

Circular From API

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United States Customs and Border Protection Policy

Regarding Ship Slops and Sludge

This Alert is issued to clarify US Customs and Border Protection (CBP) declaration policy regarding shipboard petroleum residue (i.e., slops) and petroleum waste (i.e., sludge) in the Port of New Orleans, Louisiana.

SLOPS

Petroleum slops are described as pumpable residual crude oil that is washed or scraped from the inside of petroleum cargo tanks and collected and stored in designated tanks for eventual discharge.

Petroleum slops must be manifested as cargo (including crude oil residue, crude oil slops and other specific slops) at the first port of arrival prior to discharge. The quantities of slops cannot be determined until they are generated so they must be estimated and referred to as “crude oil residue,” “crude oil slops,” or “product slops.” Any discrepancies in the manifest must be reported in accordance with 19 CFR §4.12. Any petroleum slops that are to remain on board for discharge at foreign port should be transmitted to the CBP as Foreign Remaining On Board (FROB).

Slops may be discharged to shore tanks or barges upon submission of an approved CBP [Form 3171, Application-Permit-Special License Unlading-Lading-Overtime Services](#), making the importing carrier responsible for ensuring that customs entry for the cargo is filed. Formal or informal entry of the petroleum slops is **not** required prior to discharge. However, CBP encourages shipowners pre-file to facilitate cargo’s release and examinations.

Since slops are considered waste, there is no true value (as in no one pays for it), they are valued at disposal value. Alternatively, if someone is willing to pay for the slop oil, the amount that someone would pay is the transaction value-price actually paid or payable. If there is no value associated (i.e., no one is paying for the slops) then the value is the disposal fee. This value may be used to determine the type of entry as being either formal or informal. Cargo not exceeding \$2,500 may be released on an informal entry.

Entry may be filed after cargo measurement (ullage) and discharge. The slops will be designated as HTSUS 2710.99.4500, Wastes Of Hydrocarbon Mixtures Others Containing Not Over 50 Percent Of Any Single Hydrocarbon Compound. The duty assessed for this classification is presently 10.5 cents per barrel. A pro forma invoice will be presented when making entry.

In determining the net dutiable quantity, on a case-by-case basis, freestanding water may be excluded from the entered quantity. The entry should state the quantity of petroleum product the duty is paid on. The statement "This entry covers petroleum slops and excludes free standing water" should be made on the pro forma invoice.

Any samples taken will be drawn from the oil layer above the freestanding water.

Shipowners should maintain records to support their figures in case CBP decides to conduct an audit. CBP will not routinely witness the ullage of slops; however, CBP retains its option to perform unannounced spot checks.

SLUDGE

Petroleum sludge is the biproduct of ship engines and generally a mixture of waste oil and water, sand and other mineral particulates and is not cargo residue. Engine room sludge and oily bilge water are biproducts of ship systems required for navigation, operations and maintenance of the ship and are not considered merchandise. They are products to be removed from the vessel as waste and are not required to be manifested by the CBP.

Your Managers recommend that Members take note of this information and be guided accordingly. For further information, Members are encouraged to liaise with local husbandry agents as well as the US Customs and Border Protection office.

Source of Information: The American P&I Club