



# LNG excessive boil-off

London, May 2018



# Excessive boil-off

Collisions  
Grounding  
Engine failure  
Fire  
etc...

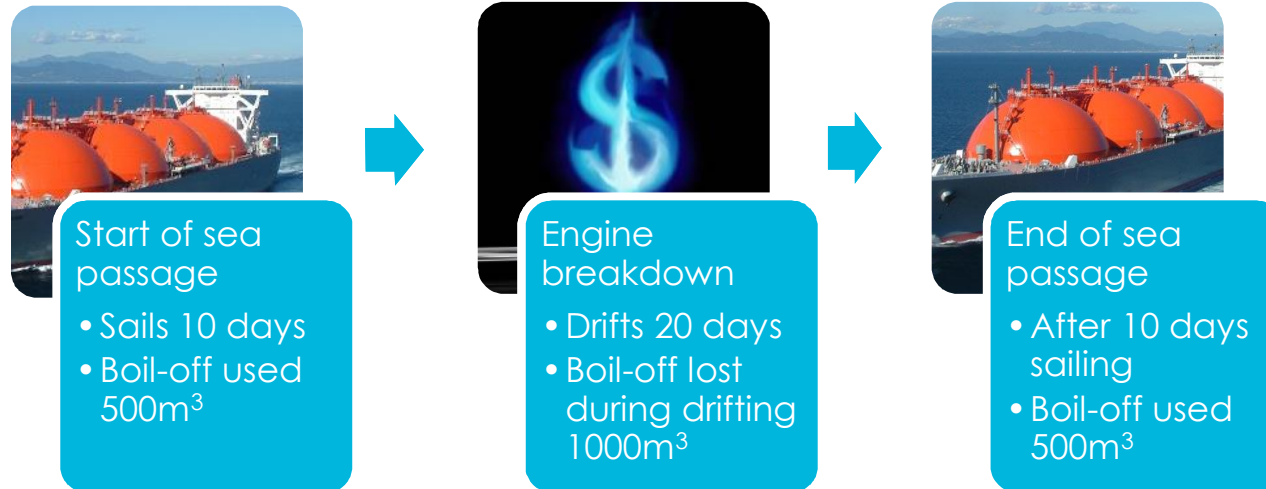


## LNG GA incident

- “ LNG fully laden enroute
- “ Encountered damage to both turbines on board
- “ Ship drifts/under tow for several weeks
- “ Significant Boil-Off lost to atmosphere – value some USD 2 million
- “ GA declared
- “ We will only focus on boil-off lost, not boil-off used as fuel this time

# LNG GA incident

## Timeline and boil-off



|   |                 |
|---|-----------------|
| Total boil-off during sea passage         | 2000 m3         |
| Boil-off cap in C/P (Box 27) is           | -1000 m3        |
| Owner pay charterers above cap (Cl. 23 d) | <b>=1000 m3</b> |

**Can owners claim for the lost boil-off?**

## Boil-off in GA?

GA?

- Can owners claim for boil-off lost in GA?

Advice

- The venting of the gas arises out of the **ordinary characteristics** of the cargo when subject to the **passage of time**. Such losses are clearly **excluded by Rule C**.

NO

- What next? Claim it as cargo loss similar to perishable goods?

## Claim for excessive boil-off

BIMCO LNGVOY / ShellNG Time 1 (2005)

- “ P&I covers loss of cargo –  
subject to terms  
**no less favourable  
than H/HV rules**  
(unless made mandatory by law)



- “ **LNGVOY Cl. 28. Protective Clauses**  
... shall ... form part of this **Charter Party** and **all bills of lading**  
**...shall contain the following** clauses:
- “ **A. General Paramount Clause ... ("the Hague-Visby Rules") ...  
shall apply to this Contract...**
- “ ShellNGTime Cl.39 –CLAUSE PARAMOUNT - Charterers shall procure incorporation of H/HV... to the B/L,  
Cl. 29 c)ii) Cargo claims shall be subject to H/HV

## The Challenge for BOIL-OFF...

BIMCO LNGVOY / ShellLNG Time 1 (2005)

- “ **LNGVOY Cl. 23. Boil-off of Cargo**
- “ (b) **Notwithstanding any provision to the contrary (including ...Clause 28A (General Clause Paramount)..., the Owners warrant that any boil-off ...shall not exceed the... “Boil-off Cap”, except ... Charters breach, detention, war risks etc...**
  
- “ (d) **Any Cargo boil-off in excess of the above warranties shall be paid for by Owners at the LNG Price**
  
- “ ShellLNGTime 1 – Cl.29 d) exempts application of H/HV from boil-off disputes & Cl. 8(d) of Appendix C – Charterers may deduct from hire the LNG price for excess boil-off which is for owners' account during off-hire periods

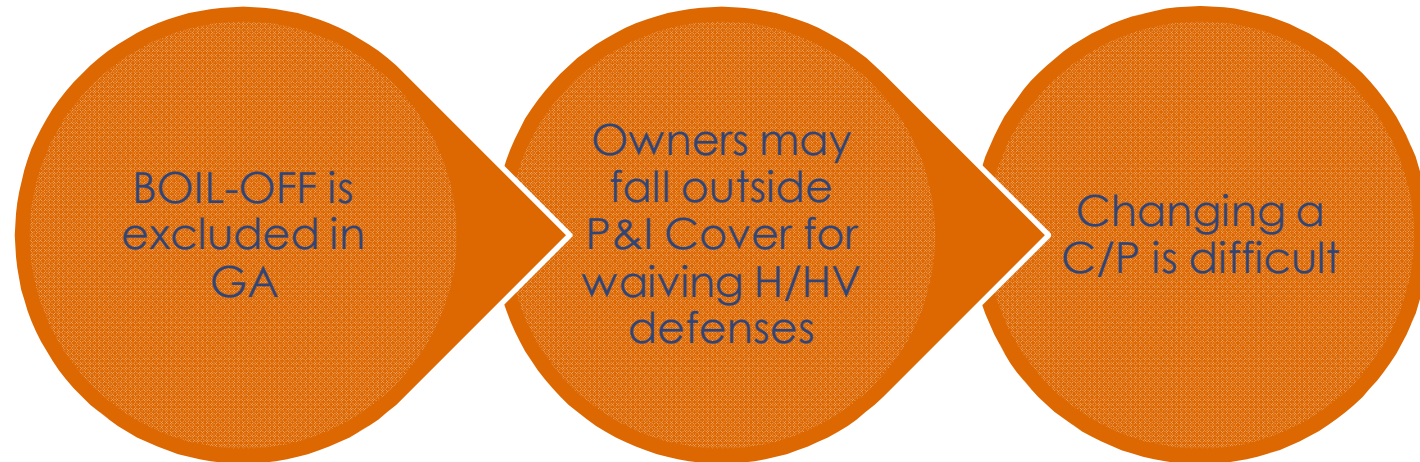
**....all H/HV defences are waived**

## LNGVOY

- 317 **23. Boil-off of Cargo**  
318 The Vessel shall be entitled to use as propulsive fuel all natural boil-off from the LNG being carried.  
319 Such boil-off shall be provided by the Charterers without cost to the Owners subject to the following:
- 320 (a) The Owners warrant that at all times the daily natural boil-off of Cargo shall not exceed the rate stated  
321 in Annex A (Gas Form B).
- 322 (b) Notwithstanding any provision to the contrary (including without limitation Clause 28A (General Clause  
323 Paramount) and Clause 26 (General Exceptions)), the Owners warrant that any boil-off of Cargo during  
324 the Sea Passage (whether natural or forced) shall not exceed the total amount of boil-off stated in Box  
325 27 ("the Boil-off Cap"), except that boil-off caused by any of the following shall not count towards the  
326 Boil-off Cap:
- 327 (i) Charterers' breach of this Charter Party;
- 328 (ii) any request by the Charterers to discharge the Cargo at a temperature different from the latest  
329 published Terminal Guidelines;
- 330 (iii) any delay due to the following: blocked or restricted channels; seizure or detention of the Vessel by  
331 piracy or war risks; blockade; strikes or lockouts; or
- 332 (iv) any additional boil-off caused if Charterers request, and the Owners agree, that the Vessel shall  
333 increase or decrease speed above or below any speed required by this Charter Party.
- 334 (c) The actual amount of boil-off during the Sea Passage shall be calculated by subtracting the volume of  
335 Cargo contained in the Vessel's tanks at gauging on completion of the Sea Passage at the Discharging  
336 Port from the volume of Cargo therein at gauging at the beginning of the Sea Passage at the Loading  
337 Port. For the purpose of this clause, the volume of Cargo shall be the volume of LNG at the relevant  
338 time minus the Heel.
- 339 (d) Any Cargo boil-off in excess of the above warranties shall be paid for by Owners at the LNG Price.



## Summary



**...GARD is considering solutions!**



**Thank you!**

Jannike Olsson, Senior Manager, Claims