

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

19 NOVEMBER 2004

PANAMA CANAL OIL SPILL CONTINGENCY PLANNING REGULATIONS

In August 2003, the Panama Canal Authority (ACP) issued Advisory No. A-28-2003 indicating that vessels with the capacity to carry 400 metric tons or more of oil as cargo and/or fuel would be required to submit to the ACP for approval a PCSOPEP (Panama Canal Shipboard Oil Pollution Emergency Plan) before transiting the Canal.

As a result of the comments made by industry organisations, the PCSOPEP requirements have been revised several times since the initial advisory. In particular, the ACP in its Advisory No.A-25-2004 indicated that the ACP will act as the sole oil spill removal organisation (OSRO), funded by charging a transiting fee to relevant vessels. In addition, the previous requirement for a QI (qualified individual) has been replaced by a requirement for an Authorized Person (AP), who must be domiciled in Panama, be fluent in Spanish or English, and be responsible for liaising with the ACP in the provision of guarantees to the satisfaction of the ACP covering the cost of spill response and clean-up actions when an incident occurs. The transit fees were subsequently advised in ACP's Advisory No.A-50-2004.

The PCSOPEP requirements are due to take effect from 1st January, 2005, and, as they currently stand, need particular attention in the following three areas:

1. Plan writing

Owners of relevant vessels must submit a PCSOPEP to ACP for review and approval. The ACP will offer PCSOPEP verification services free of charge.

The International Chamber of Shipping (ICS) has advised that it intends to produce a model PCSOPEP addendum for ACP's approval. If approved, the model plan may be used by the owners to assist them in writing the plan in-house. The ICS will advise its members as soon as the work is completed.

Several U.S. spill management firms and local firms have indicated that they will offer the service of plan writing and maintenance, as well as that of an Authorised Person (see below).

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2. Authorised Person (AP)

The ACP has given further guidance on the role of the AP in its latest Advisory (No.A-52-2004), stating that the AP should act as the liaison between the ACP and the vessel and her owners in order to facilitate the provision of a guarantee satisfactory to the ACP for the costs of cleanup and response following a spill.

The ACP has further clarified that the ship's agent can perform the role of an AP.

Alternatively, several U.S. and local firms have also offered to provide services of acting in the role of an AP. Members should decide whether to appoint their normal agent or a professional firm for this purpose. If a professional firm is used, and if the Member is required to sign a contract, it is recommended that the Club be consulted to confirm that such contract conforms to the International Group guidelines.

3. Guarantee requirements

As noted above, the ACP in its last Advisory indicated that, in the event of a spill, a guarantee satisfactory to ACP would have to be provided to cover costs that may be incurred as a result of the spill. The International Group has suggested to ACP that a Club Certificate of Entry evidencing the amount of pollution insurance coverage should be acceptable as meeting this guarantee requirement. In response, the ACP has indicated that it is unwilling to withdraw the guarantee requirement, but that the requirement can be met by a P&I Club letter of undertaking. In the case of a tanker spill, the Club would maintain that such an undertaking has already been provided in the CLC certificate through the provision of a blue card.

The Member can view the abovementioned Advisories using the following web-links:

<http://www.pancanal.com/common/maritime/advisories/>