

## **TANKER CHARTERING – Group Two Syllabus**

*N.B.. Students will be expected to be able to draw simple plans of main vessel types and identify main characteristics and dimensions.*

### **SHIPS AND CARGOES**

Understand the basic procedures involved in the extraction of crude oil, of oil refining and its products and by products. Be aware of a simple refining model showing the differences between crude oils and products.

Thoroughly understand the basic constructional details and approximate tonnages and dimensions of vessels employed in the tanker trades.

Thoroughly understand the terminology of measuring ships including dimensions, actual tonnages – deadweight (dwat & dwcc), displacement (total & light); pseudo tonnages – NT & GT.

Understand the information that is contained in Capacity and General Arrangement plans.

Understand vessel systems: Pumps, Pipelines, Manifolds, Cargo Heating (coils/heat exchangers), Crude Oil Washing (COW), Inert Gas Systems (IGS), Segregated Ballast Tanks (SBT), Double Hulls.

Thoroughly understand the nature of crude oil, its characteristics and the vessels used for its carriage - VLCC, ULCC, OBO, O/O, Suezmax, Aframax and their pumping systems.

Thoroughly understand the nature of the main petroleum products and their characteristics and the use of product carriers. Be aware of special requirements for dirty cargoes (heating) and light clean cargoes (high standards of cleanliness in tanks and pipes). Understand the nature of chemical cargoes and special vessel requirements including tank coatings and IMO Certification. Be aware of the problems of compatibility of grades and coatings.

Understand the commercial requirement for parcel cargoes and specialist role of parcel carriers.

Thoroughly understand the difference between liquid natural gas (LNG) and liquid petroleum gas (LPG). Be aware of vessels used, cargo tank types; pressure, semi-refrigerated and refrigerated and typical size ranges.

Understand the requirements for the carriage of vegetable oils and juice, and wine and the vessels used.

Thoroughly understand the critical importance of ship classification; the importance of oil company vetting inspections, questionnaires and oil company acceptability.

### **THE TRADES**

Thoroughly understand the essential geography of the tanker trades and the cyclical nature of the oil markets.

Understand the impact of seasonal climate, weather and physical restrictions.

Understand where the main oil producing areas are located their comparative importance and the main routes for crude oil.

Understand the location of production areas, refineries, pipelines and oil terminals and the routes used for the movement of products, chemicals and gas cargoes.

Understand the structure of and typical locations of offshore loading and discharging facilities and customary abbreviations (SBM, SPM, FSO, FPSO)

Thoroughly understand the implications for the tanker trades and the practical effects of environmental protection and pollution liability legislation including MARPOL, USA OPA and EU legislation.

## **FREIGHT MARKETS**

Thoroughly understand the role of the different market practitioners; Charterers, Shipowners, Operators, Oil Companies, State Companies and Trading Companies.

Understand the structure of the international tanker chartering market and the relative importance of the major market centres.

Thoroughly understand the role of the Broker and its relationship to the principals as an agent.

Be aware of the tendency for only one broker to be involved in tanker chartering.

Understand the advantages and disadvantages of different methods of communications.

Understand the structure and content of market reports and market indices.

Thoroughly understand the nature and impact of external factors affecting the market including natural catastrophes, environmental, aid programmes, political crises and the role of OPEC

Understand the role and function of international organisations relevant to the tanker trades especially International Maritime Organisation (IMO), Worldscale, Oil Companies International Maritime Forum (OCIMF), Intertanko, International Tanker Operators Pollution Fund (ITOPF).

Thoroughly understand the impact of e-commerce on market practice, its advantages and disadvantages. Be aware of the main alternative electronic solutions available to brokers.

## **CONTRACTS**

Thoroughly understand the basic format and purpose and content of those main clauses common to all Charter Party forms.

Thoroughly understand the differences between the structure and purpose of voyage and time charters

Understand the reasons for the use of standard forms of voyage and time charter parties and their suitability to different trades including a working knowledge of the content of commonly used standard forms including: voyage charters – ASBATANKVOY, SHELLVOY 5 and Time Charters – SHELLTIME 4, ASBATIME

Thoroughly understand the importance and proper use of additional clauses and addenda and be able to draft simple specimen clauses. Be aware of the common standard oil company additional clauses.

Understand the individual rights responsibilities and liabilities of owners, charterers and brokers which arise under the charter party.

Understand the use of consecutive voyage contracts and contracts of affreightment and be aware of the particular terminology required.

Understand the concept of Bareboat chartering and be aware of the main charter party terms.

## **BILL OF LADING**

Thoroughly understand the role of the bill of lading in charter parties and in particular the liabilities of the shipowner to the bill of lading holder.

Thoroughly understand the requirements regarding delivery of cargo against bills of lading.

Understand the problems arising from the non production of originals at discharge ports and practical solutions including the use of letters of indemnity.

Understand the particular problems for owners arising from bills of lading under time charters and the potential special problems of freight prepaid bills.

## **CHARTERING MARKET PRACTICE**

Thoroughly understand the details required to quote a new order and the procedure of negotiations.

Understand all the customary abbreviations used during negotiation.

Understand the process of offer, rejection and new offer (counter offer, accept/except) and acceptance.

Thoroughly understand the details to be included in offers for both voyage and time charters and be able to draft a firm offer.

Understand what “subjects” are, be able to identify some common examples of subjects and explain how they are lifted. Understand at which point the ship and cargo are “fully fixed”.

Understand the role of the post fixture department and be able to identify and explain its functions.

Thoroughly understand the legal, tactical and ethical requirements of the market and the avoidance of conflicts between them.

Thoroughly understand the brokers responsibility to the principal and the circumstances under which breach of warranty of authority (with and without negligence) might arise. Be aware of the consequent penalties.

Understand the importance of professional negligence and indemnity insurance for brokers and be aware of the cover provided.

Be aware of the remedies available to the broker in the event of the principal defaulting on its obligations.

## **THE FINANCIAL ELEMENTS OF CHARTER PARTIES**

Thoroughly understand the various ways in which freight and hire calculations (rate per day or per dwt/month) are made and the time when payment is due. Thoroughly understand that reasons for and calculation of additional payments due under charter parties and the appropriate clauses: for Voyage Charters – deadfreight, demurrage, damages for detention and freight taxes; for Time charters – payment for bunkers, ballast bonuses.

Understand the importance of clauses in time charters relating to late hire payment and the remedies available to the owner.

Understand the importance in time charters of performance claims and the nature of off-hire events.

Understand the arrangements for and relevant clauses regarding delivery, final voyage and re-delivery.

Thoroughly understand how commissions and brokerage are calculated and who is responsible for payment.

Understand the use of freight market derivatives as an hedging tool and be aware of the operation of the derivatives market.

## **LAYTIME**

Thoroughly understand the importance of the clarity of notice of readiness clauses and be able to draft a concise clause.

Understand the procedure for tendering a valid NOR and common problems relating to acceptance.

Understand the point at which laytime commences and the circumstances under which laytime may be interrupted; understand what time is excluded from laytime.

Understand the application of the pumping warranty.

Thoroughly understand the extent and nature of the information contained in the Statement of Facts and how the Laytime Statement is prepared. Be able to calculate the laytime used and demurrage earned from appropriate data.

Thoroughly understand the principle of “once on demurrage always in demurrage” and the rare exceptions.

Be aware of the strict time-bar exercised in tanker demurrage claims.

## **CALCULATIONS**

Thoroughly understand the structure of Worldscale and be conversant with its main features and use in calculating freight.

Be aware of the owners and disponent owners cost base.

Thoroughly understand the essential procedures used to create a voyage estimate and be able to make complete calculations from given data using Worldscale and money rates.

Be aware of the main variables including change of loadline zones, fresh water allowances, draft limitations (including draft calculation - tpi/tpcm).

Understand the techniques used and be able to make the calculations to compare alternative routes, alternative voyages, compare voyage with time charter, compare Worldscale, \$/tonne with lump sum rates and \$/day with DWT/month

Understand the reason for and means of calculation of Ballast Bonus in time charters.

## **GENERAL**

Thoroughly understand the charter party clauses for the resolution of disputes including the application of arbitration and jurisdiction clauses. Be aware of the Bimco Arbitration Clause.

Understand the roles of the commercial courts, arbitration and Alternative Dispute Resolution (ADR) in settling disputes and be aware of the differing procedures.

Understand the importance of shipowners' P&I Associations and their role in the context of cargo claims, be aware of the other sectors of owners P&I cover.

Understand the role of Intermediaries P&I Associations and, the classes of cover offered to brokers and agents.  
Be aware of the importance of keeping full and proper records to assist in dispute resolution.

*NB: No exemption is permitted from this subject.*