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DEPARTMENT OF THE NAVY  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
WASHINGTON, DC 20350

IN REPLY REFER TO

OPNAVINST 4020.26  
Op-413

11 October 1983

OPNAV INSTRUCTION 4020.26

From: Chief of Naval Operations

Subj: Fuel Exchange Agreements with Foreign Military Forces

- Ref: (a) Title 10, U.S. Code, section 7227
- (b) SECNAVINST 5710.25
- (c) OPNAVINST 5710.24
- (d) OPNAVINST 5710.25
- (e) NAVCOMPT Manual, para. 075404
- (f) NAVSUP Manual, para. 25319

Encl: (1) Sample exchange agreement

1. Purpose. To establish procedures for the negotiation, conclusion, and implementation of agreements for the exchange of fuel and related supplies and services with foreign military forces.

2. Background. Reference (a) grants the Secretary of the Navy authority to provide fuel and other supplies to naval vessels and military aircraft of friendly foreign countries on a reimbursable basis without an advance of funds, provided that the foreign country concerned furnishes similar supplies on a like basis to U.S. naval vessels and military aircraft. The Secretary of the Navy has delegated his authority under reference (a), insofar as it applies to foreign naval vessels and aircraft, to the Chief of Naval Operations. The Comptroller of the Navy has ruled that replacement-in-kind is a permissible method of reimbursement under reference (a).

3. Policy. To ensure proper accounting and reimbursement for fuel provided to or received from foreign military forces, it is the policy of the Navy to negotiate and conclude international agreements specifying the conditions and procedures for exchanging fuel and related supplies and services. By references (b) through (d), approval authority for such agreements is vested in the Deputy Chief of Naval Operations (Logistics). Fuel exchange agreements shall not be negotiated or concluded without prior approval of the DCNO (Logistics) except as otherwise provided by this instruction. Enclosure (1) provides a sample fuel exchange agreement to be used as a guide for U.S. Navy negotiators. While it is recognized that enclosure (1) may have to be modified to incorporate results of negotiations, agreements must be reciprocal and must comply with the following principles:

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a. Statements of accounts (and billings if applicable) shall be made at least annually. Cash settlement shall be made to balance accounts unless firm arrangements are made for the navy in arrears to deliver replacement fuel within six months of reconciliation of accounts. Balances due to the U.S. shall be billed at the standard price in effect at the end of the period being reconciled. Balances due to foreign governments shall be billed in accordance with pricing procedures to be stated in the agreement.

b. Fuel shall be furnished to foreign forces only by Navy shore activities and afloat units. Fuel shall not be provided under fuel exchange agreements by Navy contract fuel sources.

c. Fuel exchange agreements shall be established for a definite period of time not to exceed five years. At the end of the period, such agreements may be renewed, if agreed to by both parties.

Existing fuel exchange agreements need not be revised to conform to this guidance, but when agreements are renewed or extended they must be brought into conformance.

#### 4. Action

a. Deputy Chief of Naval Operations (Logistics) shall:

(1) grant authority, in coordination with the Deputy Chief of Naval Operations (Plans, Policy and Operations), to negotiate fuel exchange agreements, provide negotiating guidance, and designate the negotiating official.

(2) review draft agreements in coordination with the Comptroller of the Navy and the Judge Advocate General.

(3) grant authority to conclude agreements and designate the official authorized to sign on behalf of the U.S. Navy.

(4) provide five certified copies of signed fuel exchange agreements to the Judge Advocate General (Code 10) within ten days of their conclusion; four copies to Commander, Naval Supply Systems Command; and one copy each to fleet commanders in chief.

(5) assist in obtaining settlement of accounts when the foreign government does not respond to the requests of Commander, Naval Supply Systems Command for settlement.

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b. Commander, Naval Supply Systems Command shall: (R)

(1) arrange fuel supply for foreign ships and aircraft at shore facilities incident to fuel exchange agreements.

(2) maintain the official accountable records for the U.S. Navy for each agreement.

(3) provide billing, reconciliation and settlement in accordance with this instruction and references (e) and (f).

(4) promulgate instructions for the administration of fuel exchange agreements.

c. Fleet commanders in chief shall arrange fuel supply for foreign naval ships and military aircraft desiring fuel from afloat units incident to fuel exchange agreements.

d. Designated negotiating officials shall:

(1) ensure that draft agreements conform to the mandatory guidance contained in paragraph 3.

(2) ensure that negotiations conform to the provisions of references (b) and (c)

(3) submit draft agreements to Deputy Chief of Naval Operations (Logistics) for review prior to conclusion.

(4) ensure compliance with paragraph 5 of reference (b) after fuel exchange agreements are concluded with foreign military forces.

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SAMPLE EXCHANGE AGREEMENT

This is to be used as a model for negotiating officials. Portions underlined with asterisks must appear in the agreement unless otherwise stated in the notes appearing at the end of this sample agreement.

I. GENERAL

This is to establish the policy and procedures whereby the \_\_\_\_\_ Navy and the United States Navy may exchange fuel on a replacement-in-kind and/or reimbursable basis for operations during the five year<sup>1</sup> period commencing \_\_\_\_\_.  
\*\*\*\*\*

Successor arrangements may be negotiated after the expiration of the current arrangement.

II. FUEL PRODUCTS INCLUDED UNDER THIS ARRANGEMENT

A. Product Description and Units of Measure

	UNITS	BBLS <sup>2</sup>	_____ 2
	OF	PER	PER
PRODUCT	ISSUE	_____	BARREL

B. Quantity Determination

Actual physical determination of quantity will be conversion of the volume in barrels or (other party's unit of issue) to

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\_\_\_\_\_ degrees \_\_\_\_\_.<sup>3</sup> In case of differences between issued and received quantities, shore figures will be accepted as the more accurate. For discrepancies in underway issues and receipts, the issuing ship's figures will be accepted.

III. ACTIVITIES AND SHIPS/COMMANDS AUTHORIZED TO PARTICIPATE

A. Subject to due notice to and approval by the issuing authority, pursuant to the provisions of this agreement, fuel will be dispensed to \_\_\_\_\_ ships/aircraft/commands by an United States naval shore activity or dispensing unit afloat, and fuels will be dispensed to United States ships/aircraft/commands by any \_\_\_\_\_ naval shore activity or dispensing unit afloat.

B. Routine delivery services and overtime work associated with issues to either Navy's ships or aircraft will be provided on a reciprocal no-cost basis to the greatest extent possible. Where a service cannot be provided on a reciprocal basis or where unusual delivery costs are incurred, these costs will be borne by the Navy receiving the service.

IV. PROCEDURES FOR REQUESTING FUEL

Wherever possible, at least 10 days notice of a requirement should be given and requests for fuel made as follows:

A. Refueling at sea

1. U.S. fleet commanders should submit USN requirements by message to \_\_\_\_\_, info \_\_\_\_\_.

2. \_\_\_\_\_ should submit \_\_\_\_\_ requirements by message to CINCPACFLT, CINCLANTFLT, COMSIXTHFLT, or CINCUSNAVEUR as appropriate.

B. Refueling from shore depots

1. U.S. fleet commanders should submit USN requirements by message to \_\_\_\_\_.

2. \_\_\_\_\_ should submit \_\_\_\_\_ requirements by message to NAVPETOFF ALEXANDRIA VA, info CNO WASHINGTON DC.

C. Fuel Availability and National Laws/Regulations.

Notwithstanding any other language in this agreement, all  
\*\*\*\*\*  
issues of fuel encompassed in this agreement are subject to  
\*\*\*\*\*  
availability of fuel for transfer, as determined by the issuing  
\*\*\*\*\*  
authority, and are subject to national laws and regulations in  
\*\*\*\*\*  
effect at the time of transfer.  
\*\*\*\*\*

V. DOCUMENTATION OF RECEIPTS AND ISSUES

Each issue and each receipt made by either navy will be certified by the official(s) designated by each country. In the case of the United States Navy, issue of fuels will be certified by the commander or commanding officer of the dispensing facility or dispensing unit afloat. Receipt of fuels will be certified by the commander or commanding officer of the receiving United States naval unit or shore activity. In the case of the \_\_\_\_\_ Navy, issue of fuels will be certified by the \_\_\_\_\_  
\_\_\_\_\_. Receipt of fuels will be certified by the \_\_\_\_\_.

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\_\_\_\_\_. Certified documents or messages in lieu of documents will be submitted to "Naval Supply Center (NSC) Code 55, Charleston, SC 29408-6355, USA.", and to \_\_\_\_\_ under procedures currently in effect or by procedures which may be required by the offices maintaining official records.

VI. OFFICIAL RECORDS

"Naval Supply Center (NSC) Code 55, Charleston, SC.

\_\_\_\_\_ will maintain the official accountable records for the United States Navy under this agreement. \_\_\_\_\_ will maintain the official accountable records for the \_\_\_\_\_ Navy under this agreement. Quarterly statements of the units received and issued and the balance for each product through 31 March, 30 June, 30 September, and 31 December will be made by both offices maintaining official records. The 31 December verification will encompass and reconcile the entire year's transactions. Verification shall be completed by the end of the quarter following the quarter being reconciled.

VII. STATEMENT OF ACCOUNTS

A. Each office maintaining official records will prepare a statement in the format shown in the Appendix showing the units received and issued as of 31 March, 30 June, 30 September, and 31 December and forward it to the other office for reconciliation by the 15th of the second month following the quarter being reported.

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The Office receiving the statement will verify and reconcile any differences in the transactions by the end of the third month.

B. After verification and reconciliation of the applicable year's total transactions and agreement by both parties, "NSC, Charleston, SC. will advise \_\_\_\_\_ by message the status by product of the account. During the fourth month following the year being reported, NSC, Charleston, SC. and \_\_\_\_\_ will develop an agreement on the method of effecting settlement of any imbalance in the account.

Such settlement shall occur not more than six months after the  
\*\*\*\*\*  
close of the year being reconciled.  
\*\*\*\*\*

VIII. FUEL REPLACEMENT PROCEDURES

Issues and receipts of all products will be offset on a grade-by-grade basis to the maximum extent possible as part of the reconciliation process. Both navies shall have the right to replace the net balance or any particular issue with fuels other than those received in consonance with relative values based on the standard prices of the navy receiving repayment, using standard prices existing at the end of the period being reconciled.

The recipient shall have the option of refusal if the fuels do  
\*\*\*\*\*  
not meet national requirements. When mutually convenient,  
\*\*\*\*\*  
repayment will be made by transferring fuel at locations where both governments have POL stocks. When repayment is to be made by tanker, unless otherwise agreed in other mutual logistics support arrangements or laws, services associated with the tanker delivery

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will be provided on a reciprocal no-cost basis to the greatest extent possible. Where this is not possible, these charges will be borne by the Navy making repayment.

IX. OPTIONAL SETTLEMENT

These arrangements do not preclude agreement to a cash payment for the whole or any part of any imbalance. Fuel issues paid for in cash by the \_\_\_\_\_ Navy will be charged for at U.S. Department of Defense standard prices in effect at the end of the period being reconciled. Fuel issues paid for in cash by the U.S. Navy will be charged for at \_\_\_\_\_ standard prices in effect at the end of the period being reconciled. Monetary values will be computed exclusive of any customs or taxes. Remittance for amounts due to the U.S. Navy shall be addressed to Navy Regional Finance Center, Washington, DC 20371, USA. Remittance for amounts due to the \_\_\_\_\_ Navy shall be addressed to \_\_\_\_\_.

X. GOVERNING LANGUAGE<sup>4</sup>

This agreement and subsequent revisions thereto shall be in both the English and \_\_\_\_\_ languages. Both texts have equal authenticity, but in the case of divergence the English text shall prevail.

XI. TERMINATION

A. This agreement may be terminated by either party upon six months written notice to the other. In case of such termination

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the two offices maintaining the official accountable records will reconcile accounts and develop an agreed method of settlement within three months after the date of termination. Settlement of accounts will be completed not later than six months from the date of termination.

B. This agreement may be terminated immediately by either party should the party in arrears fail to settle an overdue balance within one year after the end of the settlement period established in article VII or after the end of any extension of this period granted by the creditor party. In case of such termination, the two offices maintaining the official accountable records will reconcile all accounts within three months after the date of termination. Settlement of these accounts will be completed not later than six months after the date of termination.

XI. IMPLEMENTATION

This agreement shall enter into force on \_\_\_\_\_ when the signatures of both parties are affixed. This agreement has been executed in two<sup>5</sup> originals, which are equally authentic.

(Signature)

(Signature)

\_\_\_\_\_  
(Name, rank, and title)

\_\_\_\_\_  
(Name, rank, and title)

FOR THE UNITED STATES NAVY

FOR \_\_\_\_\_

Enclosure (1)

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APPENDIX

FORMAT FOR STATEMENT OF TRANSACTIONS

(Grade of Product)

A. ISSUES BY NAVY

Issuing activity or ship	Receiving activity or ship	Transaction date	Unit of issue	Units issued	Units issued (in other Navy's unit of issue)
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Total units issued:				_____	_____

B. RECEIPTS BY NAVY

Receiving ship or activity	Issuing activity or ship	Transaction date	Unit of issue	Units received	Units received (in other Navy's unit of issue)
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Total units received:				_____	_____

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## NOTES TO SAMPLE FUEL EXCHANGE AGREEMENT

<sup>1</sup>Fuel exchange agreements may cover less than five years but may not cover more than five years.

<sup>2</sup>This space should include conversion factors from barrels to the unit(s) of issue used by the foreign navy. Conversion factors for the principal units of issue are:

<u>Unit</u>	<u>U.S. barrels per unit</u>	<u>Units per U.S. barrel</u>
Liter	0.0063	158.99
U.S. gallon	0.0238	42.000
Imperial gallon	0.0286	34.9726
Cubic foot	0.1781	5.6146
Cubic meter	6.2898	0.1590
Metric ton (diesel)	7.462	0.1340
Metric ton (JP-5)	7.686	0.1301
Metric ton (Navy special)	6.660	0.1502
Long ton (diesel)	7.582	0.1319
Long ton (JP-5)	7.809	0.1281
Long ton (Navy special)	6.766	0.1478

<sup>3</sup>Sixty degrees Fahrenheit for U.S. and other non-metric units of measure; fifteen degrees Celsius (centigrade) for metric units of measure.

<sup>4</sup>If the agreement is to be in two languages this section must appear. If the foreign party is not willing to accept English as the governing language and desires both languages to be of equal authority, the Deputy Chief of Naval Operations (Logistics) will obtain certification from the Naval Intelligence Support Center that the two versions are the same in all substantive respects before granting authority to conclude the agreement.

<sup>5</sup>If the agreement is in two languages, there must be at least two originals in each language, one in each language for each navy.

Enclosure (1)