



In light of recent calamitous events that unfolded in the Houston area, we feel it is the right time to discuss safety measures and procedures that are currently employed throughout the tank storage industry and its effects on the market.

When a serious incident occurs at a tank storage facility, the effects can be felt throughout the entire industry. The most obvious one is tightness in the storage market. When an area is affected by an incident it suddenly becomes extremely challenging to move products within this range which causes cargo owners to scramble what little storage they can find near the affected area.

In case of an emergency such as fire it is a protocol for most terminals to immediately cease all operations and evacuate personnel until the situation is entirely under control and declared safe by the authorities. Depending on the scale of the incident, surrounding facilities and logistical support also come to a halt. In most cases, this results in a massive backlog of ships that are waiting to discharge at the affected terminals. This results in substantial demurrage claims as vessels can be forced to wait for weeks before they can discharge. In most cases where

a port is shut down due to a fire, Force Majeure is usually declared. Under most contracts (charter-parties) this means that the demurrage bill is split between the charterer and shipowner resulting in heavy losses for both parties.

Processing plants are also severely affected by an incident that occurs at a tank storage facility. Recently we have seen plants shut down because the product is not able to reach them due to a pipeline connection to an affected terminal. Another problem that can occur is that plants are forced to slow down their production due to a lack of storage available for their processed products. This, in turn, hurts all the logistics companies that support these facilities such as rail and truck service providers.

The long-term effects can be seen on a much broader scale and do not just affect the businesses that are in the geographical area where an incident has occurred. They come in the form of new rules and legislation. In the wake of such an event, it is not only the industry itself that is shaken up and forced to respond.

FORCE MAJEURE

It falls onto governmental regulators to produce the necessary rules and regulations to prevent hazardous situations in the future. Governmental supervision is a topic of regular debate which is often two-sided. After a cataclysmic event, there is often a request for more regulatory enforcement and tighter control. However, this is often perceived by the industry as a burden since it can take significant financial resources to comply with ever-changing regulations as well as the administrative burden that is imposed by rules.

As mentioned, it is a challenge to find adequate storage in a situation where the market has tightened because of a critical accident or disturbance. It is at these moments that it pays off massively to be in a constant state of awareness to where and when storage is available. RVB keeps a constant ear to the ground to know what tanks are open at any given time because in case of an emergency speed is the key to minimising exposure. Using a broker with this type of market intelligence is usually the difference between finding a suitable tank and being stuck without any storage at all.

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