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Floating storage of oil cargoes



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Due to a combination of circumstances there is now a worldwide shortage of storage space ashore for both unrefined and refined oil products of all types. As such there is a now growing demand for oil tankers to be used as floating storage.

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Potential issues to consider

Owners who receive requests to use their vessel for floating storage should give consideration to the following issues which may arise:

- Degradation of the cargo in long term storage, this can be due to a number of factors such as gum formation, bacterial growth, instability of the cargo, settlement of sediments, stratification of component ingredients, etc. It is advisable at the pre-fixture stage, or if already on charter as soon as voyage instructions are received to carry out a thorough risk assessment to ensure that the vessel is designed and capable of storing the cargo for the periods required without any change in specifications that may result in the cargo being rejected by receivers. From a Club cover perspective, it is worth noting that Club cover could potentially be prejudiced where it is evident that the vessel was not fit to carry and store the cargo on board. It is therefore advisable that Members adequately protect themselves either with an indemnity from Charterers or additional cover where possible.
- Requests from charterers to mix additives, conditioners into the cargo(es) should be properly investigated to ensure that no deterioration occurs as a result of the same. Any such requests should always be recorded in writing and an indemnity sought from the charterers for any liabilities arising from their request. Any such operation should also comply with all relevant SOLAS regulations and we would recommend using the INTERTANKO Cargo Additive Clause*.
- Cargo leeching into cargo tank coatings with adverse effects. Paint manufacturers should be consulted and guarantees sought where possible before agreeing to carry cargoes for prolonged periods to avoid off-spec claims, and to preserve a right of recourse against paint manufacturers, if possible.
- Cargo loss due to evaporation, leaks, etc. Some product cargoes are known to have inherent qualities such that the cargo evaporates over a period of time resulting in cargo shortages. It is recommended that Members consider this and allow for any shortages by incorporating a customary allowance in the CP and an indemnity from Charterers for any claims by a third party for losses within the agreed allowance.
- Extra costs incurred due to heating/circulation of cargo, port dues, supply / generation of fresh water, supply of provisions at remote locations etc.
- Maintenance of safe anchorage position.

Precautionary measures.

The following precautionary measures should be considered:

- Prior to loading and/or discharge a qualified surveyor shall inspect and issue a cleanliness certificate for all tanks / piping and certify that they are fully compatible with the intended cargo(es).
- Any contamination to be verified by a chemist's analysis. Such chemist to be agreed upon by all parties
- Allocation of any survey costs to be agreed prior to loading
- Cargo quantities to be determined by pre-agreed independent surveyors
- Anchor cable should be ranged at regular intervals to prevent excessive wear.

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We would recommend that the Charter party incorporates appropriate protective clauses – Members may wish to use the BIMCO" Storage Clause in Clause 21 in BPTIME 3 as a starting point. The clause is simple and provides charterers the option to use the ship for floating storage within agreed geographical limits.

Additionally, we would recommend, as a minimum, that owners incorporate:

- BIMCO Hull Fouling Clause for Time Charter Parties to avoid potential disputes about the ship's subsequent performance and allocate responsibility for costs for hull cleaning.
- Any agreement to use the ship for floating storage purposes should be limited in duration (number of days) depending on the characteristics of the cargo being stored.
- Members may also wish to consider obtaining an indemnity from Charterers for loss, damage or delay due to storage exceeding the agreed number of days.
- Bill of lading Clause making it sufficiently clear that any Bill of Lading (negotiable / non-negotiable) will be endorsed with the words: "Cargo(es) loaded on (insert date) stored on board. Carrier makes no representation regarding the quality or quantity of the cargo on board".
- Ensure that any contract for carriage and/or storage of the cargo stipulates that such carriage or storage is subject to the Hague-Visby Rules.

The above is intended as a precis of common issues that may arise and is not intended to be a comprehensive listing of issues that may arise. If Members have any specific queries, they should contact their underwriter or the loss prevention department.

Members are reminded that there is no cover in respect of liabilities which would not have been payable by the Member if the contract of carriage had incorporated the Hague Rules, the Hague-Visby Rules, or similar rights, immunities and limitations in favour of the Carrier.

Find a guide issued by BIMCO in this matter here.

*INTERTANKO Cargo Additive Clause is available to INTERTANKO members only.

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