



CHINA RE

华泰保险经纪有限公司

HUATAI INSURANCE AGENCY & CONSULTANT SERVICE LTD.

Circular Ref No.: PNI 1501

Date: 20 April 2015

Dear Sir or Madam,

Subject: Ministry of Transport of People's Republic of China ("MOT") Issues Formal Notice to Cancel Qualification Assessment and Certification of Ship Pollution Response Operators (SPROs) on 18 March 2015

Following the decision of State Council on cancellation and adjustment of some administrative approval items (State Council Ref No. (2015) 11), MOT issued a notice on cancelling and delegating five administrative approval items that involves MOT (MOT Ref No. 15), among which is cancellation of quality assessment and certification of SPROs.

Background

In accordance with "Regulations on Emergency Prevention & Response to Marine Pollution from Ships" (Rules No.4) issued by MOT which came into effect from 01 June 2011, China MSA issued a notice on 20 May 2011 -- "Implementation Details of Ship Pollution Response Contract Management Regulation", wherein China MSA sets out the basic guidelines on evaluation and approval procedures of the SPROs. Generally there are four levels of SPROs, among which level one SPROs shall be examined and approved by China MSA, and lower levels SPROs shall be evaluated and approved by local MSA. Approved SPROs would be issued a certificate to evidence their qualification. List of approved SPROs at each port were published on China MSA website.

Implications

In order to understand the subject notice and assist ship owners to comply with the latest requirement, we checked with the department in charge of this issue at China MSA, who advised that China MSA will no longer evaluate the SPROs or issues certificates for them. However, this doesn't mean the SPRO agreement requirement is abolished or suspended; furthermore, the requirements in terms of facility, manning or capability on the contracting SPROs remain unchanged.

To be specific, vessels carrying polluting and hazardous cargoes in bulk or any other vessel above 10,000gt are still required to enter into a pollution response agreement, but it is now owners' responsibility to evaluate and ensure that the SPRO they engage meets with MSA's relevant requirements and standard. MSA will continue to conduct random check to ensure compliance of this requirement, and in case they find that any vessel fails to have an effective agreement in place or the SPRO she engages fails to meet MSA requirement, there will be administrative consequences including but not limited to penalties. This means owners need to exercise extra caution in evaluating the SPROs they contract and ensuring that the contracted SPROs meet with MSA requirement throughout the contracting period.

We further checked with local MSA at various ports about this issue. It turns out that different local MSA are adopting different approach following this change. Some local MSA are still issuing certificates (level 2 and below) to SPROs, however some have stopped doing so. Most of the local MSA offices are considering this issue and allege they will issue further details or guidance on this in the future.

Related Issue

In addition to the above, there has been development with respect to a major SPRO contractor ----Qianhe Group, who also operates as sludge disposal contractor in China. In a very recent anti-smuggling operation conducted by General Administrations of Customs of PRC, Qianhe Group has been suspended operation at Tianjin, Dalian, Qingdao, Shanghai, Xiamen and Shenzhen, and is now under investigation of customs authorities. According to media report, Qianhe Group is accused of smuggling bonded bunker from ocean sailing vessels in the name of disposing sludge.

As a result of the above incident, owners who have entered into annual

SPRO agreements with Qianhe Group are highly recommended to rearrange alternative agreements immediately in order not to cause incompliance.

Recommendations

The subject notice issued by MOT undoubtedly calls for ship operators' extra care in choosing and evaluating the SPROs they engage. Ship operators need not only ensure the SPROs they contract are qualified at the time of signing the agreement, but also throughout the agreement validity period.

We will continue to assist our clients in choosing proper SPROs at each port that meets with MSA requirement and deliver timely and efficient service in respect of SPRO agreement arrangement. We are confident that our experienced marine service team covering the coast of China with in-depth local knowledge and expertise will prove a great value and reassurance to our clients' safe operation in terms of SPRO agreement in China.

We shall follow up on this subject and keep you duly updated of development.

Hope the above is of assistance. Any query/comment, please always feel free to contact us.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Shan Hong", with a long horizontal flourish extending to the right.

Shan Hong
Vice President