

## THE OWNERS' OBLIGATION TO OBTAIN AND MAINTAIN OIL MAJOR APPROVALS

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## IMPORTANCE OF OIL MAJOR APPROVALS

- Effect of high profile casualties.
- Programmes of inspections by oil companies.
- Serious consequences of failure to obtain or maintain approvals.

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## Some Typical Charterparty Clauses

### Intertanko's voyage charter vetting clause

- (a) To the best of the Owner's knowledge:
- (i) At the date of this charter there is a SIRE report on the vessel which has been registered in the revised SIRE register.
  - (ii) The Vessel has not been rejected or refused by any Charterer since the inspection leading to the said SIRE report.
- (b) A Vessel Particulars Questionnaire ("VPQ") under the revised SIRE system has been lodged and is up to date at the date of this charter

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### Intertanko's Timecharter Vetting Clause

Main Points

To the best of Owners' knowledge there is

- A Sire Report and the Vessel has not been rejected by any Charterer since the SIRE inspection
- If the Vessel is rejected by Sub-Charterer or terminal Owners will arrange a further inspection as soon as reasonably practicable
- Should the Charterers require other vetting inspections any loss of time, deviation costs and inspection fees are for the Charterers' account
- A failed vetting inspection is not of itself reason to put the vessel off-hire or make a claim.

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### Voyage Charter Approval Clause

To best of Owner's knowledge vessel approved by the following oil companies' technical vetting departments:

- BP .....May 2004
- EXXON MOBIL .....May 2004
- CONOCO .....No v 2003
- TEF ..... Aug 2003
- STATOIL .....Oct 2003
- REPSOL ..... Apr 2004
- CHEVTEX .....Nov 2003

Charterers should note that said approvals may or may not be invalidated by other departments within the same company and that such acts are beyond Owners' control and responsibility.

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### The SEAFLOWER Charterparty Oct. 20, 1997

Vessel is presently MOBIL (expiring....) CONOCO (expiring....) BP (expiring....) AND SHELL (expiring....) acceptable. Owners guarantee to obtain within 60 days (sixty) days' EXXON approval in addition to present approvals. .... If for any reason, Owners would lose even one of such acceptances they must advise Charterers at once and they must reinstate same within 30 (thirty) days from such occurrence failing which Charterers will be at liberty to cancel Charterparty.

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**The SEAFLOWER**

- Charterparty dated Oct. 20, 1997 contained an approval clause guaranteeing Exxon approval and maintenance of previously held approvals.
- Owners fail to obtain approval and Charterers terminate for breach of condition.

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**Seaflower  
Aikens J. High Court**

- Approval by oil majors is an aspect of the condition of the vessel, like class.
- Only one of 5 majors approvals missing.
- No express right to terminate for failure to obtain Exxon approval.
- Commercial sense is against the obligation being a condition.

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**Seaflower**

**CA**

- Owners "guaranteed" to get the Exxon approval within 60 days.
- Lack of precise language meant that failure to provide for termination if Exxon approval not obtained - not determinative.
- Seaworthiness and class not analogous with oil major's approval.
- Exxon approval is a condition.

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**Important commercial considerations**

**CA**

- The desirability of achieving as great a degree of certainty in the framing of the respective rights and obligations as possible.
- The importance to the Charterer that the Owner should be under some obligation to ensure that the approvals of the major oil companies are maintained throughout the period of the Charter.

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**Recommendations for owners**

- Precise, exact language.
- Ensure guarantees and warranties precisely defined.
- Include in your Charterparty a clause catering for the possibility a company will decline to schedule an inspection.
- Include a provision obliging Charterers to assist with vetting matters

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