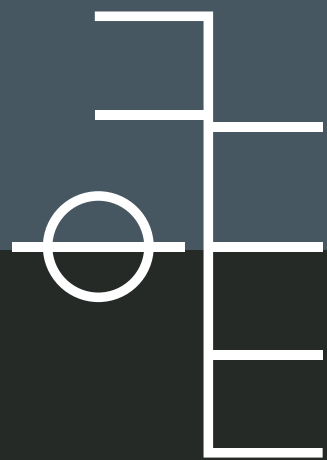


International Salvage Union
Annual Review 2023



“We ask that when considering awards, owners and insurers celebrate the value preserved by ISU members’ services and do not focus on the cost.”



International Salvage Union Annual Review

2023

PRESIDENT'S FOREWORD



It is an honour for me to write this foreword to the International Salvage Union's Annual Review for 2023 during my second term as President of the association. I must at the outset thank my predecessor, Captain Nicholas Sloane, for leading the industry over the past two years. He has

made a tremendous contribution to the ISU and the wider industry in the 40 years of his salvage career and we all wish him well for the future, and he will continue to be active as an SCR and marine consultant.

It is always slightly odd to be reviewing a year's events in the industry when we are already half way into the following period. But it is because we need to wait for our annual accounts to be finalised and also to be able to include the annual salvage industry statistics in the Review.

The statistics can be found on Page 9 and it is encouraging to see that the numbers show something of a recovery from the very low incomes of 2022. The headline figure is gross income from all sources at US\$ 398 million. As we note in that section of the Review, the income is gross and all of the salvors' costs must come from the revenues reported. And the income is recorded in the year it is received which may be some time after the services were provided. That can cause cash flow issues for our members and can make planning and investment decisions harder.

Despite this recovery to more typical levels of income, it is the key priority of the ISU that we should ensure that the industry remains adequately funded. The ISU position is that Article 13 awards must remain the cornerstone of the industry to fund the investment in people, training and equipment that is needed to continue to provide professional services around the world. At the same time we recognise that our members are free to contract how they wish and many services are provided, for example, under variants of BIMCO wreck contracts, towage contracts and on commercial terms.

We know that our key stakeholders - shipowners, property and liability insurers - recognise the importance of the salvage industry because they say so publicly and all of us agree that the salvage industry needs to be sustainable economically. We ask that when considering

awards, owners and insurers celebrate the value preserved by our services and do not focus on the cost.

The need for increased transparency is another area on which we agree. It is closely linked to trust. In 2023, as in the two previous years, ISU worked with Lloyd's and others to try to find ways to increase the use of Lloyd's Open Form. And, though it is fair to say we did not always like the process, ISU moved its position to agree to the provision of settlement data and Environmental, Social and Governance data for each LOF. The contractor is not always best placed to supply all of that information but we have shown willingness to play our part in improving transparency despite our serious reservations. Much of this is now reflected in the new edition of the contract, LOF 2024, as well as changes to the arbitration procedure.

Turning to operational matters we saw in 2023 dramatic cases of RoRo and car carrier fires expertly handled by our members. When linked to the increased risk of, and danger from, battery fires it shows how vital these kind of services are and the importance of the availability of responders willing and able to provide the necessary services. Future fuels for the propulsion of merchant ships is a dominant theme today and responding to a casualty with, for example, ammonia or LNG or hydrogen as its fuel is going to present a great challenge to the salvor.

No ISU Review is complete without recognising the contribution that the salvage industry makes to protecting the marine environment. In many situations it is only the professional salvors that stand between a casualty and an environmental catastrophe. Typically our members provide services each year to vessels carrying more than one and half million tonnes of potential pollutants. In an era where, rightly, one tonne of bunkers over the side is unacceptable this is a huge contribution to environmental protection, to say nothing of the huge costs and reputational damage that might otherwise be incurred. The results of our annual pollution prevention survey are on Page 12.

In concluding, I think we can be very proud of our industry and the services that it provides and I never find it difficult to make the case for the professional salvor.



John A Witte Jr
President,
International Salvage Union

EXECUTIVE COMMITTEE REPORT

The International Salvage Union is a company limited by guarantee (not for profit) incorporated in England. It acts as the trade association for marine salvors globally and its principal activity has been the provision of services to its members who are marine salvage contractors.

The ISU is governed by a President supported by a vice-President and an Executive Committee made up of senior managers from the members companies. The Executive Committee meets quarterly and there is an annual meeting to which all members are invited. Day to day business is conducted by a secretariat consisting of the Secretary General, Administration and Finance Assistant, supported by the Legal Adviser. The ISU operates from a modest office in the City of London, UK.

OFFICERS

President (until October 2023)
Captain Nicholas Sloane, FNI
Resolve Marine, USA

President (from October 2023)
John Witte Jr
Donjon Marine, USA

Vice President (until October 2023)
John Witte Jr
Donjon Marine, USA

Vice President (from October 2023)
Captain Leendert Muller
*Multraship Towage & Salvage,
The Netherlands*

EXECUTIVE COMMITTEE

Carlos Bastias, *Ultratug, Chile*
Dominique Caillé, *Les Abeilles, France* (from October 2023)
Charo Coll, *Boluda, Spain*
Li Chang, *China Rescue and Salvage, China* (from October 2023)
Richard Janssen, *Smit Salvage, The Netherlands*
Nikolaos Pappas, *Five Oceans Salvage, Greece*
Carlos L Paz, *Raul y Negro, Argentina*
Drew Shannon, *United Salvage, Australia*
Shimonshi Sukekazu, *Nippon Salvage, Japan*

SECRETARIAT

Secretary General
James Herbert

Finance and Administration
Ciara McGarry

Legal Adviser
Richard Gunn



ISU ABBREVIATED ACCOUNTS

International Salvage Union Limited, a company limited by guarantee
Statement of Income and Retained Earnings year ended 31 December 2023

	2023 £	2022 £
Turnover	383,975	361,147
Gross profit	<u>383,975</u>	<u>361,147</u>
Administrative expenses	375,589	377,714
Operating profit/(loss)	<u>8,386</u>	<u>(16,567)</u>
Other interest receivable and similar income	3,907	830
Interest payable and similar expenses	613	–
Profit/(loss) before taxation	<u>11,680</u>	<u>(15,737)</u>
Tax on profit/(loss)	–	–
Profit/(loss) for the financial year and total comprehensive income	<u><u>11,680</u></u>	<u><u>(15,737)</u></u>
Retained earnings at the start of the year	273,095	288,832
Retained earnings at the end of the year	<u><u>284,775</u></u>	<u><u>273,095</u></u>

All the activities of the company are from continuing operations.

Statement of Financial Position at 31 December 2023

	2023		2022	
	£	£	£	£
Fixed assets				
Tangible assets		1,300		1,690
Current assets				
Debtors	91,459		68,230	
Cash at bank and in hand	357,485		357,821	
	<u>448,944</u>		<u>426,051</u>	
Creditors: amounts falling due within one year	<u>34,784</u>		<u>23,961</u>	
Net current assets		<u>414,160</u>		<u>402,090</u>
Total assets less current liabilities		<u>415,460</u>		<u>403,780</u>
Net assets		<u><u>415,460</u></u>		<u><u>403,780</u></u>
Capital and reserves				
Other reserves		130,685		130,685
Profit and loss account		<u>284,775</u>		<u>273,095</u>
Members funds		<u><u>415,460</u></u>		<u><u>403,780</u></u>

SECRETARY GENERAL'S REPORT



James Herbert

ISU is efficiently run and remains a small operation with the secretary general supported by a part time finance and administration assistant and legal adviser. The secretariat supports and advises the President and Executive Committee in the development of ISU policy and delivers activity in support of strategic and policy initiatives.

We continue to be based near Aldgate in the City of London but we have moved to a smaller office within the same building - it is an excellent location for quick access to key stakeholders many of whom are within walking distance. ISU members and associates visiting London are encouraged to visit us and are welcome to use the office for short periods.

Membership levels are steady at 50 full members from 32 countries and we are proud to be a truly global organisation with members from all major continents. We try hard not to be "Euro-centric" and to recognise the contribution to the industry from all members and to serve them equally regardless of their size. Each year one or two members leave and one or two join. Those leaving tend to report that they have stopped doing salvage and are concentrating on other activities.

Associate Membership stands at 70 with some departures and some new arrivals which is a pattern that repeats each year. Affiliate Membership increased to 15 with the addition of the China Diving and Salvage Contractors' Association.

2023 saw consolidation of the administrative improvements made in the previous period. In particular, the revised budgeting process and the improved management accounts system were implemented which strengthened financial controls. Financially, the ISU maintained its position as a well-funded organisation as demonstrated by the accounts on Page 5 of this Review and which show that income and

expenditure were balanced in the year and expense was significantly reduced from the previous year and from the typical preceding years delivering significant annualised and recurring savings. We have introduced a system for payments to be made by credit card which is appreciated by some members.

The ISU Salvage sub-Committee met three times during the year and continued its valuable work on industry issues, providing excellent support and recommendations to the ISU Executive Committee. The Salvage sub-Committee is chaired by Eline Muller of Multiship Towage & Salvage supported by committee members Geert Vandecappelle, Boluda (resigned during 2023); John Savignone, CPT (resigned during 2023); Gordon Lorensen, Donjon Marine, Kyriakos Mitsotakis, Five Oceans Salvage; Daniel Dettor, Resolve Marine, Marjan Schuringa, Smit Salvage and Alexander Tsaviliris, Tsaviliris Salvage.

Elsewhere ISU has continued to work with the EU Maritime Safety Division on relevant matters like Places of Refuge and was very pleased the new International Maritime Organisation guidelines on places of refuge have been adopted after several years of staff work.

ISU maintained its status as an official consultative NGO at the IMO and was again invited to sit on the judging panel for the IMO's annual Honours for Exceptional Bravery at Sea.

We monitor and participate as necessary in other IMO business, particularly the proceedings of the Marine Environment Protection Committee (MEPC) and Maritime Safety Committee and its key sub committees, Carriage of Cargoes and Containers, Ship Design and Construction and Navigation Communications and Search and Rescue.

LEGAL ADVISER'S REPORT



Richard Gunn

2023 saw the now typical small number of Lloyd's Open Forms - just 14 reported in the year (in 2022 there were 23 LOFs) and eight awards were published including one on appeal and two each on the MAERSK HONAM and LARA. Awards are now available without subscription on the Lloyd's website.

The LARA award is of legal interest because it dealt with the question of jurisdiction notwithstanding that it was a salvage on LOF terms. The allegation was made that the LOF was not binding because it had been signed by the managers of the vessel, not the owners or master, after the vessel had been brought in to port but before the services were over. The Arbitrator found that the managers were agents of the owners and that their signature bound them accordingly. She awarded around 35% of the fund which was relatively low value (this being a yacht) but the services were prompt and saved the property from a total loss, she being abandoned and drifting close to a rocky shore.

The MINNA looked at the provision of an award for non-settling cargo in a container case. It is of course a common occurrence that not all cargo interests engage with the process. The Arbitrator found that the global settlements reached were made by "experienced lawyers and claims consultants" but noted that the base award used for that settlement was not binding on him. However, having considered the services he found that it was "within the appropriate bracket" and made an award in similar terms to that on which the parties had previously settled. It is not the first award in this manner but it confirms the intention of the recent amendments to LOF to streamline the settlement of multiple-cargo-interest salvage.

In the case of the TBC PROGRESS the Appeal Arbitrator reduced the award by around 25% on the basis that it was disproportionate to the services actually rendered, despite the clear dangers to vessel and cargo. There were a number of spurious grounds of appeal which failed apart from the one that succeeded.

Outside of the arbitral system there has also been the judgement of the Admiralty Court on the EVER GIVEN. It relates more to the law of offer

and acceptance in contract than salvage and, in essence, the court held that discussions did not amount to a proper acceptance of an offer (in relation to services to be provided under a Wreckhire). The decision was appealed and the court of appeal agreed unanimously with the first instance judge. It meant that the salvor had performed their services without a contract and so would be entitled to a reward under the common law. The parties had previously entered into an agreement for English law and jurisdiction.

Within the Lloyd's regime, ISU representatives attended the regular meetings of the SCOPIC Committee and Lloyd's Salvage Group. SCOPIC rates were reassessed given continuing inflationary pressure and there was an increase of 3.28% applied from 1 January 2024 to all new and ongoing operations incorporating the SCOPIC Clause.

The SCOPIC committee restated its commitment to collegiate working and resolving of complex and sometimes contentious issues and the process has been incorporated into revised rules. The SCR grievance procedure has also been refreshed and brought properly into the revised SCOPIC committee rules. And, after much work with the International Group and others, the new SCR's Guidelines were published and provide more clarity about the role of the SCR.

In 2023 there was progress on the collection of settlement data and ESG statistics by Lloyd's. The ISU stressed that publishing settlement data was not relevant or informative because there are many reasons why parties might settle and the settlement might not reflect the services provided. The ISU also raised concerns on confidentiality and Lloyd's agreed to review its own processes but has proceeded and will publish aggregated data only.

On ESG, ISU raised concerns about requiring parties to provide data about, for example, the quantity of pollutants spilled when this may be not be possible to accurately ascertain. Those concerns have been partially addressed.

A sub-committee of LSG was created to examine a revision of the Fixed Costs Arbitration Procedure.

LEGAL ADVISER'S REPORT continued

By the end of 2023 it was clear that there remained significant issues between the interested parties as to what was acceptable and what was not. The ISU was robust in its defence of its position on certain key matters.

Despite this, the majority of the views of the ISU were not accepted and the new LOF was launched later in 2024. LOF 2024 has a prima facie condition that where security is less than US\$10 million all arbitrations shall be heard under a new Fast Track Documents Only procedure (FTDO).

If the new LOF means that more awards are published that should assist the market as a body of published awards will be available to guide and inform underwriting practice.

Some 50 per cent of ISU members' income is from wreck removal services and ISU has been at the heart of the BIMCO committee revising its Wreckstage contract. The group has met regularly over a number of years and the final revised contract went to the BIMCO documentary

committee for approval at the end of 2023. It has now been approved and includes important changes and useful additions bringing it up to date and allowing for Quantitative Risk Analysis if the parties wish and equally for an "ordinary" costing if that is what is required. Work will now resume on the other BIMCO wreck forms and associated codes.

On an international industry level ISU had discussions with IUMI, IG and ICS about the recommendation in the IG-commissioned report into delays in salvage contracting that an industry group should be established to find ways to work better together. And, as our President mentions in his foreword, all are agreed on the need for trust, transparency and a sustainable salvage industry.

ISU has also maintained its links with maritime legal bodies like the London Shipping Law Centre and the Comité Maritime International which has led to salvage matters being addressed at its 2024 Colloquium.



2023 SALVAGE INDUSTRY STATISTICS

The 2023 ISU statistics show a modest recovery compared with the historically low level of 2022.

- Gross revenue for ISU members - US\$ 398 million (2022, US\$ 241 million)
- 184 services provided (2022, 149 services)
- Lloyd's Open Form (LOF) - 16 cases (2022, 26). LOF revenue down at US\$ 29 million (2022, US\$ 66 million)
- Wreck removal income - US\$ 193 million from 30 services (2022, US\$ 55 million from 32 services)

Emergency Response services generated US\$ 196 million split between LOF, US\$ 29 million and other contracts, \$167 million.

Wreck removal income has rallied rising to US\$ 193 from the very low level of US\$ 55 million in the previous numbers. Wreck removal income is important for ISU members and this is a welcome increase. It brings the split of the industry's income back to the typical levels of approximately 50:50 between emergency response and wreck removal income.

The statistics are for income received in the relevant year but that can include revenue relating to services provided in previous years and there can be an element of "time lag". The statistics are for gross revenues from which all of the salvors' costs must be met.

The very small number of LOFs for our members in

2023 was disappointing but reflects a long term downward trend. ISU has worked closely with Lloyd's and other stakeholders in the past three years to find ways to revive LOF. We promote its use and we believe that income based on awards under Article 13 of the Salvage Convention must be at the heart of funding for our industry but this is increasingly difficult as these statistics so dramatically demonstrate.

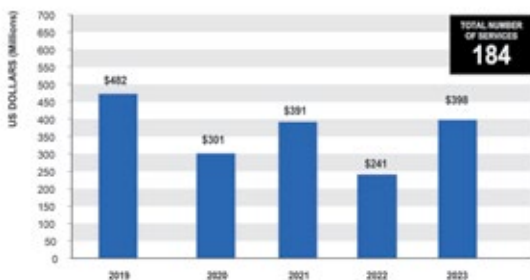
The 2023 ISU statistics show a historic low level of LOF cases - 16 for ISU members - generating income of US\$ 29 million. This by some degree the smallest number of both LOF cases and income in the past 30 years.

Revenue from LOF cases amounted to 15 per cent of all emergency response revenue and LOF cases accounted for 10 per cent of emergency response cases in 2023. SCOPIC revenue at US\$ 9 million in 2023 was down from US\$ 21 million previously.

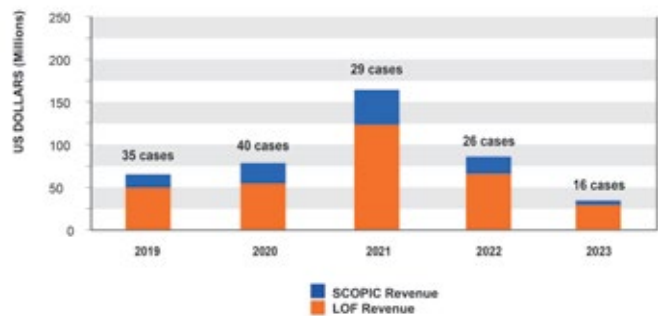
Revenue in 2023 from operations conducted under contracts other than LOF was US\$ 167 million. The average revenue from each non-LOF contract was US\$ 1.2 million. Wreck removal is an important source of income for members of the ISU and in 2023 there was US\$ 193 million from 30 operations.

The ISU statistics are collected from all ISU members by a professional third party, which aggregates and analyses them. The statistics do not include the revenues of non-ISU members but are the only formal measure of the state of the marine salvage industry.

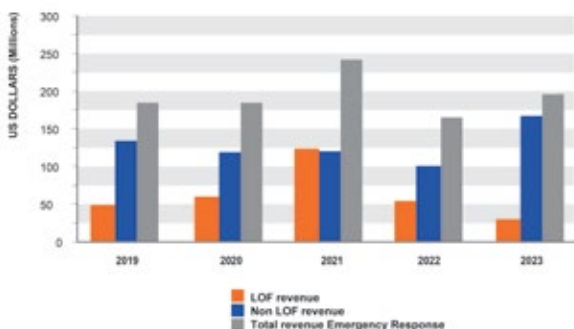
Gross revenue all sources



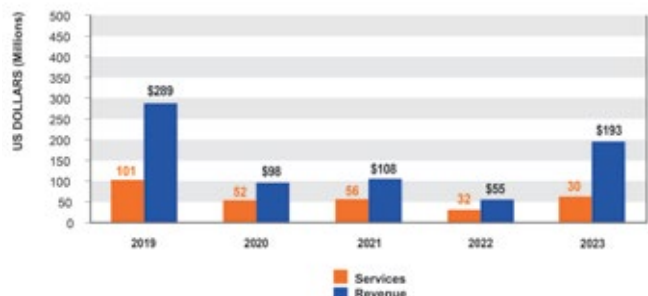
LOF and SCOPIC revenue



Emergency response revenue



Wreck removal services and revenue



COMMUNICATIONS AND ENGAGEMENT

ISU has continued to engage with its key stakeholders and to promote the industry through a range of channels including traditional and social media. It has maintained its website as the primary source of information about the industry and the ISU with a comprehensive range of documents available to users.

The popular ISU Annual Dinner was held at historic Trinity House in London, bringing together senior leaders from the shipping industry and giving an opportunity for them to meet and discuss current salvage matters with members of the ISU Executive Committee and Salvage sub Committee.

The flagship publication, Salvage World, has continued to report quarterly on the operations of ISU members and developments and news about the industry. And a number of articles were published in the marine and insurance trade press.

ISU Secretary General, James Herbert, delivered a key note address at the China International Rescue and Salvage Conference in Wuhan, China. He focussed on the importance of the salvage industry in supporting the ESG agenda. Also in the region meetings were held with representatives of the Hong Kong Shipowners' Association and the Hong Federation of Marine Insurance. The importance of shipping in the region and for the rest of the world is beyond doubt and ensuring there is a good understanding of the value of the professional salvor among insurers and shipowners is key for ISU.

Relationships with the P&I and property insurance communities are a priority and as well as informal sessions ISU representatives attended the IUMI annual conference in Edinburgh.



ISU members and associates were well represented at the annual salvage and wreck conference organised by Sea Trade Maritime with ISU as a supporting organisation.

ISU President, John Witte, gave the opening address in which he set out the current state of the industry and noted the gap in income between the insurers and the salvors and the importance of adequate funding for salvage. Future fuels and firefighting were central to the conference content.

ISU also participated in the Marine Insurance London and Marine Insurance Americas events as well as London International Shipping Week.



FIRE FIGHTING

Salvors have a proud track record of courageously and effectively dealing with vessels which have suffered fires. With the increasing carriage of Electric Vehicles, batteries and with new fuels the possibility of more fires at sea is of great concern to insurers. ISU members invest in the training and equipment needed to tackle these incidents.



ENVIRONMENTAL PROTECTION

Members of the ISU provided 173 services to vessels carrying 1.9 million tonnes of potentially polluting cargo and fuel during operations in 2023.

It again demonstrates the vital role of professional salvors in protecting the marine environment.

ESG requirements are at the top of the agenda for all industries including shipping. Much focus is on emissions and climate change but the importance of protecting the environment must not be lost.

The 2023 Pollution Prevention Survey showed there were fewer services compared with the previous year and that is in line with the downward trend of the ISU general industry statistics. But each year there can be significant variations of the quantities of pollutants in each category. That may be due to vessel size increasing so that, for example, one major containership case might significantly affect that category.

The number of containers is lower than last year but, after bulk cargo, still represents the most significant category with our members providing services to vessels carrying 30,000 TEU amounting to some 400,000 tonnes of cargo. It compares with 187,000 tonnes of crude oil. Containers carrying a great variety of harmful and dangerous goods including plastic pellets (nurdles) represent one of the biggest threats to the marine environment.

Containers continue to be difficult to deal with offloading, storing and perhaps backloading. But the traditional threat from oils remains and there were also several cases of car carriers and RoRo fires and the carriage of Electric Vehicles (EVs) is

an increasing concern. Salvors often do not know if there are EVs or batteries on board or the quantity.

Cargoes of refined oil products increased significantly in the 2023 numbers as did chemicals. Dirty and hazardous bulk cargoes in 2023 were 770,000 - down from 1,236,000 the previous year. An increased number of the services in the survey did not record the quantity of bunkers or the cargo type meaning the reported numbers likely represent a more modest total than the reality.

The 173 services in 2023 included 43 wreck removal/marine services contracts; 19 Lloyd's Open Forms; 24 towage contracts; 10 Japanese Forms; 5 Lump Sum, 6 Day Rate contracts; 37 other contracts (including commercial terms and common law salvage and OPA 90 responses) and 29 Turkish Forms.

ISU is transparent about the fact that not all these potential pollutants were at immediate risk of going into the sea. Some cases will have had limited danger, but others will have carried a real risk of causing substantial environmental damage. In an era of "zero tolerance" of any pollution, even the smaller cases represent a significant concern.

The survey was first conducted by ISU in 1994 and the methodology was updated in 2014 to include a wider range of potential pollutants including containers and hazardous and dirty bulk cargoes. In the period 1994 to end-2023, ISU members have provided services to casualty vessels carrying 43,397,100 tonnes of potential pollutants, an average of 1.5 million tonnes per year.

2023 ISU POLLUTION PREVENTION SURVEY RESULTS (tonnes)		
	2023	2022
Number of services	173	186
Bunker fuel	81,053	108,112
Crude oil	187,229	140,900
Refined oil products	255,020	144,858
Chemicals	135,847	79,319
Bulk polluting/hazardous	769,325	1,235,741
TEU - tonnes equivalent	403,725	747,270
	(26,915 TEU)*	(49,818 TEU)*
Other pollutants	86,769	34,946
Totals	1,918,995	2,491,146
Bulk, non-polluting	446,166	113,926

*Nominal 15 tonnes per TEU

AGM AND ASSOCIATE MEMBERS' DAY

The ISU held its 69th AGM, hosted by Resolve Marine, at Fort Lauderdale in Florida in the US.

The meeting considered and approved a revised set of Articles of Association and Rules for the ISU. The most important revisions relate to ensuring that ISU complies with the requirements of competition law and also include some “tidying up” of drafting.

The meeting also approved Captain Leendert Muller as vice President of the ISU and new members of the Executive Committee, Dominique Caillé and Li Chang. Mr Caillé is a former senior French Navy Officer and managing director of Les Abeilles. Mr Chang is the senior salvage adviser to China Rescue and Salvage and Director of charge of business, marketing & commercial in Guangzhou Salvage.

ISU members were updated on legal matters and communications and administration.

ISU past president, Richard Janssen, described the work to conclude the revisions to the BIMCO Wreckstage contract and there was a general discussion about current issues.

At the conclusion of the meeting, outgoing President, Captain Nick Sloane of Resolve Marine, welcomed incoming President, John Witte of Donjon Marine. Mr Witte thanked Captain Sloane for his hard work and committed to the association during his presidency.

ISU held its popular annual Associate Members' Day Conference in late March at the Merchant Taylors' Hall, London.

The event was opened by ISU President, Captain Nick Sloane, who emphasised the importance of good relationships in the industry and he was followed by the industry's key stakeholders, President of IUMI, Frédéric Deneffe, Chair of the International Group, Andrew Cutler and policy director, UK Chamber of Shipping, Peter Aylott.

Ben Harris, chair of the IG's salvage committee, and Amy Dalloway, Chair of the London Joint Marine Claims Committee described the new code of practice agreed between the IG and JMCC in the context of the IG research project exploring the issue of delays in agreeing contracts in emergency situations. It aims to improve communication and coordination during the handling of a casualty.

The revised SCRs' Guidelines were introduced and the work to revise the BIMCO wreck removal contracts was described.

As well as case studies a segment of the conference was given to the “ESG” agenda in shipping and particularly insurance.

The conference concluded with an on-stage interview with Frederick Kenney, Director of Legal Affairs and External Relations at the IMO who shared his long experience of service with the US Coastguard and as US representative to IMO as well as his work at IMO. He also described the work to secure the agreements to enable shipment of grain from Ukraine.

The biennial forum for the Special Casualty Representatives was held the day after the ISU Associate Members' Day.

The event is intended to bring together contractors, SCRs, Club representatives and marine lawyers to discuss issues relating to SCOPIC and the role of SCR.

This year the centrepiece of the event was discussion of the new guidelines on the role of the SCR. The guidelines have been revised by members of the SCOPIC committee and now provide more clarity and certainty about the requirements of the role.

Some 120 delegates attended the event which was the first that has been held since 2019. The event was jointly organised by the IG, the ISU, and Lloyd's.



ISU AGM delegates

