Good afternoon, ladies and gentlemen,
It is a privilege to be introduced and to speak before you today. My name is Okuda, representing the Petroleum Industry Marine Association of Japan. I am truly honored to be given this valuable opportunity to address such a distinguished audience, and I am sincerely grateful for your attention.

Before proceeding to the main subject of my presentation, allow me to briefly introduce our association.

The Petroleum Industry Marine Association of Japan—commonly known as PIMA—was established in 1971. At the time, the international oil pollution compensation framework was in development following the Torrey Canyon oil spill. And Japan recognized the necessity of consolidating the views of cargo owners concerning maritime safety, including oil pollution, which led to the founding of our association.

At its inception, In Japan, a total of 51 companies initially joined the association, and PIMA took on the role of consolidating the views of these cargo owners and advocating on their behalf to the government and other relevant authorities. This organization, comprised of cargo owners and dedicated specifically to oil pollution compensation, is unparalleled in any other country. At present, due to industry consolidations and market exits, 27 companies remain as active members. Nevertheless, Japan remains highly influential within the IOPC Funds. In fact, in 2023, Japan accounted for the second-largest quantity of contributing oil received and represented approximately 11% of the global total.

In recent years, some of our member companies have raised concerns regarding whether the current international oil pollution compensation regime remains faithful to its founding principle—namely, the equal sharing of liability between shipowners and cargo owners. As Ms. Pearson(CSI) mentioned, this balance between shipowners and cargo owners is quite important.

To address these concerns, we have initiated dialogue with contributors in other countries. As there are no organizations equivalent to PIMA in those countries, we

have engaged directly with major oil companies abroad. Through these discussions, we have come to recognize that similar concerns are shared globally. Accordingly, we at PIMA feel a strong responsibility to address these questions and seek appropriate solutions—both for the sake of the international regime and, above all, on behalf of our member companies.

This makes today's opportunity particularly significant. We believe that enhancing your understanding of the challenges we, as cargo owners, are facing is of vital importance, especially in your capacity as contributors to the system. We also regard this as a rare and invaluable opportunity to seek your insights and cooperation in identifying possible pathways toward resolution.
Now, I would like to explain the three primary issues we are currently confronting.

The first issue concerns cases in which the burden of liability is borne solely by the cargo owner.

Let me begin with incidents of oil pollution caused by what are commonly referred to as the "dark fleet." This topic has already been discussed during this conference, but it remains a pressing matter. The transport of crude oil and other persistent cargo by aging and unseaworthy vessels continues to occur with alarming frequency. A recent example is the capsizing and sinking of the barge Gulfstream off the coast of Trinidad and Tobago, which resulted in an oil spill. It is highly likely that the vessel was uninsured, and the tugboat responsible for towing her fled the scene. To date, the shipowner of both vessels remains unidentified.

In this case, the Civil Liability Convention, CLC, is not applicable, and compensation is provided solely from the IOPC Fund. As a result, the financial burden was placed entirely upon the cargo owners.
Under the leadership of the Japanese Government, a resolution was adopted at a IOPC Fund assembly encouraging Member States to cooperate in the investigation of oil pollution incidents. However, this resolution, as it currently stands, is not legally binding.

Another concern involves so-called “mystery spills.” In 2021, tar balls washed ashore along the coast of Israel, leading to widespread coastal contamination. An analysis of ocean currents suggested that the MT Emerald was the likely source. However, due to the lack of definitive evidence—and in accordance with a prior legal precedent whereby compensation may be granted even when the polluter is not clearly identified, provided that the spill is deemed to have originated from a tanker—disbursement was made from the IOPC Fund. Unfortunately, requests for investigative cooperation from the relevant Member States yielded no results.

These are cases that could not have been foreseen at the time the compensation system was originally designed. They clearly demonstrate how the current regime is struggling to keep pace with the evolving nature of maritime incidents. It is, therefore, our firm belief that it is now a matter of urgency to ensure that such resolutions possess not only moral weight, but also practical effectiveness and enforceability.

The second issue pertains to the increasing number of oil pollution incidents involving vessels under 2,000 gross tonnages, which have become more frequent in recent years.

Two notable examples are the Princess Empress incident in the Philippines two years ago, and the Terra Nova incident last year. While both vessels were insured, the case of the Princess Empress is particularly striking: the damage incurred far exceeded the shipowner’s liability limit under the CLC, which is set at 20 million Special Drawing Rights.

This demonstrates that, even in the case of small vessels, the rising costs of oil recovery and heightened environmental awareness have made it increasingly common for damages to surpass liability limits. Nevertheless, under the current oil pollution compensation system, insurance coverage is left to the discretion of the shipowner, and vessels under 2,000 GT are not subject to a compulsory insurance requirement.
In the event of an incident involving an uninsured vessel, there is effectively no recourse to hold the shipowner accountable, and ultimately, the burden of

responsibility may fall solely on the cargo owner.

Therefore, we believe it is imperative to make insurance coverage mandatory for vessels under 2,000 GT as well. And it would not only address the financial aspects, but also contribute to enhancing safety and environmental the awareness among smaller ship owners.

The third issue concerns the liability limits set under the 92 CLC and the 92 FC.

As with the example of smaller vessels, the costs of oil recovery and environmental response have steadily increased. However, following the Erika incident off the coast of France in 1999, the compensation limits were increased by 50% in 2003, and have not been revised over 20 years.

It is our view that increases to the compensation limits should not be reactionary measures taken only after a major incident has depleted available funds. Rather, these adjustments should be made proactively, to ensure the system's adequacy in advance. To put it another way, the increase in oil spill response costs and environmental expenditures over the past two decades has, in practical terms, been borne almost entirely by cargo owners. Adding this, though I have not mentioned about STOPIA, which is a voluntary private agreement, we believe that the minimum compensation limits should be raised same as CLC and FC.

Thus far, I have outlined three key challenges from the perspective of cargo owners. While we fully recognize that amending the conventions themselves would be the ideal way to reform the system in line with the times, PIMA also understands that, given the premise of maintaining the current framework, such amendments are realistically difficult. This is due to both the high number of stakeholders involved and the significant time required for international coordination. Moreover, there are risks that, if left unaddressed, could lead to a collapse of the current system.

However, if a major incident were to occur—such as one involving the dark fleet—where cargo owners alone are held liable, it is not inconceivable that some countries, especially those making large contributions, may consider withdrawing from the

convention. This would raise serious questions about the sustainability of the regime itself. To prevent such a scenario, we must not wait until problems fully surface, but rather, sincerely heed the concerns of contributors and proactively seek viable solutions.

To that end, we sincerely hope to draw upon the collective expertise within the CMI to help resolve these challenges within the framework of the current system.
Finally, I would like to briefly touch upon the HNS Convention.

Our member companies hold the view that the underlying principles of the HNS Convention are, in themselves, commendable. However, given the unresolved issues that I have discussed today, there is a prevailing sense of caution with regard to joining a similar framework. In particular, many are concerned that, should Japan accede to the convention at a time when alternative fuels to heavy oil have yet to be clearly defined, cargo owners may ultimately be left to bear the full burden of responsibility—just as we are currently witnessing under the IOPC Fund system.

To reiterate, it is our sincere hope that by sharing the challenges we face, we may gain your understanding, and with your valuable insights, work together to pave a way forward toward meaningful solutions.

Thank you very much for your kind attention.