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**CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS
ATTENTION INSURANCE DEPT**

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SDC**

BUNKER QUALITY CLAIMS

The Club has recently experienced an increase in claim notifications relating to the supply and consumption of poor quality fuel. This Circular acts as a reminder of the need to follow industry guidelines and best practice in all bunkering operations and of the main issues to consider in bunker quality claims. In particular, the Club makes the following comments and recommendations:

1. Background

Owners and charterers continue to face difficult market conditions and savings in bunker prices can have a significant impact on the profitability of their ventures. At the same time we have seen instances of suppliers blending poor quality oil products together, resulting in lower overall quality bunkers, to try and meet the demand for cheaper bunkers. Coupled with the stricter provisions that are to be seen in charter party terms, requiring fuels to comply with strict ISO specifications and being fit for safe consumption, it was perhaps inevitable that the frequency of claims – both by purchasers against bunker suppliers and by owners against charterers responsible for stemming suitable bunkers – would increase as the search to minimise costs continues.

2. Suppliers

When selecting a supplier it is of course important that Members act diligently in checking they are reputable and that the bunkers on offer are capable of meeting any required specification. Close scrutiny is particularly vital if a new supplier is being engaged.

Details of the specific fuel required should be provided in advance to the suppliers. Any doubt as to the appropriate specification should be raised by owners with the engine manufacturers or by charterers with owners, depending on your role. Charterers should also ensure they are aware of requirements under the charter party and be guided accordingly when arranging the stem.

In addition, Members should ensure they obtain a copy of the bunker supply terms and familiarise themselves with them. Particular attention should be paid to any claims notification requirements, as these are often very strict and require

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quantity or quality claims to be brought within very short periods of time, failing which Members may well be barred from pursuing a claim.

Members should ensure proper processes are in place to obtain, and record details of, representative samples and related documentation. Samples should be tested and analysed by a reputable laboratory as soon as possible to ensure the quality of the fuel meets its required specification. Again, any problem with quantity or quality should be notified as a matter of urgency in accordance with the supply terms.

3. Charterparty Issues and Industry Standards

Period charters will usually provide strict fuel specifications (including meeting certain ISO standards) and place responsibility for stemming bunkers that are fit for consumption on charterers. Charterers, therefore, need to ensure strict observation of these requirements when purchasing fuel.

If charterers stem fuel that is not fit for consumption and/or off-specification then this can give rise to a number of differing claims. These range from having to off-load the fuel and provide an alternative stem, including associated expenses and loss of time, to significant engine damage. These can be very costly claims and so it is vital that charterers exercise utmost care in the provision of bunkers.

Of course, owners will often take-on bunkers for their own purposes, whether under a voyage charter, prior to delivery under a period charter or when employing the vessel for their own ventures. As such, owners must exercise similar care when stemming bunkers.

Moreover, owners and the vessel's crew are normally responsible for ensuring the bunkers are handled, treated and utilised following industry guidelines (including compliance with MARPOL Annex VI) and best practice. If this is not done, owners may face difficulties recovering any loss, as well as facing action by regulatory authorities.

In the event of a dispute it is important to remember that the success of any bunker quality claim will depend upon the quality of evidence in support of the claim. It is, therefore, vital that Members take immediate steps to gather and preserve any evidence as soon as possible and seek legal support.

4. Further Guidance

The above summary provides a general overview of the main issues to consider. Members may find an in-depth consideration of all issues in our Loss Prevention Guide on "Bunker Claims Prevention". We recommend that Members familiarise themselves with this publication and stay up to date with, and follow, industry guidelines and best practice.

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