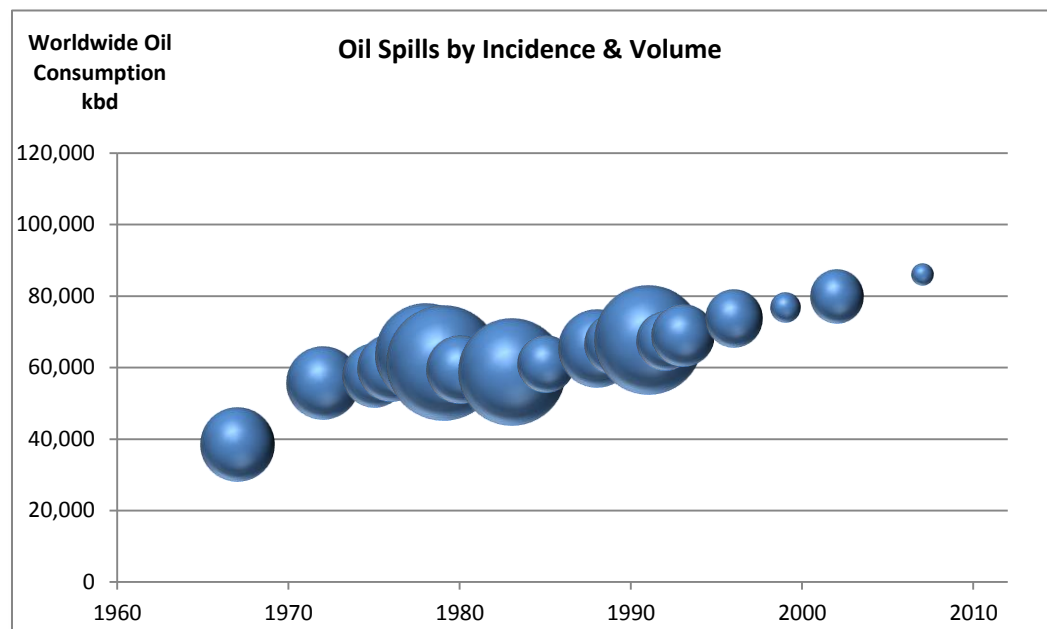


Quoth the Raven: *Exxon Valdez*

This week marks the 25th anniversary of the infamous *Exxon Valdez* oil spill, an accident that would forever shape the marine industry. While the oil industry at large is no stranger to public scrutiny, misinformation and/or media hype, it could be argued that the tanker industry has it particularly tough. In fact, it could be concluded after the *Exxon Valdez* had an impact disproportionate to the actual magnitude of the spill. Thankfully, the improvements in procedures, vetting standards and operational safety, many of which were initiated by the *Exxon Valdez* spill, ensure that nearly all of the 50 some-odd million barrels transported by sea daily are delivered without incident.

Since seaborne transportation is an inescapable component of global trade and all ships carry oil, safety is paramount. The short-term focus on day-to-day transportation requirements can often distract the size of our total market. Since 1989, worldwide oil consumption has increased by 37%, from 65 million barrels per day to 93.1 million barrels per day. The largest increases over that time period have come from nations like China and South Korea: two countries that are largely dependent on seaborne imports.



Source: ITOPI, BP Statistics

With that in mind, a look at oil spill statistics can be quite striking. The previous chart shows the incidence of worldwide oil spills by volume versus total worldwide consumption.

Compiled from statistics by the International Tanker Owners Pollution Federation Limited (ITOPF), the chart shows the top 20 major oil spills that have occurred since the *Torrey Canyon* in 1967. For reference, the *Exxon Valdez*, at 37,000 metric tons, does not rank amongst these data points. That said, its impact has had an indelible effect on oil transportation ever since.

To summarize, the most positive results from the *Exxon Valdez* oil spill were widespread improvements in oil tanker safety. Acting swiftly, the U.S. Congress introduced the Oil Pollution Act (OPA) expanding the federal government's pervue of oil spill response and funding by creating the Oil Spill Liability Trust Fund, which can provide up to \$1 billion per spill incident. Additionally, regulatory changes would now hold cargo owners moving oil in single-hull vessels after December 31, 2010 responsible, not just vessel owners, opening the limits on liability.

One of the other key developments was the emergence of the vetting department as a dominant voice. Now, a sophisticated set of criteria dictated whether or not a ship was eligible to perform the voyage, not simply whether it was the most competitive on freight.

Abroad, the International Maritime Organization (IMO) followed suit after the *Erika* disaster in 1999 to phase-out single hulled tonnage between 2010 and 2015 world wide. Although general health of the freight markets warranted these removals ahead of the official deadline, a two-tiered caste system for shipowners and charterers existed for most of the late 2000's.

On a micro level, the Prince William Sound can be now considered as one of the safest waterways in the world. Numerous changes have been made to update and improve the U.S. Coast Guard vessel traffic service by monitoring and providing traffic advisories and radar guidance to in and outbound tankers. Escort tugs are mandatory as well as a number of other requirements. However, in the world beyond, a new level of awareness to marine transportation was awakened. While there is no guarantee that a similar accident will not take place, in the tanker industry, both shipowners and charterers alike are generally more in tune with the consequences of their actions forevermore.

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