

THE SHIPPING LAW  
REVIEW

SEVENTH EDITION

Editors

George Eddings, Andrew Chamberlain and  
Holly Colaço

THE LAWREVIEWS

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REVIEW

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# PREFACE

The seventh edition of this book aims to continue to provide those involved in handling shipping disputes with an overview of the key issues relevant to multiple jurisdictions. We have again invited contributions on the law of leading maritime nations, including both major flag states and the countries in which most shipping companies are located. We also include chapters on the law of the major shipbuilding centres and a range of other jurisdictions.

As with previous editions of *The Shipping Law Review*, we begin with cross-jurisdictional chapters looking at the latest developments in important areas for the shipping industry: competition and regulatory law, sanctions, ocean logistics, piracy, shipbuilding, ports and terminals, offshore shipping, marine insurance, environmental issues and decommissioning. A new chapter on ship financing is also included, which seeks to demystify this interesting and fast-developing area of law.

Each jurisdictional chapter gives an overview of the procedures for handling shipping disputes, including arbitration, court litigation and any alternative dispute resolution mechanisms. Jurisdiction, enforcement and limitation periods are all covered. Contributors have summarised the key provisions of local law in relation to shipbuilding contracts, contracts of carriage and cargo claims. We have also asked the authors to address limitation of liability, including which parties can limit, which claims are subject to limitation and the circumstances in which the limits can be broken. Ship arrest procedure, which ships may be arrested, security and counter-security requirements, and the potential for wrongful arrest claims are also included.

The authors review the vessel safety regimes in force in their respective countries, along with port state control and the operation of both registration and classification locally. The applicable environmental legislation in each jurisdiction is explained, as are the local rules in respect of collisions, wreck removal, salvage and recycling. Passenger and seafarer rights are examined, and contributors set out the current position in their jurisdiction. The authors have then looked ahead and commented on what they believe are likely to be the most important developments in their jurisdiction during the coming year.

The shipping industry continues to be one of the most significant sectors worldwide, with the United Nations estimating that commercial shipping represents around US\$380 billion in terms of global freight rates, amounting to about 5 per cent of global trade overall. More than 90 per cent of the world's trade is still transported by sea. The law of shipping remains as interesting as the sector itself and the contributions to this book continue to reflect that.

The maritime sector continues to take stock after experiencing a bumpy ride during the past few years and, while the industry is looking forward to continued recovery, there is still uncertainty about the effects of trade tariffs and additional regulation. Under the current US administration, the sanctions picture has become ever more complex and uncertain.

With a heightened public focus on the importance of environmental issues, a key issue within the shipping industry remains environmental regulation, which is becoming ever more stringent. At the IMO's MEPC 72 in April 2018, it was agreed that international shipping carbon emissions should be cut by 50 per cent (compared with 2008 levels) by 2050. This agreement has led to some of the most significant regulatory changes in the industry in recent years and is likely to lead to greater investment in the development of zero carbon dioxide fuels, possibly paving the way for phasing out carbon emissions from the sector entirely. This IMO Strategy, together with the stricter sulphur limit of 0.5 per cent m/m introduced in 2020, has generated significant increased interest in alternative fuels, alternative propulsion and green vessel technologies.

Brexit continues to pull focus. Much has been printed about the effects of Brexit on the enforcement of maritime contracts. However, the majority of shipping contracts globally will almost certainly continue to be governed by English law, as Brexit will not significantly effect enforceability. Arbitration awards will continue to be enforceable under the New York Convention and it seems likely reciprocal EU and UK enforcement of court judgments will be agreed.

We would like to thank all the contributors for their assistance in producing this edition of *The Shipping Law Review*. We hope this volume will continue to provide a useful source of information for those in the industry handling cross-jurisdictional shipping disputes.

**George Eddings, Andrew Chamberlain and Holly Colaço**

HFW

London

May 2020

# VENEZUELA

*José Alfredo Sabatino Pizzolante*<sup>1</sup>

## I COMMERCIAL OVERVIEW OF THE SHIPPING INDUSTRY

Shipping and port activities are of paramount importance to the Venezuelan economy, bearing in mind that the country's population (with nearly 30 million inhabitants), relies very much on the importation of bulk and manufactured goods, as well as the export of oil and steel-related products. According to the most recent estimated figures held by the national shipping registry, the domestic fleet over 500 gross tonnage (GT) comprises approximately 400 vessels totalling 1.2 million GT. The state remains as the principal shipowner, since in addition to the tanker fleet of *Petróleos de Venezuela SA (PDVSA)*, it has acquired by expropriation *Conferry*, the firm in charge of transport services between the mainland and Margarita Island; and in 2011 the state also incorporated by Presidential Decree No. 7,677 the *Corporación Venezolana de Navegación SA (Venavega)*, a shipping company serving the riverine, coastal and international seagoing market. Through Executive Decree No. 769 dated 5 February 2014, all maritime cargo transportation functions of the public administration were centralised and transferred to *Venavega*. Therefore, the private fleet is rather modest. A few years ago, the PDVSA embarked on a renovation and expansion programme of its fleet, to enable it to carry a significant percentage of all exports and to diversify its clients, with China at the forefront. However, this programme did not work as planned to the extent that only two Chinese-made oil tankers were added towards the end of 2013 to the Venezuelan fleet, which is currently affected by lack of investment and obsolescence. The public fleet has also been affected by lack of maintenance.

The port system involves petrochemical terminals in the east and west of the country (such as *La Salina*, *El Tablazo*, *Puerto Miranda*, *Amuay*, *Cardon* and *José*) under control of the PDVSA; bulk terminals in the Orinoco river (e.g., *Sidor*, *Ferrominera*) under the administration of *Corporación Venezolana de Guayana*; and the public ports (such as *Puerto Cabello*, *La Guaira*, *Maracaibo* and *Guanta*) under the control of *Bolipuertos SA*, a state-owned company exclusively in charge of warehouse and storage facilities. Stevedoring services within public ports, however, are performed both by this public agency and private port operators. Few private marine terminals operate port facilities. Unfortunately, no recent cargo and traffic figures have been released by *Bolipuertos SA*; nevertheless, because of the past rigid exchange control, devaluation and huge decline in oil prices, there has been a significant reduction in cargo volumes, said to reach 75 per cent nationwide. The construction of the Container Terminal at *Puerto Cabello* by *China Harbour Engineering Company*, at a cost of US\$520 million and with the capacity to handle 700,000 twenty-foot equivalent units in its first

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<sup>1</sup> José Alfredo Sabatino Pizzolante is a partner at *Sabatino Pizzolante Abogados Marítimos & Comerciales*.

phase, was stopped because of a lack of funds. Fortunately, the expansion and modernisation of the port of La Guaira, entrusted to the Portuguese Teixeira Duarte Consortium, has been completed and the container terminal is now open; it is operated by the Consortium.

The main shipyard and dry dock facilities are Diques y Astilleros Nacionales CA (Dianca) and Ucocar. Although these are mainly linked to the Ministry of Defence, rendering services to naval and PDVSA ships, they also serve private ships. Dianca designs, builds, repairs, modifies and maintains ships and naval structures of steel and aluminium up to 30,000 deadweight tonnage (DWT) and Ucocar up to 1,000 DWT.

## II GENERAL OVERVIEW OF THE LEGISLATIVE FRAMEWORK

A comprehensive set of laws governing the maritime business was enacted in 2001. This legal framework includes the Organic Law of Aquatic Spaces, the General Law on Merchant Marine and Related Activities, the General Law on Ports, the Law on Maritime Commerce, the Fishing Law, the Coastal Law, the Law on Maritime Procedures and the adoption of the 1965 Facilitation Convention. In addition, Venezuela has adopted the principal International Maritime Organization (IMO) instruments, of which four deserve further comment.

The Organic Law of Aquatic Spaces (last amendment published in Official Gazette Extraordinary No. 6,153 of 18 November 2014) reorganises maritime administration and creates the maritime jurisdiction, setting out the general principles governing the shipping and port business throughout the country. The Law provides that maritime authority will rest with the Ministry of Infrastructure through a national body named the National Institute of Aquatic Spaces (INEA), based in Caracas, which will exercise its functions locally through the port captaincies.

The General Law on Merchant Marine and Related Activities (last amendment published in Official Gazette Extraordinary No. 6,153 of 18 November 2014) sets out the rules for the administrative regime of navigation and seafarers, activities of national ships in domestic and international waters, the general principles applicable to the merchant marine, and the coordination of the involvement in the industry by the public and private sectors.

The Law on Maritime Commerce (Official Gazette No. 38,351 of 5 January 2006) incorporates into domestic legislation the main international conventions, repealing the old maritime rules inserted in the Commercial Code. It incorporates the provisions governing aspects of private law, such as maritime jurisdiction, carriage of goods, limitation of liability, arrest of vessels and salvage, based on the international conventions not ratified by Venezuela.

Finally, the General Law on Ports (Official Gazette No. 39,140 of 17 March 2009) aims to form a national port system by introducing general principles related to the ports regime and infrastructure, governing public and private ports nationwide, to ensure coordination to consolidate a modern and efficient port system. Title IV of the Law introduces provisions related to the liability regime of port operators and port administrators, based on the 1991 United Nations Convention on Liability of Operators of Transport Terminals in International Trade; however, some of the provisions have been reviewed to adjust them to particular Venezuelan port practices, whereas others have been introduced to cover situations that the Convention does not contemplate.

### III FORUM AND JURISDICTION

#### i Courts

Shipping disputes are litigated in the courts with maritime jurisdiction and governed by the procedural rules introduced with the enactment of the Law on Maritime Procedure, published in the Official Gazette Extraordinary No. 5,554, dated 13 November 2001. Oral and abridged proceedings are the main features of the specialised jurisdiction. Appeals are heard by the Superior Courts, whose decisions are reviewed by the Supreme Court of Justice. The first instance courts and the Superior Courts with jurisdiction on maritime affairs and located in different states of the country are both unipersonal, corresponding to the Venezuelan jurisdiction to hear without any derogation whatsoever cases regarding contracts of carriage of goods (bills of lading under liner traffic) or persons that enter the national territory. While provisions related to the carriage of goods are compulsory, those related to charter parties are complementary to the will of the contracting parties, and so enforcement of foreign arbitration clauses inserted in the charter party are allowed by maritime courts. Nevertheless, it has been ruled by the Constitutional Chamber of the Supreme Court of Justice that for a tacit renunciation of the arbitration clause, the defendant must avoid any initial activity in the proceedings other than to invoke the lack of jurisdiction of the arbitration.<sup>2</sup>

Nevertheless, maritime courts do not deal with a significant number of maritime-related matters, including drugs, pollution, personal injuries and customs fines, which are assigned to criminal, environmental and taxation courts.

#### ii Arbitration and ADR

The Centre for Commercial Conciliation and Arbitration (CEDCA) and the Chamber of Commerce, Industry and Services of Caracas through its Arbitration Centre both have proven experience in the field. The arbitration procedures are conducted in accordance with the rules set up by each arbitration centre, and in the absence of rules, the procedure specified in the Law for Commercial Arbitration enacted in 1998 should apply. Few cases on maritime matters referred to conciliation or arbitration are known in the domestic forum; however, one notable decision is an interim measure by way of arrest granted by CEDCA, allowing the mortgagee (a bank) to enter in possession and exploitation of the vessel because of default in payment by the mortgagor, pursuant to Article 141 of the Law on Maritime Commerce (CEDCA, File No. 070-12). On the assessment of the facts and the solvency of the petitioner, arbitrators agreed to place the ship in the possession of the mortgagee without requesting any guarantee, but holding the bank responsible for the damages that such measure might cause to the defendants or third parties.

#### iii Enforcement of foreign judgments and arbitral awards

Foreign judgments are only enforceable in Venezuela after obtaining the *exequatur* from the Supreme Court of Justice, pursuant to the provisions of the Code for Civil Procedure (Article 850). Nevertheless, the *exequatur* may be denied pursuant to Article 851, for instance, if the judgment deprives domestic courts of jurisdiction or if it falls within one of the scenarios provided for by the civil procedural rules, such as a judgment contrary to public policy or one resulting from proceedings that have not been properly served to the defendant or one where his or her right to defence was not guaranteed.

<sup>2</sup> *Astivenca v. Oceanlink Offshore III AS*, Constitutional Chamber, Supreme Court of Justice, File No. 09-0573.

With regard to arbitral awards, Venezuela is a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the New York Convention) (since 1994) and the Commercial Arbitration Law (published in the Official Gazette Extraordinary No. 36,430 of 7 April 1998), of which Article 48 allows the execution of a final arbitration award before the competent court of first instance, wherever it is issued, without requiring the *exequatur*.

## IV SHIPPING CONTRACTS

### i Shipbuilding

No significant shipbuilding takes place in Venezuela; the existing shipyards are mainly involved with maintenance and repairs. However, in the past, PDVSA embarked on an expansion of its fleet by entering into strategic associations with Japan, China and South Korea for the construction of Suezmax, Aframax and VLCC vessels. Some agreements were also concluded with Spain, Brazil and Argentina. The navy did the same with Spain. In these cases financing was granted by foreign governments and bankers in the context of said agreements.

### ii Contracts of carriage

Venezuela is not a signatory of the International Convention for the Unification of Certain Rules of Law relating to Bills of Lading 1924 (the Hague Rules), the Protocol to amend the International Convention for the Unification of Certain Rules of Law Relating to Bills of Lading 1968 (the Hague-Visby Rules) or the UN Convention on the Carriage of Goods by Sea 1978 (the Hamburg Rules). Instead, the Law on Maritime Commerce adopts a mixed regime for the regulation of the carriage of goods by water, making it clear that these provisions shall apply whatever the nationality of the ship, carrier, actual carrier, shipper, consignee or any other interested person. However, these provisions do not apply to charter parties, unless a bill of lading is issued pursuant to the charter party that governs the relationship between the carrier and the holder of the bill of lading that is not the charterer. It follows that any shipment to or from Venezuela under liner traffic will be subject to these provisions in terms of, inter alia: liability regime, exoneration from and limitation of liability and time bar, irrespective of the nationality of the ship, being cargo claims under jurisdiction of the domestic maritime courts, whether the goods are moved in international trade or cabotage.

All actions derived from the contract of carriage of goods by water are subject to a one-year time bar, counted from the date of delivery of the merchandise by carrier to the consignee, or the date when the merchandise should have been delivered. Domestic law adheres to the period of responsibility, exoneration and limitation of liability as stated in the conventions.

It is important to point out that the carrier is not entitled to retain goods on board to guarantee his or her credits; however, pursuant to Article 259 of the Law on Maritime Commerce and to safeguard the payment of freight, use of containers, demurrage, contribution to general average and signature of the bond, the carrier through an order of a maritime court may place the goods in the hands of a third party (warehouse). Should the carrier guarantee the corresponding fiscal credit and in the absence of anyone claiming the goods, these will be taken to court auction. The carrier may also exercise a lien upon the cargo for freight, demurrage and costs for loading and unloading operations, as well as other costs derived from the contract of carriage and the charter party. This lien, however, shall cease if the action is not brought within 30 days of the discharge, provided the cargo has not passed into the hands of a third party.

With regard to the liabilities of the shipper, the Law on Maritime Commerce prescribes in Article 229 that the former (including the servant or agent) is not liable for loss sustained by the carrier or by the ship, unless it was caused by the shipper's fault. Specific provisions are set out in connection with dangerous goods, imposing upon the shipper the obligation to suitably mark or label dangerous goods as such and to inform the carrier about the dangerous nature of any cargo and the precautions to adopt. Should the shipper fail to do so, the carrier may at any time unload or destroy the cargo, without payment of compensation and irrespective of the damages owed by the shipper towards the carrier (Article 231). Likewise, according to the General Law on Ports (Article 101), a port operator in charge of warehouses and container yards who has not been informed about the dangerous nature of goods, may also destroy or dispose of the cargo without payment of compensation to its owner and is entitled to have its costs reimbursed by the person who was obliged to notify the port operator of the dangerous nature of the cargo.

### **iii Cargo claims**

As in the Hamburg Rules, the Law on Maritime Commerce defines the consignee as the person entitled to receive the goods, so domestic provisions allocate the title to sue on the former (Article 249). As to who can be sued, Article 197 states that for the purposes of the law, 'carrier' means 'any person who by himself or through another person acting on his behalf has concluded a contract of carriage of goods by water with a shipper'; whereas 'actual carrier' means 'any person to whom the carrier has entrusted the performance of the carriage of goods by water or of part of it'. Consequently, in light of the maritime provisions, the owners will be the carrier if they have the direct exploitation of the ship, whereas charterers will be regarded as the carrier if undertaking the commercial operation of the ship and issuing the bills of lading. In other words, the responsible party for the execution of the contract of carriage is the one issuing the bill of lading.

The provisions related to bareboat charters as well as charter parties (time and voyage) are complementary to the will of the parties (Article 150). It follows that dispute resolution clauses would be acceptable.

### **iv Limitation of liability**

The Law on Maritime Commerce has incorporated the provisions of the Convention on Limitation of Liability for Maritime Claims 1976 (the LLMC Convention 1976). Shipowners and their insurers are thus allowed to contractually limit liability in the same manner and in accordance with the limitation figures prescribed by Articles 2 and 6 of the Convention.

Anyone seeking to limit liability (such as shipowners, charterers, insurers, salvors) may appear before a maritime court and request the commencement of a proceeding to constitute a limitation fund (Articles 52 to 74 of the Maritime Law). This is set in motion by the submission of a petition indicating the circumstances giving rise to the damages in respect of which limitation is invoked; the maximum amount of the limitation fund calculated in accordance with the Maritime Law; the list of creditors known by the petitioner and the definite or provisional amount of their credit and its nature; and any documentation to support the constituted fund, which may take the shape of cash, financial instruments or securities issued or guaranteed by the state. Any precautionary measure (arrest) upon a ship will be suspended once the limitation fund is constituted.

## V REMEDIES

### i Ship arrest

The arrest of ships is mainly governed by the provisions of the International Convention on Arrest of Ships 1999 (the Arrest Convention 1999), incorporated in the Law on Maritime Commerce, to the extent that Article 93, following the Convention, sets out the list of maritime claims giving rise to a ship arrest. Similarly, the governing provisions allow the arrest of the ship in respect of which the maritime claim arose, as well as the arrest of a sister ship. The maritime courts shall grant the arrest for a maritime claim when this is founded in a public document or a private document recognised by the other party, accepted invoices, charter parties, bills of lading or any other document proving the existence of the maritime claim. Otherwise, the court may request from the claimant the submission of a guarantee in the amount and subject to the conditions determined by the court before granting an arrest. The defendant, however, may oppose the arrest or request the lifting of it, if in the opinion of the court sufficient security has been provided, except in cases in which the ship has been arrested for any dispute as to the possession of the ship or any dispute resulting from a contract of sale. Under domestic provisions the action for the arrest of the ship must be brought against the ship and her master at the same time, as prescribed by Article 15 of the Law on Maritime Commerce, otherwise the action will be dismissed.<sup>3</sup>

In practical terms, an arrest is executed through an order forwarded by the court to the port captaincy via fax or email, resulting in the withholding of clearance to sail by the maritime authority. Consequently, an arrest order granted upon an unberthed ship within Venezuelan jurisdictional waters would be possible.

### ii Court orders for sale of a vessel

Domestic provisions allow the anticipated auction of a ship. Thus, Article 106 of the Law on Maritime Commerce states that after 30 continuous days following the arrest of the ship, if the shipowner fails to attend proceedings, at the request of the claimant, the court may order the auction of the ship, subject to the claimant submitting sufficient guarantee, provided the claim exceeds 20 per cent of the value of the ship and it is exposed to ruin, obsolescence or deterioration. Mortgagees and holders of maritime privileges may also request the forced sale of the ship. In all cases the court will arrange the sale subject to the publication in the national press of a notice of auction, with an indication of the parties involved, a description of the ship, the estimated price, the time and date of the sale and identification of the port where the ship is. In the case of a forced sale or execution the court will notify the competent authorities of the flag state, the owners, beneficiaries of mortgages and holders of maritime privileges. In the court sale of *MV Josefa Camejo*, the defendants attempted to obtain an injunction, arguing that the ferry performed a public service, an argument rejected by the Supreme Court of Justice upon assessing the facts, as it was found that the vessel had been anchored for several years without carrying out any activities and was therefore not performing any public service as a result of the lack of continuity in its activity.<sup>4</sup>

3 First Instance Maritime Court, File No. 2005-000059.

4 Constitutional Chamber, Supreme Court of Justice, File No. 06-1803.

## **VI REGULATION**

### **i Safety**

Venezuela has adopted the main IMO safety instruments, namely: the International Convention on Load Lines 1966 (the Load Lines Convention), the International Regulations for Preventing Collisions at Sea 1972 (COLREGs), the International Convention for the Safety of Life at Sea 1974 (SOLAS), the Convention on the International Maritime Satellite Organization 1976 (the INMARSAT Convention), the Torremolinos International Convention for the Safety of Fishing Vessels, the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers 1995 (the STCW Convention) and the International Convention on Maritime Search and Rescue 1979 (the Search and Rescue Convention 1979). Compliance with these safety conventions is monitored by the INEA through its Safety Department and the various port captaincies, as well as the coastguard exercising its port state control functions.

### **ii Port state control**

Venezuela is a signatory to the Viña del Mar Memorandum of Understanding of 1992, by which port state control was implemented in Latin America. Port state control is carried out by the coastguard, a branch of the navy that is in charge of the documentary and physical inspection of vessels. In the event of substandard conditions or deficiencies being noted, the coastguard inspectors will produce a report, notifying this to the port captaincy. It is for the latter to instruct a surveyor to determine the extent of the deficiencies. Once deficiencies have been corrected, the port captaincy will send a surveyor to check this and will then inform the coastguard of whether the vessel should or should not be detained. Inspectors check for compliance with the principal IMO instruments; the most common deficiency is a lack of the certificates prescribed by the International Convention for the Prevention of Pollution from Ships 1973 (as modified by the Protocol of 1978) (MARPOL (73/78)), the Load Lines Convention and SOLAS. Nevertheless, under Venezuelan legislation the coastguard has no power to detain vessels and to that end the cooperation of the port captaincy is required to refuse port clearance to a vessel and to open the corresponding administrative file to apply for any potential fines. Because of the lack of a comprehensive legal framework governing the activities of different agencies in the maritime field, in many instances port state control is confused in its implementation, occasionally causing serious delays to ships.

### **iii Registration and classification**

The ship registration process has improved significantly since the turn of the century, after the dual registration procedure (requiring inscription of documentation with the maritime authority as well as the public registry) had been repealed by the now enacted legislation. Thus, the office of the Venezuelan Shipping Registry (Renave), is now located within the INEA and has branches in the different port captaincies. Existing ships or ships under construction with a tonnage equal to or above 500 GT will be registered with the Renave office located in Caracas. Vessels under 500 GT will be registered in the particular branch of Renave located in the port captaincy where the ship will be registered.

It is important to point out that, according to Article 108 of the Organic Law of Aquatic Spaces, cabotage is regarded as the carriage of cargo or persons between Venezuelan ports. Therefore, transshipment of cargo (either internal or in transit) between domestic ports comes under this category. Article 111 of the same Law defines domestic navigation as any

activity different from cabotage, carried out within jurisdictional waters of a particular port captaincy, such as fishery, dredging, leisure and scientific navigation. Cabotage and domestic navigation are restricted to ships registered in Renave. Despite this, the INEA shall grant, at the request of the interested party, and by way of exception, a special permit (waiver) to ships of foreign registry to carry out cabotage or domestic navigation. The grant of such a permit is dependent on a certification by INEA that the ship complies with the requirements of national and international legislation regarding safety, and that there is no available tonnage in the shipping registry. Even so, irrespective of the granted waiver, the ship must comply with the process for temporary admission with the customs office before arrival.

A ship may be wholly owned by foreign parties; the only requirement is the incorporation of a domestic company, but once again 100 per cent of the shares may be wholly owned by a foreign interest. Also, a foreign-registered ship bareboat-chartered to a Venezuelan company for up to or over one year may be registered with Renave. The basic documentation to be submitted is:

- a* an application for inscription of the vessel with Renave, which must be submitted through the INEA website;
- b* a copy of the articles of incorporation of the company acting as owner or charterer;
- c* evidence of the deletion or suspension of the previous registration or equivalent document;
- d* the vessel's document of ownership or bareboat or leasing agreement, as the case may be, duly translated into Spanish; and
- e* plans and technical characteristics of the ships, including former GT certificates.

Customs procedure is a critical aspect of shipping registration in Venezuela, so the choice of the port of registry and thus the customs office is an important issue. In the case of vessels under bareboat or leasing agreements, since they will not be a definitive importation then it is generally accepted that the applicable customs regime will be that of a temporary admission, whereby the import duties will be suspended.

An important aspect in connection with flag registration is also the inspection and certification. There is no specific age requirement, but vessels over 10 years old are subject to a special inspection regime for registry with Renave. In general terms, once the flagging process has advanced, inspection and certification of the ship by an appointed flag surveyor is needed. Note that maritime administration allows up to three months for the homologation of the certified original, at which time the Venezuelan documents should be issued. Homologation must also be carried out for the International Safety Management Code documentation within three months.

#### **iv Environmental regulation**

Venezuela is a signatory to the International Convention on Civil Liability for Oil Pollution Damage 1969 (the CLC Convention), as amended in 1976 and 1984, and the 1992 Protocol. Therefore, shipowners bear strict liability for damages resulting from an oil spill, unless such damage has been caused by the events specified in the Convention. Shipowners are entitled to limit liability in accordance with the Convention, following the procedural rules set out in the Law on Maritime Commerce.

Venezuela has also enacted the Organic Law on the Environment (Official Gazette Extraordinary No. 5,833 of 22 December 2006) and the Criminal Law on the Environment (Official Gazette No. 39,910 of 2 May 2012), prescribing provisions concerning air and sea

pollution. The first is a comprehensive set of provisions intended to establish the guiding principles for the conservation and improvement of the environment. It declares the conservation and improvement of the environment a matter of public utility and general interest, including within the activities capable of degrading the environment, and those that directly or indirectly pollute or cause a deterioration of the atmosphere, water, seabed, soil, or subsoil, or that have an unfavourable impact on fauna or flora. The second law defines those acts that violate the legal provisions for environmental conservation, imposing heavy penalties such as imprisonment, arrest and fines. A significant number of offences are set out, including: discharge of pollution in lakes, the coast or marine environment as a result of non-compliance with the technical rules in force; pollution of the marine environment resulting from leaks or discharges of oil and other products during transportation, exploration and exploitation on the continental platform and in the Venezuelan exclusive economic zone; construction of works without authorisation or breach of the technical rules that are capable of causing contamination to the lakes, coast and marine environment; and breach of the international conventions on oil pollution.

Additionally, the captain, shipowner or operator that negligently caused the polluting incident will be subject to imprisonment of between one and three years. A captain's failure to give notice of a polluting accident within the national waters will be subject to imprisonment of between four and eight months, and the responsible ship can be detained by court order. On the other hand, Article 96 states that anyone emitting or allowing the escape of gases or biological or biochemical agents of any nature capable of deteriorating or polluting the atmosphere or air is in breach of the technical rules applicable to the matter and will be subject to imprisonment of between six months and two years and a fine of between 600 and 2,000 tributary units.

#### **v Collisions, salvage and wrecks**

Rules relating to collision are included in the Law on Maritime Commerce, based on the Convention for the Unification of Certain Rules of Law with respect to Collisions between Vessels 1910 (the Collision Convention 1910). In this sense 'collision' does not solely refer to violent physical contact between two or more vessels, since the domestic rules also extend to repair of damage caused by a vessel, even if a collision has not actually taken place and the damage is caused as a result of a negligent manoeuvring (e.g., without physical contact). In cases of damage to the port infrastructure, including fenders, the port authority may request a guarantee to cover the repairs. P&I club letters of undertaking are usually accepted, with the guarantee remaining in place until the costs are paid or the responsibility is determined; nevertheless, the guarantee must be executed within six months of the incident. Legal actions in connection with collisions are subject to a two-year time bar.

The main provisions of the International Convention on Salvage 1989 (the 1989 Salvage Convention) are also incorporated into domestic legislation. The master and the shipowner are free to enter into contracts of salvage, but even so, such contracts can be annulled by the maritime court if they were executed under undue pressure, influence or danger or if the conditions are not fair and the agreed reward is excessively high in relation to the services rendered. With regard to the criteria for fixing the reward, domestic provisions follow Article 13 of the Convention. Any action relating to payment under salvage operations shall be subject to a two-year time bar.

Regarding wrecks, the Law on Merchant Marine and Related Activities (Article 92) sets out provisions regarding navigation channels, which also apply to wreckages in general.

Thus, the obstruction of a navigation channel caused by the grounding of a vessel, collision, allision or sinking will impose upon the shipowner a number of obligations aimed at giving prompt notice of the incident to the maritime authority through the port captaincy to enable measures to be taken to reduce the risks for other ships sailing nearby and to remove the wreckage if necessary. Following casualties, the maritime authority will set up an investigation committee that, as well as determining the causes, may recommend steps to be taken, including publication in the press of a warning to mariners. In such cases, the authorities expect full cooperation from the shipowner or insurers in taking the necessary measures for marking, surveillance and eventual removal of the wreck; should they fail to do so, the maritime authority may take such measures, in which case the shipowner is obliged to reimburse the costs incurred by a third party appointed by the authorities to this end.

#### **vi Passengers' rights**

The main provisions of the Athens Convention on the Carriage of Passengers and their Luggage by Sea 1974 (the Athens Convention) have been included in the Law of Maritime Commerce. These provisions apply to the carriage of passengers in both international and domestic traffic. Pursuant to Article 278, 'carriage of passenger' comprises the following:

- a* in respect of a passenger and his or her cabin luggage, the period aboard the vessel or on any vehicle or means of access to come aboard or disembark, and that period in which the passenger and his or her cabin luggage are carried by water to or from the vessel and always when the price of this service is included in the passenger's ticket or the vehicle used to perform this carriage has been put at the disposal of the passenger by the carrier;
- b* in respect of the passenger, the period of carriage does not include that period when the passenger is at a terminal, maritime station, berth or any other port premises; and
- c* in respect of luggage that is not cabin luggage, this includes the period starting when the carrier, his or her employees, or agents have taken care of the luggage while ashore or on board through to the time when this luggage is returned to the owner.

Provisions state that the carrier must hand to the passenger a ticket as proof of the contract and a bill of transport wherein any luggage that is not cabin luggage is properly described. The omission of these obligations shall prevent the carrier from exercising a limitation of liability in respect of damages to the passengers and their luggage, depending on the documents that the carrier omitted to deliver (Article 279).

The indemnity paid by the carrier in cases of death or personal injury to a passenger shall not exceed 46,666 special drawing rights (SDRs) per voyage (Article 298), whereas the limits of liability both for contractual and non-contractual liability of the carrier in respect of loss or damages suffered by the luggage are regulated by Article 299, in any case not exceeding the following limits:

- a* for cabin luggage – 833 SDRs per passenger and per voyage;
- b* for vehicles, including luggage carried inside or on top of vehicles – 3,333 SDRs per vehicle and per voyage; and
- c* for all other luggage – 1,200 SDRs per passenger and per voyage.

The time-bar provisions set out in domestic legislation are similar to those of Article 16 of the Athens Convention.

## **vii Seafarers' rights**

Labour provisions for domestic shipping can be found in the Organic Law on Labour (Official Gazette Extraordinary No. 6,076 of 7 May 2012), which is generally regarded as having generous provisions towards seafarers. Article 346 of the Law sets out the obligations of shipowners to provide seafarers with minimum standards on board, such as clean accommodation; healthy, nutritional and sufficient food; medical care, hospitalisation and medicines where social security does not provide them; repatriation and travel for boarding expenses; notification to the authorities of any accident at work; granting licence for the exercise of electoral rights; and accommodation and food ashore when the ship is abroad for repairs and seafarers cannot remain on board.

The provisions of the Organic Law on Working Conditions and Accident Prevention (Official Gazette No. 38,236 of 26 July 2005) also have a significant impact on shipping, in cases of loss of life or personal injury accidents. The Law prescribes a number of sanctions for the employer in the event of accidents suffered by employees that happen during working hours, should the employer fail to properly instruct and warn the worker about the nature of the risks he or she is exposed to, as well as to provide the worker with the safe means to perform his or her job. These sanctions may take the shape of fines or even imprisonment if it is proven that the employer was aware of the danger to which the employee was exposed while working. It should be borne in mind that accidents involving loss of life or personal injuries on board the ship could well be the result of the employer's failure to instruct and warn the seafarers about the risks concerned with the assigned task. It follows that in the event of occurrence of an accident at work or occupational illness as a consequence of an employer's violation of legal regulations in respect of health and safety at work, the employer will be obliged to pay indemnification to the worker or his or her heirs, in accordance with the degree of fault and the injury. Claims brought by seafarers for personal injuries or occupational illness are generally founded on the provisions of this Law.

Venezuela has not ratified the Maritime Labour Convention 2006, although the PDVSA has announced that its fleet has already been voluntarily certified, which makes it the first Venezuelan shipowner to comply with this instrument.

## **VII OUTLOOK**

Although Venezuela has not ratified Annex VI of MARPOL (73/78), the INEA issued Circular No. 19 dated 30 December 2019, on the IMO 2020 Sulphur Cap. The Circular is based on Regulation 14.1.3 of Annex VI of the 1997 Protocol amending MARPOL (73/78) requiring the reduction of sulphur content in fuel used by vessels from 3.5 per cent mass by mass (m/m) to 0.5 per cent m/m, which, in accordance with Rule 5.1, is applicable to any vessel equal to or greater than 400 GT and all fixed or floating oil rigs and other platforms. The INEA has, therefore, informed all those working in the aquatic sector that, as of 1 January 2020, the fuel used by vessels equal to or greater than 400 GT and all fixed or floating oil rigs and other platforms in their operations must contain a maximum of 0.5 per cent m/m of sulphur, except for ships that have installed exhaust cleaning filters (scrubbers). Nevertheless, all vessels under the special permit regime, engaged in coastal and domestic navigation, will continue to use the fuel supplied by the national supplier until there is availability of fuel in compliance with the IMO Resolution. The port state control and the port captaincy, in their respective inspections or visits to ships, must verify compliance with the regulations, checking the validity of the certificate and efficiency plan,

bunker delivery notes, books of hydrocarbon registration, safeguarding of fuel samples and laboratory test reports. When required, they may take fuel samples for laboratory analysis to verify the sulphur content provided in Appendix VI of MARPOL (73/78) Annex VI. The Circular under comment states that ‘in case of non-compliance, the Aquatic authority will inform the respective flag State, might set a period of time to correct the deficiency and, if necessary, impose other measures provided for in the law’.

Despite the fact that, in 2018, the INEA tried to introduce the petro (cryptocurrency launched by the Venezuelan government to circumvent US sanctions) as the currency for payment of services such as pilotage and towage supplied to foreign flagged ships, the idea was later set aside. Now, in a move regarded as a way of boosting this method of payment to reduce the country’s dependence on foreign currencies, the National Executive issued Decree No. 4,096 (Official Gazette Extraordinary No. 6,504 dated 14 January 2020), according to which all dues, contributions, tariffs, commissions, surcharges and public prices payable in foreign currency to governmental agencies must be paid in petros. Article 4 of the Decree lists a number of services that must exclusively be paid in petros, including:

- a* dues payable to the National Institute for Canals (INC) for the use of the Maracaibo and Orinoco navigation canals, as per Article 17 of the governing law;
- b* tariffs for services rendered by the port administrator Bolipuertos, SA, prescribed by Article 7(1) of Joint Resolution No. 65 of 28 August 2017 (Official Gazette No. 42,227 dated 1 September 2017); and
- c* tariffs for services rendered by the INEA referred to in the First Final Disposition of Resolution No. 33 of 2 May 2018 (Official Gazette No. 41,389 dated 3 May 2018).

Therefore, services provided to foreign-flagged ships, including pilotage, towage, launching, refloating, custody and logistics services rendered by the INEA, and stevedoring, storage, cargo handling and renting services supplied by Bolipuertos, SA, are all payable in petros. Dues payable to the hydrographic office (OCHINA) for the use of lights and buoys, as well as dues payable to Bolipuertos, SA for anchorage, dockage, wharfage, etc., prescribed by the Law on Port Dues (Decree No. 1,397 of 13 November 2014 (Official Gazette Extraordinary No. 6,150 dated 18 November 2014)) are not expressly mentioned and, therefore, outside the scope of the Decree under review, although they could be included in the future. According to Article 6 of the Decree, subsidiaries of PDVSA, as well as the various companies in the hydrocarbons sector, are also excluded from the Decree. Further, pursuant to Article 7, the President of Venezuela may grant a waiver to governmental agencies in respect of the use of petros as a mechanism of payment. This compulsory payment of services in petros is of great concern to the maritime community, particularly given Executive Order No. 13,827 of March 2018, which prohibits all transactions involving any digital currency, digital coin or digital token issued by, for, or on behalf of the Venezuelan government, by a United States person or within the United States.

Although in the past year there was a significant number of reported drug cases involving the conviction of seafarers and the arrest of ships, there has in fact been a noticeable reduction in recent times. Cases are mainly related to drugs attached to the vessel’s hull, placed inside the rudder stock spaces or the superstructure or loaded in empty containers, affecting tankers, bulk carriers and container ships alike. It is recommended that ships trading with Venezuela take precautionary measures such as underwater inspections and extra security measures when calling at domestic ports, as drug trafficking through Venezuelan territory seems to

be a recurrent problem. These cases are exclusively handled by the criminal courts and the corresponding investigations by the prosecutor's office have proved to be very cumbersome and time-consuming.

Customs fines for cargo shortages and over-landing (particularly fines for shipping containers remaining within the national territory for longer than the permitted 90 days) have been recently increased to outrageous amounts following amendments to the Organic Customs Law (Official Gazette Extraordinary No. 6,507 of 29 January 2020), replacing the payment based on tributary units by using the equivalent exchange rate of the currency of higher value, as published by the Venezuelan Central Bank. A tributary unit is a fixed unit set by the government, and periodically adjusted, for taxation purposes. Customs fines referred to will now be determined based on the value of the foreign currency whose exchange rate is the higher of those recorded by the Central Bank.

Finally, shipping and port business are currently taking place in the context of a highly complex political and economic environment, following recognition by the Trump administration of the opposition leader Juan Guaidó as the legitimate president of Venezuela on 28 January 2019, as a result of which the United States has applied new and severe sanctions on the PDVSA and the remaining governmental entities, demanding careful analysis of the scope of these sanctions.

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