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| LEGAL COMMITTEE  104th session  Agenda item 3 | LEG 104/3  24 January 2017  Original: ENGLISH |

**FACILITATION OF THE ENTRY INTO FORCE AND HARMONIZED INTERPRETATION OF THE HNS PROTOCOL, 2010**

**Report of the HNS Correspondence Group**

**Submitted by Canada**

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| **SUMMARY** | |
| *Executive summary:* | This document provides a report to the Legal Committee of the work of the HNS Correspondence Group. |
| *Strategic direction:* | 2 |
| *High-level action:* | 2.0.1 |
| *Output:* | 2.0.1.4 |
| *Action to be taken:* | Paragraph 20 |
| *Related documents:* | LEG 101/3, LEG 101/12, LEG 102/3, LEG 102/3/1, LEG 102/12, LEG 103/3, LEG 103/3/1, LEG 103/3/2 and LEG 103/14 |

**Introduction**

1 At its 101st session, the Legal Committee considered and agreed to reconstitute an HNS Correspondence Group (see paragraphs 3.6-3.7 of document LEG 101/12). The Legal Committee also agreed that Canada would coordinate the Correspondence Group. At its 102nd session, the Legal Committee agreed to extend its mandate and added three specific items to its Terms of Reference. The Correspondence Group worked on these items and the Coordinator presented a report at the Legal Committee’s 103rd session. The Committee was informed of the publication of the brochure “The HNS Convention: Why it is Needed” and agreed to further extend the Correspondence Group’s mandate until its next session with revised terms of reference

2 The revised terms of reference for the HNS Correspondence Group are as follows (see Annex 2 of document LEG 103/14):

1. to develop three specific items:

.1 presentation on HNS Incident Scenarios (PowerPoint) for approval by the Committee

.2 draft resolution on implementation and entry into force of the 2010 HNS Protocol; and

.3 programme for a workshop for consideration by the Committee.

1. to report to the 104th session of the Legal Committee.

3 Following the previous session of the Legal Committee, the Correspondence Group considered all three items in its mandate above and this report includes its recommendations to the Legal Committee. The members of the Correspondence Group are listed in Annex 1.

**Presentation on HNS Incident Scenarios**

4 At the 103rd session of the Legal Committee, an outline of the proposed HNS Incident Scenarios presentation was presented in document LEG 103/3/1 and subsequently endorsed by the Committee. The presentation is intended to be a further resource for authorities in IMO Member States as well as the industry and is complementary to the brochure “The HNS Convention: Why it is Needed”.

5 The HNS Incident Scenarios presentation provides some of the key information on the 2010 HNS Convention, namely:

* What is the convention and what it covers;
* What does “damage” mean within the context of the convention;
* The potential impacts associated with HNS incidents;
* The compensation available under the convention;
* The benefits of the convention; and,
* Next steps for states and contact information for assistance on implementation.

6 The main feature of the presentation is to present several HNS incident scenarios that were outlined in document LEG 103/3/1. It is important to note that the scenarios have used information from historic HNS incidents, but are not necessarily reflective of any specific incident with regard to the claims quantum or categories of claim. Some of the data are used for illustrative purposed only. Furthermore, the value of the Special Drawing Right referred to in the 2010 HNS Convention has been converted into United States Dollar for ease of reference.

7 In the development of the incident scenarios, officers and experts in various organizations (IMO, International Oil Pollution Compensation Funds (IOPC Funds), International Tanker Owners Pollution Federation (ITOPF), and International Group of Protection and Indemnity Associations (P& Clubs)) were consulted specifically on the potential impacts of the incident scenarios in terms of types of particular situations (how the incident could unfold), HNS risks (impacts of a particular substance when spilled) and consequences (impacts of the incident and resulting damage and claims). Each incident scenario lists the types of impacts and category of claims with hypothetical estimated costs. The scenarios also compare the amended limits of liability comparing those under the *International Convention on the Limitation of Liability for Maritime Claims, 1976 (LLMC 1976) as amended by the LLMC Protocol, 1996* with those under the 2010 HNS Convention for both the shipowner (first tier) and the HNS Fund (second tier). A distinction was made for claims of death and personal injury and other claims including clean-up and preventive measures. This comparison may be helpful as the total available compensation is often one of the driving factors behind the consideration whether to adopt the 2010 HNS Convention.

8 A total of four incident scenarios are included in the presentation, namely:

* A general cargo ship carrying sodium and other toxic and corrosive substances suffers structural failure in bad weather;
* A container ship carrying explosive and toxic substances in packaged form collides with another ship;
* A chemical tanker carrying flammable, explosive, toxic and corrosive substances collides with another ship; and,
* A liquefied petroleum gas (LPG) tanker carrying a cargo of LPG suffers a mechanical failure and drifts to shore near a populated area.

9 The HNS Correspondence Group reviewed the draft presentation and made some modifications to clarify certain points. On was to clarify that the 2010 HNS Convention applies to both persistent and non-persistent oils. Another was how to present the available compensation under the Convention and specifically the graph on slide 15. The final version of the presentation is attached at Annex 2 of this document.

10 Should the Legal Committee approve the HNS Incident Scenarios presentation, it will be made widely available in three languages (English, French and Spanish) on the 2010 HNS Convention’s website ([www.hnsconvention.org](http://www.hnsconvention.org)) as well as from the IMO and IOPC Funds websites similar to the brochure.

**Draft Resolution on the Implementation and Entry into Force of the 2010 HNS Protocol**

11 It is recalled that at the 103rd session of the Legal Committee, document LEG 103/3/2 proposed the main aims and objectives of a draft resolution on the implementation and entry into force of the 2010 HNS Protocol. The Legal Committee agreed in principle with the draft resolution and that it would encourage Member States to consider implementation and ratification/accession of the 2010 HNS Protocol in a timely manner. It is important to note that the draft resolution refers to the 2010 HNS Protocol as opposed to the 2010 HNS Convention as the Protocol is the instrument that Member States would ratify or accede to. The Legal Committee also agreed that the draft resolution should not refer to a target entry into force date nor should it refer to ratification or accession to the 2010 HNS Protocol by groups of Member States.

12 The HNS Correspondence Group considered an initial draft resolution and provided the following views, which were broadly accepted:

* the operative paragraphs should not refer to certain types of Member States, namely those with significant registered tonnage or volume of contributing cargo that would contribute to meeting the entry into force requirements;
* the first operative paragraph should urge Member States to “consider” implementing and ratifying or acceding to the Protocol;
* a reference be made to the work of the HNS Correspondence Group as well as the resolving of the delegation of insurance certificates as examples of work that contributed to facilitate the implementation of the Protocol.

On this last point, some members of the Correspondence Group requested that the relevant paragraph be kept in square brackets given that the Legal Committee will be considering a separate resolution put forward by the coordinator (France) of the Correspondence Group on the delegation of authority to issue insurance certificates under the 1992 Civil Liability Convention and the 2010 HNS Convention (see document LEG 104/X).

13 One member of the Correspondence Group expressed concerns with the fifth paragraph that recognizes the importance of states to coordinate their implementation, if possible as well as with the first operative paragraph which should not refer to a timeframe. Other members of the Correspondence Group, however, felt that it was important to maintain a reference to the coordination of the implementation of the 2010 HNS Protocol and that was inevitable given its economic and practical implications. It was also felt that the first operative paragraph should refer to consideration of the implementation and ratification or accession to the Protocol be done “in a timely manner” as this does not impose any specific timeframe.

14 The Legal Committee is invited to consider the draft resolution at Annex 3 of this document and take note of those paragraphs with square brackets.

**Programme for a Workshop**

15 At its 103rd session, the Legal Committee considered a proposal by the HNS Correspondence Group that it develop a draft programme for a potential workshop on the 2010 HNS Convention for consideration by the Committee. This workshop would be one in a series of past workshops held by IMO, the IOPC Funds and Member States to facilitate the implementation and entry into force of the convention. The Correspondence Group was reminded the most recent such workshops, who’s results were reported to the Legal Committee, namely the one sponsored by the Government of Italy in Rome in October 2014 (document LEG 102/3/2) and the one sponsored by the Government of Canada in Montréal in March 2016 (document LEG 103/3/3).

16 The Correspondence Group considered the following issues related to a possible workshop: content, length, timing, and possible speakers/presenters.

17 With regards to the issues of content, it was generally agreed that although the workshop needed to provide the necessary background information in order to set the right context, its main objective should be to focus on practical issues raised by states implementing the 2010 HNS Convention. These issues are mainly linked to the reporting of contributing cargo that need to be in place prior to a state being able to ratify or accede to the Convention. There was also a general consensus that there be time allocated in the programme for discussions on HNS incidents and risks. Specifically, it was agreed that there be information provided by shipping industry experts and from those involved in responding to HNS incidents and the resulting claims from an actual case (i.e. from a P&I Club). Thus, the draft programme for the potential workshop has been structured in such a way that it would allow for this relevant information to be provided to participants and to maximize interaction. The draft programme is included at Annex 4 of this document.

18 The Correspondence Group also considered the issues of the length and timing of the potential workshop. These two issues are connected as the timing of the workshop would likely determine its length. There was a general agreement that holding this workshop in conjunction with a relevant international meeting, such as the Legal Committee or the IOPC Funds, would maximize participation from interested states and industry representatives. There was also a general agreement that the length of the workshop be one day. Several members of the Correspondence Group expressed their wish to see the workshop take place in 2017, however, it was doubtful that this could be done the same week as the IOPC Funds meeting the week of October 23, 2017 given the need to reserve all five days for the business of the Funds. Should the workshop take place in 2017, one option would be to hold the workshop the week prior or following the IOPC Funds October meetings in London. Another option would be to hold it at a separate time and it be hosted by a state or the IMO and/or the IOPC Funds, in which case it could be two days in length. Alternatively, the workshop could take place in 2018 prior of after 105th session of the Legal Committee or the spring session of the IOPC Funds depending whether or not those two sessions are held during the same week again in 2018.

**Conclusions**

19 The HNS Correspondence Group, re-established at the 101st session of the Legal Committee, has been a valuable and timely forum for Member States and industry representatives to work towards the ultimate goal of bringing the 2010 HNS Convention into force. The contributions by its members have allowed the Correspondence Group to demonstrate tangible and useful results, particularly with the publication of the brochure, the finalization of the presentation, draft resolution and workshop programme. The Correspondence Group has completed all work items in its mandate and it is recommended that the Legal Committee close the Correspondence Group at this time unless the Legal Committee require it to further develop any specific item, then its mandate could be extended until the Committee’s next session. The Coordinator of the Correspondence Group wishes to thank all of its members as well as the assistance of the IMO Legal Affairs and External Relations Division and the IOPC Funds Secretariat.

Action requested of the Legal Committee

20 The Legal Committee is invited to:

.1 take note of the information contained in this document;

.2 consider and approve the draft HNS Incident Scenarios presentation at Annex 2;

.3 consider and approve the draft Resolution on the Implementation and Entry into Force of the 2010 HNS Protocol at Annex 3;

.4 consider and approve the draft programme for a workshop on the 2010 HNS Convention at Annex 4 and decide on its timing and length; and,

.5 decide whether or not to close the HNS Correspondence Group.

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**ANNEX 1**

**List of participants to the HNS Convention correspondence group**

**Member States**

Argentina

Australia

Belgium

Brazil

Canada

Chile

China

Cyprus

Denmark

Estonia

Finland

France

Germany

Greece

Grenada

India

Iran (Islamic Republic of)

Israel

Italy

Japan

Kenya

Latvia

Luxembourg

Malaysia

Malta

Marshall Islands

Netherlands

New Zealand

Norway

Peru

Philippines

Poland

Qatar

Republic of Korea

Singapore

Spain

Sweden

Turkey

United Kingdom

United States

**Associate Member:**

Faroe Islands

**Intergovernmental organizations (IGO):**

European Commission (EC)

International Oil Pollution Compensation Funds (IOPC Funds)

**Non-governmental organizations (NGO):**

BIMCO

Iberoamerican Institute of Maritime Law (IIDM)

International Group of Protection and Indemnity Associations (P & I Clubs)

International Chamber of Shipping (ICS)

International Tanker Owners Pollution Federation Ltd. (ITOPF)

World LP Gas Association (WLPGA)

**ANNEX 2**

**DRAFT HNS INCIDENT SCENARIOS PRESENTATION**

**ANNEX 3**

**DRAFT - [LEGAL COMMITTEE] [ASSEMBLY] RESOLUTION ON THE IMPLEMENTATION AND ENTRY INTO FORCE OF THE 2010 HAZARDOUS AND NOXIOUS SUBSTANCES PROTOCOL**

THE [LEGAL COMMITTEE] [ASSEMBLY],

NOTING with concern that the Protocol of 2010 to the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, 1996 (HNS Protocol) has not yet entered into force,

RECOGNIZING the dangers posed by the world-wide carriage by sea of hazardous and noxious substances (HNS) and the need to ensure that adequate, prompt and effective compensation is available to persons who suffer damage caused by incidents in connection with such carriage,

BEING AWARE that the transport of HNS by sea facilitates global trade, however HNS incidents may happen where consequences can be significant and costly to individuals as well as to coastal States,

CONSIDERING that the entry into force of the HNS Protocol would result in filling a critical gap in the global regulatory framework of liability and compensation and that eight States are already signatories to the HNS Protocol but that at [.. April 2017], no State has yet become party to it,

RECOGNIZING the importance for States to coordinate if possible their implementation,

CONSCIOUS that the ultimate effectiveness and application of any instrument depends, *inter alia*, upon the support of all States:

1. to become a Party to the instrument,
2. to promote widespread ratification,
3. to implement it fully and effectively and ensure compliance,

[ALSO WELCOMES the work of the HNS Correspondence Group to facilitate the

HNS Protocol’s implementation as well as adoption by the Legal Committee of the resolution on the delegation of authority to issue insurance certificates required under the 1992 Civil Liability Convention and HNS Protocol as important elements in resolving outstanding issues of implementation;]

1. CALLS ON States to consider ratifying, or acceding to, the HNS Protocol and implement it in a timely manner;

2. URGES all States to work together towards the implementation and entry into force of the HNS Protocol by sharing best practices, and in resolving any practical difficulties in setting up the new regime;

3. ENCOURAGES States to work with industry to assist in the implementation process by using the tools that are made available on identifying receivers, contributing cargo and other relevant information; and

4. [RECOMMENDS that the Legal Committee, specifically address the progress made and practical issues encountered in facilitating the acceptance and implementation of the HNS Protocol when reporting to the Assembly.]

**ANNEX 4**

**DRAFT PROGRAMME FOR A WORKSHOP ON THE 2010 HNS CONVENTION**

**Session 1 – An Introduction to the HNS Convention**

* A brief history of the HNS Convention
* An overview of its main features, including its two tiers of compensation
* A comparison of the HNS Convention to other regimes

Potential Speakers: IMO and IOPC Funds

**Session 2 – HNS Incidents: Risks and Claims**

* The risks posed by shipping HNS
* Types of losses and damage that could result from an HNS incident
* Experience of an actual HNS incidents (P&I Clubs)

Potential Speakers: Shipping industry expert, ITOPF and P&I Clubs

**Session 3 – The HNS Reporting System**

* Reporting requirements in the HNS Convention
* The HNS Finder – how best to use it
* The Guidelines on Reporting HNS

Potential Speakers: IOPC Funds

**Session 4 – Panel of States that have implemented the HNS Convention**

* How to best approach consultations with stakeholders
* Developing national legislation and reporting regulations
* Key points for decision-makers
* Creating a reporting system and the actual collection of reports

Potential Panellists: States that are collecting reports such as Canada, Denmark and Norway

**Session 5 – Interactive Session on Implementation of the HNS Convention**

* A more hands on session where participants and others can share experiences, best practices and pose questions on practical issues they are facing in the implementation of the HNS Convention