

### Measure 33: Oil pollution damage compensation fund

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<p><i>Policy package:</i> <b>4D:</b> Safety, quality and the environment</p>
<p><i>Measure 33:</i> Oil pollution damage compensation fund: introduce a compensation system for victims of marine pollution.</p>
<p><i>What is the problem being addressed ?</i> The measure involves a decision that allows Member States to sign, ratify and accede to the Protocol of 2003 to the international convention on the establishment of an international fund for compensation for oil pollution damage. It furthermore also allows Austria and Luxemburg to accede to the underlying instruments (presently these two countries are not Contracting parties to the CLC). The funds will be supplied by the industry. The protocol referred to was adopted by the IMO in May 2003. The fund is a supplementary fund to compensates victims for damage when the normal compensation arrangements or normal liabilities are insufficient (e.g damages because of oil spills). The measure is a clear example of implementation of the “polluter-pays” principle: it intends to better internalize external costs. So the measure, in addition to hopefully improve safety at sea (by raising the price of accidents), could alternatively be viewed as a measure that strives to let market prices better reflect the real costs of transport. As such the measure will, by the price raising tendency, have a negative effect on the market share of maritime transport. In this sense, the measure contributes to reflect the full environmental costs in the price of transport, as required by the 6<sup>th</sup> Community Environment Action Programme.</p>
<p><i>Measure’s costs and/or benefits:</i> The measure has no cost consequences for the Community budget. The money for the fund will be supplied by the (world) industry/(world) tanker transport users. Maximum compensations from the fund will be limited to about USD 1000 million.</p>
<p><i>Legislative implementation at the EU level:</i> The legislative implementation took place by means of the: <u>Proposal for a COUNCIL DECISION authorizing the Member States to sign, ratify or accede to, in the interest of the European Community, the Protocol of 2003 to the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1992, and authorising Austria and Luxemburg, in the interest of the European Community, to accede to the underlying instruments (COM (2003) 534(01)).</u></p>
<p><i>What are the objectives ?</i> This measure actually financially penalizes (or in any case increase penalties) causing accidents and may therefore certainly help to reduce accident risks. Internalizing external costs in this way will also make freight transport price levels in sea transport fairer. Since only sovereign states can sign the Protocol, the actual impact and effectiveness of the measure depends on the number of countries (not only EU-countries) that will sign.</p>
<p><i>Interactions with other WP measures:</i> This measure is of course closely positively related to Measure 32 (phasing in double hull tankers in general and in particular the proposal to establish penal sanctions for illegal discharges) and other measures to improve safety in maritime transport, but negatively to measures aimed to improve market shares of maritime transport.</p>

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*Output indicators:*

Key output indicators are:

- Number of Member States having signed the protocol
- Amount of compensation fund available

*Outcome indicators: intermediate impacts on transport markets*

A key market impact is:

- Increase in cost and price levels in maritime transport (expresses per ton/km, TEU or otherwise)

*Outcome indicators: final impacts on transport users and non users*

Key outcome indicators for this measure include:

- Number of accidents with tankers resulting in oil spills (statistics available)
- (Changes in) cost of damages because of oil spills (not standard available)
- Numbers of deliberate discharges of oil (not standard available, but may be inferred from inspection data of Member states)
- (Changes in) cost of damages because of deliberate discharges of oil (not standard available)
- Reduction in market share maritime transport (although the influence of the measure on this is deemed to be negligible).