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## Policy paper

August 2018

### OUR VIEW

Ship recycling must be subject to clear and ambitious international regulation. IMO Member States should therefore ratify the Hong Kong Convention as soon as possible

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We welcome the EU ship recycling regulation which will require all vessels calling an EU-port to carry an inventory of hazardous materials (IHM) on board. These requirements apply to EU-flagged ships from 2018 and to ships flying other flags from 2020

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The process of auditing non-EU recycling facilities has been seriously delayed and there is a risk that the deadline of January 2019 will not be met. We expect the European Commission to fulfil its obligation, to ensure a transparent process, and most importantly to ensure that all facilities are subject to a fair assessment and that they are not excluded from the list based on geographical location

# Ship Recycling

**On a global basis, approximately 850 ships (equal to 16.6 million GT) are currently being recycled annually. About 65 pct. of these ships are recycled in South Asia (Bangladesh, India, and Pakistan), where environmental protection and safe working conditions historically have not been sufficiently prioritized. Danish Shipping finds high standards imperative within the recycling industry no matter where it takes place.**

### The Hong Kong Convention

In 2009, the UN's International Maritime Organization, IMO, adopted the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships. The convention ensures that recycling facilities comply with international standards, and that they are able to handle hazardous materials safely. The facilities must be approved by the local authorities.

Furthermore, the convention requires that prior to recycling all hazardous materials on board are listed in order to enable a safe and environmentally responsible handling of the hazardous materials.

Regrettably, the Convention is far from entering into force since only seven countries (Belgium, Congo, Denmark, France, Norway, Panama and Turkey as per July 2018) have ratified the convention. It takes a minimum of 15 countries representing 40 pct. of the world's gross tonnage for the convention to enter into force. In addition, these ratifying countries need to have a combined maximum annual ship recycling volume over the past decade of three pct. of the gross tonnage of the combined merchant shipping. Nevertheless, due to positive development some facilities have already

received SOCs (Statement of Compliance) from recognized class societies.

Due to the current lack of sufficient regulation in place, the international ship owners' organisation, International Chamber of Shipping (ICS) has issued guidelines for sustainable and safe recycling of ships. The guideline - 'Transitional Measures for Shipowners Selling Ships for Recycling' - both addresses the requirements of the Hong Kong Convention and the EU Ship Recycling Regulation.

### The EU Ship Recycling Regulation

The EU Ship Recycling Regulation (SRR) was adopted in December 2013. The regulation is based on the requirements of the Hong Kong Convention but goes further in two main areas. First, from 2019 the SRR will require EU flagged ships to be dismantled only at EU approved recycling facilities. Secondly, from 2020 the SRR will require all ships calling EU ports to carry an inventory of hazardous materials (IHM).

Danish Shipping supports the requirement for an IHM as it is a very important tool for a recycling facility when planning the recycling of a vessel in a safe and environmentally sound manner.

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### FACTS

- Approximately 16.6 million GT of vessels are currently recycled annually and approximately 80 pct. of this tonnage is recycled in South Asia.
- Typically, a ship's life expectancy is 20-30 years and most Danish ships are sold when they reach 10-15 years of age. Meanwhile, for various reasons, ships are being recycled at a younger and younger age.
- An average of 12 Danish vessels has been recycled annually over the last 8 years - both in Europe and South Asia.
- A recycled merchant ship has a market value of several million USD due to the large amount of reusable steel and other components in the construction.



Photo credit: Y.S. Investments, Plot 59, Alang, India

Meanwhile, the list of EU approved facilities constitutes a large challenge. Currently, the list does not have sufficient annual capacity to meet the requirement set by the SRR itself, i.e. 2.5 million LDT (light displacement tonnage). The required capacity can only be met by including facilities outside EU.

Audits of non-EU facilities are current-

ly being conducted, but have been seriously delayed. Therefore, there is a significant risk that the SRR capacity requirement will not be reached before the list of approved facilities enters into force 1 January 2019.

This will have a very negative impact on both the shipping and the recycling industry.

Recycling of ships is a global industry and regional protectionistic regulations will not improve the environmental protection and safe working conditions in South Asia.

Alang, India is a major ship recycling area. The standard of some of the facilities in Alang is today at a level which is approved by recognized auditors. Some of the most advanced facilities have invested in methods and equipment securing that the vessel is decommissioned without any steel blocks touching the intertidal zone (including bow and stern). These facilities are now competing on high social and environmental standards and inspire other facility owners. This positive development should be supported, and the EU list could be a perfect instrument to incentivize these improvements.

## OUR VIEW (continued)

Ultimately, the only way to ensure environmental protection and health and safety of workers at recycling facilities is to impose global requirements. The EU Ship Recycling Regulation is not global, but may be a step in the right direction. The EU list of approved facilities can be a great instrument in improving conditions in South Asia where most of the recycling takes place.

## DANISH SHIPPING'S RECYCLING POLICY

### Selling vessels

Danish Shipping recommends that members carefully evaluate whether it is likely that a sold off vessel will be recycled shortly after a change of ownership. If the likelihood is high, the owner should carefully assess the potential buyer prior to the sale and obtain assurance from the new owner guaranteeing responsible recycling.

This could for instance be done via a clause in the sales contract stating that the new owner is obliged to ensure recycling in compliance with the Hong Kong Convention, in case the vessel is recycled shortly after takeover.

### Recycling vessels

Danish Shipping actively engages with members who wish to recycle ships, and until the Hong Kong Convention comes into force, the organisation encourages the members to follow the guidelines of the Hong Kong Convention as well as some additional measures:

- Ensuring that an inventory of hazardous materials (IHM) is available on the vessel prior to recycling
- Selecting a facility based on one or more audits
- Utilizing the international shipping association BIMCO's Recyclecon - a standard contract for the sale of vessels for green recycling, when entering an agreement with the recycling facility
- Establishing a site team during the recycling of the vessel or conducting audits during the recycling
- Following the ICS Transitional Measures for Shipowners Selling Ships for Recycling