

**Modifications to SUKO 90 terms ("Agreement for the Sale of Brent Blend Crude Oil on 15 day terms Part 2 General Conditions Shell U.K. Limited July 1990")**

**Effective Date 01/09/2015**

*(Explanatory note: This incorporates latest revisions to item (M)(2) below)*

The title shall be amended to read "Agreement for the sale of Brent Blend Crude Oil on One Full Month Terms Part 2 General Conditions Shell U.K. Limited July 1990".

- (A) Clause 1.A.f) shall be amended so that the reference to Brent Blend Crude Oil shall be deemed to include Forties Crude Oil, Oseberg Crude Oil and Ekofisk Crude Oil;
- (B) Clause 1.A.h) shall be amended
  - by substituting "500,000" with "600,000" barrels to comprise the Nominal Volume, and
  - by substituting "5%" with "1%" Buyer's operational tolerance, and
  - in the second sentence the "Cargo" shall refer to a Brent Blend, Forties, Oseberg or Ekofisk Crude Oil Cargo;
- (C) In Clause 1.A.i), references to Brent and the Ninian system shall be deemed to include the Forties, Oseberg and Ekofisk system;
- (D) Clause 1.A.p) shall be amended to include as appropriate Hound Point, Kinneil, Sture, Teesport and Teesside;
- (E) Clause 1.A.q) shall be amended to read ""Laydays" shall mean a range of 3 Days, the middle Day of which is the Scheduled Day and the Scheduled Day shall fall wholly within the Specified Month;
- (F) Clause 1.A.u) shall be amended to include the respective Port Authorities for each Loading Terminal, as appropriate;
- (G) Clause 1.A.v) and w) shall be amended to include the Forties System, Oseberg and Ekofisk System, as appropriate;
- (H) Clause 1.A.aa) shall be added as follows:

"Forties System" shall mean the group of companies participating in, and representing the total beneficial ownership of the pipeline system that gathers and transports Oil from the Forties Field and other producing areas to the Loading Terminal;
- (I) Clause 1.A.bb) shall be added as follows:

"Oseberg System" shall mean the group of companies participating in, and representing the total beneficial ownership of, the pipeline system that gathers and transports Oil from the Oseberg Field and other producing areas to the Loading Terminal;
- (J) Clause 1.A.cc) shall be added as follows:

"Ekofisk System" shall mean the group of companies participating in, and representing the total beneficial ownership of, the pipeline system that gathers and transports Oil from the Ekofisk Field and other producing areas to the Loading Terminal;
- (K) For delivery in March 2015 or thereafter under these terms Clause 3(a) shall be deleted and replaced with the following:

"Seller shall declare to Buyer the grade deliverable, the Laydays and the Cargo Reference Number in respect of the Cargo between 0900 and 1600 hours (London time), and time shall be of the essence in this respect, not later than on the Last Day of Nomination. Telephone declarations through the designated BFOE telephone lines made by 1600 hours shall be valid, but must be promptly confirmed by fax/e-mail from Seller.

The Last Day of Nomination shall be One Full Month prior to the first Day of the Laydays, where One Full Month is defined as the number of calendar days in the month prior to the month where the middle day of the Laydays falls.

If the day One Full Month prior to the first day of the Laydays is a Saturday, Sunday or Bank Holiday in London, then the Last Day of Nomination shall be the last preceding London Banking Day to this day.

In case the Last Day of Nomination does not fall in the month prior to the month where the middle day of the Laydays falls, then the Last Day of Nomination shall be replaced by the nearest London Banking Day to this day, such that this is the case.

If Seller chooses to declare to Buyer the grade deliverable, the Laydays and the Cargo Reference Number in respect of the Cargo on any day prior to the Last Day of Nomination, then such declaration must be made between 0900 and 1700 (London time) on a London Banking day. Telephone declarations through the designated BFOE telephone lines shall be valid, but must be promptly confirmed by fax/e-mail from Seller. Seller agrees to make such declaration as expeditiously as possible.

Buyer shall use all reasonable efforts to ensure that appropriate facilities and sufficient authorized personnel are available for the prompt receipt of declarations."

- (L) In Clause 3 (c), references to Brent and the Ninian system shall be deemed to include the Forties, Oseberg and Ekofisk system;
- (M) In Clause 4 – the following extra paragraphs are to be added as follows:

(1) Where a Seller delivers a Cargo of Brent, Forties, Oseberg or Ekofisk Crude Oil pursuant to a contract governed by these General Terms and Conditions for delivery in June 2014 or thereafter under these terms, the price for such a cargo shall be adjusted by a Quality Premium which shall always be positive or zero.

(i) If a Cargo of Brent is declared then the Quality Premium shall be equal to zero.

(ii) If a Cargo of Forties is declared then the Quality Premium shall be equal to zero but the de-escalation factor detailed below in (2) shall apply.

(iii) If a Cargo of Oseberg is declared then the Quality Premium shall be equal to:

Sixty percent (60%) of the daily average of the Oseberg Differential less the Lowest Grade Differential for M-2; or if this number is lower than USD 0.25 per barrel (twenty-five US cents) than the Quality Premium shall be zero.

(iv) If a Cargo of Ekofisk is declared then the Quality Premium shall be equal to:

Sixty percent (60%) of the daily average of the Ekofisk Differential less the Lowest Grade Differential for M-2; or if this number is lower than USD 0.25 per barrel (twenty-five US cents) than the Quality Premium shall be zero.

In all of the above, M is equal to the Month of delivery and M-2 is the second month prior to the month of delivery. e.g. For delivery in June 2014, M-2 is April 2014.

The Lowest Grade shall refer to whichever Grade of Brent, Forties, Oseberg, or Ekofisk that has the lowest Differential during the quote publication day.

The Differential shall be the average of the low and high assessments for "Spread vs fwd Dated Brent" as quoted in the Platts Crude Oil Marketwire for the applicable quote publication day in the applicable month for the applicable grade.

(2) Notwithstanding the above where a seller delivers a cargo of Forties crude oil pursuant to a contract governed by these General terms and Conditions for delivery in September 2015 or thereafter under these terms, the price for such cargo shall be adjusted by a de-escalation factor based on the sulphur content expressed as a percentage of the Forties Crude Oil Cargo by mass.

The de-escalator shall be applied at a rate of USD 0.0015 per barrel (0.15 of 1 US cent) for every full increment of 0.001% (zero point zero zero one percent) in sulphur content starting from a base of 0.600% sulphur as shown in the example tabled below:

<u>Level of Sulphur % by mass</u>	<u>US Cents per barrel</u>
0.600	0
0.601	0.15
0.602	0.30
0.605	0.75
0.610	1.50
0.615	2.25
0.620	3.00
0.625	3.75
0.630 etc	4.50

The Quality Premium and de-escalator, that shall be applied shall be those applicable for the Specified Month.

(N) In respect of Clauses 5 and 12 and Appendix A, in the event of delivery FIP Kinneil or FIP Teesside, Clause 5 and Appendix A shall be amended to exclude the Seller's obligation to provide original bills of lading or LOI for payment and instead oblige the Seller to provide 'as appropriate, Forties Blend Crude Oil or Ekofisk Crude Oil Quantity /Quality /Origins Certificate for FIP transfer.'

Further, in the event of FIP Kinneil, Clause 12 shall be amended to provide that risk and property in the crude oil shall pass to the Buyer as the crude oil passes the inlet flange of the receiving pipeline system at the Kerse of Kinneil. In the event of FIP Teesside, Clause 12 shall be amended to provide that risk and property in the crude oil shall pass to the Buyer as the crude oil passes valves 1 and 2 on the pipeline into Phillips Imperial Petroleum Limited terminal.

In addition, the following shall be added to Clause 12:

'Warranty of Title

Sellers hereby warrant to Buyers that at the time property in the oil delivered under this Agreement passes to Buyers, Sellers have the right to sell the said oil and Sellers have unencumbered title to the said oil.'

- (O) Clause 7(a)(i) shall be amended as follows:

In each instance, after "7th Day" insert

"(or in the case of loadings at Sture, the 10th Day)" .

In each instance, after "1700 hours London time" insert

"(or Norwegian Time in the case of Sture loading)".

- (P) Clause 7(b)(i) shall be amended as follows:

'...and the requirements set out in Appendix D hereto and any amendments made thereto from time to time. Appendix D is however provided by way of example only and is not necessarily correct at the date hereof...' shall be deleted.

- (Q) Clause 7(b)(ii) shall be deleted and replaced by the following:

"Buyer warrants that the vessel is owned or demise chartered by a member of the International Tanker Owners Pollution Federation Ltd. (ITOPF). Buyer shall exercise all reasonable efforts to ensure that:

- the vessel carries on board a certificate of insurance as described in the Civil Liability Convention for Oil Pollution Damage; and
- the vessel has in place insurance cover for oil pollution no less in scope and amounts than under the rules of P and I Club entered into the International Group of P and I Clubs.
- Buyer warrants that the tankships will have on board a valid ISM certificate.

If loading at Sture, Buyer will arrange and warrants that the minimum terms and conditions of employment of the crew of Vessel will on arrival at Loading Terminal be covered by an ITF (International Workers' Federation) agreement or a bona fide trade union agreement on terms equivalent to ITF terms. Buyer shall reimburse Seller of any cost, loss or damages incurred by Seller due to failure to comply with any such warranty.

It is a condition of this Agreement that if the Buyer contracts to sell or otherwise dispose of the Cargo, Buyer shall ensure that the contract will contain the provisions of this clause 7(b)(ii) (including this paragraph) mutatis mutandis;"

- (R) A new Clause 7 (d) be added as follows:

"(d) **ISPS Code** (International Ship and Port Security Code):

- (i) The Buyer shall procure that the vessel shall comply with the requirements of the International Code for the Security of Ships and of Port Facilities and the relevant amendments to Chapter XI of SOLAS (ISPS Code) and where the loading port is within the USA and US territories or waters, with the US Maritime Transportation Security Act 2002 (MTSA),
- (ii) The Buyer shall procure that the vessel shall when required submit a Declaration of Security (DoS) to the appropriate authorities prior to arrival at the loading port.
- (iii) Notwithstanding any prior acceptance of vessel by the Seller, if at any time prior to the passing of risk and title the vessel ceases to comply with the requirements of the ISPS code or MTSA:

(a) the Seller shall have the right not to berth such nominated vessel and any demurrage resulting shall not be for the account of the Seller.

(b) the Buyer shall be obliged to substitute such nominated vessel with a vessel complying with the requirements of the ISPS Code and MTSA.

(iv)

(a) The Seller shall procure that the loading port/terminal/installation shall comply with the requirements of the International Code for the Security of Ships and of Port Facilities and the relevant amendments to Chapter XI of SOLAS (ISPS Code) and if located within the USA and US territories, with the US Maritime Transportation Security Act 2002 (MTSA).

(b) Any costs or expenses in respect of the vessel including demurrage or any additional charge, fee or duty levied on the vessel at the loading port and actually incurred by the Buyer resulting directly from the failure of the loading port/terminal/installation to comply with the ISPS Code and if located within the USA and US territories, with the MTSA, shall be for the account of the Seller, including but not limited to the time required or costs incurred by the vessel in taking any action or any special or additional security measures required by the ISPS code or MTSA.

(vi) Save where the vessel has failed to comply with the requirements of the International Code for the Security of Ships and of Port Facilities and the relevant amendments to Chapter XI of SOLAS (ISPS Code) and within the USA and US territories or waters, with the US Maritime Transportation Security Act 2002 (MTSA), the Seller shall be responsible for any demurrage actually incurred by the Buyer arising from delay to the vessel at the loading port resulting directly from the vessel being required by the port facility or any relevant authority to take any action or any special or additional security measures or undergo additional inspections by virtue of the vessel's previous ports of call.

(vii) The Seller's liability to the Buyer under this Agreement for any costs, losses or expenses incurred by the vessel, the charterers or the vessel owners resulting from the failure of the loading port/ terminal/ installation to comply with the ISPS Code or MTSA shall be limited to the payment of demurrage and costs actually incurred by the Buyer in accordance with the provisions of this clause."

(S) Clause 13. – last paragraph to read:

'c) Seller shall ensure that certificates of quantity and quality are issued in accordance with standard practice followed at the time of loading at the Loading Terminal and that copies of such certificates are delivered to Buyer as soon as reasonably possible. If a cargo of Forties Crude Oil is loaded, Seller shall ensure that the quality certificate indicates the percentage sulphur content by mass. For the purposes of this clause, the Sulphur content of the Forties Cargo shall be determined using ASTM 2622 by an independent inspector appointed or approved by the Seller.

For FIP delivery, relevant test shall be carried out by the independent inspector from a flow proportional in line sample taken in accordance with standard practice in force at the Kinneil facility during each day of the three-

day contractual delivery range. The sulphur content shall be determined as the average of the three relevant samples.

The result of such test method shall be expressed to 3 decimal places.

Such certificates shall be used by Seller in the preparation of invoices; the certificates shall be treated, in the absence of fraud or manifest error, as conclusive and binding as to the information provided therein.'

- (T) In Clause 14, reference to Brent Blend Crude Oil shall be deemed to include references to Forties, Oseberg and Ekofisk crude oil as appropriate; further Clause 14.a) shall apply in respect of the grade of crude oil nominated for delivery by Seller and, for the avoidance of doubt, where such circumstances apply to that nominated grade then the Seller shall have no obligation to supply an alternative grade under this Agreement;
- (U) Clause 15 shall be amended as follows:  
After paragraph one, insert:  
"(In the case of Oseberg, it a condition of this Agreement that the Buyer shall not sell, or otherwise dispose of the Cargo for supply, to any destination which is at the time of delivery not permitted under the laws of Norway or any rules or guidelines applied by the Government of Norway, or any agency thereof)."
- (V) In Appendix B, references to Brent System Crude Oil and to Sullom Voe shall be construed so as to include Forties, Oseberg and Ekofisk and the respective Loading Terminals, as appropriate;
- (W) All references to the Brent System and the Ninian System shall be deemed to include the Forties System, the Oseberg System and the Ekofisk system. Further, all references to Brent Blend Crude Oil shall be deemed to include Forties Crude Oil, Oseberg Crude Oil and Ekofisk Crude Oil."
- (X) Appendix D shall be deleted in its entirety.