



## LNG Time Charters

Traditionally, LNG business has been done on project basis. Carriers were designed to meet the requirements of a specific project and to be fully utilized to perform more or less fixed loading and delivery schedule. They were employed on long-term time charter arrangements, typically for duration of at least fifteen years. The charter used is a bespoke contract negotiated to meet the requirements of the specific project.

LNG time charter parties in general, have been developed based on the customized standard form of contracts of the oil industry for either long or short term charters and amended to reflect the requirements of the LNG trade.

The basis of an LNG time charter agreement (i.e. an LNG Time Charter Party), is an agreement between the owner of an LNG vessel and the charterer (who would normally be either the seller or the buyer of the LNG), whereby the owner undertakes to place the carrying capacity of the chartered vessel at the disposal of the charterer for an agreed period of time, termed the Charter Period.

The charterer, who has the vessel at his disposal, is free to employ the vessel for the charterer's personal use. He can therefore be said to control the **commercial function** of the vessel, subject to the limits established by the time charter party contract itself.

For this **control** the charterer pays a flat rate for the time he hires the vessel. The charterers' only relief from its obligations to pay for hire is found in the **off-hire** clause. In a time charter the risk of delay falls on the charterer, although the vessel would be off-hire if the delay was caused by owner's or vessel's failure to meet its obligations.

### Core Clauses of an LNG Time Charter Contract

The clauses which are generally considered to be the core of an LNG time charter party are as follows:

- The vessel - Clauses describing the vessel, her characteristics, her capabilities in respect of speed, fuel consumption and cargo storage and handling
- The period - Clauses specifying the time and place when the vessel comes on and off charter
- The hire rate and payments - Clauses on what the hiring rates should be, how they are to be calculated, how payments are to be made and decide on off-hire circumstances, i.e. periods during which hire shall not be payable
- Provisions by owners and charterers- Clauses identifying the party which shall be responsible for the provision of various items and services and the costs allocation arising there from

### Record of Vessel Performance

A charter party contains various performance clauses that the ship owner has to meet. Every officer in charge of cargo operations onboard should be aware of these to ensure that the ships' commitments are fulfilled. In this industry, meeting these clauses is mandatory.

### Interesting Time Ahead

The relationship between buyers and sellers is an evolving one. Whatever the out, please note that most commercial terms mentioned would also be applicable to Moss type vessels. It is bound to be interesting as the market forces interact to meet the world's growing energy needs.



### Did you Know?

Traditionally, the industry has been using the Shell time 4 and Asbatankvoy forms with rider clauses to suit the LNG trade. However, of late charterers have started using the ShellLNGtime1 form, a dedicated charter party for the LNG trade. This form was approved by BIMCO in April 2006.

Examples:

- (1) A charterer hires an LNG carrier for on a time charter, which of the following is true?
- The management of the ship and its crew rests with the charterer
  - The management of the ship and its crew rests with the owner
  - The management of the ship and its crew rests with the cargo supplier
  - The management of the ship and its crew rests with the cargo buyer

Answer: b. The management of the ship and its crew rests with the owner

- (2) What should the charterer pay for under Time charter?
- Vessel maintenance and repair costs
  - All stores, and crew expenses
  - All port charges and related dues, loading / unloading expenses
  - Pest control expenses only

Answer: c. All stores, and crew expenses

- (3) Which of the following could the charterer resort to, if the vessel arrived at "End Of Passage" (EOP) position unreasonably early on any voyage?
- Off - hire the vessel
  - Issue note of protest
  - Terminate the charter party
  - Make formal complaint

Answer: d. Make a formal complaint