

Notes to GIIGNL LNG Voyage Charterparty

Introduction

These notes accompany the GIIGNL Voyage Charterparty form ("VCP") released on 16 May 2012.

The VCP is the first of its kind. The LNG industry has traditionally favoured transportation on time charter terms. However, there is an increased demand for spot or short-term trades which has fuelled the desire for a more voyage specific charter format.

Unlike traditional tanker cargoes, LNG has specific characteristics which require specific provisions in a voyage charterparty. These notes accompany the VCP Form and explain some of the more bespoke features.

Part I – Specific Terms & Conditions

B – LAYCAN

As is conventional in a voyage charter, the VCP includes an Expected Arrival Date. If the Owner anticipates a change to the Expected Arrival Date in excess of a pre-agreed number of hours, they are obliged to notify the Charterers of that change. The Owner is also obliged to notify the Charterer if it becomes aware that the Vessel will not arrive by the Cancelling Date as specified in Clause B. In those circumstances, the Charterer has an absolute right to cancel the Charterparty or to agree to a revised Laycan.

C – Loading Port and D – Discharging Port

We anticipate that, for the most part, the VCP will be used for voyages from and to specific, named ports. It is, of course, possible to nominate a range of ports. However, where a range of ports are nominated, there may be issues with compatibility of the Vessels' ship-shore connections.

Clauses C and D include a safe port warranty.

These clauses also include estimated dates of the departure from the Loading Port and arrival at the Discharging Port. This provision is expressly "for information only" and, therefore, does not create a binding obligation on either party. However, it was felt that it would be helpful, from a practical perspective, for the parties to express clearly the anticipated duration of the voyage.

E – Cargo

Obviously, LNG is the only permitted cargo.

Clause E also sets out whether the Vessel shall be entitled to compliment natural boil-off with forced boil-off. This will need to be agreed between the parties when the fixture is negotiated.

F – Tanks Condition

Clause F specifies the condition in which the tanks must be presented at the Loading Port. The parties may elect either to require that the Owner presents the Vessel with her cargo spaces in a cold and ready to load condition or under inert/natural gas atmosphere.

Where the Vessel is to present in a cold and ready to load condition, it will be necessary for her to have retained sufficient heel from its previous fixture. Where this option is chosen, the parties will also need to agree the number of hours for which the Vessel must be capable of maintaining such cold condition. This will be a matter of negotiation but will, necessarily, be based on the quantity of heel retained from the previous voyage. In the event that the Vessel is unable to maintain the required, cold condition for the specified period, the Charterer agrees to provide LNG for purging and/or cooling down. However, the cost of the LNG provided, and any time lost as a result will be for Owner's account.

Alternatively, the parties may agree the Vessel shall be presented under an inert or natural gas atmosphere. This will be the case where the Vessel has not retained any, or any sufficient, heel from its previous fixture. Where this option is chosen, the Charterer shall provide LNG for purging and cooling as necessary and the cost of such LNG shall be for the Charterer's account.

Clause F also specifies whether the Vessel shall be entitled to retain any pumpable liquid heel on completion of discharge. Clearly this will be desirable where the Owners wish to maintain tank conditions during a ballast voyage. Where the parties elect not to permit pumpable liquid heel to be retained on the Vessel, any non pumpable LNG remaining in the tanks is to be paid for by the Owner at the LNG compensation rate.

G – LNG Compensation

Under the terms of the VCP the Owner is obliged to compensate the Charterer for the use of LNG, such compensation shall be at the rate specified in this Clause. Clearly, this rate is a matter for commercial negotiation between the parties.

H – Freight

The VCP offers two options for the calculation of freight.

Both options provide that the Charterer will pay freight and, unlike traditional voyage charters, will provide LNG, in the form of natural boil off, to the Owner free of charge.

If Option one is chosen, no additional payments will be made by the Charterer in respect of any bunkers consumed during the voyage. As with a normal voyage charter, the cost of any bunkers consumed will be covered by the freight payable by the Charterer.

Option two offers an alternative method for calculating freight whereby the freight paid by the Charterer does not include the cost of any bunkers consumed during the voyage. Once the voyage is completed, the Owner will present an invoice in respect of the bunkers actually consumed during the voyage and this amount will be paid by the Charterer, in addition to the fixed freight payment.

J – Laytime and K – Demurrage

When fixing the permissible laytime, the parties will need to have in mind Clause F in order that sufficient allowance is made for any purging/cooling down operations which are necessary. Where the Vessel is to arrive in a cold and ready-to-load condition, the laytime period must correspond with the number of hours for which the Owner has warranted that the Vessels' tanks will remain in such cold and ready-to-load condition.

Further discussion of the laytime and demurrage regime can be found below in relation to Part II, section 3.

M – Boil-off

Clause M provides for two boil-off caps.

The first of these caps is a "total boil-off cap" which covers the period from dropping last outward pilot at the Loading Port until service of Notice of Readiness ("NOR") at the Discharge Port. Clearly, in the context of an LNG voyage, there is a risk (unlike a normal tanker charterparty), in that where the Vessel is delayed, the quantity of cargo will be depleted by reason of boil-off. There is, therefore, a risk that the Charterer will receive, at the Discharging Port, less cargo than it had anticipated. The total cap is included to limit the Charterer's exposure in this regard. When inserting the total boil-off cap, the parties will need to have regard to the anticipated duration of the voyage and the warranted boil-off rate. Where the Vessel is delayed such that the boil-off exceeds the total cap, the Owner shall be liable to compensate the Charterer for any used LNG, in excess of the total boil-off cap, at the LNG compensation rate specified in Clause G.

Where the Charterer instructs the Owner to force boil-off, such forced boil-off does not count towards the total boil-off cap.

Clause M also specifies a daily boil-off rate which applies at all times other than during sea-passage. This daily cap is intended to cover a situation where there is excessive boil-off, for example, between service of NOR at the Discharge Port and the commencement of discharge. Such period would not be covered by the total cap which applies only during sea-passage.

Part II – General Terms and Conditions

1 – Description and Condition of Vessel

The Owner's warranties as to the description and condition of the Vessel apply from the time that the Owner is obliged to proceed to the Loading Port. The Owner gives an absolute warranty with regard to the description and condition of the Vessel at the time its obligation to proceed to the Loading Port arises. The Owner also warrants that it will exercise due diligence to maintain the condition and description warranted for the duration of the charter period.

2 – Warranty – Voyage/Cargo

The Owner is required to prosecute the voyage with all convenient dispatch. This requirement will be familiar from traditional tanker voyage charter parties. In the case of the VCP, this requirement is re-enforced by the total boil-off cap.

3 – Notice of Readiness and Laytime

The Owner is obliged to give NOR at the Loading and Discharge Ports. By giving NOR, the Owner warrants that the Vessel's tanks are in the condition specified in Part 1, Clause F.

Laytime commences six hours after proper service of NOR. Laytime ends after dropping outward pilot at the Loading Port and upon disconnection of cargo hoses at the Discharging Port. As is normal with voyage charter parties, any delay in loading or discharging which is caused by the Vessel's condition, or breakdown of the Vessel's equipment, shall not count as used laytime.

At the Loading Port, NOR may not be served before the Commencement Date without prior approval of the Charterer. At the Discharging Port, NOR must be served within the unloading window unless the Charterer agrees otherwise. This requirement is not found in more traditional tanker voyage charterparty. However, given the limited capacity of some LNG terminals to discharge vessels, it was considered necessary for the Charterer to have an accurately defined unloading window so that arrangements can be made with the discharging terminal to ensure that a berth is available.

7 – Marine Surveyor

Provided that the Charterer has provided to the Owner prior to the fixture of the Vessel the criteria that shall be used for vetting purposes, the Charterer is entitled to appoint a Marine Surveyor in order to inspect the Vessel at any time prior to a commencement of loading. In the event that the Marine Surveyor gives a negative vetting recommendation, or in the event that the Marine Surveyor's report leads to a negative vetting recommendation by the Charterer, or any other competent authority, the Charterer is entitled to cancel the charterparty. In those circumstances, all freight and other charges paid will be refunded by the Owner and, if necessary, the Charterer will be entitled to claim damages in respect of any loss which it suffers.

17 – War risks and 18 – Piracy

These Clauses are based on the BIMCO War Risks and Piracy clauses. These are, in the main, Owner friendly clauses, however, the standard BIMCO wording has been slightly amended in order to produce a more balanced form.