

Tanker Chartering & Documentation

31 October - 6 November 2020
Madingley Hall • Cambridge

Organised by



Cambridge Academy of Transport

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Cambridge Academy of Transport

Registration Form

TANKER CHARTERING & DOCUMENTATION

31 OCTOBER – 6 NOVEMBER 2020

To register, please complete this form and send it by fax or email to Tulika Singh at the number given below.

PARTICIPANT 1: Title _____	First name(s) _____
Family name _____	
Company position _____	
PARTICIPANT 2: Title _____	First name(s) _____
Family name _____	
Company position _____	
PARTICIPANT 3: Title _____	First name(s) _____
Family name _____	
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Enclosed is a cheque Please invoice my Company I wish to pay by Credit Card (details below)

Seminar Fees: The fee of **£4,500** includes UK Value Added Tax, tuition, accommodation, all meals, documentation and a full social programme. Payment can be made by cheque, bankers draft or inter-bank transfer. Cheques should be made payable to Cambridge Academy of Transport in Sterling drawn on a Bank in the United Kingdom. Our Bank details are:

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Return this form to:

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Course Programme

Tanker Chartering & Documentation
31 October - 6 November 2020
Madingley Hall • Cambridge

Course Leader

Captain Philip Wood • Executive Director • Trade and Transport Limited • London • UK

INTRODUCTION

Saturday
31 October

Course Preview & Introductions

During this session, a preview of the course will be given highlighting the objectives of each section and providing the rationale to the structure.

Session 1
1445-1515

Tanker Chartering Development

The session will open with a brief review of the history and development of the tanker industry. This will develop into an examination of the various types and sizes of vessels, the pattern of trade and the division of ownership between oil companies and the independent owners. The lecturer will then consider the various types of charterers and comments on how shipowners and charterers come together in the market leading up to a fixture.

Time will be spent on how a fixture is concluded, with specific reference to the main terms of an initial offer, what is a firm offer, counter-offer options: accept/except or decline and re-offer and finally a few words on “subjects”.

Session 2
1515-1615 & 1630-1730

Basic Principles of Negotiating

This session provides some basic concepts to negotiation in the tanker business which will be applied during the session that follows.

Session 3
1730-1745

Shock Negotiation

During this first of several workshops, participants will be given an opportunity to practise their negotiating skills on a typical chartering exercise. Some of the problems which emerge will be looked at in more detail in a later session.

Session 4
1745-1830

Tour of Madingley Hall

1830

WORKING THE MARKET

Sunday
1 November

The Worldscale System

The Worldscale system of quoting freight rates is unique to the tanker market, having developed from earlier post-war methods of presenting freight rates. One of the objectives of the system is to allow charterers the option to quote for business without being specific about the ports - for example, to describe a shipment as Arabian Gulf - West rather than Ras Tanura - Rotterdam. This built-in flexibility of the Worldscale System, however, does have some hazards for the

Session 5
0830-0930

uninitiated. This session will look at the System and reveal some of the traps awaiting the unsuspecting user.

Session 6
0930-1000

Worldscale Exercise

During the previous session, the speaker would have explained the methodology of using the Worldscale. While historically, chartering personnel would have turned to the Worldscale book which is updated and printed annually, it is common practice today to use the online version of Worldscale to access rates and any applicable differentials. This session will resort to the long-hand, manual version of Worldscale by using the book to look up the rates for a number of increasingly more complex voyage pairs. Along-the-way, Suez and Rotterdam Fixed Differentials will be calculated for the vessel being used for the exercise.

Session 7
1015-1115

What is "The Market"?

"What is a market?" may seem an unnecessary question to ask in a course such as this. However, if the workings of the tanker market are to be studied, it is as well to be sure what is meant by the word "market".

In its simplest sense, the dictionary defines a market as "a gathering of people for purchase and sale of goods; building used for this purpose; demand (for commodity or service); place or group providing such demand". Of course, most of us think of a street market when this word is used and, to some extent, shipping markets are very similar. Shipping markets, however, are rather more sophisticated and this complicates the workings of the tanker market in particular.

Tanker fixtures are not negotiated on any Exchange and one may well ask "where, then, is the market". The answer must be that it is fragmented around the world but that the people involved are brought together by modern communications. This session will examine the factors that make up the tanker market, who are the people involved, what role each performs and, indeed, why such a market is needed at all?

Session 8
1115-1200

Case Study: Introduction and Parts B & C

The case study will parallel the main lecture programme and deal on a practical basis with negotiation, voyage estimating, recapitulation email/fax/telex, drawing up charter parties and post fixture laytime determination. This session will be used to familiarise participants with the case study scenario and to set the first task to be undertaken on the next day.?

FREE AFTERNOON

Session 9
1715-1815

Charterer's Operational Criteria

Knowing your customers' needs is a requirement that attaches to most businesses, and in the international markets it is easier said than done. Oil charterers have become particularly selective with the threat of oil pollution always a consideration. Assuming, however, that there is a pool of quality tonnage from which to choose, what other characteristics of the vessel and its operation would distinguish one owner's offered ship from another. Amongst the features considered during this session will be:

- physical dimensions of the tanker
- tonnage specifications
- ship capacity: volume versus tonnage
- underkeel clearance
- air draft
- manifold airdraft
- bow to centre manifold distance

- double hull configurations
- COW and IGS systems
- slop capability
- number of segregations
- performance criteria for time charter vessels

Session 10
1815-1915

Voyage Estimating Principles

In order for shipowners to achieve their determined earnings requirement, it is crucial that each voyage must be analysed for cost effectiveness and profitable return.

This session will go through such a calculation step by step and show how the final result is achieved thereby expanding on the use of Worldscale. Voyage estimating is indispensable for shipping professionals involved in the market, and the principles apply equally well to all trades. Even cargo interests should know how to do a voyage estimate as they may well find themselves as disponent owners sub-chartering a vessel out in the spot trades.

Monday
2 November

Session 11
0815-0915

Quality Assurance & Safe Tankers: A Natural Marriage

Considerable effort is put into promoting tanker safety, often through industry associations. The Oil Companies International Marine Forum promotes continuous improvement in standards of design and operation of oil tankers and terminals. The Society of International Gas Tanker and Terminal Operators has a similar role for liquefied gas.

Before delving into the intricacies of shipping standards and quality assurance however, it is important to understand who is actually responsible for maritime safety. The session will therefore expand on the different players in the industry with interest in or responsibility for safety and quality. Fortunately, the majority of the world tanker fleet is safely operated, but a significant minority is not. That is why major oil companies have systems for assessing ship quality assurance, a small part of which will be reviewed here.

Session 12
0930-1045

A View of the Tanker Market

Uncertainty is fundamental to shipping markets - as with commodities, currencies, and life itself. A shipowner's biggest challenge has always been the future, and increasingly charterers need to respond to the prospect of there no longer being a surplus of tonnage in every loading area awaiting their next order to be offered on the market. This implied tightening of the supply-side, it can be argued, goes against conventional wisdom, as whenever there has been a demand-led improvement in freight rates, the supply of tonnage has increased because of new orders, deferred vessel scrapping and an overall increase in the industry's productivity.

After demand for the commodity carried, the amount of tonnage being delivered from shipyards and the size of the orderbook have the greatest influence on short term freight rate expectations. Therefore any attempt to determine what is happening in the tanker market must start with an examination of the next three to five years. After coming to a conclusion about the short/medium term, it is then possible to roll these assumptions forward and take a view about the longer term.

Ultimately shipping demand is a derived demand - meeting the requirements of the charterers or shippers over which a shipowner has virtually no influence. An oil tanker typically takes two years between ordering and delivery, and has a trading life of about 25 years - realistically less in the modern era. This represents a considerable financial commitment which is usually reliant upon skilled commercial support as well as seafarers to ensure the venture is successful. The achievement

of this objective is set against an uncertain market - the scope of which will be examined in this session.

Session 13
1100-1200

Negotiating Charter Parties

One of the most difficult tasks any broker or chartering manager undertakes is negotiating a fixture. The various markets have unique characteristics which lead to phrases and terminology which would only apply in these trades. Therefore anyone involved in fixing ships needs to be not only familiar with the relevant market terminology but also knowledgeable in the practice of the trade. During this session, participants will hear how to negotiate a fixture in the liquid-bulk trades and thus become more familiar with the "jargon" which abounds in the world of chartering. In this respect, the composition and validity of a firm offer will be explained.

LNG & LPG MARKETS

Session 14
1200-1315

Anatomy of the LNG Vessel Operations

LNG ships are amongst the most expensive of ships, surpassed only by cruise vessels. Today LNG movements far outweigh those in the LPG trade and account for a major portion of shipping's specialised business. The purpose of this session is to give participants an understanding of the main developments in the LNG trades, focussing on:

- the LNG activity chain
- what makes LNG so special: physics, engineering and economics
- oil and gas prices and their associated transportation costs
- ship types especially the containment systems and propulsion options
- trade patterns
- operational considerations
- asset and ship management with special interest on the safety, costs and reliability.

Session 15
1415-1515

Chartering in the Liquefied Petroleum Gas (LPG) Markets

It was not until the early 1960's that the transportation of liquefied gases began to grow significantly, and mostly it was the class of gas known as LPG – liquefied petroleum gas - which accounted for the bulk of the movements. Methane, or natural gas, posed great problems in the design of a system of transportation as the critical temperature for liquefaction is significantly lower than that for LPG.

This second of the two sessions on the gases which are moved as liquids in the international deep-sea trades will examine the LPG market. Topics considered will be:

- some definitions to unravel the often confusing terminology when it comes to the natural gas liquid business
- what is LPG as encountered in its use for domestic purposes versus that which is transported at sea
- the different gases moved as liquids in the deep-sea gas trades
- design of vessels to carry these gases and their special transport features
- how the gases are used in the energy and petrochemical trades
- who are the players
- what is the state of the current market

THE LAW

Session 16 1530-1700

Bills of Lading

The bill of lading is a most important and much misunderstood document that accompanies many shipments. On the one hand, it serves as a receipt for the goods loaded on board ship; it is also a document of title; and in the hands of a receiver not party to the original charter party it may be a contract of carriage. Such a wide range of attributes is a recipe for trouble, and bills of lading lead to numerous disputes.

How the typical bill of lading functions under various charter party forms will be reviewed, and the most frequently encountered problems discussed. In the oil trades, masters are frequently asked to discharge cargo without an original bill of lading being presented. The implication of this to the shipowner, and the way to protect his interests, will be developed during this session.

Session 17 1715-1830

Voyage Charterparties

The purpose of this lecture and the later one dealing with time charter parties is to establish the fundamental principles of various charter party forms, laying the foundation for chartering practices in the liquid bulk markets. Using Asbatankvoy for the voyage charter party and Shelltime for the time charter party, the main clauses of voyage and time charters will be reviewed. Amongst many other important items, the lecturer will cover: vessel/cargo description, safe ports, tendering of notices, payment of freight, liens on cargo, laytime and demurrage.

**Tuesday
3 November**

Session 18 0830-1000

Time Charterparties

Following on from the introduction to voyage charter parties presented earlier, this session will consider the time charter party, showing the division of responsibilities between owner and charterer. Recent legal decisions impacting on the meaning of specific clauses will be reviewed, included amongst which will be clauses dealing with: the carrying voyage and the "master's responsibility"; hire, withdrawal, and anti-technicality; speed and consumption; and performance generally.

CHARTERING PRACTICE

Session 19 1015-1130

Special Clauses Used in the Oil Trades

Once the owner's broker has decided that he is interested in a particular piece of business he will draw up a firm offer which will contain the main elements of any tanker charter party, many of which will have been discussed in an earlier session such as: description of ship, cargo size/description, load/discharge ports/ranges, speed, demurrage, freight rate and many others.

It is a fact of life in the market today that many charterers have their own preferred clauses which are very difficult to alter. These clauses in the main deal with aspects of chartering and operation which are peculiar to the tanker trades. In this session some of the clauses which are encountered will be examined, including:

- War Risk insurance
- Additional premium
- Freight payment
- Cleaning
- Load on top
- Freight on slops
- Clean ballast
- Black list
- Commencement of laytime

- Conoco Weather Clause
- Subjects

Session 20
1145-1300

Case Study: Negotiating (Part C)

The first interactive section of the course Case Study begins with individuals assuming the role of either charterer's broker or owner's broker. The object of this session is to secure a number of three-year time charters. Each broker will be given a set of authorities (by their hypothetical principals) and asked to arrange suitable time charters within the authority limits.

Session 21
1400-1515

Case Study: Review of Part C Results

The time charters negotiated in the previous session will be reviewed and the lecturers will offer comments as appropriate.

Session 22
1530-1645

Practical Examples of Voyage Estimating for Tankers

A number of examples will be presented illustrating the principles introduced in the preceding sessions.

Session 23
1700-1800

Case Study: Parts D & E: Voyage Estimating

Having secured vessels on a three year time charter, participants will now be seeking short term voyage employment for the vessels for which they will now serve as the disponent owners. To compare a number of possible voyages, the participants either individually or in small teams will be asked to carry out a number of voyage estimates.

Wednesday
4 November

Session 24
0830-0945

Voyage Estimating Tutorial

Part E of the Case Study continues and the lecturers will be on hand to help as needed.

Session 25
1000-1145

Case Study: Part E Reviewed

The results of the voyage estimates will be analysed and the most suitable voyage will be selected for the negotiation which will be undertaken in the next session selection of one of the alternatives will be made

Session 26
1200-1330

Case Study: Parts:F-M

Having decided which of the several voyage opportunities should be negotiated, the stages of this negotiation will now be carried out as a group exercise in a series of offers and counter-offers.

FREE AFTERNOON

POST FIXTURE

Thursday
5 November

Session 27
0830-1000

Laytime & Demurrage Principles

Perhaps the most contentious aspect of chartering lies in the determination of laytime and consequently demurrage. Disputes over what appears to be these "additional" payments are not too surprising; however, what is surprising is the volume of litigation associated with laytime disputes.

This session will discuss the general principles of laytime, and the basis of making a claim for demurrage. The items which will be addressed during the session are:

1. What is laytime and how does demurrage arise.
2. Who pays demurrage.
3. How are laytime and demurrage specified in a tanker charter party.
4. When does laytime start, when does it finish, what time counts as laytime and what time is excluded.
5. A comparison of "berth" and "port" charter parties.
6. An explanation of laydays and the laydays/cancelling clause.
7. The "Laura Prima" case and the current legal position of the "berth reachable on arrival" commitment by charterers.
8. Pumping Warranties.

Session 28**1015-1145****Case Study: Parts N & O – Laytime Exercise**

It is now assumed that the voyage charter successfully negotiated and agreed in the previous Case Study session will have been performed. Time sheets for the loading and discharging operations will be handed out and the lecturer will guide participants through the calculation of the demurrage due (if any).

Session 29**1200-1315****P&I Clubs: Their Role in Oil Cargo Claims**

Over the last 10 years, the level of third party claims against shipowners has increased significantly with personal injury, wreck removal and cargo claims accounting for a significant share of claims paid. This session will give a brief introduction to the world of P&I insurance and how the P&I Clubs structure their business. The role of the International Group of P&I Clubs in providing the mechanism whereby Clubs have built a solid reinsurance platform for the payment of large claims will be explained.

Session 30**1400-1515****Cargo Claims Assessment: The Role of the Inspector**

The successful prosecution or defence of a cargo claim is directly determined by the quality of the evidence presented. At the time a voyage commences, everyone hopes that a claim will not arise. To minimise this risk, the cargo must be surveyed with ullages, temperature, vessel draft and many other characteristics being noted. What a cargo surveyor does and his role in the loading and discharging sequences will be the topic of this session during which the following will be considered:

- What is oil?
- What are its peculiarities that make it so special that we want it and so different that it poses many problems in the transportation chain?
- What are the implications of the above two points when it comes to chartering?
- What should be the instructions given to a cargo surveyor when inspecting the vessel and her cargo of oil?
- In the event of an oil spill, how is it that a surveyor can identify the vessel which has caused the pollution.
- Most importantly, when a cargo claim arises, how does the P&I Club become involved and what actions must be taken to protect the interests of everyone involved in the adventure.

Session 31**1530-1645****Forward Freight Agreements (FFAs)**

Shipowners face many different types of risk ranging from the financial to the operational - the most obvious of which is total loss of the ship. This extreme risk is covered by hull and machinery insurance. Many other types of operational risk are covered by P&I insurance (third-party liability insurance) and having quality systems in place to minimise the likelihood of an incident.

Financial risks take a number of forms such as should the investment be for a newbuilding or second-hand; what currency is used for the transaction; what

happens if the interest on a loan is "floating". The most difficult of the financial risks – the freight market - have been difficult to cover or "hedge" until recently. In the past, owners have attempted to smooth out the risks by using particular forms of contractual arrangements such as time charters or contracts of affreightment. But such contracts are often not available for the period desired or from acceptable counterparties when they are available at all. New techniques of hedging freight price risk are becoming more widely used and may provide an important tool for tanker ship owners and charterers in the future.

This session will consider the shipowners risk exposure and elaborate on the following:

- the types of risk that shipowners constantly face
- freight hedging instruments including the FFA market using OTC (over the counter) transactions, cleared or not cleared

To help in understanding how these tools can be applied in the day-to-day running of a shipping or freighting company, several practical examples will be provided.

ENVIRONMENTAL ISSUES

Friday

6 November

Session 32

0900-1045

Operational Practices in Terminals

Loading and discharging of tankers is far more complex than similar activities for the dry-bulk fleet. Most countries impose a regime on tanker arrivals (and departures) that require vessels to submit detailed plans and documents directly concerned with safety matters. In addition, the terminals require notice of a vessels arrival which will then trigger a range of additional information to flow between the ship and the shore.

Discharging and loading of ballast tanks brings its own complications to tanker operation, as do crude oil washing and inert gas systems. When finally at the terminal, the chief officer and the terminal representative must agree on many points, such as what cargo information is required, the shore facilities to be used, communications channels, safety and pollution prevention procedures to name but a few main headings.

While it may not be necessary for the chartering manager of an owner or charterer to be familiar with the operational practices in port, knowledge of the basic procedures will help to understand the inclusion or exclusion of specific clauses in the charter party which deal directly with vessel management.

Regulatory Issues Determining the Future of the Tanker Business

Session 33

1100-1145

The number of major oil spills around the globe has decreased dramatically during the last two decades. Nevertheless, incidents continue to occur even if the aggregate amount of oil spilled has reduced. Certain of the incidents in the past have been "high-profile" cases which have caught the attention of the Western press and led to major changes in the regulations and their implementation schedules.

Public scrutiny inevitably brings with it the interest of politicians, whether this be for genuine environmental concerns or for opportunistic purposes – the reasons are not important. The pressure on the tanker industry to change is therefore very great and often brings with it legislative strictures such as the implementation of new IMO regulations.

Protection of the environment takes its lead from the Marpol Convention (on the prevention of maritime pollution). But what happens when a spillage (large or small) occurs? Who takes responsibility for managing the casualty? What mechanism exists for the compensation of the parties affected by the spill? The session will include an analysis of the Civil Liability Convention (CLC) and the International Oil Pollution Compensation Fund Convention (the Fund Convention).

As the safety record of tankers has improved, other types of IMO generated legislation have become a more important factor in determining the trading environment and life of a tanker. Some of the more significant developments in this regard will be highlighted such as ballast water management, emissions timetables and EEDI (the energy efficiency design index) against which any newbuilding must be measured.

The Future

Session 34
1145-1200

Programme subject to change