

## **Petroleum and Petrochemical Bulletin**

<b>AGREEMENT OF THE COMMERCIAL PARTIES</b>	<b>Bulletin 14-03 Rev. 0-1</b>
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It is common for IFIA Member Companies to provide inspection services to multiple clients involved in the same commercial transaction. Additionally, many of the standards that IFIA Member Companies work to allow certain specific actions or deviations provided that these are, "agreed to by the parties to the transaction". Also, even if not specifically mentioned in a standard, the commercial parties are at liberty to specify any inspection requirements provided they are legal, ethical, feasible and mutually agreed.

However, occasionally the commercial parties do not agree, believing that they can persuade the inspection company to adopt their individual position and avoid confrontation with a trading partner. This places the independent inspection company in a difficult position as it has equal responsibility to all parties, yet has no part in the commercial aspects of the sales agreement.

The most common cause for disagreement involves interpretation of a standard. Most international standards used in petroleum inspection are consensus standards, written with a broad, rather than a narrow, perspective. This is needed to gain global consensus, as flexibility is required to adapt to individual circumstances which vary widely. However, this results in standards which may not cover all eventualities in detail. In these situations clients are requested to keep in mind the following:

- Arbitration of commercial disputes is NOT a function of independent inspection
- Interpretation of standards is also NOT a function of independent inspection. This can only be done by the standards organization that produced the standard.

Commercial transactions are governed by sale contracts agreed by the buyer and seller. The independent inspection company is not a party to the contract and normally has no knowledge of its content so it is unrealistic to expect that the inspection company can be useful in resolving disputes concerning the contract.

<u>Revisions/Reaffirmations</u>
Rev. 0 Dec 2014 Reaffirmed June 2019

## Conclusion

While IFIA members will take reasonable steps to support their clients during the resolution of points of dispute, it is incumbent on the commercial parties to resolve their differences and it is not appropriate for them to place pressure on the independent inspection company to do this for them.

Situations where the commercial parties cannot agree may leave the inspection company in a position where a final and conclusive report cannot be issued. In such events the inspection company will be limited to issuing a report detailing the events of the inspection and also the details of the dispute but without drawing a conclusion. It should be kept in mind that such a document is unlikely to be adequate for sales contracts and may result in delay and expense for which the IFIA member will accept no responsibility

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