consideration all the above-mentioned technical, legal and economical facts, Egypt kindly asks the IOPC Fund Assembly to agree to its above-mentioned fair request relating to SUMED's question.

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LAYOUT OF SUMED PIPELINE SYSTEM SHOWING THAT TANKAGES IN BOTH TERMINALS
ARE AN INTEGRAL PART OF A CLOSED SHIP-TO-SHIP PIPELINE



ANNEX I

ANNEX II
SUMED PIPELINE ROUTE

