

UK P&I CLUB



# LP Bulletin

Friday 2<sup>nd</sup> February 2016

## Bulletin 1079 - 02/16 - Letters of Comfort - Nigeria

**The Association has been aware of ongoing issues in Nigeria where the Nigerian National Petroleum Corporation (NNPC) is requiring Terminal Operators and shipowners to sign Letters of Comfort (LOC) when loading oil or gas cargoes in Nigeria.**

The issues surrounding these LOCs are complicated. For instance, the requirement is directed at “Off-takers” which arguably is restricted to exporters rather than Shipowners, but there is no definitive advice on that point. More importantly, the language of the LOC could affect contractual relationships and obligations between the various parties involved, e.g., the Terminal Operator, the Charterer, and the Shipowner.

If a Shipowner agrees to a Charterer’s request to issue a LOC, the Club suggest that a number of precautionary measures need to be followed. One measure would be to ask the Charterer to issue explicit written instructions to the Master for the issuance of the LOC so that it can be argued that such document has been issued pursuant to employment instructions. Charterers should also be asked to provide a Letter of Indemnity. Finally, if the Member has no choice but to issue an LOC, the Club recommends LOCs with less onerous terms should be issued. An example is set out below:

### **AMENDED NNPC TEMPLATE WORDING TO BE ISSUED BY OWNERS WHERE AGREED**

**(To be provided on letter headed paper by Off-takers, Shipowners or Terminal Operators for each lifting)**

QTE

In consideration of the engagement of **(name of vessel)** (the “vessel”) to load **(insert quantity)** of Crude Oil at the **(name of terminal)**, Nigeria, with laycan of **(insert dates)**, we **(name of owners)**, as owners of the vessel, hereby warrant that the vessel shall be utilized for the performance of the designated Crude Oil lifting and that we will exercise due diligence to ensure that the vessel, her master and crew will not knowingly be involved in any illegal activity whilst in Nigerian territorial waters.

UNQTE

If you have any questions, please do not hesitate to contact the Club to further discuss.

#### **Source of Information**

Loss Prevention

[lossprevention.ukclub@thomasmiller.com](mailto:lossprevention.ukclub@thomasmiller.com)