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CLIENT ADVISORY LETTER 2003-01
February 7, 2003

Dear Client:

Average Most Probable Discharge (AMPD)

Over the past weeks NRC has received several calls from our clients, QI's, and contractors regarding the USCG's interpretation of the recently revised OSRO Guideline AMPD requirements. This guidance applies to spills of 50 barrels or less during cargo transfers and requires a response of boom deployment within 1 hour and recovery resources within 2 hours of the spill.

In December, plan holders were sent USCG circular 16450 advising that as part of the revised OSRO guidelines the National Strike Force Coordination Center (NSFCC) will no longer be providing OSRO's AMPD classifications and instead will rely on the local Captain of the Ports (COTPs) to determine local OSRO qualifications for AMPD coverage and enforce compliance. In addition, plan holders are being requested to submit written attestation verifying that they are in compliance with the AMPD requirements. The USCG's guidance on vessel to vessel transfers remains unchanged. However, this recent request to submit AMPD coverage verification indicates that if a vessel plan holder intends to cite an MTR facility's AMPD coverage as permitted under 33 CFR 1050 (d)(3), the vessel plan holder must obtain the facility's acknowledgement to provide such AMPD coverage. This request for verification has created confusion for both vessel and facility plan holders, as the facilities have generally been unwilling to provide written confirmation that their coverage will be extended to the vessel.

Previously, cargo transfers at a facility proceeded without difficulty on this issue, as it was simply "understood" pursuant to the regulations (33 CFR 1050 (d)(3)) that the facility would provide the AMPD coverage in such instances. Apparently, the USCG, was not satisfied with this somewhat informal procedure and, as a result, is attempting to tighten this procedure to ensure that all those involved know what is expected (i.e. the facility's AMPD coverage will be provided to the vessel). From our conversations, we believe it is not the USCG's intent to require separate AMPD coverage for each of the vessel and facility, but that has been the practical effect of this new policy. We can see both sides of this issue, as the regulations are very clear that the vessel can rely on a facility's coverage. Yet, it is understandable that a facility does not want to provide a confirmation of the extension of its coverage; as such confirmation could potentially create an obligation beyond what the facility is required to do under the law.

In conferring with the USCG and other concerned industry representatives, we understand that the USCG has agreed to review their new policy on this subject. Since all parties agree that it is not the intent of the regulations or the recent policy change to require vessels to arrange separate coverage, we are guardedly optimistic that the USCG will further refine its new policy to alleviate the current controversy. We will keep you apprised of this important issue and



will alert you if there is any change in the guideline. Since there is no firm commitment, however, on the USCG's part at this time to revise their current policy, we encourage you to contact your charterers, industry trade associations, such as Intertanko, and P & I Clubs to voice your concern over this matter.

We also recommend that you address this issue in your charters as this procedure could provide a commercial resolution, which will be particularly important, if the USCG does not revise its recent policy. More specifically, if the charter clearly specifies that any AMPD charges are for the charterer's account, there is incentive on both the vessel owner and charterer to ensure that duplicate AMPD coverage is not provided at a facility thereby unnecessarily increasing costs.

In the meantime, please be advised that NRC can arrange AMPD coverage when vessels are conducting transfers at a facility. When requesting the AMPD coverage through NRC, either at a terminal or during the more typical vessel to vessel lightering, we remind you to provide us with our customary 24-hour pre-arrival notice so that we can be sure coverage is in place in a timely manner.

NRC's OSRO Classification Approval

On a somewhat related topic, we also take this opportunity to advise you that in October, 2002 NRC completed the USCG's OSRO reclassification review and received full classification in all operating environments -- River/Canals, Inland, Open Ocean, Offshore, Nearshore and Great Lakes. Our review process included a tedious four-month long effort by our logistics team to ensure that all NRC response resources met the Coast Guard's revised OSRO requirements implemented last fall.

In accomplishing this major goal, NRC has added more than 6,000 feet of boom, two new skimming units and various temporary storage enhancements to our resource inventory. In addition, NRC will be adding two Oil Spill Response Vessels (OSRV) to our fleet later this spring. A 110-foot OSRV will soon be positioned in Lake Charles, LA in specific support of Citgo, one of NRC's very long-standing clients. Another 110-ft. response vessel will be moved to Los Angeles/Long Beach during the second quarter to further strengthen our West Coast capability in light of California's new regulations. All of these enhancements will increase our ability to provide you with our highest quality response capability in the most cost-effective manner.

NRC will continue to monitor the AMPD issue and will advise you if there is any change in USCG policy on this subject. As always, I welcome you to contact me directly, if there is anything I can do to assist you.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Candito", written over a white background.

Steve Candito
President