



STEAMSHIP MUTUAL

To the Members

June 2005

Dear Sirs,

International Convention for the Prevention of Pollution from Ships 73/78
MARPOL – Oily Water Separators

The MARPOL Regulations contain limits on the amount of oil which ships can legitimately discharge into the sea. Where discharge from bilge tanks is permitted it is a requirement that an Oil Discharge Monitoring and Control System together with Oil Filtering equipment (Oily Water Separator) be fitted so as to ensure that the oil content of any discharge does not exceed the maximum permitted under MARPOL (15ppm). Any residue or sludge should then either be incinerated or discharged into reception tanks in port. Owners are required to ensure compliance with these Regulations by inspection of log books, oil record books, incinerator logs and records of port discharges. There is an irreducible minimum of residue or sludge which a Superintendent should expect to see accounted for.

Port state authorities around the world are taking an increasingly hard line on ships which have or are suspected of having discharged oil at sea in breach of the MARPOL Regulations. The most active authorities are currently those in Germany, the USA and France and heavy fines can be imposed for breach of the Regulations.

It should be noted that Clubs in the International Group do not condone breaches of the MARPOL Regulations. Other than in cases of purely accidental discharge, P&I cover for fines resulting from breaches of MARPOL regulations is only available on a discretionary basis. In such cases, the Members are required to satisfy the Directors that they took such steps as appear to the Directors to have been reasonable to avoid the offence. In any event, the Clubs do not cover any fines or other penalties imposed where the owner knew or ought to have known of the offence, and failed to take reasonable measures to prevent it.

This means that fines or penalties imposed under MARPOL, relating, inter alia, to the misuse of equipment referred to above, or resulting from a failure to comply with record-keeping obligations concerning the disposal and management of engine room and other waste, are not covered by the Clubs, unless the Directors in the exercise of their absolute discretion, agree reimbursement. Generally, the Club's Directors will only consider whether any reimbursement should be allowed after proceedings are finally concluded.

Whilst proceedings are under way, therefore, full counter security in the form of cash or bank guarantee will be required for any security given on behalf of the owner and, in addition, security will be required for any costs paid by the Club in defending such allegations. The Club can provide the names of law firms and other experts who may be able to advise and assist Members in the defence of such proceedings.

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