

**Testimony of Robert N. Cowen,
Senior Vice President and Chief Operating Officer of
Overseas Shipholding Group, Inc.
Before the
U.S. Senate Committee on Commerce, Science and Transportation
On January 9, 2003**

My name is Robert N. Cowen. I am Senior Vice President and Chief Operating Officer of Overseas Shipholding Group, Inc. OSG, based in New York and listed on the New York Stock Exchange, is the largest U.S. independent owner and operator of oil tankers. OSG's modern fleet of 50 vessels includes 15 double hull Very Large Crude Carriers or VLCCs which typically carry 2 million barrel loads from the Middle East and West Africa and 13 double hull Aframax tankers that typically carry crude oil loads of 700,000 barrels in the Atlantic Basin. Over the past three years, OSG has invested over \$800 Million in the renewal of our fleet with modern double hull vessels.

OSG commends the Committee for holding these hearings to highlight the critical issue of protecting our marine environment, coastlines and commerce from the dangers posed by older, substandard tanker tonnage.

When Congress enacted the Oil Pollution Act of 1990 (“OPA 90”), the U.S. took a bold leap forward, leading the world in requiring double hulls and imposing other new safety requirements for tankers moving oil to our shores. The International Maritime Organization (“IMO”) followed our lead to require double hulls on all new vessels for the rest of the world. But recent spills involving older, single hull vessels off the coast of Europe highlight the continuing dangers associated with older single hull vessels and the very real risk that stricter rules in other parts of the world will force such vessels to trade to the U.S. .

On November 19, 2002, the Prestige, a 26 year old single hull tanker carrying 77,000 tons of heavy fuel oil split apart and sank some 130 miles off the coast of Spain. Cargo from the Prestige has continued to wash up onto the coastline of Galicia and to pollute sensitive fishing grounds. It is now also washing ashore in the picturesque Landes region near Bordeaux. The clean-up costs in Spain alone have exceeded \$200 million and the vessel is still leaking oil. The Prestige sinking was strikingly similar to the pollution incident involving the 1975 built product carrier Erika. The Erika split in two and sank off the coast of Brittany, France in December 1999, polluting the tourist beaches in the Bay of Biscay. Both of these pollution

disasters involved older, single hull vessels nearing the end of their permissible trading lives under existing IMO regulations.

With the sinking of the Prestige, the EU, and in particular Spain, France and Portugal have moved rapidly and forcefully to ban substandard tonnage from EU waters. The European Commission has recently adopted an outright ban on any single hull vessel carrying heavy fuel oil or heavy crude from entering EU ports. This ban will be submitted to the EU Council and Parliament and is expected to become effective by March of this year. The EU is also proposing to significantly accelerate the phase out of all single hull tankers, with the most vulnerable pre 1982 built single hull tankers to be phased out at 23 years of age. At the same time the EU has proposed that all single hull tankers reaching age 15 will have to comply with strict inspections under a Condition Assessment Scheme.

France, Spain and Portugal have already acted to exclude single hull vessels carrying fuel oil and heavy crude from passing within their 200 mile Economic Exclusion Zones. These nations have also significantly stepped up their inspections of older tankers. The EU is also seeking to establish a

code of conduct with the oil industry that will preclude the chartering of any single hull vessel over 23 years of age.

In the highly competitive world of international shipping, restrictions that bar older tonnage from particular trades necessarily drive substandard tonnage to trades where regulations and practices are more lax and permissive. The U.S. cannot allow our waters to become a haven for older single hull vessels that are no longer permitted to trade to the EU or to other major trading nations like Japan and Korea. We must act to restrict these vessels from trading to the U.S. or face an unacceptable risk of our own Prestige or Erika oil spill.

This is most eloquently illustrated by an article that appeared in *Lloyd's List* on January 8, 2003, a copy of which is appended to my testimony. As stated in the article, a single-hull tanker carrying crude oil which had been scheduled to discharge in Spain was diverted to the U.S. because of the present sensitivity of Spain to calls by single-hull tankers. As indicated in the article, this is just the tip of the iceberg.

Proof that current U.S. rules encourage substandard tonnage to enter the U.S. is all too evident today in the VLCC trade. Shockingly, a disproportionately large number of the world's remaining 25 year old single hull VLCCs are trading to the U.S. Gulf each day. Under an exception to the phase out rules of OPA 90, such vessels are permitted to offload 18 miles off the coast of Louisiana at LOOP or to lighter in designated areas of the U.S. Gulf as close as 60 miles from shore. For a number of years, it has been well known in the tanker business that such vessels are not welcome in Japan or Korea. Since the Erika incident in 1999, it is also the fact that such vessels are discouraged from calling to the EU.

Fifty-six single hull VLCCs of 25 years of age or older had been fixed on voyages to the U.S. Gulf Coast in 2002. This represents over 40% of all spot liftings worldwide on vessels of this vintage. Only one vessel over 25 years of age was fixed to the EU in all of 2002. Not a single vessel of this vintage discharged in Japan or in Korea. Similarly, 50% of all spot liftings on VLCCs of between 21 and 25 years of age – some 171 liftings – discharged in the U.S. Gulf. Not a single vessel of this vintage discharged in the EU or in Japan or Korea in 2002.

The trend of over-age VLCCs trading in disproportionately high numbers to the U.S. has unfortunately continued into 2003. For the first week of this year, on a world-wide basis, a total of six spot fixtures were reported of VLCCs in excess of 20 years of age. Every one of these fixtures of old, single hull VLCCs involved the movement of crude oil from the Middle East to the U.S. Gulf.

Once the current EU proposals to ban single hull vessels from their ports and coastal waters are put into effect, these vessels will be forced to seek employment in trades that still accept them. Under existing U.S. law, a single hull VLCC, Aframax or Panamax (carrying approximately 400,000 barrels) vessel can enter a U.S. port until age 23. If the vessel has either a double bottom or double sides, it can trade to the U.S. until age 28. When single hull vessels are banned entirely from trading in fuel oil or heavy crudes to the EU, where will these vessels trade? As older single hull VLCCs are discouraged from trading to the EU, Japan and Korea, where will these vessels trade? We cannot allow our rules to be more permissive, or these vessels will surely trade here.

The issue is not one of law enforcement. The Coast Guard has done an admirable job of enforcing OPA 90 requirements. But the world is changing. Our laws need to keep up with those changes. As an aside, I would just point out that if the Coast Guard is faced with a need to inspect an increasingly large number of older single-hull vessels, consideration should be given to providing the Coast Guard additional resources to meet this challenge.

We submit it is wholly unacceptable to let the U.S. become the port of last resort. As a matter of law and public policy, the Congress declared in 1990 that the U.S. would ban older, substandard tonnage from its shores.

Congress concluded that these vessels represent an unacceptable risk to our environment. Unfortunately, recent incidents in Europe confirm that such vessels continue to trade and do in fact pose a grave risk to our oceans and our coastlines. The U.S. cannot stand by and permit others to adopt more stringent trading rules that drive such vessels to our shores. We must maintain our vigilance and ensure that our rules restrict such vessels from trading to the U.S.