

# Tanker Chartering

Examiners' Report, May 2025

## General Comments

Overall, the results show a disappointing pass rate of 41.28% in this subject. There is evidence that some papers were poorly planned with crossed-out work, short answers lacking content, failing to answer the question, and answering fewer or more than five questions. There was a general decline in the quality of map submissions, with ports incorrectly located and missing annotations of countries, oceans, seas, and main canals. With some exceptions, the quality of ship drawings has again generally improved; however, students still forget to annotate dimensions on the drawings, which loses valuable marks. Students often failed to read the instructions that are attached to multipart questions. While these instructions require an answer to all parts of the question, some answers missed out important elements, which again lost valuable marks.

### 1. Answer BOTH parts of the question.

A Charterer has circulated the following order:

**Trip time charter 130,000 metric tons crude oil, delivery As Sidr, Libya 1/10 June redelivery West Coast India, offers.**

- a) Draft a firm offer for this employment for a trip time charter.
- b) Explain the main terms used.

This was a popular question that attracted some disappointing responses. This two-part question required, in part a), a firm offer for a Suezmax tanker delivering onto trip time charter at As Sidr, Libya with laydays 1/10 June to load a cargo of 130,000 metric tons crude oil for discharge in West Coast India where the vessel would redeliver to Owners. The essential terms required in a firm offer for a trip time charter include: a date, time and place of reply from Charterers, the name of the Owners, Charterers and Brokers, the vessel name, vessel details including speed and consumption data, last three cargoes, bunkers onboard with price for Charterers account on delivery and Owners account on redelivery, laycan, rate of hire, hire payment semi-monthly in advance, trading limits, excluded products, commission with division, provision for general average, arbitration and law. This form of employment would be conducted under a Shelltime 4 charter party.

Several answers failed to understand the concept of trip time charter and added voyage charter terms, including freight, laytime, and demurrage, which are not used in time charter engagement. Some answers failed to include a reply date, time, and place, provisions for

bunkers onboard for the charterers' account on delivery /owners' account on redelivery, or included despatch, which is not used in the tanker trade and does not form part of the trip time charter terms.

Part b) of the answer required an explanation of the main terms used. Several answers failed to describe a sufficient number of the above trip time charter terms, but instead described other voyage charter terms, which are not used in this form of fixture, and lost valuable marks.

## **2 Answer BOTH parts of the question.**

- a) Draft a cargo retention clause which could be added to a voyage charter party of your choice during negotiations.**
- b) Describe the reasons why this clause might be needed.**

This was a popular two-part question that attracted some poor answers. Part a) required a cargo retention clause to be drawn up. This clause makes provision for pumpable cargo which is left onboard, as assessed by an independent surveyor for each party using a wedge formula. The agreed amount of pumpable cargo left onboard, making allowance for any residue from a previous voyage, will be charged to Owners using the FOB value in US dollars per metric ton and deducted from freight.

Several answers failed to prepare a cargo retention clause but instead incorrectly described a clause where the Owners retained cargo onboard as a lien on freight, while others confused this with an in-transit loss clause or proposed disposing of cargo overseas that is damaged by the actions of the sea. Better answers included provision for the use of the wedge formula and the appointment of independent surveyors.

Part b) of the answer required an explanation for the reasons for including a cargo retention clause. Some reasonable explanations were provided, including Charterers making provision for cargo shortages where poor cargo tank draining has contributed to their loss. Other answers included provisions made to prevent disputes arising from the poor draining of cargo tanks, especially when the tanker is unable to maintain the agreed-upon cargo temperature.

### **3. Answer BOTH parts of the question.**

**You have just fixed a VLCC to load offshore Corpus Christi, USA a full cargo of crude oil for discharge Rotterdam, Netherlands using Worldscale terms.**

- a) Compile a recap for the above tanker fixture.**
- b) Explain ALL the main terms used including THREE Worldscale terms.**

This was a popular two-part question which required in part a) a fixture recap of the terms agreed for a VLCC to load a full cargo of crude oil at Offshore Corpus Christi, USA for discharge Rotterdam, Netherlands using Worldscale terms. The essential elements of a fixture recap will include: a charter party date, place, name and domicile of Owners, Charterers, Brokers, the vessel name and Q88 description of the tanker, last three cargoes, cargo quantity, cargo description, laycan, WSHTC covering laytime, loading port Offshore Corpus Christi, USA, discharge port Rotterdam Netherlands, Freight rate expressed in Worldscale, Owners bank details for freight payment, a demurrage rate in US dollars per day, commission with division, provision for general average, arbitration and law. In addition, the fixture recap will incorporate an Asbatankvoy charter party form and rider clauses including BIMCO Infectious Diseases. Several answers did not include a charter party date or place of fixture and failed to display an understanding of the difference between a fixture recap and a firm offer.

Part b) of the answer required a detailed explanation of the above specification including three Worldscale terms. Answers should include an explanation of how a Worldscale flat rate is achieved, the use of WSHTC for laytime and use of fixed and variable differentials. Several answers failed to provide any explanation of Worldscale terms which lost valuable marks.

### **4. Answer ALL parts of the question.**

**Charterers are seeking a suitable tanker to offer for the following cargo:**

**90,000 metric tons Clean Petroleum Products US Gulf/UK/Cont. 1/5 June.**

- a) Draw a profile and cross section of a suitable tanker for the above employment.**
- b) Show the main details and dimensions ON the diagrams.**
- c) Using the world map provided draw the planned route for the above employment with one port of loading, two ports of discharge and any SECA zones through which the tanker may pass.**
- d) Describe the route that has been chosen for the above employment and propose a port for replenishing bunkers with reasons.**

This was a popular four-part question that attracted some poor responses. In part a), a profile and cross-section drawing were required of an LR2 tanker. Part b) required the annotation of the tanker's main details and dimensions on the drawings. Part c) of the necessary question use of the world map provided to draw the planned route taken by the

tanker loading 90,000 metric tons clean petroleum products at one port in the US Gulf and discharge at two ports in the UK/Continent including marking the location of any SECA zones through which the tanker may pass. Part d) of the answer required a description of the chosen route taken by the tanker along with a proposed port for replenishing bunkers with reasons why this bunkering port has been chosen.

This question attracted some poorly prepared answers. In general, the quality of drawings have improved, however, several answers to part a) of the question included drawings that were too small or added a plan drawing of the tanker which was not required, did not attract extra marks and wasted valuable time. Some submissions failed to annotate dimensions on drawings which lost valuable marks. Other answers provided incorrect dimensions for the chosen tanker or quoted the wrong tanker type. Several answers to part c) of the question positioned ports in the wrong location and did not draw in SECA zones. In particular some answers failed to correctly identify the US Gulf but instead positioned the loading port in the USAC or US West Coast. Some answers failed to include two discharge ports or positioned chosen discharge ports in the wrong location.

Many answers to part d) of the question did include a description of the chosen route; however, answers wasted time describing weather conditions on the route, which did not attract extra marks. Several answers discussed bunkering plans but were undecided about which port to finally replenish VLSFO and LSGO for the voyage, lacking sufficient reasons for their choice of port.

#### **5. Answer BOTH parts of the question.**

**You have an LPG carrier open in Ras Laffan, Qatar to load a full cargo of butane for discharge Kobe, Japan.**

- a) Explain the contents of a voyage estimate for this employment using details of your choice including how a net daily surplus is achieved.**
- b) Describe how to calculate a time charter equivalent rate and a break-even rate in US dollars per day for the above employment**

This two-part question attracted some poorly prepared answers. In part a) an explanation was needed of the contents of a voyage estimate covering an LPG carrier loading a full cargo of butane at Ras Laffan, Qatar for discharge Kobe, Japan. Part b) of the answer required a description of how to calculate a time charter equivalent rate and a break-even rate in US dollars per day for the forgoing employment.

Several answers focused on providing a calculation of the voyage estimate with very little explanation of how calculations were made. Some answers began with a description of the vessel speed and consumption, freight, commission and port charges. Several answers provided an explanation of voyage legs, bunker consumption, bunker costs, and total

voyage days. They then went on to describe other voyage costs including additional insurance premiums.

Unfortunately, several answers established a freight using Worldscale rather than a rate per metric ton or a lumpsum freight. Thereafter a calculation was needed to deduct brokerage commission from freight. Answers needed to add a gross daily surplus which is achieved by taking total freight less commission and deduction of voyage costs divided by total voyage days. Several answers were then deducted from the daily running costs to correctly achieve a net surplus per day.

Part b) of the question attracted some very poorly prepared responses where the time charter equivalent rate was not correctly described or calculated. Better answers described the TCE as the gross daily surplus adjusted for anticipated commission. Some answers failed to describe a break-even rate in US dollars per day but instead calculated a Worldscale break-even rate which did not attract extra marks. Better answers described the break-even rate in US dollars per day as the total of voyage costs including daily running costs divided by total voyage days. Those answers that used, in part b) both numerical and written explanations to correctly describe a time charter equivalent rate and a break even rate in US dollars per day achieved top marks.

#### **6. Answer BOTH parts of the question.**

**A Handysize tanker has completed a charter and is open in Iskenderun, Turkey. Owners are considering a 2-year time charter opportunity with the same charterer.**

- a) Make a firm offer for the above 2 year time charter for this Handysize tanker with details of your choice.**
- b) Describe the main terms used.**
- c) Describe the reasons why a charterer may prefer a longer term time charter fixture**

This was a popular three-part question which required in part a) a firm offer for a 40,000 dwt Handysize tanker to undertake a two year time charter using details of the student's choice. The essential details of this firm offer would include a reply, date, time and place, the name of the Owner, Charterer and Broker, vessel name with Q88, last three cargoes, speed and consumption, delivery, point or port, laycan, rate of hire, hire payment details, duration, redelivery area or place, excluded products, trading limits, bunker price and quantity on delivery for account of Charterers and on redelivery for account of Owners, brokerage commission with division, Shelltime 4 charter party form, provision for general average arbitration and law. Part b) of the answer required an explanation of the forgoing main terms used.

Part c) of the answer required an explanation of the reasons Charterers prefer a longer term engagement, This may include fixing a known tanker on time charter in a rising market where they may gain profit, cover for their market positions where ships may be scarce and privacy of trading in a competitive market.

Several answers to part a) failed to make a firm offer by not including a reply, date, time, and place so that Charterers may continue the negotiation. Other answers incorporated voyage charter terms that do not apply. Several answers to part b) were extremely short and did not include enough explanatory details, especially missing the meaning of a firm offer. Some answers to part c) lacked content.

**7. The LNG sector has experienced a rapid increase in ship supply in a volatile market. Prepare a market report for your Ship Owner principal, explaining the effects of this development, discussing the factors that could affect the trend in freight levels for the next six months.**

This was a popular question that attracted some poorly prepared answers. This market report aimed to describe the impact of the oversupply of new building LNG tonnage and factors that could affect the trend in freight levels over the next six months. Answers needed to describe the maritime industry's exceptional newbuilding year in 2024 which yielded a record number of LNG-fuelled ship deliveries which had an immediate effect of placing pressure on levels of freight. Answers needed to explain how the market has repositioned LNG tonnage where methanol drove newbuilding orders for alternative-fuelled vessels at the beginning of the year however LNG became the industry's alternative fuel of choice by year-end. This has had a positive effect on freight rates.

Answers needed to discuss impact of higher prices of second hand LNG carriers, the demolition and freight markets. Thereafter answers needed to discuss the rapid fall in freight levels, following over supply of LNG carriers, from USD 75000 per day to USD 7000 to 8000 per day and current recovery to much higher levels. Several answers tended to focus on political issues rather than supply and demand factors. Answers needed to develop an idea of the trend in freight levels over the next six months with popularity of LNG and rising demand in a volatile market. Answers to this question generally lacked content and often missed the impact of second hand and demolition markets on freight rates. Those answers that discussed a future trend in freight levels gained extra marks.

**8. Answer BOTH parts of the question.**

**You have a tanker fixed on voyage charter which has loaded a cargo of Jet Fuel at Mina Al Zour, Kuwait for discharge Japan.**

- a) Describe the role of the bill of lading in this fixture.**
- b) Using a charter party of your choice, describe two clauses that you have included in the above fixture that make provision for the use of bills of lading under the terms of the Hague Visby Rules. Explain the reasons for selecting these clauses.**

This was a popular two-part question that was poorly answered. Part a) of the answer required a description of the role of the bill of lading as a receipt for cargo loaded in Kuwait.

The bill of lading confirms the date of shipment and that the goods are in apparent good order and condition. Answers needed to explain that the bill of lading is a transferable document if made out 'to order', enabling payment for goods under a documentary letter of credit acting as title to the goods by the rightful owner. The cargo may be sold several times whilst afloat on passage to Japan. The answer should also mention that the bill of lading serves as evidence of the contract of carriage and incorporates terms that a third-party receiver may use in any dispute with the carrier. In addition, at discharge, the cargo will be delivered to the rightful owner against presentation of an original bill of lading. In the absence of the bill of lading, the owner will require a letter of indemnity using P&I wording and, where needed, with a bank guarantee, which has no limit of time or value.

Part b) of the answer required a reference to a chosen charter party, for example, Asbatankvoy, where clause 20, which makes provision for the use of bills of lading, including the Carriage of Goods by Sea of the United States and Brussels 1924, in a clause paramount. In addition, BPVoy, 4 clause 43 makes provision for the Hague Visby rules and the issue of bills of lading when cargo is loaded onboard ship. Provision should be included for establishing cargo in apparent good order and condition.

Part a) of the answer attracted some poorly prepared answers which did not fully explain the role of the bill of lading in the shipment of a cargo of Jet Fuel which has been loaded at Mina Al Zour for discharge in Japan. Part b) of the answer attracted some poorly prepared answers that often failed to identify two clauses that make provision for use of bills of lading in a chosen charter party.