

CIRCULAR

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TO MEMBERS OF THE ASSOCIATION

Dear Member:

PANAMA CANAL SHIPBOARD OIL POLLUTION EMERGENCY PLANS (PCSOPEPs)

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

As a result of comments made by a range of industry organizations, the PCSOPEP requirements have been revised several times since the initial advisory. In particular, the ACP in its Advisory No. A-25-2004 indicated that it would be acting as the sole oil spill removal organization (OSRO), funded by charging a transiting fee to relevant vessels.

In addition, a previous requirement for a Qualified Individual (QI) has been replaced by a requirement for an Authorized Person (AP), who must be domiciled in Panama, be fluent in Spanish or English and be responsible for liaising with the ACP in the provision and lodging of guarantees to the satisfaction of the ACP for spill response and clean-up actions when an incident occurs. The transit fees were subsequently advised in ACP's Advisory No. A-50-2004.

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

Plan writing

Owners of vessels affected by the new regulations must submit a PCSOPEP to the ACP for review and approval. The ACP will offer PCSOPEP verification services free of charge.

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

Several US and local spill management firms have indicated that they will offer plan writing maintenance services. They have also offered to assume the role of Authorized Person (see below).



Authorized Person (AP)

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

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

Guarantee requirements

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

The Advisories issued by ACP on the PCSOPEP can be found on the following web page:

<http://www.pan canal.com/common/maritime/advisories/>.

Yours faithfully

A handwritten signature in black ink, reading "Joseph E.M. Hughes". The signature is written in a cursive style with a large, sweeping initial "J".

Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB