

The law of salvage – main principles and further development in modern shipping

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Abstract. The peril at sea is the ultimate danger for any maritime endeavour. It has been addressed since ancient times and is one of the most humane acts at sea. However, it is often costly, time consuming and puts at risk the salvors, as well. Thus, a proper reward for salvage has been seen as a norm since antiquity. The current article aims to outline the main points of modern law and principles, guiding salvage operations, challenges and possible further development.

Keywords: International Convention on Salvage, Lloyd's Open Form, Law of Salvage

1. Introduction

The law of salvage is a principle of maritime law that entitles a person who voluntarily helps recover another person's ship or cargo in peril at sea to a reward. This reward is proportional to the value of the property saved. To claim salvage rights, certain conditions must be met: the vessel or cargo must be in danger, the salvor must act voluntarily without any pre-existing contract or legal obligation, and the salvage operation must be successful in saving life or property. The law aims to be fair to both property owners and salvors by rewarding those who risk themselves to save maritime property and by encouraging the recovery of ships and cargo during peril, thereby reducing losses and preventing piracy.

Salvage law has its historical and international recognition, with roots in ancient maritime codes. It applies not only to ships but also to recognized maritime property such as cargo and freight that are at sea or in navigable waters. Salvage claims usually arise after the service is performed, and the reward is determined by a court or arbitrator based on factors like the value of the salvaged property, the degree of danger involved, the success of the operation, and environmental considerations. Unlike towage contracts, salvage rewards are not pre-arranged fees but are determined after the salvage takes place. Owners can refuse salvage help if they have other arrangements, but abandoned vessels (derelicts) can be salvaged by anyone who finds them. (Attard, D., January 2016.)

The law of salvage does not have an equivalent on land, meaning persons who help on land typically have no automatic entitlement unless a contract or legal duty exists

2. Legal elements required to be able to claim a salvage reward

The legal elements required to claim a salvage reward are:

- Recognised Subject of Salvage: The salvage service must concern a recognized maritime subject such as a vessel, its apparel, cargo, or freight.
- Danger: The property must be in real danger, meaning it cannot extricate itself from the peril without assistance. The danger need not be imminent or total loss, but a real risk must exist.
- Voluntary Service: The salvage service must be provided voluntarily, without any pre-existing contractual or legal obligation. Official rescue agents such as coast guards or harbour masters generally cannot claim salvage rewards because of their duty to assist.
- Successful Salvage: According to the broadly accepted principle "**No cure, no pay**", the services rendered must have resulted in or contributed to successfully saving the property from danger. Even if the salvors were negligent but the salvage was ultimately successful, a reward is generally due, though it may be reduced.

If these elements are met, the reward is usually determined by a court or arbitrator considering factors like the value of the salved property, degree of danger, salvor's skill and risk, environmental protection efforts, and the success of the service. The claim arises after the salvage operation and does not require a prior contract. (Menon, A. 8 March 2021)

2.1. International Convention on Salvage, 1989

The convention that guides salvage law is the International Convention on Salvage, 1989. This convention was adopted under the supervision of the International Maritime Organization (IMO) and replaced the earlier 1910 Brussels Salvage Convention. The Convention defines key terms related to salvage, sets out the scope of application, and emphasizes that the reward should be fair and encourage timely and efficient salvage operations to protect life, property, and the environment. It has been ratified by many states and is considered the primary international legal framework governing maritime salvage operations today.

The International Convention on Salvage, 1989 entered into force on July 14, 1996, after receiving the necessary number of ratifications from maritime nations worldwide. Since then, it has been widely adopted and serves as the primary international legal framework for regulating salvage operations, including provisions for environmental protection during salvage. As of April 2016, the Convention has been ratified by 69 states representing 52 percent of the gross tonnage of the world's merchant fleet.

Key provisions of the Convention include the retention of the "no cure, no pay" principle for property salvage, ensuring that rewards are only given if the salvage operation is successful in saving the ship or cargo. However, it introduced special compensation covering the salvor's expenses plus up to 30% additional to encourage environmental protection efforts. In exceptional cases, this additional compensation can be increased up to 100%. Environmental damage is comprehensively defined as substantial harm to human health, marine life, or coastal resources caused by pollution, contamination, fire, explosion, or similar major incidents. The Convention also imposes duties on salvors and property owners to cooperate in salvage operations and environmental protection.

The Convention has been widely ratified and has been internationally in force since 1996. It serves as the core legal framework for salvage contracts and operations globally. Its provisions are regularly referenced and applied in maritime salvage cases, particularly those involving environmental concerns. Since its adoption, no major amendments have been made, but ongoing case law and maritime practice continue to interpret its articles, especially in relation to environmental salvage awards. Today, the 1989 Salvage Convention remains the authoritative international instrument balancing traditional salvage objectives with modern environmental protection imperatives.

3. Lloyd's Open Form and other forms of salvage contracts

Lloyd's Open Form (LOF) is the most widely used international salvage contract, providing a flexible "no cure, no pay" arrangement where salvors earn rewards based on the value of property saved. It has been in use for over 100 years and was last updated in 2024 (LOF 2024), incorporating modernized language, procedural improvements, and new arbitration procedures to streamline awards and reduce costs. (Chamberlain, A., 5 Feb 2020)

Compared to other salvage agreements, LOF stands out for its simplicity, immediate mobilization capability without pre-negotiated fees, and reliance on subsequent arbitration to set rewards. Other forms of salvage contracts exist nationally and internationally, including country-specific forms used by Japan, Russia, China, and Turkey, and BIMCO forms for towage and wreck removal. These alternative agreements may involve pre-arranged fees or different contractual terms that do not always fully incorporate the "no cure, no pay" principle or the special environmental compensation rules of the 1989 Salvage Convention.

Despite its historical prestige and insurance backing, LOF's use has been declining, with shipowners and insurers sometimes preferring pre-agreed contracts for efficiency in minor cases without imminent risk to crew, ship, or environment. However, LOF remains crucial for emergency salvage operations where rapid deployment and legal certainty on rewards are required. (Lowry, N. 04 August 2017)

LOF contracts explicitly incorporate the 1989 Salvage Convention's principles, including provisions for special environmental compensation (SCOPIC clause) and English jurisdiction with dispute resolution through London arbitration. Its enduring international acceptance and alignment with the Convention make it a benchmark for salvage agreements globally.

3.1. Introduction of the Convention into the LOF, SCOPIC clause how it is used

The International Convention on Salvage, 1989, was incorporated into Lloyd's Open Form (LOF) salvage agreements starting with the 1990 edition of LOF. The key Articles of the Convention, notably Articles 13 and 14, which govern the criteria for fixing salvage rewards and the provision for special compensation to salvors preventing or minimizing environmental damage, are explicitly embedded in LOF contract terms. This incorporation means that LOF contracts are governed by the principles and rules laid down in the 1989 Convention, ensuring that salvage rewards and compensations accord with international maritime law standards. The Convention's "no cure, no pay" principle is also maintained within LOF, while the special compensation provisions encourage environmental protection efforts regardless of traditional salvage success. (Burgess, N., 25 June 2017) Legally, the Convention became part of English domestic law in 1995 through the Merchant Shipping (Salvage and Pollution) Act 1994, giving LOF contracts contractual force under English law. This formal linkage between the Convention and LOF ensures that the internationally recognized framework of salvage law is practically implemented in everyday salvage operations, arbitration, and dispute resolution associated with LOF.

SCOPIC was introduced in 1989 to complement the Convention's Article 14 special compensation scheme. Article 14 provides compensation to salvors who prevent or minimize environmental damage but do not earn a traditional salvage reward. However, Article 14 has practical and procedural limitations that sometimes led to inadequate or delayed compensation to salvors. The SCOPIC clause, which can be invoked by salvors in LOF contracts, provides an alternative and more predictable remuneration mechanism. When activated, SCOPIC allows salvors to recover pre-agreed rates for personnel and equipment used in salvage efforts, independent of the success or value of the salved property. It offers more timely, transparent payments and reduces disputes related to losses and environmental protection efforts. LOF contracts explicitly include the SCOPIC clause as an addendum, ensuring that if salvors opt to invoke SCOPIC, they receive agreed special compensation alongside or instead of the conventional Article 14 compensation. The clause is supported by Protection & Indemnity (P&I) Clubs, which guarantee payment, giving salvors financial security to undertake environmental salvage operations even when traditional salvage rewards are uncertain.

4. Use of LOF in modern times

According to the Lloyd's statistic, In the last 5 years, the use of Lloyd's Open Form (LOF) salvage agreements has seen some fluctuations but generally a lower volume compared to the peak years earlier in the decade. SCOPIC, an add-on to LOF, was invoked in several cases each year, with 9 in 2020 and 11 in 2022. Total salvage awards by LOF varied widely by year, with \$10.6 million in 2020, a peak of \$16.7 million in 2022, and a reduction to about \$1.6 million reported for 2024 (figures exclude ongoing appeals) (Shipping Telegraph team. 30 June 2025). In 2023 and 2024, the International Salvage Union (ISU) reported relatively low LOF usage compared to the previous decade, with 16 cases in 2023 and a slight increase to 29 in 2024 generating about \$118 million revenue in 2024. The ISU highlights a record low in LOF contracting in recent years that might jeopardize emergency response effectiveness, while salvage revenues overall have stabilized and wreck removal income remains significant. (International Salvors Unit News Team. June 26, 2025)

The use of LOF remains a cornerstone salvage contract, though both shipowners and insurers have shown an aversion to it recently, contributing to the reduced contract numbers after a peak near 2017 with 55 cases. Other salvage agreements, apart from LOF and SCOPIC, also contribute to emergency response income but specific usage statistics are less detailed in available data. The total quantity of salvage services provided remained steady at around 190+ cases annually as of 2023-2024, with revenues split roughly between emergency response (including LOF) and wreck removal operations.

Year	LOF cases	Revenue (USD million)
2020	44	10.6
2021	37	Data not detailed
2022	34	16.7
2023	16	29
2024	29	118

Fig.1 Use of LOF and relevant revenue for the period 2020-2024
 (ISU 2024)

5. Marine pollution and salvage risk

Pollution risk management has become more and more important in all activities regarding vessel operations. It alone is recognized as a component of maritime salvage but does not constitute salvage in the traditional sense of saving a vessel or cargo. Under modern salvage law and conventions such as the Salvage Convention 1989, salvors who take actions to prevent or minimize environmental damage—such as mitigation of oil spills or containment of hazardous substances—are entitled to special compensation even if no property is saved.

This environmental protection effort is a key part of salvage operations today, reflecting the importance of safeguarding marine ecosystems. The special compensation can be awarded regardless of whether the vessel or cargo is salvaged, encouraging salvors to manage pollution risks proactively. Hence, pollution risk management is covered under the law of salvage as a significant salvage activity and can entitle salvors to remuneration focused on environmental protection, separate from traditional salvage awards. (Tsavliiris A., 2012)

6. Training of masters regarding salvage practices and LOF agreement

Ship masters' training regarding the use of salvage agreements, particularly Lloyd's Open Form (LOF), appears to be limited and inconsistent worldwide, with significant operational and training gaps identified in recent studies. Statistical data from a 2022 review by the International Group of P&I Clubs highlights a significant reduction in the number of LOF contracts being signed directly by ship masters, despite their knowledge and authority under the International Safety Management Code (ISM).

Many decisions to contract salvage services are now made ashore by Designated Persons Ashore (DPAs) or shipowners, often sidelining the master's experience and immediate assessment. This shift has been linked to delays in contracting salvage services, sometimes exacerbating environmental and operational risks. The review emphasized the need for improved training of DPAs and other shore-based decision-makers in the advantages, risks, and legal implications of different salvage agreements, including the urgency of timely salvage activation. Masters themselves report having limited direct involvement or authority in salvage contracting in contemporary practice due to organizational policies, even though they remain responsible at the incident scene. Following all the above-mentioned particularities, one can conclude there is a recognized need for enhanced and standardized education and training programs regarding salvage agreements within the maritime industry to close knowledge and operational gaps. Statistical trends, examined further in this article, show a decline in direct salvage contract engagement by masters over the decades. For example, LOF contracts signed by masters have decreased, and related arbitration cases peaked in the 1980s but have lowered significantly since then. (Wingrove, M., 29 July 2024)

Salvage is currently not a compulsory part of standard maritime training for ship captains or crew. There is no specific formal or internationally recognized salvage training or qualification embedded in professional seafarer courses or in the certification process for mariners. Captains and officers typically act on their general seamanship training, past experience, or instinct if faced with a salvage situation. However, there are professional courses and diplomas in marine salvage available for specialized training, such as the Marine Salvage Operations course which covers legal, technical, and operational aspects of salvage. These are optional and aimed at crew members, salvage personnel, consultants, and insurers, rather than mandatory parts of the mariner certification pathway. Industry experts have pointed out the lack of formal salvage training for seafarers as a gap that could be addressed by introducing basic salvage

modules, but this is not yet standard or compulsory within mandatory maritime education or licensing systems. (Shaw 2022)

7. Conclusion

The law of salvage remains a fundamental pillar of maritime law, balancing the interests of property owners and salvors by providing fair rewards for voluntary salvage efforts while encouraging the recovery of ships, cargo, and protection of the marine environment. The International Convention on Salvage, 1989, along with the incorporation of its principles into widely used contracts such as Lloyd's Open Form (LOF), continues to provide an internationally accepted legal framework that effectively integrates traditional salvage objectives with modern environmental protection imperatives. Furthermore, the introduction and use of the SCOPIC clause within LOF contracts represented significant progress in ensuring predictable and timely compensation for salvors engaged in environmental protection, addressing previous limitations of Article 14 compensation under the Convention. All this makes the environmental risk management and pollution prevention integral to salvage operations, demonstrating the evolution of salvage law from merely saving property to proactively protecting marine ecosystems, with financial incentives aligned to this expanded role.

Despite LOF's historic importance and legal clarity, its declining use in recent years, alongside the preference for alternative salvage agreements with pre-arranged fees, demonstrates the emerging trend of change in emergency salvage response and has begun to change the role of ship master and DPA in respect of signing LOF. A notable gap exists in the formal training of ship masters and maritime personnel regarding salvage law, LOF contract procedures, and salvage operational decision-making, making the use of LOF or other open form salvage contracts difficult to understand and not quite clear for those in charge of affecting them. Addressing this gap through standardized education and training programs is essential to enhance timely and effective salvage activation and reduce environmental and operational risks.

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