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# THE HNS CONVENTION WHY IT IS NEEDED

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Compensation for damage caused by hazardous  
and noxious substances transported by sea



IOPC Funds



# INTRODUCTION: A GLOBAL TRADE

The transport of hazardous and noxious substances (HNS) by sea is a vital trade. Chemicals and other products underpin many manufacturing processes and IMO regulations ensure their safe transport. However, incidents do happen and the HNS Convention is the last piece in the puzzle needed to ensure that those who have suffered damage have access to a comprehensive and international liability and compensation regime.

HNS covered by the Convention are defined by references to various IMO Conventions and Codes. These include: oils; other liquid substances defined as noxious or dangerous; liquefied gases; liquid substances with a flashpoint not exceeding 60°C; dangerous, hazardous and harmful materials and substances carried in packaged form or in containers; and solid bulk materials defined as possessing chemical hazards.

# HNS

> **2000**

Types of HNS regularly transported by sea

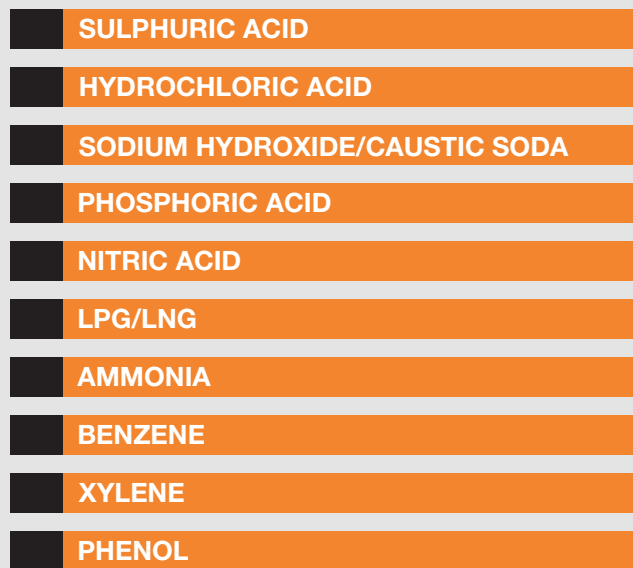
> **200**

MILLION TONNES

Chemicals traded annually by tankers



## TOP HNS SHIPPED BY SEA



Source: IMO (estimate)

## NUMBER OF SHIPS CARRYING HNS WORLDWIDE IS GROWING



### CONTAINER SHIPS CARRYING PACKAGED HNS:

2600 IN 2000

5000 IN 2015

Source: Equasis



### LNG TANKERS:

250 IN 2007

420 IN 2014

Source: GIIGNL



### CHEMICAL TANKERS:

3100 IN 2005

4070 IN 2014

Source: Equasis



### LPG TANKERS:

940 IN 2000

1250 IN 2014

Source: Clarksons

# SHIP-SOURCE HNS INCIDENTS



## POTENTIAL CONSEQUENCES OF HNS INCIDENTS

### HUMAN HEALTH AND SAFETY



Short-term and long-term health risks (e.g. toxic gas release, exposure to chemicals, etc.)

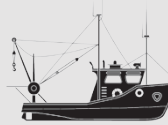


Death and personal injury (e.g. explosion)



Evacuation of local population

### ECONOMIC LOSSES



Impact on fisheries



Impact on tourism



Interruption of navigation and port traffic

### CLEAN UP COSTS AND IMPACTS ON THE ENVIRONMENT



Preventive measures to minimize damage



Impact on wildlife and toxicity towards marine species



Clean-up and removal costs



Restoration of sensitive habitats

# COMPENSATION: THE MISSING LINK



## PREVENTION

International regulations are in place covering:

- Ship design, operations and safety on board
- Safe transport of dangerous goods
- Safety of loading and unloading operations



## PREPAREDNESS & RESPONSE

International regulations are in place encouraging (or facilitating):

- Preparedness and response to shipping incidents, including HNS
- International or regional arrangements for pollution response



## LIABILITY & COMPENSATION

In the event of an HNS incident during transport by sea:

- No uniform and comprehensive international regime currently in force to provide compensation for costs, including clean-up and restoring the environment



# COMPENSATION AVAILABLE UNDER THE HNS CONVENTION

## Tier 1 – Shipowner

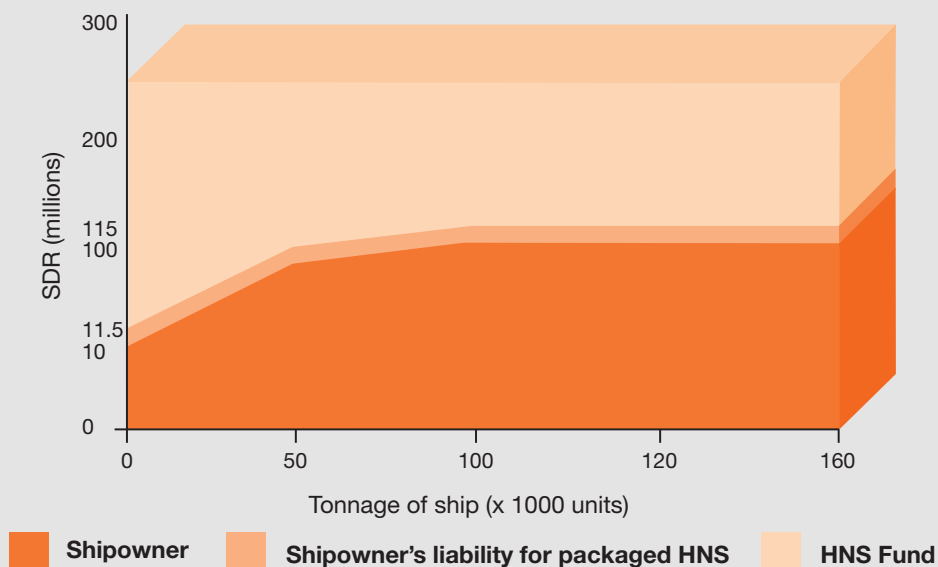
- First to pay and strictly liable for all costs up to a maximum limit, backed by compulsory insurance

**TOTAL COMPENSATION AVAILABLE: SDR 250 million\***

## Tier 2 – HNS Fund

- Pays compensation once shipowner's liability is exhausted
- Financed through contributions paid **post incident** by receivers of HNS
- No contributions by governments

## MAXIMUM LIMITS OF COMPENSATION

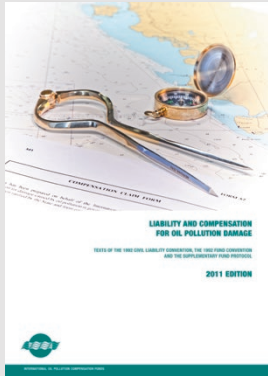


\* For the current exchange rates, consult the International Monetary Fund (IMF) website at [www.imf.org](http://www.imf.org)

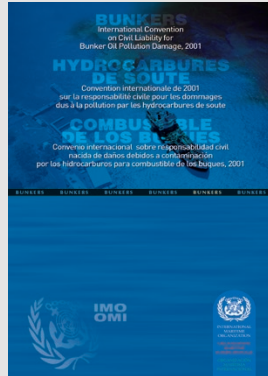
# COMPENSATION REGIMES IN FORCE

## INTERNATIONAL LIABILITY AND COMPENSATION REGIMES ARE IN PLACE FOR:

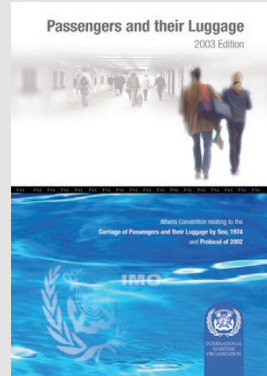
### OIL AS CARGO



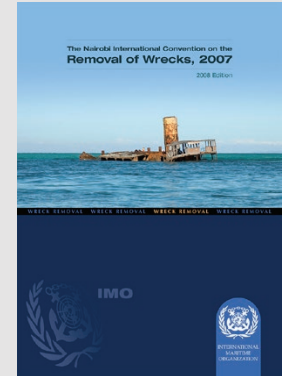
### BUNKER FUEL OIL



### PASSENGERS



### WRECK REMOVAL



## BUT, NO COMPREHENSIVE AND INTERNATIONAL REGIME IS IN PLACE FOR AN HNS INCIDENT.

# BENEFITS OF THE HNS CONVENTION

- The HNS Convention establishes that the polluter pays by ensuring that the shipping and HNS industries provide compensation for those who have suffered loss or damage resulting from an HNS incident.
- It is an international regime based on a well tested system of international conventions for compensation for oil spills from tankers.
- It provides a framework for States adopting the HNS Convention and it is directly administered by those States that are members of the regime.
- The HNS Convention benefits all State Parties (producing, receiving and coastal States) through a system of strict liability and clear claims criteria.
- The shipping, oil, gas, chemical, petrochemical and other HNS industries are committed to paying such compensation through an international system:
  - Shipowners are held strictly liable up to a maximum limit of liability for the cost of an HNS incident.
  - Shipowners are required to have insurance that is State certified. Claimants may take action directly against the insurer.
  - Receivers of bulk HNS cargoes contribute to an international compensation fund administered by States.
  - Contributions will be based on the actual need for compensation.
  - Up to SDR 250 million is available per incident.

## THE HNS CONVENTION IS NEEDED: WHY?

The transport of HNS by sea is a **GLOBAL TRADE**

**HNS INCIDENTS DO HAPPEN**

Potential **CONSEQUENCES** of HNS incidents can be **SIGNIFICANT AND COSTLY**

Comprehensive **INTERNATIONAL COMPENSATION** regime is **MISSING**

The HNS Convention is based on a **LONG-STANDING** and **SUCCESSFUL OIL POLLUTION** regime

*The HNS Convention can deliver a fair, adequate and universal system of compensation for HNS incidents.*

## NEXT STEPS FOR STATES: WHAT TO DO?

- **BE PROACTIVE** in ensuring adequate compensation is available in the event of an HNS incident
- **IMPLEMENT** the HNS Convention domestically by working with stakeholders and putting in place a reporting system
- **ACCEDE TO** the HNS Convention

*States are urged to become parties to the HNS Convention, bring it into force and ensure that this risk is covered internationally.*

## HOW TO DO IT?

- **FIND OUT MORE** and **VISIT [www.hnsconvention.org](http://www.hnsconvention.org)**
- **CONTACT** the IMO and IOPC Funds Secretariats

*Assistance from IMO and IOPC Funds is available to States and the industry for implementing the Convention nationally.*

[www.itopf.com](http://www.itopf.com)

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