Annual Report 2012

International Oil Pollution Compensation Funds

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ANNUAL REPORT 2012

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Opposite: Coastal resources at risk during an oil spill, Gorée Island, Senegal (UNESCO World Heritage Site). Taken on the occasion of the GI WACAF sub-regional workshop, run by the IOPC Funds in July 2012.

Cover: Fisherman at work in February 2012 in Mo-Hang port, Republic of Korea, five years after the *Hebei Spirit* incident.

INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS Annual Report 2012

Foreword

I am delighted to introduce the IOPC Funds' Annual Report for the first time. As Chairman of the 1992 Fund Assembly, I think I can speak on behalf of all Member States when I say that it is a great relief to us all that we have entered quieter times in terms of the frequency of major oil spills in recent years. It does not, however, mean that our work is complete. On the contrary, the risk remains and I have witnessed the Secretariat and Member States alike seizing the opportunity during this past year to focus more on ensuring wider awareness and understanding of the international liability and compensation regime, correct implementation of the relevant Conventions, and the development of improved procedures and practices to ensure that the regime functions as intended.

The decisions taken at the meetings of the governing bodies play a vital role in the direction of the work of the Organisations each year and the efforts of the Secretariat were much appreciated in 2012 to ensure documents were made available to Member States in English, French and Spanish, further in advance of the meetings than in previous years. Two sets of meetings were held in 2012, in April and October, and these included meetings of two intersessional Working Groups established by the 1992 Fund Assembly.

The sixth intersessional Working Group, whose focus over its first three meetings had been to consider possible improvements to the IOPC Funds' handling of large numbers of claims for small amounts, presented a number of recommendations, which were approved at the October session of the 1992 Fund Assembly. These included a variety of amendments to the Claims Manual on the assessment of claims, the publication of guidance documents for presenting claims in the tourism sector and various 'tools' that Member States could use to assist them in the event of an oil spill.

The seventh intersessional Working Group, established to consider the definition of 'ship' within the 1992 Civil Liability Convention and the extent to which certain vessels fall within that definition, met for the first time in April and in 2013 will be seeking to clarify the uncertainties surrounding this issue, which has caused difficulties and delays in past incidents.

As well as the claims process, a key element of the successful management of the IOPC Funds is of course the oil reporting and contribution system which ultimately funds the compensation. In 2012 the Secretariat dedicated more resources to that area and was able to obtain from States reports of contributing oil which had been outstanding in some cases for several years. It also introduced an online reporting system which, in time, will reduce discrepancies in the submission of oil reports which have in the past occurred under the paper system.

In addition to seeking ways to improve the functioning of the current regime, the IOPC Funds continued their efforts in 2012 to encourage the ratification of the 2010 HNS Convention. A workshop run by the 1992 Fund and the International Maritime Organization (IMO) in November 2012 led to the development of a set of guidelines for reporting contributing cargo under the HNS Convention, which will be considered by the IMO Legal Committee in 2013 and which could remove a barrier preventing many States from ratifying.

Following my first full year as Chairman, I have found it particularly pleasing to see the commitment of both the Member States and the Secretariat to this now longstanding and successful international regime.

Gaute Sivertsen
Chairman of the 1992 Fund Assembly

"Decisions taken at the meetings of the governing bodies play a vital role in the direction of the work of the Organisations"

4 000
Number of decisions taken by the governing bodies since 1978 summarised in the online Decisions Database

Director's Review

At the end of my first full year as Director of this Organisation, it is with much pleasure that I now reflect on a successful and productive year for the IOPC Funds. I have particularly enjoyed working with the Chairmen of the governing bodies, some of whom also stepped into their posts for the first time in 2012. It has been an eventful year, with the occurrence of one new spill in March 2012, the *Alfa I* incident in Greece, and the notification of an earlier spill in Nigeria, the *Redfferm* which, like the *JS Amazing* incident, occurred back in 2009. The *Alfa I* is the first incident to have occurred within a Supplementary Fund Member State, although fortunately it is highly unlikely to incur claims in excess of the limits of the 1992 Fund Convention.

In addition to these new incidents, the 1992 Fund continued to deal with seven earlier incidents, including the *Erika* and *Prestige*, which were the subject of key court hearings during 2012 and the *Hebei Spirit*, for which the assessment of over 128 000 claims submitted was completed in 2012. The shipowner has now reached its limit of liability and I am pleased that the 1992 Fund will now be able to begin making payments of compensation to the victims of the *Hebei Spirit* incident in 2013.

The 1971 Fund continued to deal with five cases. The *Plate Princess* and *Nissos Amorgos* incidents, which date back to 1997, presented the Secretariat and the 1971 Fund Administrative Council with some particularly difficult issues to consider. The 1971 Fund Administrative Council took the decision to concentrate efforts in the coming year on resolving the outstanding issues related to all five remaining 1971 Fund cases in a bid to facilitate the winding up of the 1971 Fund. The first step in the process was the establishment of a consultation group composed of a small number of delegates from former Member States to examine the outstanding issues with the Director and make recommendations to the Administrative Council at its spring 2013 session.

The full review of the developments during 2012 in connection with all 15 open incidents involving the IOPC Funds has been published separately.

Away from incidents, there have been numerous developments and improvements in the Secretariat's structure in 2012. In particular, I am delighted with the appointment of Mr Ranjit Pillai, Head of Finance and Administration, as Deputy Director in April 2012 and that the Secretariat now has in force clear and robust contingency arrangements to ensure the safe management of the Organisations.

The Secretariat has been heavily occupied in its efforts to maintain relationships and improve contacts with Member and non-Member States. A targeted programme of outreach activities has been adopted aimed at ensuring that those States most in need of assistance or information are prioritised. The launch of our new website ensures that information regarding the work of the IOPC Funds is more clearly presented and accessible to all. I am very proud that the introduction of this new site, together with that of the document services section and online reporting system in 2012, has enabled us to offer a comprehensive package of tri-lingual online services to Member States and other interested parties.

In October I recommended and the governing bodies approved a reduction in the administrative budget of the Organisations for the year 2013. I can assure Member States and other interested parties that it is not, however, my intention to reduce or diminish in any way the output of the Secretariat. On the contrary, looking forward to 2013, with the team and tools we now have in place, I am confident that we can do more, with less.

José Maura
Director

"The Secretariat will concentrate in the coming year on resolving the outstanding issues to facilitate the winding up of the 1971 Fund"

5
Number of cases which need to be closed before the 1971 Fund can be wound up

Funds Overview

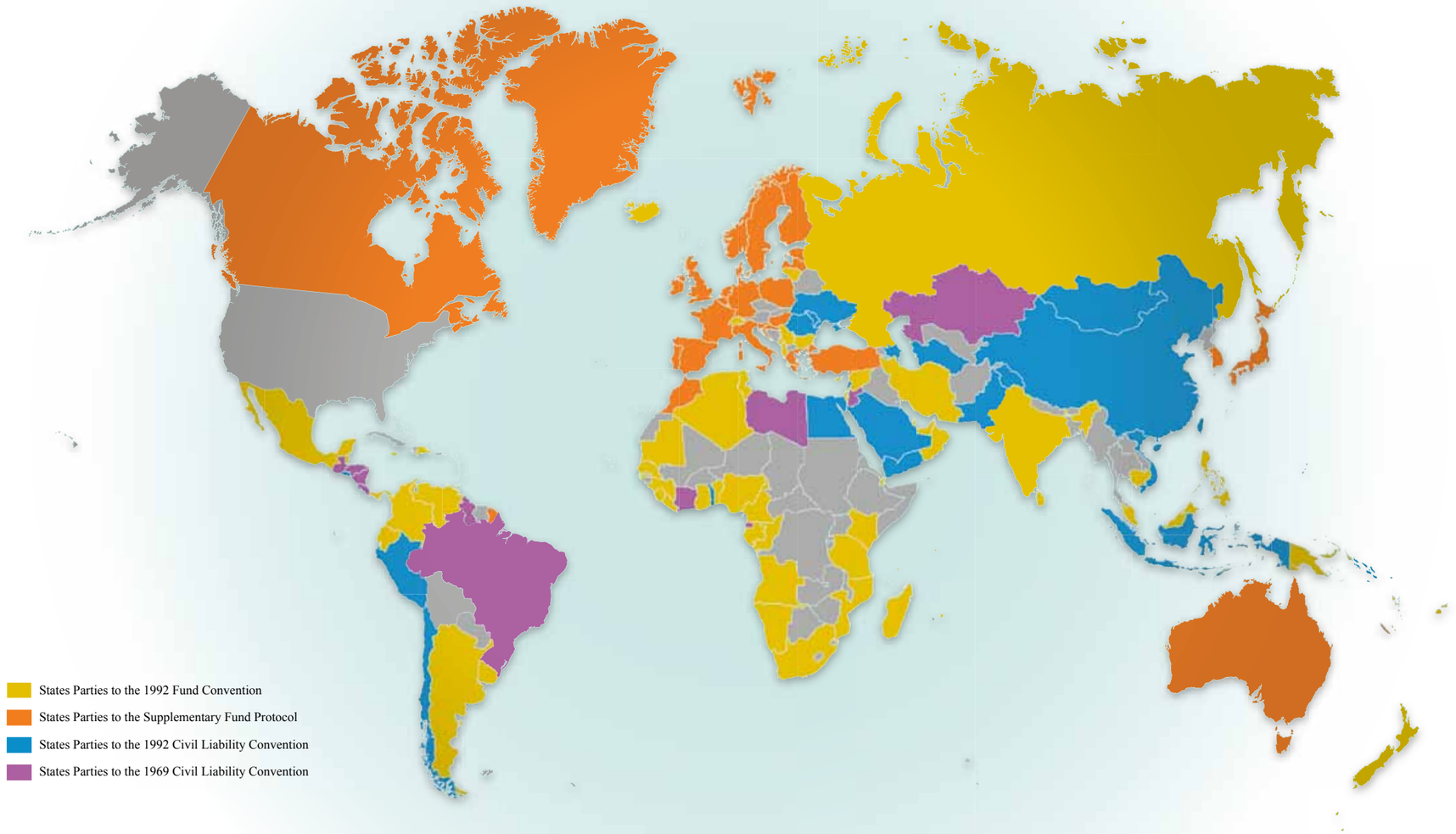
The International Oil Pollution Compensation Funds (IOPC Funds) provide financial compensation for oil pollution damage that occurs in its Member States, resulting from spills of persistent oil from tankers.

The history of the IOPC Funds began with the oil spill from the *Torrey Canyon*, which ran aground near the Scilly Isles in 1967, fouling UK and French coastlines. This incident exposed a number of serious shortcomings, in particular the absence of an international agreement on liability and compensation in the event of such a spill. It led the international community to establish, under the auspices of the International Maritime Organization (IMO), a regime for compensation for victims of oil pollution.

The framework for the regime was the 1969 International Convention on Civil Liability for Oil Pollution Damage (1969 Civil Liability Convention) and the 1971 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution (1971 Fund Convention). Over time, it became clear that the amount of compensation available for major incidents needed to be increased, and the scope of the regime widened. This resulted in two further instruments, known as the 1992 Civil Liability Convention and the 1992 Fund Convention. Following the *Erika* and *Prestige* incidents, a third instrument, the Protocol to the 1992 Fund Convention (Supplementary Fund Protocol), was adopted in 2003, providing additional compensation over and above that available under the 1992 Fund Convention for pollution damage in the States that become Parties to the Protocol.

The IOPC Funds are financed by contributions paid by entities that receive certain types of oil by sea transport. These contributions are based on the amount of oil received in the relevant calendar year, and cover expected claims, together with the costs of administering the Funds.

Since their establishment, the 1992 Fund and the preceding 1971 Fund have been involved in 145 incidents of varying sizes all over the world. In the great majority of cases, all claims have been settled out of court. No incidents have occurred so far which have involved or are likely to involve the Supplementary Fund.



111 Member States of the 1992 Fund (29 States which are also Members of the Supplementary Fund are marked in **bold**)

Albania
Algeria
Angola
Antigua and Barbuda
Argentina
Australia
Bahamas
Bahrain
Barbados
Belgium
Belize
Benin
Brunei Darussalam
Bulgaria
Cambodia
Cameroon
Canada
Cape Verde
China[<1>]
Colombia
Comoros
Congo
Cook Islands
Croatia
Cyprus
Denmark
Djibouti
Dominica
Dominican Republic
Ecuador
Estonia
Fiji
Finland
France
Gabon
Georgia
Germany
Ghana
Greece
Grenada
Guinea
Hungary
Iceland
India
Ireland
Islamic Republic of Iran
Israel
Italy
Jamaica
Japan
Kenya
Kiribati
Latvia
Liberia
Lithuania
Luxembourg
Madagascar
Malaysia
Maldives
Malta
Marshall Islands
Mauritania (from 4/05/13)
Mauritius
Mexico
Monaco
Montenegro
Morocco
Mozambique
Namibia
Netherlands
New Zealand
Nigeria
Niue (from 27/06/13)
Norway
Oman
Palau
Panama
Papua New Guinea
Philippines
Poland
Portugal
Qatar
Republic of Korea
Russian Federation
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Samoa
Senegal
Serbia
Seychelles
Sierra Leone
Singapore
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Syrian Arab Republic
Tonga
Trinidad and Tobago
Tunisia
Turkey (Supplementary Fund: from 05/06/13)
Tuvalu
United Arab Emirates
United Kingdom
United Republic of Tanzania
Uruguay
Vanuatu
Venezuela (Bolivarian Republic of)

[<1>] The 1992 Fund Convention applies to the Hong Kong Special Administrative Region only.

Legal Framework

The international compensation regime is currently based on the International Convention on Civil Liability for Oil Pollution Damage, 1992 (1992 Civil Liability Convention) and the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1992 (1992 Fund Convention), together with the Protocol of 2003 to the 1992 Fund Convention (Supplementary Fund Protocol). The texts of the 1992 Conventions and the Supplementary Fund Protocol may be obtained from the Publications page of the Funds' website: www.iopcfunds.org/publications.

The 1992 Civil Liability Convention, the 1992 Fund Convention and the Supplementary Fund Protocol all apply to spills of persistent oil from tankers that cause pollution damage in the territory (including the territorial sea) or the exclusive economic zone (EEZ) or equivalent area of a State Party to the respective treaty instrument.

The 1992 Civil Liability Convention

The 1992 Civil Liability Convention (1992 CLC) governs the liability of shipowners for oil pollution damage. Under this Convention, the registered shipowner has strict liability for pollution damage caused by the escape or discharge of persistent oil from his ship. This means that he is liable even in the absence of fault on his part. He is exempt from liability only if he proves that:

- the damage resulted from an act of war, hostilities, civil war, insurrection or a natural phenomenon of an exceptional, inevitable and irresistible character, or
- the damage was wholly caused by an act or omission done with the intent to cause damage by a third party, or
- the damage was wholly caused by the negligence or other wrongful act of any Government or other authority responsible for the maintenance of lights or other navigational aids, in the exercise of that function.

The shipowner is normally entitled to limit his liability to an amount determined by the size of the ship, as set out in the following table.

Ship's tonnage	CLC Limit
Ship not exceeding 5 000 units of gross tonnage	4 510 000 SDR <2>
Ship between 5 000 and 140 000 units of gross tonnage	4 510 000 SDR plus 631 SDR for each additional unit of tonnage
Ship of 140 000 units of gross tonnage or over	89 770 000 SDR

For ships carrying more than 2 000 tonnes of oil as cargo in bulk, the shipowner is obliged to maintain insurance to cover his liability under the 1992 CLC, and claimants have a right of direct action against the insurer. Any claims for pollution damage under the 1992 CLC can be made only against the registered owner of the ship concerned. This does not, in principle, preclude victims from claiming compensation outside the Conventions from persons other than the shipowner.

However, the 1992 CLC prohibits claims against the servants or agents of the shipowner, the members of the crew, the pilot, the charterer (including a bareboat charterer), manager or operator of the ship, or any person carrying out salvage operations or taking preventive measures, unless the pollution damage resulted from the personal act or omission of the person concerned, committed with the intent to cause such damage, or recklessly and with knowledge that such damage would probably result.

The 1992 Fund Convention

The 1992 Fund Convention, which is supplementary to the 1992 CLC, establishes a regime for compensating victims when compensation under the 1992 CLC is not available or is inadequate. The International Oil Pollution Compensation Fund, 1992 (1992 Fund) was set up under the 1992 Fund Convention.

The 1992 Fund pays compensation when:

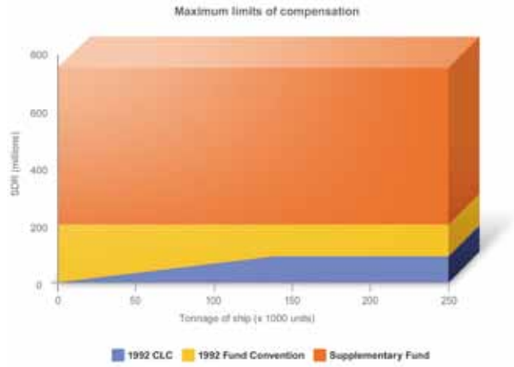
- the damage exceeds the limit of the shipowner's liability under the 1992 CLC, or
- the shipowner is exempt from liability under the 1992 CLC, or
- the shipowner is financially incapable of meeting his obligations in full under the 1992 CLC and the insurance is insufficient to pay valid compensation claims.

The maximum compensation payable by the 1992 Fund is 203 million SDR for incidents occurring on or after 1 November 2003, irrespective of the size of the ship. For incidents occurring before that date, the maximum amount payable is 135 million SDR. These maximum amounts include the sums actually paid by the shipowner under the 1992 CLC.

The 1992 Fund is financed by contributions levied on any person who has received in one calendar year more than 150 000 tonnes of crude oil and/or heavy fuel oil (contributing oil) in a Member State of the 1992 Fund.

The Supplementary Fund Protocol

The Supplementary Fund Protocol, which was adopted in 2003, entered into force in 2005, thereby establishing the International Oil Pollution Compensation Supplementary Fund, 2003 (Supplementary Fund). The Supplementary Fund provides additional compensation beyond the amount available under the 1992 Fund Convention in 1992 Fund Member States which are also Parties to the Protocol. The total amount available for compensation for each incident is 750 million SDR, including the amounts payable under the 1992 Conventions.



Annual contributions to the Supplementary Fund are made on the same basis as contributions to the 1992 Fund. However, the contribution system for the Supplementary Fund differs from that of the 1992 Fund in that, for the purpose of paying contributions, at least 1 million tonnes of contributing oil are deemed to have been received each year in each Member State.

STOPIA 2006 and TOPIA 2006

STOPIA 2006 and TOPIA 2006 are two voluntary agreements which were set up to indemnify the 1992 Fund and Supplementary Fund, respectively, for compensation paid above the shipowner's limit of liability under the 1992 CLC, up to certain amounts. The 1992 Fund and Supplementary Fund are not parties to these agreements, which nevertheless confer legally enforceable rights on the Funds to indemnification from the shipowner in States for which the 1992 Fund Convention or Supplementary Fund Protocol is in force.

The Small Tanker Oil Pollution Indemnification Agreement 2006 (STOPIA 2006) is a voluntary agreement between owners of small tankers (i.e. 29 548 GT or less) and their insurers, under which the maximum amount of compensation payable by owners of small tankers is increased to 20 million SDR. It applies to all small tankers entered in a P&I Club that is a member of the International Group, and reinsured through the pooling arrangements of the Group. The first and only incident so far involving a vessel entered in STOPIA 2006 was the *Solar 1* spill that occurred in the Philippines in 2006.

The Tanker Oil Pollution Indemnification Agreement 2006 (TOPIA 2006) is another voluntary agreement, which applies to all tankers entered in P&I Clubs that are members of the International Group and reinsured through the pooling arrangements of the Group. Under TOPIA 2006, the Supplementary Fund is indemnified for 50% of any amounts paid in compensation in respect of incidents involving tankers entered in the agreement.

The Old Regime: the 1969 Civil Liability Convention and the 1971 Fund Convention

The international compensation regime for oil pollution was originally set up some four decades ago by the 1969 Civil Liability Convention (1969 CLC) and the 1971 Fund Convention.

<2> The unit of account in the Conventions is the Special Drawing Right (SDR) as defined by the International Monetary Fund.

Major Events in the History of the IOPC Funds

1960s
1967 *Torrey Canyon* incident
1969 1969 Civil Liability Convention adopted

1970s
1971 1971 Fund Convention adopted
1975 1969 Civil Liability Convention entered into force
1978 1971 Fund Convention entered into force
1978 1971 Fund established with 14 Member States
1978 1971 Fund limit set at 30 million SDR
1979 1971 Fund limit increased to 45 million SDR

1980s
1980 *Tanio* incident
1986 1971 Fund limit increased to 52.5 million SDR
1987 1971 Fund limit increased to 60 million SDR

1990s
1991 *Haven* incident
1992 1992 Protocols adopted
1993 *Braer* incident
1996 HNS Convention adopted
1996 *Sea Empress* incident
1996 1992 Civil Liability Convention entered into force
1996 1992 Fund Convention entered into force
1997 *Nakhodka* incident
1999 *Erika* incident

2000s
2002 1971 Fund Convention ceased to be in force
2002 *Prestige* incident
2003 Supplementary Fund Protocol adopted
2003 1992 Fund limit increased to 203 million SDR
2005 Supplementary Fund Protocol entered into force with 8 Member States
2007 *Hebei Spirit* incident
2008 Membership of the 1992 Fund exceeds 100 Member States

2010s
2010 HNS Protocol adopted
2011 Global settlement reached in respect of the *Erika* incident

The 1969 CLC entered into force in 1975. The main features of the Convention are the same as those of the 1992 CLC, but there are differences on specific points. Most importantly, under the 1969 CLC, the limit of the shipowner's liability is much lower than under the 1992 CLC (up to a maximum of 14 million SDR). As at 31 December 2012, 22 States were Parties to the 1969 CLC and also Parties to the 1992 CLC. In such cases, States are advised to denounce the 1969 CLC as it can lead to confusion in national law. The Secretariat is available to assist Member States on this matter if required.

The International Oil Pollution Compensation Fund, 1971 (1971 Fund) was set up under the 1971 Fund Convention, when the latter entered into force in 1978. The 1971 Fund Convention ceased to be in force on 24 May 2002 and consequently does not apply to incidents occurring after that date. The maximum amount of compensation payable by the 1971 Fund per incident was 60 million SDR, including the amount paid under the 1969 CLC. The 1971 Fund is in the process of being wound up and at its October 2012 session, the 1971 Fund Administrative Council approved the establishment of a Consultation Group to facilitate that process. The Group's mandate is to examine, with the Director, the outstanding issues in relation to the 1971 Fund, in particular with respect to pending incidents, outstanding oil reports and contributions in arrears, and to make recommendations to the Administrative Council in 2013.

The 2010 HNS Convention

The International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, 2010 (2010 HNS Convention) aims to ensure adequate, prompt and effective compensation for personal injury, damage to property, costs of clean up and reinstatement measures and economic losses resulting from the maritime transport of hazardous and noxious substances (HNS). Pollution damage caused by persistent oils already covered by the Civil Liability and Fund Conventions is excluded, as is damage caused by radioactive materials. The Convention is largely modeled on the 1992 Civil Liability and Fund Conventions.

The Convention was first adopted at an international conference held by IMO in May 1996, but did not enter into force. A second international conference, held in April 2010, adopted a Protocol to the HNS Convention (2010 HNS Protocol), designed to address practical problems that had prevented States from ratifying the original Convention. At the request of both Conferences, the 1992 Fund Secretariat has been given the assignment to carry out administrative tasks necessary to set up the HNS Fund. This was decided on the basis that all expenses incurred would be repaid, with interest, to the 1992 Fund by the HNS Fund once the Convention enters into force.

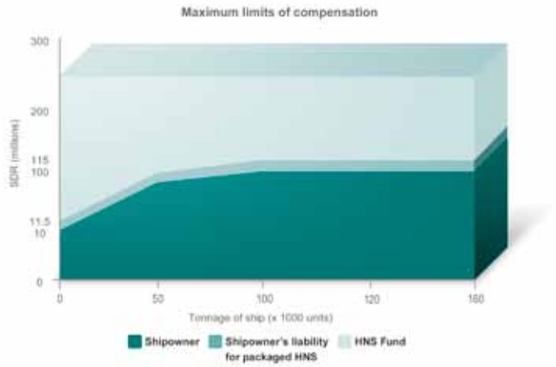
HNS represent a wide array of chemical substances of varying properties and hazards, which include both bulk cargoes and packaged goods. Bulk cargoes can be solids, liquids (including both persistent and non-persistent oils) and liquefied gases, such as liquefied natural gas (LNG) or liquefied petroleum gas (LPG). The definition of HNS set out in the HNS Convention is based on lists of individual substances identified in a number of IMO Conventions and Codes, designed to ensure maritime safety and prevention of pollution. For instance, the International Maritime Dangerous Goods Code (IMDG Code) lists hundreds of substances which can be dangerous when shipped in packaged form. Low hazard substances, such as coal and iron, are generally excluded from the HNS Convention.

Unlike the 1992 Civil Liability and Fund Conventions' three-tier system (with the Supplementary Fund where applicable), the 2010 HNS Convention offers a two-tier system in one single treaty, in which the shipowner is strictly liable to pay the first tier of compensation, while a Fund (the HNS Fund) generated from levies on cargo receivers in all Member States provides the second-tier of compensation.

The shipowner's liability varies for bulk HNS and packaged HNS. For bulk HNS it ranges from 10 million SDR for ships up to 2 000 GT to a maximum of 100 million SDR for ships of 100 000 GT and above. For damage caused by packaged HNS it ranges from 11.5 million SDR to a maximum of 115 million SDR. It is compulsory for all ships[3] to have insurance to cover their liability and claimants have a right of direct action against the insurer.

The HNS Fund will provide the second tier of compensation up to a total of 250 million SDR, including the amount payable by the shipowner under the first tier, irrespective of ship size, and will comprise a general account covering bulk solids and other HNS substances as well as three separate accounts for oil, LPG and LNG. Each separate account will meet claims attributable to the respective cargo and will be funded in proportion to total receipts of relevant cargoes in Member States, which means that there will be no cross-subsidisation between accounts.

[3] Ships below 200 GT can be excluded from the Convention by the State Party.



Contributions by individual receivers will be based on the thresholds shown in the table below.

The 2010 HNS Convention is open for accession and will enter into force 18 months after the date on which it is ratified or acceded to by at least twelve States. This must include four States that have no less than two million units of shipping gross tonnage each. The four States must also have received in the immediately preceding calendar year a total of at least 40 million tonnes of cargo, which would contribute to the general account.

Since the 2010 HNS Protocol was adopted, the 1992 Fund Secretariat has carried out numerous tasks necessary for the setting up of the HNS Fund and has provided assistance to IMO in encouraging early entry into force of the Protocol.

The Secretariat developed contributing cargo reporting guidelines, designed to facilitate States' submission of contributing cargo at the time of ratification or accession to the 2010 HNS Convention. A workshop on HNS reporting organised by IMO and in cooperation with the 1992 Fund, took place in London on 12 and 13 November 2012. The workshop approved the submission of the reporting guidelines to IMO's Legal Committee for endorsement. It has also refined existing model reporting forms for States and contributors and made them available electronically.

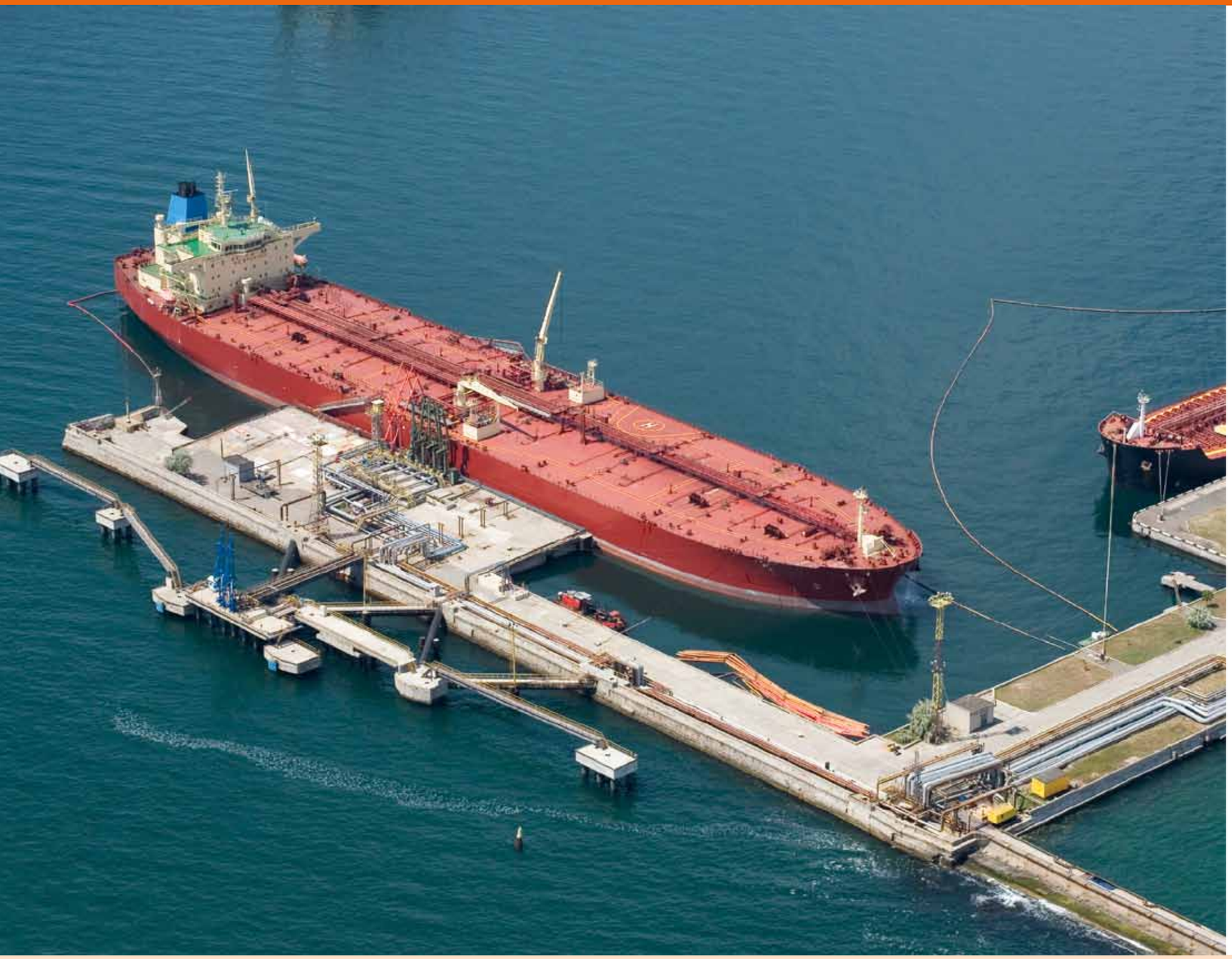
Account	General		Oil		LNG	LPG
Threshold for establishment of account	40 million tonnes*		350 million tonnes		20 million tonnes	15 million tonnes
Threshold for contributions to account/sector	Bulk	20 000 tonnes	Persistent oil	150 000 tonnes	No minimum quantity	20 000 tonnes
	Other	20 000 tonnes	Non-Persistent oil	20 000 tonnes		

*Condition for entry into force of the 2010 HNS Protocol.

The 1992 Fund Secretariat has also made available an online consolidated and updated list of HNS covered by the Convention. This web-based database, the HNS Finder, includes a search function which enables users to look up substances and determine whether a substance is contributing cargo that must be reported, and whether it qualifies for compensation under the Convention. Failure to comply with the reporting requirements could lead to a suspension of the status of a Contracting State or to withholding of compensation in relation to the State concerned.

The following eight States have signed the 2010 HNS Protocol subject to ratification:

Canada	Greece
Denmark	Netherlands
France	Norway
Germany	Turkey



A typical scene of a tanker discharging oil at a terminal. Receivers of oil are the entities liable to pay contributions to the IOPC Funds

Operational Review

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In this section

In this section, the administration and organisational structure of the IOPC Funds during 2012 are described.

The Secretariat, headed by the Director, has 34 established posts and is based in London, United Kingdom (pages 12-13). The relationship between the Host State and the IOPC Funds is governed by a Headquarters Agreement between the United Kingdom Government and the IOPC Funds . The Agreement sets out the privileges and immunities of the IOPC Funds, of delegates to meetings and of staff members.

In addition to the Secretariat, the Director is supported by the joint Audit Body and the joint Investment Advisory Body. Details of their role in the management of the IOPC Funds as well as key information regarding the running costs of the Secretariat are provided under Administration (pages 14-16). The contributions levied by the various Funds and a summary of the total quantities of contributing oil received by Member States is reported under Contributions, together with an outline of how the annual levies are calculated (pages 17-19).

The Funds engage in a variety of outreach activities. These include maintaining a website in the three official languages (English, French and Spanish), which provides up-to-date information about the Organisations and includes the Document Services website where users can download all documents for past and forthcoming meetings. The activities undertaken by the IOPC Funds during 2012 to increase awareness of the Funds' role in the international oil pollution compensation regime, such as presentations at conferences, the organisation of workshops and meetings with interested parties, are set out under External Relations, which also includes lists of States and organisations that hold observer status with the Funds (pages 20-23).

Finally in this section, a summary is given of the incidents currently being dealt with by the Funds as well as an overview of the claims handling process (pages 24-25).

In 2012, the Secretariat processed oil reporting data from over 450 contributors in 108 Member States

Secretariat

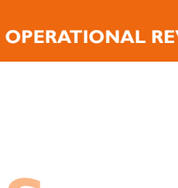
The 1992 Fund, the Supplementary Fund and the 1971 Fund share a joint Secretariat, based in London. As at 31 December 2012, the Secretariat had 34 established posts. The Director is the chief administrative officer and is responsible for the overall management of the Funds, including maintaining a sound system of internal control that supports the achievement of the Funds' policies, aims and objectives and safeguards its assets. The system of internal control is based on procedures designed to ensure conformity with the Funds' Financial Regulations, Internal Regulations and decisions of the respective governing bodies.

For the strategic running of the Secretariat, the Director is assisted by a Management Team, comprising the Deputy Director/Head of the Finance and Administration Department, the Legal Counsel, the Head of the Claims Department/Technical Adviser and the Head of the External Relations and Conference Department. In the event that the Director was unable to assume his functions, the members of the Management Team, in the order set out above, would take on the responsibilities of the Director.

In addition to the permanent staff of the Secretariat, the Funds use external consultants to provide advice on legal and technical matters, as well as on other matters relating to the management of the Funds, where necessary. In connection with a number of major incidents, the Funds and the shipowner's third-party liability insurer have jointly established local claims offices to provide more efficient handling of claims and to assist claimants.

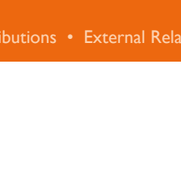
IOPC Funds' Secretariat as of February 2013

Director's Office

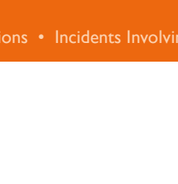


José Maura
Director

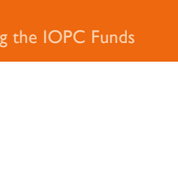
José Maura, has worked for the IOPC Funds for 16 years and prior to joining the Funds, practised law and worked for a Protection and Indemnity Club. He joined the IOPC Funds as a Claims Manager and later became the Head of the Claims Department. Mr Maura was appointed Acting Director in September 2010 and was elected Director in October 2011.



Akiko Yoshida
Legal Counsel

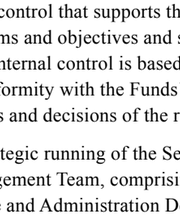


Jill Martinez
Administrative Officer

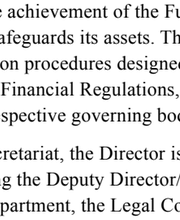


Astrid Richardson
Administrative/ Claims Assistant

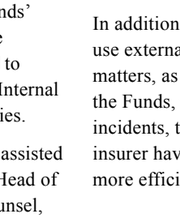
Claims Department



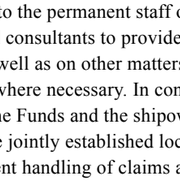
Matthew Sommerville
Head of Department/ Technical Adviser



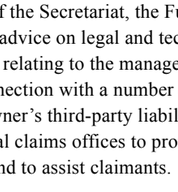
Chiara Della Mea
Claims Manager



Mark Homan
Claims Manager



Ana Cuesta
Claims Administrator



Chrystelle Collier
Claims Administrator

Finance & Administration Department

Ranjit Pillai
Deputy Director/Head of Department

Robert Owen
IT Manager

Latha Srinivasan
Finance Manager

Miriam Blugh
Human Resources Manager

Modesto Zotti
Office Manager

Stuart Colman
IT Administrator

Elisabeth Galobardes
Finance Assistant

Kathy McBride
Finance Assistant

Paloma Scolari de Oliveira
Finance Assistant

Paul Davis
Administrative Assistant

External Relations & Conference Department

Thomas Liebert
Head of Department

Katrin Park
External Relations Officer

Victoria Turner
Information Officer

Emer Padden
External Relations & Conference Coordinator

Christine Galvin
External Relations Administrator

Ellen Leishman
Administrative Assistant

Natalia Ormrod
Translation Coordinator

Françoise Ploux
Translation Administrator (French)

María Alonso Romero
Translation Administrator (Spanish)

Sylvie Legidos
Translation Administrator (French)

Administration

Audit Body

The joint Audit Body, established by the IOPC Funds' governing bodies, normally meets three times a year to review the adequacy and effectiveness of the Organisations regarding key issues of management and financial systems, financial reporting, internal controls, operational procedures and risk management, and to review the Organisations' Financial Statements and reports. It also considers all relevant reports by the External Auditor, including reports on the Organisations' Financial Statements. The Audit Body reports to the governing bodies at their regular autumn session.

Investment Advisory Body

The joint Investment Advisory Body, established by the IOPC Funds' governing bodies, advises the Director on procedures for investment and cash management controls. This Body also reviews the IOPC Funds' investments and foreign exchange requirements, to ensure that reasonable investment returns are achieved without compromising the safety of the IOPC Funds' assets. The Body normally meets four times a year with the Secretariat. It also meets with the Audit Body and External Auditor to share information and reports to the governing bodies at their regular autumn session.

Risk management

The Secretariat has a full risk management system in place, which is regularly reviewed and updated. In close cooperation with the Audit Body and the External Auditor, five areas of risk have been identified, namely, reputation risk, claims handling process, financial risk, human resource management and business continuity. During 2012, the Director continued to review these risks and an additional risk category, institutional issues, was introduced. On that basis, the key risks were reorganised under the six categories. The Key Risk Register is maintained and reviewed annually by the Secretariat and the Audit Body.

Financial administration

The General Funds cover the administration expenses of the respective Funds, including the costs of running the joint Secretariat and, in respect of the 1971 Fund and 1992 Fund, for compensation payments and claims-related expenditure, up to a maximum amount defined by the sterling equivalent of 1 million SDR (1971 Fund) and 4 million SDR (1992 Fund) per incident. Separate Major Claims Funds are established for incidents for which the total amounts payable exceed 1 million SDR (1971 Fund) or 4 million SDR (1992 Fund). A Claims Fund is established for any incident for which the Supplementary Fund has to pay compensation. Since there have been no incidents involving the Supplementary Fund, no Claims Funds have been established.

Joint Secretariat expenditure	2012 unaudited	2011 audited	2010 audited
Expenditure	3 772 000	4 015 160	3 660 254
Budget	4 607 510	4 162 520	3 957 050
Expenditure as % of budget	82%	96%	92%
External Auditor's fees			
1992 Fund	48 500	48 500	48 500
1971 Fund	10 300	10 300	10 300
Supplementary Fund	3 600	3 600	3 600
Management fees received by 1992 Fund from Supplementary Fund and 1971 Fund	314 500	296 000	277 500

Joint Audit Body (from October 2011 to October 2014)
Mr John Gillies (Australia)
Mr Michael Knight (External expert)
Professor Seiichi Ochiai (Japan)
Vice-Admiral Giancarlo Olimbo (Italy)
Mr Emile Di Sanza (Canada) (Chairman)
Mr Thomas Kaevergaard (Sweden)

Joint Secretariat expenses

The joint administrative expenses (excluding the External Auditor's fees which are paid directly by each of the Funds) for the Secretariat, administered by the 1992 Fund are set out below.

Commentary on the joint Secretariat expenditure is provided in Annex I of the 1992 Fund's Financial Statements for the financial periods 2011 and 2010, which are available on the Funds' website: www.iopcfunds.org.

Financial information

Financial Statements prepared under the International Public Sector Accounting Standards (IPSAS) provide a comprehensive view of the financial position and the financial performance of the organisation at the entity level. The Funds' activities have been classified into segments on the basis of the General Fund and Major Claims Funds and disclosure about each stream of activity is provided in the notes to the Financial Statements.

1992 Fund

Financial Information for 2011 (audited)

Contributions of some £3.8 million and £50 million were levied in 2010 for payment in 2011 in respect of the General Fund and the *Hebei Spirit* Major Claims Fund respectively. Prior years' contributions were levied for payment during the year due to late receipt or adjustments to oil reports received. Interest on investments amounted to some £3.1 million. Claims and claims-related expenditure during the period was some £7.2 million. The payments related mainly to the *Erika*, *Prestige* and *Hebei Spirit* incidents.

Financial Information for 2012 (unaudited)

Contributions of some £3.5 million, £8.5 million, £31.5 million were levied in 2011 for payment in 2012 in relation to the General Fund, *Prestige* Major Claims Fund and *Hebei Spirit* Major Claims Fund respectively. Reimbursement of £25 million was made to contributors to the *Erika* Major Claims Fund. Interest on investments amounted to some £3 million. Claims and claims-related expenditure during the period was some £4.3 million. The payments related mainly to the *Prestige* and *Hebei Spirit* incidents.

Supplementary Fund

Financial Information for 2011 (audited)

No contributions were due during 2011. Interest on investments amounted to some £20 200. Total obligations incurred by the Supplementary Fund amounted to £59 600, of which £56 000 was in respect of the management fee payable to the 1992 Fund.

Financial Information for 2012 (unaudited)

No contributions were levied for payment in 2012. Interest on investments amounted to some £12 700. Total obligations incurred by the Supplementary Fund amounted to £63 100, of which £59 500 was in respect of the management fee payable to the 1992 Fund.

1971 Fund

Financial Information for 2011 (audited)

Since the 1971 Fund Convention ceased to be in force it is no longer possible to levy contributions to the General Fund. No contributions were levied for payment in 2011 in relation to the two remaining Major Claims Funds. Interest on investments amounted to some £77 400. Total obligations incurred by the 1971 Fund in respect of administrative expenses amounted to some £297 500, of which £240 000 was in respect of the management fee payable to the 1992 Fund. Claims and claims-related expenditure amounted to some £1.3 million, mainly in respect of the *Nissos Amorgos* Major Claims Fund where indemnification of £1.1 million was paid to the P&I Club.

Financial Information for 2012 (unaudited)

No contributions were levied for payment in 2012. Interest on investments amounted to £57 000. Total obligations incurred by the 1971 Fund in respect of administrative expenses amounted to £265 300, of which £255 000 was in respect of the management fee payable to the 1992 Fund. Claims and claims-related expenditure amounted to some £175 900.

Investment Advisory Body
Mr Brian Turner, Mr Alan Moore and Mr Simon Whitney-Long appointed to hold office from October 2011 to October 2014

Net Assets of the respective IOPC Funds

£	2012 unaudited	2011 audited	2010 audited
1992 Fund	193 500 000	151 939 347	128 846 087
Supplementary Fund	999 540	1 049 951	1 089 301
1971 Fund	5 098 880	5 490 080	7 113 463

FREQUENTLY ASKED QUESTIONS

FINANCE

Q: How are the IOPC Funds financed?

A: This is explained in full detail under the Contributions section on page 17, but in general the receivers of contributing oil (persistent oil) in a Member State are liable to pay contributions to the IOPC Funds, if they have received in excess of 150 000 tonnes in a calendar year or if they receive less, but are associated with another oil receiver.

Q: Does that mean that Member States do not pay?

A: Normally, Member States do not pay any contributions. However, a State can choose to pay the contributions instead of the individual receivers if it wishes, but only a few States have chosen to do this. Under the Supplementary Fund Protocol a minimum of 1 million tonnes of contributing oil is deemed to be received by each Member State. When the aggregate quantity of contributing oil received in a Member State is less than 1 million, the State must assume the obligation for the difference.

Q: Do oil exporters pay contributions?

A: No. In order to create a system which would not be too complicated to operate, it was decided to count oil quantities for contribution purposes only when they were received at a port after sea transport.

Q: Does a company that receives oil temporarily in a storage facility for others have to pay?

A: Yes. It is the first physical receiver of the oil in a Member State who is liable to pay contributions, provided that the oil has previously been transported by sea. It does not matter whether the oil is received on behalf of another company.

Q: If nobody in a Member State receives oil, what happens?

A: If there are no entities in a State that receive more than 150 000 tonnes of contributing oil in a year, the State must still inform the Fund by submitting a nil report. The State will have financial protection for any tanker spills but would not have to make any contributions.

Q: How much does it cost to be a Member of the 1992 Fund or the Supplementary Fund?

A: The level of contributions varies each year, depending on the amounts of compensation which the 1992 Fund or the Supplementary Fund has to pay. That depends on the incidents which occur and the amounts to be paid in compensation for each of them and the amount of claims-related expenditure required. There are no fixed premiums to pay and the annual administrative budget of the Secretariat is relatively small (see page 14).

The price per tonne of contributing oil is dependent on the amount required and the total amount of oil receipts received for the relevant calendar year.

£567 million

Total amount paid in compensation by the IOPC Funds since 1978 (£330 million by the 1971 Fund, £237 million by the 1992 Fund).

Calculation of contributions

Total contributions levied ÷ total quantity of contributing oil received in all Member States = amount per tonne of oil received.

Quantity of oil received by each contributor X the amount per tonne = amount to be paid by that contributor in Pounds sterling.

Contributions

The IOPC Funds are financed by contributions levied on any entity that has received in the relevant calendar year more than 150 000 tonnes of contributing oil (i.e. crude and/or heavy fuel oil) in ports or terminal installations in a Member State, after carriage by sea. Contributions are paid by the individual contributors directly to the Funds (see Financial Review).

The levy of contributions depends on reports of the amounts of oil received by individual contributors, which the governments of Member States are obliged to submit annually to the Secretariat. These amounts are used as the basis of the levy, calculated to provide monies to administer the Funds and to pay claims approved by the governing bodies. A system of deferred invoicing exists whereby the total amount to be levied in contributions for a given calendar year is fixed, but only a specific lower total amount is invoiced for payment by 1 March, and the remaining amount or a part thereof, is invoiced later in the year if necessary.

Contributions to the General Funds are calculated on the basis of the quantities of contributing oil received in the preceding calendar year by each contributor. Contributions to Major Claims Funds and Claims Funds are calculated on the basis of the quantities of contributing oil received in the year preceding that in which the incident occurred, if the State was a Member of the relevant IOPC Fund at the time of the incident.

1992 Fund

At the October 2012 meetings of the governing bodies, the 1992 Fund Assembly decided to levy 2012 contributions to the General Fund of £15 million, based on oil received in the calendar year 2011, with £5 million payable by 1 March 2013 and £10 million to be deferred, subject to a decision by the 1992 Fund Executive Committee authorising the Director to make payments in respect of the *Redfferm*, *JS Amazing* and *Alfa I* incidents.

The total quantity of oil received consisted of the amount reported as well as the amount estimated to have been received by contributors whose reports were pending at the time of invoicing. Since the total amount, both reported and estimated, added up to 1 532 353 403 tonnes of oil received, contributions of £0.0032630 per tonne were levied. The ten largest contributing Member States to the 1992 Fund are shown at the bottom of page 18.

The 1992 Fund Assembly decided to levy £10 million in respect of the *Volgoneft 139* Major Claims Fund, the entire levy to be deferred, but again subject to a decision by the Executive Committee authorising the Director to make payments in respect of the incident. The levy of contributions to this Major Claims Fund would be based on the oil reported for the calendar year 2006.

Contributing oil received in the calendar year 2011 in the territories of 52 States which were Members of the 1992 Fund on 31 December 2012 is listed overleaf (as reported by 31 December 2012).

January
The Secretariat sends a request to all Member States for the submission of oil reports for the preceding calendar year.

April
Oil reports are received by 30 April and processed.

October
The governing bodies decide whether and how much to levy to the General Funds and Major Claims Funds.

November
Invoices are issued to contributors, requesting them to pay contributions in accordance with the decisions of the governing bodies.

March
Payment of contributions is due, except in the case of deferred levies.

99.5%

Percentage of contributions levied to the 1992 Fund over the years (£518.9 million) which have been received (as at 31 December 2012)

100%

Percentage of the only levy of contributions (£1.4 million) to the Supplementary Fund which have been received (as at 31 December 2012)

99.92%

Percentage of contributions levied to the 1971 Fund over the years (£386 million) which have been received (as at 31 December 2012)

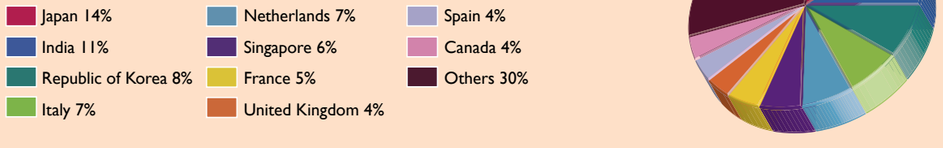
Member State	Contributing oil reported in 2011 (tonnes)	% of Total
Japan	221 099 426	15.29%
India	168 415 558	11.65%
Republic of Korea	127 853 353	8.84%
Italy	110 505 572	7.64%
Netherlands	103 867 503	7.18%
Singapore	99 315 049	6.87%
France	78 685 839	5.44%
United Kingdom	66 030 669	4.57%
Spain	61 418 579	4.25%
Canada	61 408 360	4.25%
Malaysia	49 468 605	3.42%
Australia	29 339 092	2.03%
Germany	26 070 239	1.80%
Sweden	22 055 112	1.52%
Turkey	20 068 332	1.39%
Greece	19 698 552	1.36%
Norway	13 174 765	0.91%
Argentina	13 059 820	0.90%
Finland	12 968 645	0.90%
Portugal	11 400 953	0.79%
Israel	11 383 193	0.79%
Bahamas	10 650 062	0.74%
Philippines	10 070 494	0.70%
Lithuania	8 932 647	0.62%
Russian Federation	7 618 808	0.53%
Mexico	7 094 186	0.49%
Bulgaria	5 776 888	0.40%
New Zealand	5 448 184	0.38%
China[4]	5 395 979	0.37%
Panama	5 296 305	0.37%
Morocco	5 136 000	0.36%
Denmark	4 726 220	0.33%
Estonia	4 582 147	0.32%
Belgium	4 477 477	0.31%
Trinidad and Tobago	4 339 602	0.30%
Malta	3 843 209	0.27%
Ireland	3 362 997	0.23%
Poland	3 044 662	0.21%
Croatia	2 982 833	0.21%
Cameroon	2 246 496	0.16%
Sri Lanka	2 191 391	0.15%
Jamaica	2 076 963	0.14%
Angola	1 953 165	0.14%
Ghana	1 579 841	0.11%
Uruguay	1 457 096	0.10%
Tunisia	1 085 291	0.08%
Cyprus	964 030	0.07%
Papua New Guinea	891 215	0.06%
Mauritius	680 263	0.05%
Nigeria	422 304	0.03%
Algeria	403 950	0.03%
Barbados	221 148	0.02%
Total	**1 446 239 069**	**100.00%**

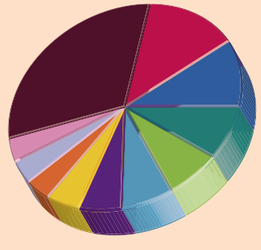
No contributing oil was received during 2011 in the following 36 Member States:
Albania, Antigua and Barbuda, Bahrain, Belize, Brunei Darussalam, Cambodia, Cape Verde, Colombia, Congo, Cook Islands, Djibouti, Dominica, Georgia, Grenada, Hungary, Iceland, Kenya, Latvia, Liberia, Luxembourg, Madagascar, Marshall Islands, Monaco, Mozambique, Namibia, Qatar, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Samoa, Seychelles, Sierra Leone, Slovenia, Switzerland, Tonga, United Arab Emirates, Vanuatu.

[4] The 1992 Fund Convention applies to the Hong Kong Special Administrative Region only.

Contributions to the 1992 Fund by Member State

Figures shown are General Fund contributions for 2012 (based on 2011 oil receipts), the most recent year for which contributions were levied





As at 31 December 2012, oil reports had not been received from the following 21 Member States:
Benin, Comoros, Dominican Republic, Ecuador, Fiji, Gabon, Guinea, Islamic Republic of Iran, Kiribati, Maldives, Montenegro, Oman, Palau, Saint Lucia, Senegal, Serbia, South Africa, Syrian Arab Republic, Tuvalu, United Republic of Tanzania, Venezuela (Bolivarian Republic of).

Supplementary Fund

At the October 2012 meetings of the governing bodies, the Supplementary Fund Assembly decided not to levy 2012 contributions, since there had been no incidents involving the Supplementary Fund.

Contributing oil received in the calendar year 2011 in the territories of States which were Members of the Supplementary Fund on 31 December 2012 (as reported by 31 December 2012) is listed below.

Member State	Contributing oil reported in 2011 (tonnes)	% of Total
Japan	221 099 426	21.96%
Republic of Korea	127 853 353	12.70%
Italy	110 505 572	10.98%
Netherlands	103 867 503	10.32%
France	78 685 839	7.82%
United Kingdom	66 030 669	6.56%
Spain	61 418 579	6.10%
Canada	61 408 360	6.10%
Australia	29 339 092	2.91%
Germany	26 070 239	2.59%
Sweden	22 055 112	2.19%
Greece	19 698 552	1.96%
Norway	13 174 765	1.31%
Finland	12 968 645	1.29%
Portugal	11 400 953	1.13%
Lithuania	8 932 647	0.89%
Morocco	5 136 000	0.51%
Denmark	4 726 220	0.47%
Estonia	4 582 147	0.46%
Belgium	4 477 477	0.44%
Ireland	3 362 997	0.33%
Poland	3 044 662	0.30%
Croatia	2 982 833	0.30%
Barbados[5]	1 000 000	0.10%
Hungary[5]	1 000 000	0.10%
Latvia[5]	1 000 000	0.10%
Slovenia[5]	1 000 000	0.10%
Total	**1 006 821 642**	**100.00%**

As at 31 December 2012, oil reports had not been received from Montenegro.

1971 Fund

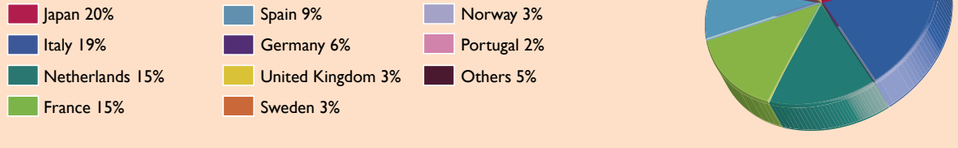
The 1971 Fund Convention ceased to be in force on 24 May 2002 and so it has not been possible to levy further contributions to the General Fund since 2003.

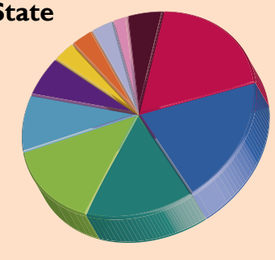
At the October 2012 meetings of the governing bodies, the 1971 Fund Administrative Council decided not to levy contributions for payment in respect of the two remaining Major Claims Funds, ie *Vistabella* and *Nissos Amorgos*.

[5] Deemed to have received 1 000 000 tonnes for the purposes of contributions to the Supplementary Fund.

Contributions to the Supplementary Fund by Member State

Figures shown are General Fund contributions for 2006 (based on 2005 oil receipts), the most recent year for which contributions were levied





External Relations

The Secretariat of the IOPC Funds undertakes a range of activities aimed at strengthening the IOPC Funds' relationships with Member States and other international, intergovernmental or non-governmental organisations. From time to time, the Secretariat organises or participates in events such as national and regional workshops or gives presentations, to enhance understanding of the international regime for oil pollution compensation, to assist with implementation of the Conventions at national level and to assist potential claimants. Meetings between the Secretariat and government authorities within Member States can often prove highly beneficial to both parties. Such visits often result in the resolution of longstanding issues such as the payment of outstanding contributions and submission of oil reports. The main activities in 2012 are outlined below and shown on the following map, together with other key outreach activities delivered since 2007.

Key activities conducted during 2007-2011

1 Location:
New York, USA
Name of Event:
Meeting of UN Open-ended Informal Consultative Process on Oceans and the Law of the Sea & visit to US National Pollution Fund Center
UN meeting attended and visit made to NPFC, which forms part of the US Coast Guard and administers the Oil Spill Liability Trust Fund (OSLTF).

2 Location:
Lisbon, Portugal
Name of Event:
EMSA meeting on vessel rates
Discussion with EMSA officials on methods to calculate rates of vessels used during spill response operations

3 Location:
London
Name of Event:
OPRC-HNS Technical Group session
Participation of the Secretariat in discussions and inputs into new publications on oil and HNS compensation.

4 Location:
London
Name of Event:
Interspill 2012
European oil spill conference and exhibition at which the IOPC Funds gave presentations, chaired conference sessions and had an exhibition stand.

5 Location:
London
Name of Event:
Workshop on cost recovery from marine pollution
Presentation at invitation of the Port Of London Authority.

6 Location:
Southampton, UK
Name of Event:
LLM Course
Lecture given to students of the maritime law course.

7 Location:
Dakar, Senegal
Name of Event:
GI WACAF sub-regional workshop
Workshop organised and funded by IMO and IPIECA within the framework of the GI-WACAF project. Delivered by the IOPC Funds with assistance of ITOPF

8 Location:
Varna, Bulgaria
Name of Event:
Black Sea Regional training course on liability and compensation for oil pollution
Workshop delivered, together with the International Group of P&I Associations, as part of a training course organised by the Black Sea Commission.

9 Location:
Port Klang, Malaysia
Name of Event:
Workshop on oil spill claims and compensation
Workshop delivered, with support of representatives from Gard P&I Club and ITOPF, at the request of the Malaysian Marine Department.

10 Location:
Port Moresby, Papua New Guinea
Name of Event:
Melanesian sub-regional compensation & liability workshop
Workshop delivered at the invitation of IMO and the Secretariat of the Pacific Regional Environmental Program (SPREP).

11 Location:
Changwon City, Republic of Korea
Name of Event:
East Asian Sea Congress 2012
Participation in a workshop on the Future of Maritime Transport in a Blue Economy. Presentation given on International Liability and Compensation Regime.

12 Location:
Tokyo, Japan
Name of Event:
PAJ Oil Spill Symposium 2012
General overview given of the international oil pollution compensation regime at the symposium held by the Petroleum Association of Japan (PAJ).

13 Location:
Seoul, Republic of Korea
Name of Event:
International Seminar on Oil Spill Compensation
Presentation given at the invitation of the Korean Coast Guard.

14 Location:
Amsterdam, Netherlands
Name of Event:
ITOPF Board Meeting
Participation at the Board meeting and a seminar which focused on HNS and shipping issues.

15 Location:
Rabat, Morocco
Name of Event:
REMPEC Seminar, MOIG Technical session
Workshop organised with REMPEC and MOIG for the Arab States of the Mediterranean and supported by ITOPF and the International Group of P&I Associations.

16 Location:
Arendal, Norway
Name of Event:
Visit to GARD P&I Club
Lecture given to Gard claims team about the International Liability and Compensation Regime and the claims handling process at the IOPC Funds.

In-house visits

In addition to the activities described on pages 20-21, delegations from a variety of organisations and universities visit the Funds' offices when in London, including students from the universities of Gent and Antwerp, Bilbao and Barcelona and from the International Maritime Law Institute (IMLI) in Malta. The Secretariat also receives visits from participants of the dispute settlement training programme organised by the International Tribunal For the Law of the Sea (ITLOS) and supported by the Nippon Foundation. During those visits, the Secretariat usually delivers presentations and holds question and answer sessions on the international liability and compensation regime.

Regional Lunch Meetings

The Secretariat regularly organises informal lunch meetings for London-based representatives of Member and non-Member States at the IOPC Funds' London office. These meetings are organised according to geographical regions and provide an opportunity for the Secretariat to improve contacts with States and to deal with queries relating to membership, oil reporting and contributions. During 2012, two lunch meetings were held for States in the regions of Europe and the Middle East and surrounding areas. Further events are planned for 2013.

IOPC Funds' Short Course

Following the success of the IOPC Funds' pilot internship programme in November 2011, the 1992 Fund Assembly approved the running of the IOPC Funds' Short Course as an annual event. The 2012 course programme covered all aspects of the work of the IOPC Funds and the international liability and compensation regime in general and included practical exercises which allowed participants to study a theoretical incident and the subsequent claims submission process. Participants in 2012 also had the opportunity to visit the IMO Headquarters, the offices of the International Group of P&I Associations and one of their members (The Standard Club), and had a guided tour of the office of Lloyd's of London (the Lloyd's Building). The course is currently supported by INTERTANKO, ICS, the International Group of P&I Associations, IMO, and ITOPF. Each year the course is open to a maximum of ten self-funded participants from 1992 Fund Member States, nominated directly by their government.

Activities relating to the 2010 HNS Convention

The Secretariat conducted a number of activities during 2012 as part of the 1992 Fund's work in connection with the setting up of the HNS Fund (see pages 8-9). Meetings were held at the European Chemical Industry Council (CEFIC) in Brussels in February and the Secretariat attended the IMO OPRC-HNS Technical Group session in March. It also participated in an IMO-sponsored regional workshop on HNS preparedness and response in March, in Bangkok, Thailand. In November the 1992 Fund ran a workshop, organised by IMO, to discuss a set of guidelines to facilitate the reporting of contributing cargo under the HNS Convention. In December the Secretariat and ITOPF, delivered a HNS workshop in Malta, which was organised by REMPEC, and funded by the EU's regional transport project SAFEMED II.

Website

The new IOPC Funds' website was launched during 2012. The new site, which is available in English, French and Spanish, provides much wider and more readily accessible information, with in-depth sections on the work and structure of the Organisations, compensation and claims management, incidents and the latest news and upcoming events. There is also a section containing all IOPC Funds' publications, including an online archive of all Annual Reports issued since 1978. Additionally, the site incorporates various interactive features, such as a map of incidents involving the IOPC Funds, with case studies and information relating to incidents dating back to the establishment of the 1971 Fund, a map displaying the membership of the IOPC Funds, a downloadable sample claim form and various statistical representations.

The website is the hub for all information pertaining to the Organisations and provides access to other IOPC Funds' services and websites, including document services, the online reporting system and the HNS Convention website.

During 2012, the interface of the Document Services section of the website was made available in French and Spanish, as were all decisions which appear in the Decisions Database, a tool which was launched in English in 2011 and which makes available all decisions taken by the governing bodies of the IOPC Funds since 1978.

Participants of the IOPC Funds' short course taking part in an exercise based on a theoretical oil spill

Publications

In addition to the Annual Report 2011 and the publication Incidents involving the IOPC Funds 2011, during 2012 the Secretariat also issued a new edition of the Funds' general explanatory brochure. All publications, including the Texts of the Conventions and the 1992 Fund Claims Manual, are available to download from the IOPC Funds' website.

Relations with Non-Member States

Former Member States of the 1971 Fund automatically have observer status with the 1992 Fund. In addition, the 1992 Fund Assembly has granted observer status to a number of States that have never been party to either Fund Convention. States which are invited to send observers to meetings of the Assembly of the 1992 Fund automatically also have observer status with the Supplementary Fund.

Observer States of the 1992 Fund and Supplementary Fund

Bolivia (Plurinational State of)	Kuwait
Brazil	Lebanon
Chile	Mauritania
Côte d'Ivoire	Niue
Democratic People's Republic of Korea	Pakistan
Egypt	Peru
Gambia	Saudi Arabia
Guatemala	Thailand
Guyana	Ukraine
Honduras	United States
Indonesia	

Relations with International Organisations

A number of interested intergovernmental and non-governmental organisations also have observer status with the IOPC Funds, enabling them to participate in discussions at meetings of the governing bodies.

Intergovernmental organisations granted observer status

- Baltic Marine Environment Protection Commission (Helsinki Commission)
- Central Commission for Navigation on the Rhine (CCNR)
- European Commission
- International Institute for the Unification of Private Law (UNIDROIT)
- International Maritime Organization (IMO)
- Maritime Organisation of West and Central Africa (MOWCA)
- Regional Marine Pollution Emergency Response Centre for the Mediterranean Sea (REMPEC)
- United Nations (UN)
- United Nations Environment Programme (UNEP)

Non-governmental organisations granted observer status

- BIMCO
- Comité Maritime International (CMI)
- Conference of Peripheral Maritime Regions (CPMR)
- European Chemical Industry Council (CEFIC)
- International Association of Classification Societies Ltd (IACS)
- International Association of Independent Tanker Owners (INTERTANKO)
- International Chamber of Shipping (ICS)
- International Group of Liquefied Natural Gas Importers (GIIGNL)
- International Group of P&I Associations
- International Salvage Union (ISU)
- International Tanker Owners Pollution Federation Ltd (ITOPF)
- International Union of Marine Insurance (IUMI)
- Oil Companies International Marine Forum (OCIMF)
- World LP Gas Association (WLPGA)

International non-governmental organisations with observer status to the IOPC Funds participating in the October 2012 meetings

Incidents Involving the IOPC Funds

Since their establishment in October 1978, the IOPC Funds have been involved in 145 incidents.

The 1992 Fund was informed of two new oil spills during 2012, the *Redfferm* incident in Nigeria, which occurred in March 2009, and the *Alfa I* in Greece, which occurred in April 2012. In addition, the Secretariat continued to deal with eight other incidents under the 1992 Fund and a further five incidents under the 1971 Fund. These are summarised in the tables opposite.

Compensation and Claims Management

The principal role of the IOPC Funds is to pay compensation to those who have suffered oil pollution damage in a Member State who cannot obtain full compensation for the pollution damage from the shipowner under the relevant Civil Liability Convention. Claimants may be individuals, partnerships, companies, private organisations or public bodies, including States or local authorities.

Claims settlement

In the great majority of cases, claims are settled out of court. The Director has the authority to settle claims and pay compensation up to predetermined levels. However, for incidents involving larger claims or where a specific claim gives rise to a question of principle which has not previously been decided by the governing bodies, the Director needs approval from the relevant governing body of the Fund in question.

Admissibility of claims for compensation

To be entitled to compensation, the pollution damage must result in an actual and quantifiable economic loss. The claimant must be able to demonstrate the amount of his loss or damage by producing accounts, tax records or other appropriate evidence.

An oil pollution incident can generally give rise to claims for five types of pollution damage:

- Property damage
- Costs of clean-up operations at sea and on shore
- Economic losses by fishermen or those engaged in mariculture
- Economic losses in the tourism sector
- Costs for reinstatement of the environment

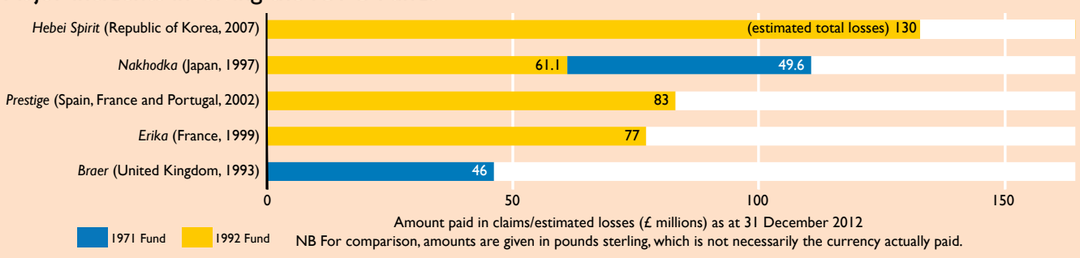
Under the Fund Conventions, the Funds are obliged to ensure that all claimants are given equal treatment so if the total amount of the established claims exceeds the total amount of compensation available under the Civil Liability and Fund Conventions, each claimant will receive the same proportion of the loss. When there is a risk that this situation will arise, the Funds may have to restrict compensation payments to a percentage of the losses to ensure that all claimants are given equal treatment. The payment level may increase at a later stage if the uncertainty about the total amount of the established claims is reduced. One important effect of the establishment of the Supplementary Fund is that, in practically all cases, it should be possible from the outset to pay compensation for pollution damage in Supplementary Fund Member States at 100% of the amount of damage agreed between the Fund and the claimant.

Claims are assessed according to criteria established by the governments of Member States. These criteria, which also apply to claims against the Supplementary Fund, are set out in the 1992 Fund's Claims Manual, which is a practical guide on how to present claims for compensation.

The Funds, normally in co-operation with the shipowner's insurer, appoint experts to monitor clean-up operations, to investigate the technical merits of claims and to make independent assessments of the losses.

Claimants lose their right to compensation from the shipowner and his insurer under the 1992 CLC unless they bring court action against them within three years from the date when the damage occurred. Similarly, claimants ultimately lose their right to compensation under the 1992 Fund Convention unless they bring court action against the 1992 Fund within three years of the date on which the damage occurred, or make formal notification to the 1992 Fund of a court action against the shipowner or his insurer within the three-year period. Although damage may occur some time after an incident takes place, in both cases court action must in any event be brought within six years of the date of the incident.

Major incidents involving the IOPC Funds



1992 Fund

During 2012, the 1992 Fund dealt with outstanding claims and/or recovery actions in respect of ten incidents.

Ship	Place of incident	Year	Outstanding actions
Erika	France	1999	Claims pending
Prestige	Spain	2002	Claims pending
Solar 1	Philippines	2006	Claims pending
Volgoneft 139	Russian Federation	2007	Claims pending
Hebei Spirit	Republic of Korea	2007	Claims pending
Incident in Argentina	Argentina	2007	Claims pending
King Darwin	Canada	2008	Claims pending
Redfferm	Nigeria	2009	Awaiting further information
JS Amazing	Nigeria	2009	Awaiting further information
Alfa I	Greece	2012	Awaiting further information

Supplementary Fund

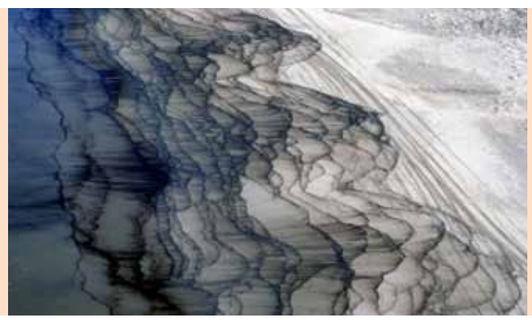
As at 31 December 2012, there have been no incidents involving, or likely to involve the Supplementary Fund.

1971 Fund

During 2012, the 1971 Fund dealt with outstanding claims and/or recovery actions in respect of five incidents.

Ship	Place of incident	Year	Outstanding actions
Vistabella	Caribbean	1991	Recourse action pending
Aegean Sea	Spain	1992	Claims pending
Iliad	Greece	1993	Claims pending
Nissos Amorgos	Venezuela (Bolivarian Republic of)	1997	Claims pending
Plate Princess	Venezuela (Bolivarian Republic of)	1997	Claims pending

Detailed information on the incidents listed above can be found in a separate publication (Incidents Involving the IOPC Funds 2012) which is available on the Publications page of the IOPC Funds' website: www.iopcfunds.org. It sets out the developments in the various cases during the course of the year and the position taken by the governing bodies in respect of claims.



Oiled shoreline following the *Nissos Amorgos* incident

The October 2012 meetings of the governing bodies

Governing Bodies

Role of the Governing Bodies	28
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In this section

In this section, information is provided on the composition and main functions of the governing bodies of the IOPC Funds (pages 28-29).

Details are also provided on the key discussions and decisions taken at the 2012 meetings of the governing bodies, which took place in April and October (pages 30-33).

The April meetings included an extraordinary session of the 1992 Fund Assembly as well as sessions of the 1992 Fund Executive Committee and of the 1971 Fund Administrative Council. The sixth and seventh 1992 Fund intersessional Working Groups also met for the fourth and first time respectively. The sixth Working Group continued to discuss possible measures to enhance the functioning in practice of the international liability and compensation regime, and the seventh Working Group considered issues relating to the definition of 'ship'.

The October meetings saw the regular sessions take place of the 1992 Fund and Supplementary Fund Assemblies as well as further sessions of the 1992 Fund Executive Committee and 1971 Fund Administrative Council.

The governing bodies agree upon dates for their future sessions at each October meeting. In the past, three meetings were planned each year. However, in recent years, firm dates were agreed for two meetings per year, in spring and autumn, with the understanding that plans would only be made for a summer meeting, should the need arise. In practice, during the same period, the summer meeting has nevertheless often been required. However, in 2012 not only were the IOPC Funds able to reduce the meetings to two, but in October the governing bodies agreed to remove the costs of the summer meeting from the administrative budget for 2013 as part of a general effort to manage costs more efficiently. Careful planning by the Secretariat and intersessional work by Chairmen and delegates has enabled a more efficient running of the meetings both in terms of the agenda and timetable, but also in terms of the availability of documents in advance of meetings.

Complete Records of Decisions for all meetings may be accessed via the IOPC Funds' website (www.iopcfunds.org/documentservices)

Role of the Governing Bodies

Assemblies

The 1992 Fund and Supplementary Fund each have an Assembly composed of all Contracting States to the 1992 Fund Convention and Supplementary Fund Protocol respectively. The Assembly must hold one regular session each year, normally in October, when it elects a Chairman and two Vice-Chairmen to hold office until its next regular session. Extraordinary sessions may be held as and when required. Under the 1971 Fund Convention, which since 2002 has ceased to be in force, the 1971 Fund also had an Assembly composed of all Contracting States to the 1971 Fund Convention.

The Assembly is the supreme organ of the relevant Fund and, *inter alia*, decides on the annual budget and contributions to the Organisation, approves Financial Statements, appoints the External Auditor, adopts the Internal and Financial Regulations, determines which entities have observer status with the Organisation, and generally performs such tasks as are necessary for its proper functioning. Attendance of a simple majority of Member States constitutes a quorum for the Assembly.

Administrative Councils

For the 1992 Fund Assembly, in cases where a quorum is not achieved, an Administrative Council is convened to act on behalf of the Assembly. The quorum requirement for the Administrative Council is 25 Member States. Due to the growth of the membership of the 1992 Fund and the lack of attendance of many Member States, the 1992 Fund Administrative Council has had to act on behalf of the Assembly in a number of instances in recent years.

With 28 Member States, achieving a quorum has not been an issue for the Supplementary Fund Assembly and it has therefore not been necessary so far to establish an Administrative Council for that Fund.

When the 1971 Fund Convention was still in force, in cases where a quorum was not achieved for the 1971 Fund Assembly, an Administrative Council was convened to act on behalf of that Assembly. Since 2002 the 1971 Fund no longer has Member States and therefore the Administrative Council now consists of all States having at any time been a Member State of the 1971 Fund. The 1971 Fund Administrative Council does not have any quorum requirement.

Executive Committees

Each Assembly has the right to establish any temporary or permanent subsidiary body it may consider to be necessary, to define its terms of reference and to give it the authority needed to perform the functions entrusted to it. One such subsidiary body is the 1992 Fund Executive Committee. Its main function is to take policy decisions concerning the admissibility of claims for compensation for oil pollution damage relating to incidents involving the 1992 Fund. It holds its meetings as and when required, but in practice two to three times a year, during the week of the regular annual session of the Assemblies in October, in the spring and, if necessary, in early summer.

At each regular session, the 1992 Fund Assembly elects 15 States as members of the Executive Committee, to hold office until the end of the next regular session of the Assembly. When electing the Committee members, the Assembly must first elect seven from among the eleven Member States in the territory of which the largest quantities of oil were received during the preceding calendar year. The remaining eight members are elected from the other Member States, taking into account an equitable geographical distribution and the extent to which a particular State has fulfilled its obligation to submit reports on receipts of contributing oil. No State may serve on the Executive Committee for more than two consecutive terms.

1992 Fund Executive Committee Members (from October 2011 to October 2012)		
Bahamas	Italy	Norway
Canada	Malaysia	Panama
France	Mexico	Republic of Korea
Greece	Morocco	Spain
India	Nigeria	Turkey

1992 Fund Executive Committee Members (from October 2012 until October 2013)		
Angola	Grenada	Poland
Australia	India	Singapore
Canada	Japan	Spain
Finland	Liberia	Tunisia
France	Panama	United Kingdom

The 1971 Fund also had an Executive Committee. However, since 2000 the 1971 Fund Administrative Council has fulfilled the roles of both the Assembly and the Executive Committee and has dealt with both administrative and incident-related matters.

Working Groups

Other such subsidiary bodies are the various intersessional Working Groups which have been set up over the years to consider specific areas of interest to the 1992 Fund, and previously the 1971 Fund. The sixth intersessional Working Group, which was set up by the Assembly in October 2009 to explore and develop possible measures to enhance the functioning in practice of the international liability and compensation regime, held its second and third meetings in March and July 2011 and its fourth meeting in April 2012. In October 2011, the 1992 Fund Assembly decided to establish a seventh intersessional Working Group to consider issues relating to the definition of 'ship'. It held its first meeting in April 2012 and is expected to meet for the second time in spring 2013.

Mr Gaute Sivertsen
Chairman of the 1992 Fund Assembly since October 2011 and former Chairman of the 1992 Fund Executive Committee (2000-2002), Mr Sivertsen has been Head of the Norwegian Delegation to the IOPC Funds' meetings since 1993. He is Deputy Director General of the Maritime Department of the Norwegian Ministry of Trade and Industry.

Mr Sung-Bum Kim
Chairman of the Supplementary Fund Assembly since October 2011 and member of the delegation of the Republic of Korea since October 2010. Mr Kim is Director of the Seafarers and Labour Policies Division of the Ministry of Land, Transport and Maritime Affairs in Republic of Korea.

Meetings

Meetings of the governing bodies in 2012

The IOPC Funds' governing bodies met in April and October 2012. The main issues discussed and decisions taken at those meetings are summarised below.

All documents including full Records of Decisions for the 2012 meetings of the governing bodies are available on the document services section of the website (www.iopcfunds.org/documentservices).

April 2012
1992 Fund Assembly (17th extraordinary session)
1992 Fund Executive Committee (55th session)
1971 Fund Administrative Council (28th session)
1992 Fund sixth intersessional Working Group (4th meeting)
1992 Fund seventh intersessional Working Group (1st meeting)

The IOPC Funds' governing bodies held meetings from Tuesday 24 April to Friday 27 April 2012 at the Headquarters of the International Maritime Organization (IMO) in London. Fifty-seven Member States, two observer States and 14 observer organisations attended concurrent sessions of the 1992 Fund Assembly, the 1992 Fund Executive Committee and the 1971 Fund Administrative Council. The sixth and seventh intersessional Working Groups also held their 4th and 1st meetings respectively. The key issues considered at the meetings are listed below.

Incidents involving the IOPC Funds

Plate Princess (Republic of Venezuela, May 1997)

The 1971 Fund Administrative Council reconfirmed its instructions given in March 2011 and October 2011 to the Director not to make any payments in respect of the *Plate Princess* incident and to oppose any enforcement of the judgement on the basis of Article X of the 1969 CLC and Article 4, paragraph 5 of the 1971 Fund Convention on equal treatment of claimants.

Hebei Spirit (Republic of Korea, December 2007)

In respect of the *Hebei Spirit* incident of 2007, it was reported that 91% of the nearly 129 000 claims submitted had been assessed and KRW 155 794 million had been paid by the Skuld Club. The Executive Committee decided to maintain the level of payments at 35% of the assessed amount so as to avoid the risk of an overpayment situation, and to review this decision at its next session.

Alfa I (Greece, March 2012)

The Executive Committee was informed of a new incident, the *Alfa I* which had occurred in March 2012, impacting some 13 kilometres along the shoreline of Elefsis Bay, Greece. This is the first incident involving a Member State of the Supplementary Fund. However, the Executive Committee noted that it was unlikely that claims arising from the incident would exceed the limit under the 1992 Fund Convention.

Redfferm and *JS Amazing* (Nigeria, March and June 2009, respectively)

A report was given in relation to the *Redfferm* incident which had occurred off Tin Can Island, Nigeria in March 2009 and the *JS Amazing* incident, which had occurred in the Warri River, Delta State, Nigeria in June 2009. The delegation of Nigeria provided further details on recent developments in the *JS Amazing* case regarding the investigation into the cause of the incident and the situation with regards to claims.

Contingency arrangements for the Director and senior Secretariat personnel

The 1992 Fund Assembly supported a number of proposals made by the Director on contingency arrangements for the Director and senior Secretariat personnel, including the appointment of Mr Ranjit Pillai (Sri Lanka) to the position of Deputy Director, while continuing in his current position as Head of the Finance and Administration Department. The Assembly decided that in the event that the Director was unable to assume his functions, the Deputy Director/Head of the Finance and Administration Department, the Legal Counsel, the Head of the Claims Department/Technical Adviser or the Head of the External Relations and Conference Department, in that order, would assume his functions. It was also decided that in the event that none of those persons were available, the Chairman of the 1992 Fund Assembly should appoint a member of the Secretariat, other than those mentioned, to carry out this function until the next regular or extraordinary session of the Assembly or until any of the said senior members of the Secretariat had been able to resume their responsibilities.

The 1992 Fund Assembly was also informed of the appointment of Mr Matthew Sommerville (United Kingdom), formerly Technical Adviser/Claims Manager, to the position of Head of the Claims Department/Technical Adviser as of 8 March 2012.

Treaty matters

HNS Convention

A report was provided on the progress made since the October 2011 meetings on the administrative tasks necessary for setting up the Hazardous and Noxious Substances (HNS) Fund. A demonstration of the HNS Finder, which contains the consolidated list of HNS as defined in the 2010 HNS Protocol, was carried out during the session.

Impact of European Council Regulation 267/2012 concerning restrictive measures against the Islamic Republic of Iran

The European Union had adopted a Regulation in March 2012 imposing sanctions on business conducted with the Islamic Republic of Iran. The International Group of P&I Clubs submitted an information document on the issue which was discussed at the 1992 Fund Assembly's session. The delegation of the Islamic Republic of Iran made a statement during the debate. The Assembly noted that irrespective of the European Council Regulation, the CLC and Fund regime remained unchanged but instructed the Secretariat to monitor the situation.

1992 Fund sixth intersessional Working Group – 4th meeting

The 1992 Fund sixth intersessional Working Group held its fourth meeting under the chairmanship of Mr Volker Schöfisch (Germany). The Working Group had been considering issues in connection with the handling of large numbers of small claims lacking evidence of earnings. Agreement was reached on a 'tool kit' of suggested ways in which Member States could approach the handling of such claims. It was agreed that a draft text detailing those suggestions, together with a proposed revision to the text of the Claims Manual would be presented at the October 2012 session of the 1992 Fund Assembly. In respect of the issue of interim payments of compensation, the Director and the International Group of P&I Clubs agreed to continue discussions and to present the results at the next meeting of the Working Group.

1992 Fund seventh intersessional Working Group – 1st meeting

The 1992 Fund seventh intersessional Working Group held its first meeting under the chairmanship of Mrs Birgit Sølling Olsen (Denmark), who used the meeting to confirm the key questions that the Group should look to answer in order to fulfil its mandate. The Secretariat agreed to work with the relevant observer Organisations and Member States to gather additional information as regards industry practices and the use of vessels for storage. Members of the Working Group were encouraged to prepare for more detailed discussions at the Group's next meeting.

Captain David Bruce
Chairman of the 1971 Fund Administrative Council since October 2008 and member of the Marshall Islands delegation to the meetings of the IOPC Funds since January 2001. Captain Bruce is Senior Deputy Commissioner of Maritime Affairs and Permanent Maritime Representative of the Republic of the Marshall Islands to IMO.

Mrs Ginette Testa
Chairman of the 1992 Fund Executive Committee since October 2011, Mrs Testa is Permanent Representative of Panama to IMO and has been attending IOPC Funds meetings as Technical Adviser for the Panamanian Delegation since April 2010.

October 2012

1992 Fund Administrative Council[<6>] (10th session)

1992 Fund Executive Committee (56th and 57th sessions)

Supplementary Fund Assembly (8th session)

1971 Fund Administrative Council (29th session)

The governing bodies held meetings during the week of 15 October 2012 at the IMO Headquarters in London. Fifty-four Member States, six observer States and 12 observer organisations were in attendance. The key issues considered at the meetings are listed overleaf.

Incidents involving the IOPC Funds

The Secretariat reported on all incidents currently involving the IOPC Funds. Decisions were taken in connection with the following incidents:

Plate Princess (Republic of Venezuela, May 1997)

The 1971 Fund Administrative Council decided to maintain its decision, instructing the Director not to make any payment in respect of the *Plate Princess* incident and to oppose the enforcement of the judgement by the Supreme Tribunal. The Administrative Council also instructed the Director to continue to defend the interests of the 1971 Fund in any legal court actions in Venezuela.

Prestige (Spain, France and Portugal, November 2002)

The 1992 Fund Executive Committee authorised the Director to bring a recourse action against the classification society American Bureau of Shipping (ABS) in France as an interim measure to protect the interests of the 1992 Fund and avoid the action becoming time-barred under French law.

Hebei Spirit (Republic of Korea, December 2007)

The 1992 Fund Executive Committee decided to maintain the level of payments in the *Hebei Spirit* incident at 35% of the assessed amount so as to avoid the risk of an overpayment situation, and to review this decision at its next session.

Redfferm and *JS Amazing* (Nigeria, March and June 2009, respectively)

In respect of the *Redfferm* and *JS Amazing* incidents, it had been difficult to obtain information regarding the circumstances of these incidents and in June 2012 the Director and a Claims Manager had visited Nigeria to ascertain further facts, meet with the Nigerian authorities and shipowners and visit the affected areas, where possible. The 1992 Fund Executive Committee noted that there were a number of issues to resolve in both incidents, including the apparent unwillingness of the shipowner of the *JS Amazing* to accept liability and the absence of a proven link of causation between that incident and the alleged damages. In respect of the barge *Redfferm* the Executive Committee noted that the Director would first establish whether it fell within the definition of 'ship' under the 1992 CLC, before any decision regarding payment of compensation could be taken. In both cases the Director expressed his intention to continue working with the Nigerian authorities to examine the issues arising from the incidents and report to the Executive Committee at its next session.

Compensation matters

Following recommendations made by the sixth intersessional Working Group, the 1992 Fund Administrative Council approved amendments to the Claims Manual on the 'fast track' assessment of claims, fraudulent claims, target time frame for assessing claims and the use of economic models. It was noted that the new edition of the Claims Manual would be published in due course and that guidance documents would also be prepared for presenting claims in the tourism sector. A document setting out the various 'tools' that Member States could use to assist them in the event of an oil spill would also be published.

Financial matters

Various financial reports were made to the governing bodies covering investments, contributions and the submission of oil reports. The joint Investment Advisory Body and joint Audit Body reported on their activities since October 2011 and the 2011 Financial Statements of each of the IOPC Funds were approved. The 1992 Fund Administrative Council approved the continuation of an online reporting system for contributing oil and its further improvement.

Budgetary matters

The 1992 Fund Administrative Council adopted the budget for 2013 for the administrative expenses of the 1992 Fund for a total of £4 388 660, a reduction of 5.8% from the previous year, and decided to maintain the working capital of the 1992 Fund at £22 million. It also decided to levy 2012 contributions to the General Fund of £15 million, with £5 million payable by 1 March 2013 and £10 million to be deferred, subject to a decision by the 1992 Fund Executive Committee authorising the Director to make payments in respect of the *Redfferm*, *JS Amazing* and *Alfa I* incidents. It decided to levy £10 million in respect of the *Volgoneft 139* Major Claims Fund, the entire levy to be deferred, but again subject to a decision by the Executive Committee authorising the Director to make payments in respect of the incident.

The Supplementary Fund Assembly adopted the budget for 2013 for the administrative expenses of the Supplementary Fund for a total of £46 600 and decided to maintain the working capital of the Supplementary Fund at £1 million. The Assembly decided that there should be no levy of 2012 contributions to the General Fund.

The 1971 Fund Administrative Council adopted the budget for 2013 for the administrative expenses of the 1971 Fund for a total of £512 800 and authorised the Director to use the balance of the 1971 Fund's General Fund to pay for the Fund's administrative expenditure and minor claims expenses.

Treaty matters

The 1992 Fund Administrative Council instructed the Director to examine the problems related to the lack of implementation of the 1992 Civil Liability and Fund Conventions into national law in some Member States and to study the possibility for the IOPC Funds of recovering from Member States any losses suffered as a result of their failure to implement correctly the Conventions into their national law. He also agreed to discuss with IMO whether the problems encountered in respect of the insurance requirements under the 1992 CLC could be included in the agenda of the IMO Legal Committee.

Winding up of the 1971 Fund

The 1971 Fund Administrative Council decided to set up a Consultation Group composed of delegates from former Member States, namely Rear-Admiral Cristiano Aliperta (Italy), Ms Susana Garduño-Arana (Mexico), Colonel Khalil Loudiyi (Morocco), Mr Alfred Popp (Canada) and Mr Noriyoshi Yamagami (Japan). The mandate of the consultation group is to examine the outstanding issues relating to the 1971 Fund with the Director and make recommendations to facilitate the process of winding up the Fund at the next session of the Administrative Council.

Monitoring the impact of measures imposed on the Islamic Republic of Iran

Since 1 July 2012 restrictive measures have been implemented by the European Council prohibiting the execution of contracts relating to the purchase, import and transport of crude oil, petroleum and petrochemical products originating in the Islamic Republic of Iran. No spills involving Iranian tankers or Iranian persistent oil have taken place that would have any impact on the international oil pollution compensation regime and the Director informed the governing bodies that compensation would still be available under the 1992 CLC and 1992 Fund regime in the event of an oil spill. The Director stated that, in the event of an incident where sanctions would affect the payment of compensation by the 1992 Fund, he would convene a session of the 1992 Fund Executive Committee where Member States would be able to examine the particular circumstances of the case and would give such instructions to the Director as to the payment of compensation to victims as required.

New IOPC Funds website

A presentation was given of the new IOPC Funds website, which was launched shortly after the meetings. Delegations were requested to inform the Secretariat if they had any specific comments or feedback. Several delegations commented that the site was impressive and that they were looking forward to it being made available in the three official languages very soon.

[<6>] The 1992 Fund Assembly had been scheduled to hold its 17th session but was unable to achieve the required quorum. The 1992 Fund Administrative Council therefore dealt with the items on the Assembly's agenda.

Mr Volker Schöfisch
Chairman of the 1992 Fund 6th intersessional Working Group since October 2009 and former Vice-Chairman of the 1992 Fund Executive Committee (2003-2005), Mr Schöfisch has been Head of the German Delegation to the IOPC Funds' meetings since 2000. He is currently Head of Unit for insurance law and UNCITRAL at the Federal Ministry of Justice in Germany.

Mrs Birgit Sølling Olsen
Chairman of the 1992 Fund 7th intersessional Working Group since October 2011 and former Chairman of the 4th intersessional Working Group (2006-2008), Mrs Olsen has been Head of the Danish Delegation to the IOPC Funds' meetings since 1996. Mrs Olsen is Deputy Director-General at the Danish Maritime Authority.

The governing bodies addressing financial matters at their October 2012 sessions, with the External Auditor and Chairman of the joint Audit Body

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In this section

As in previous years, the Financial Statements of the 1992 Fund, the Supplementary Fund, and 1971 Fund were audited by the External Auditor of the IOPC Funds, the Comptroller and Auditor General of the United Kingdom.

The Financial Statements for 2011 were prepared in compliance with the International Public Sector Accounting Standards (IPSAS) and in accordance with the Financial Regulations of the respective Funds, where appropriate. The Key Financial Figures for 2012 (unaudited) which are provided in this section have also been arrived at in conformity with the requirements of IPSAS.

The Financial Statements of the IOPC Funds for the period 1 January to 31 December 2011 were approved by the respective governing bodies during their sessions in October 2012. The full set of audited Financial Statements can be found on the IOPC Funds' website (www.iopcfunds.org), along with the External Auditor's opinions on each statement, and the Auditor's Reports on the Financial Statements of the 1992 Fund and the 1971 Fund.

Audited extracts from the notes to Financial Statements of the financial position and financial performance by segment on the basis of the General Fund and Major Claims Funds for the financial year 2011 (pages 37-42) and key financial highlights for 2012 (unaudited, pages 43-45) are presented in this Financial Review.

The 1992 Fund administers the Supplementary Fund and the 1971 Fund, for which a management fee is received from each Fund.

Financial Statements for each of the IOPC Funds are available under the document services section of the website: www.iopcfunds.org/documentservices

Certificate

Financial Statements for 2011

The extracts of the '2011 Financial Statements' reproduced here are the summary of the 1992 Fund Statement of Financial Position, the 1992 Fund Statement of Financial Performance, the Supplementary Fund Statement of Financial Position, the Supplementary Fund Statement of Financial Performance, the 1971 Fund Statement of Financial Position and the 1971 Fund Statement of Financial Performance. The full set of the IOPC Funds' 2011 Financial Statements can be obtained from the Funds' website at www.iopcfunds.org, or by contacting the Secretariat.

Key Financial Figures for 2012

As in previous Annual Reports, revenue and expenditure figures are given for 2012 in respect of each Fund. Audited results for 2012 will be included in the 2013 Annual Report.

External Auditor's Statement

The 1992 Fund Statement of Financial Position, the 1992 Fund Statement of Financial Performance, the Supplementary Fund Statement of Financial Position, the Supplementary Fund Statement of Financial Performance, the 1971 Fund Statement of Financial Position and the 1971 Fund Statement of Financial Performance are consistent with the audited Financial Statements for the year ended 31 December 2011 of the International Oil Pollution Compensation Funds approved by the 1992 Fund Administrative Council (10th session), acting on behalf of the 1992 Fund Assembly, Supplementary Fund Assembly (8th session) and 1971 Fund Administrative Council (29th session), respectively.

Mr Steve Townley, Director
National Audit Office, United Kingdom
February 2013

Extracts from 2011 Financial Statements

1992 Fund Statement of Financial Position by segment

As at 31 December 2011

	2011 General Fund	2011 *Erika* MCF	2011 *Prestige* MCF	2011 *Hebei Spirit* MCF	2011 TOTAL	*2010 TOTAL*
ASSETS	£	£	£	£	£	£
Current assets						
Cash and cash equivalents	27 559 003	50 372 266	17 929 147	84 156 353	180 016 769	*136 254 299*
Contributions receivable	309 765	-	225 511	1 406 986	1 942 262	*1 259 504*
Due from HNS Fund	223 926	-	-	-	223 926	*181 545*
Other receivables	548 040	250 149	147 837	642 154	1 588 180	*1 085 765*
Total current assets	**28 640 734**	**50 622 415**	**18 302 495**	**86 205 493**	**183 771 137**	*138 781 113*
Non-current assets						
Property, plant and equipment	11 940	-	-	-	11 940	*14 072*
Intangible assets	3 616	-	-	-	3 616	*4 815*
Total non-current assets	**15 556**	**-**	**-**	**-**	**15 556**	*18 887*
TOTAL ASSETS	**28 656 290**	**50 622 415**	**18 302 495**	**86 205 493**	**183 786 693**	*138 800 000*
LIABILITIES						
Current liabilities						
Payables and accruals	141 317	8 319	153 176	1 604 346	1 907 158	*1 568 167*
Provision for reimbursement of contributions	-	25 000 000	-	-	25 000 000	-
Provision for compensation	-	11 756	84 578	-	96 334	*3 236 955*
Provision for employee benefits (Short term)	139 635	-	-	-	139 635	*110 681*
Prepaid contributions	114 773	-	71 576	670 449	856 798	*2 099 993*
Total current liabilities	**395 725**	**25 020 075**	**309 330**	**2 274 795**	**27 999 925**	*7 015 796*
Non-current liabilities						
Provision for contributions and interest on overdue contributions	78 754	-	264 331	297 338	640 423	-
Contributors' account	120 177	-	-	-	120 177	*178 055*
Staff Provident Fund	2 830 467	-	-	-	2 830 467	*2 530 554*
Provision for employee benefits (Long term)	256 354	-	-	-	256 354	*229 508*
Total non-current liabilities	**3 285 752**	**-**	**264 331**	**297 338**	**3 847 421**	*2 938 117*
TOTAL LIABILITIES	**3 681 477**	**25 020 075**	**573 661**	**2 572 133**	**31 847 346**	*9 953 913*
NET ASSETS	**24 974 813**	**25 602 340**	**17 728 834**	**83 633 360**	**151 939 347**	*128 846 087*
FUNDS' BALANCES						
Balance b/f: 1 January	24 974 554	45 585 017	19 795 253	38 491 263	128 846 087	*139 383 437*
Surplus/(Deficit) for the year	259	(19 982 677)	(2 066 419)	45 142 097	23 093 260	*(10 537 350)*
GENERAL FUND AND MAJOR CLAIMS FUNDS (MCFs) BALANCES	**24 974 813**	**25 602 340**	**17 728 834**	**83 633 360**	**151 939 347**	*128 846 087*

1992 Fund Statement of Financial Performance by segment

General and Major Claims Funds

For the financial period 1 January – 31 December 2011

	2011 General Fund	2011 *Erika* MCF	2011 *Prestige* MCF	2011 *Hebei Spirit* MCF	2011 TOTAL	*2010 TOTAL*
REVENUE	£	£	£	£	£	*£*
Contributions	3 745 019	-	16 702	48 875 903	52 637 624	*772 335*
Contributions-in-kind	381 200	-	-	-	381 200	*381 200*
Interest on investments	377 529	706 753	217 321	1 626 010	2 927 613	*1 304 312*
Income from hedging instrument	-	-	-	-	-	*29 307*
Other revenue	308 256	2 176 597	5 648	67 086	2 557 587	*395 780*
Total revenue	4 812 004	2 883 350	239 671	50 568 999	58 504 024	*2 882 934*
EXPENSES						
Compensation claims paid	-	-	*107 197*	-	*107 197*	*82 437*
Movement in provision for compensation	-	*(3 061 657)*	*(78 964)*	-	*(3 140 621)*	*(331 273)*
Total compensation claims	-	(3 061 657)	28 233	-	(3 033 424)	*(248 836)*
Claims related expenses	229 204	477 944	1 593 529	4 879 651	7 180 328	*9 051 504*
Reimbursement of joint costs from P&I Clubs	-	-	(92 062)	(5 359)	(97 421)	*(134 288)*
Finance cost from hedging instrument	-	-	-	-	-	*30 709*
Staff and other personnel costs	2 600 450	-	-	-	2 600 450	*2 344 001*
Other administrative costs	1 896 454	-	-	-	1 896 454	*1 759 616*
Depreciation and amortisation	6 599	-	-	-	6 599	*2 780*
Currency exchange differences	284	449 740	512 059	255 272	1 217 355	*614 798*
Provision for contributions and interest on overdue contributions	78 754	-	264 331	297 338	640 423	-
Provision for reimbursement of contributions	-	25 000 000	-	-	25 000 000	-
Total expenses	4 811 745	22 866 027	2 306 090	5 426 902	35 410 764	*13 420 284*
SURPLUS/(DEFICIT) FOR THE YEAR	**259**	**(19 982 677)**	**(2 066 419)**	**45 142 097**	**23 093 260**	*(10 537 350)*

Supplementary Fund Statement of Financial Position

As at 31 December 2011

	2011	*2010*
ASSETS	£	£
Current assets		
Cash and cash equivalents	1 049 518	*1 087 465*
Other receivables	433	*1 836*
Total current assets	**1 049 951**	*1 089 301*
TOTAL ASSETS	**1 049 951**	*1 089 301*
NET ASSETS	**1 049 951**	*1 089 301*
FUND BALANCE		
Balance b/f: 1 January	1 089 301	*1 133 702*
Surplus/(deficit)	(39 350)	*(44 401)*
GENERAL FUND BALANCE	**1 049 951**	*1 089 301*

Supplementary Fund Statement of Financial Performance

For the financial period 1 January – 31 December 2011

	2011	*2010*
REVENUE	£	*£*
Interest on investments	20 250	*11 699*
Total revenue	20 250	*11 699*
EXPENSES		
Other administrative costs	59 600	*56 100*
Total expenses	59 600	*56 100*
DEFICIT FOR THE YEAR	**(39 350)**	*(44 401)*

1971 Fund Statement of Financial Position by segment

As at 31 December 2011

	2011 General Fund	2011 *Nissos Amorgos* MCF	2011 *Vistabella* MCF	2011 TOTAL	*2010 TOTAL*
ASSETS	£	£	£	£	£
Current assets					
Cash and cash equivalents	3 737 959	2 182 693	13 078	5 933 730	*7 451 115*
Contributions receivable	300 499	2 720	7 150	310 369	*310 369*
Other receivables	449 760	10 126	3 011	462 897	*455 335*
Total current assets	**4 488 218**	**2 195 539**	**23 239**	**6 706 996**	*8 216 819*
TOTAL ASSETS	**4 488 218**	**2 195 539**	**23 239**	**6 706 996**	*8 216 819*
LIABILITIES					
Current liabilities					
Payables and accruals	57 422	4 840	-	62 262	*25 630*
Total current liabilities	**57 422**	**4 840**	**-**	**62 262**	*25 630*
Non-current liabilities					
Provision for contributions and interest on overdue contributions	726 900	4 061	12 804	743 765	*640 149*
Contributors' account	410 889	-	-	410 889	*437 577*
Total non-current liabilities	**1 137 789**	**4 061**	**12 804**	**1 154 654**	*1 077 726*
TOTAL LIABILITIES	**1 195 211**	**8 901**	**12 804**	**1 216 916**	*1 103 356*
NET ASSETS	**3 293 007**	**2 186 638**	**10 435**	**5 490 080**	*7 113 463*
FUNDS' BALANCES					
Balance b/f: 1 January	3 795 861	3 302 454	15 148	7 113 463	*7 438 822*
Deficit for the year	(502 854)	(1 115 816)	(4 713)	(1 623 383)	*(325 359)*
GENERAL FUND AND MAJOR CLAIMS FUNDS (MCFs) BALANCES	**3 293 007**	**2 186 638**	**10 435**	**5 490 080**	*7 113 463*

1971 Fund Statement of Financial Performance by segment

General and Major Claims Funds

For the financial period 1 January – 31 December 2011

	2011 General Fund	2011 *Nissos Amorgos* MCF	2011 *Vistabella* MCF	2011 TOTAL	*2010 TOTAL*
REVENUE	£	£	£	£	*£*
Contributions	-	-	-	-	*6 680*
Interest on investments	45 124	30 080	170	75 374	*56 948*
Other revenue	7 505	68	179	7 752	*8 152*
Total Revenue	52 629	30 148	349	83 126	*71 780*
EXPENSES					
Compensation/Indemnification	-	1 110 225	-	1 110 225	-
Claims related expenses	162 136	31 678	1 309	195 123	*154 948*
Administrative costs	297 545	-	-	297 545	*235 300*
Provision for contributions and interest on overdue contributions	95 802	4 061	3 753	103 616	*6 891*
Total Expenses	555 483	1 145 964	5 062	1 706 509	*397 139*
DEFICIT FOR THE YEAR	**(502 854)**	**(1 115 816)**	**(4 713)**	**(1 623 383)**	*(325 359)*

Key Financial Figures for 2012

1992 Fund Key Financial Figures for 2012 (unaudited)

Revenue and Expenditure figures rounded and subject to audit by the External Auditor
(Prepared under IPSAS – accrual based accounting)

Revenue (£)	2012
Contributions due in 2012:	
General Fund	3 500 000
Prestige Major Claims Fund	8 500 000
Hebei Spirit Major Claims Fund	31 500 000
Other Revenue:	
Interest on investments	2 970 000
Management fee payable by 1971 Fund	255 000
Management fee payable by Supplementary Fund	59 500
Hebei Spirit settlement received from P&I Club ($5 million)	3 137 500
Total Revenue	**49 922 000**

Administrative Costs (£)	2012
Joint Secretariat	
Budget (excluding External Auditor's fees for respective IOPC Funds)	4 607 510
Expenditure (excluding External Auditor's fees for respective IOPC Funds)	3 772 000
External Auditor's fees in respect of 1992 Fund	48 500

Claims Expenditure (£)	2012	2012	2012
Incident	Compensation	Claims-related expenditure	Total
Erika	*20 500*	*157 800*	*178 300*
Received from P&I Club re. *Erika*[7]	*(27 800)*	*(926 500)*	*(954 300)*
	(7 300)	(768 700)	(776 000)
Prestige (including interim reimbursement of £55 800 from the P&I Club for joint costs)	-	1 281 500	1 281 500
Volgoneft 139	-	118 500	118 500
Hebei Spirit	-	3 603 500	3 603 500
Other incidents	-	149 700	149 700
Total Claims Expenditure	**(7 300)**	**4 384 500**	**4 377 200**

[7] *Erika* compensation payable by P&I Club to meet its obligation in accordance with CLC limit plus interim reimbursement of claims-related expenditure from the P&I Club for joint costs.

Supplementary Fund Key Financial Figures for 2012 (unaudited)

Revenue and Expenditure figures rounded and subject to audit by the External Auditor
(Prepared under IPSAS – accrual based accounting)

Revenue (£)	2012
Contributions due in 2012	-
Other revenue:	
Interest on investments	12 690
Total Revenue	**12 690**

Expenditure (£)	2012
Administrative Costs:	
Management fee payable to 1992 Fund	59 500
External Auditor's fees	3 600

1971 Fund Key Financial Figures for 2012 (unaudited)

Revenue and Expenditure figures rounded and subject to audit by the External Auditor
(Prepared under IPSAS – accrual based accounting)

Revenue (£)	2012
Contributions due in 2012	-
Other revenue:	
Interest on investments	57 000
Total Revenue	**57 000**

Administrative Costs (£)	2012
Management fee payable to 1992 Fund	255 000
External Audit	10 300

Claims Expenditure (£)	2012	2012
Incident	Compensation/ Indemnification	Claims-related expenditure
Iliad		13 700
Vistabella		13 500
Nissos Amorgos		3 600
Plate Princess		111 000
Aegean Sea		34 400
Total Claims Expenditure	**-**	**176 200**

Acknowledgements

Photographs

Cover & Page 1	IOPC Funds
Pages 2, 3, 12-15, 22-23, 26-34	You Inspire Photography
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Map

Pages 4 & 5	IOPC Funds

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Notes

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