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Green ship recycling gathers momentum

Almost 100 ship recycling yards have adopted Hong Kong Convention standards

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While Hong Kong Convention on ship recycling has been a driving force in cleaning up the ship recycling industry, the EU's Ship Recycling Regulation has been less successful



WAN HAI 165 BEING PREPARED FOR RECYCLING IN A DRYDOCK IN BAHRAIN

Source: Elegant Exit Company

THE Hong Kong International Convention for the safe and environmentally sound recycling of ships may still not have entered into force, but its adoption in 2009 has provided the most important guidance so far for the sector.

The convention "has played a big role even though it remains voluntary," said Hitesh Vyas, vice president at cash buyer Wirana Shipping. "It's ensured compliant ship recyclers provide workers training and skills, safer processes in enclosed spaces, effective management systems and downstream facility management to the ship recycling process. All this put together has improved the conditions for workers and reduced hazardous contamination."

The convention has been ratified by 20 states. In all, 95 recycling yards, chiefly in India though with a handful now in Bangladesh and the Middle East, have been certified to comply with its standards since 2015.

Bangladesh, which is expected to accede to the HKC later this year, is receiving support from Japan, which ratified the convention in 2019.

The Japan Shipowner's Association says a Japanese government and private sector delegation is being sent to Bangladesh in May to observe local yards and to motivate local interests to develop green ship recycling yards and to "ratify the HKC very soon."

In addition to the potential to recycle more Japanese-owned ships in a responsible way, Japanese companies are expected to provide support in developing treatment, storage and disposal facilities at Chattogram, the centre of the Bangladesh recycling industry.

Only one of the three conditions to enable entry into force of the convention has so far been met. "Condition one" requires a minimum of 15 states to have either signed, ratified or acceded to the agreement.

"Condition two" requires the combined merchant fleets of states which have acceded to the HKC to constitute not less than 40% of the gross tonnage of the world's merchant vessel fleet.

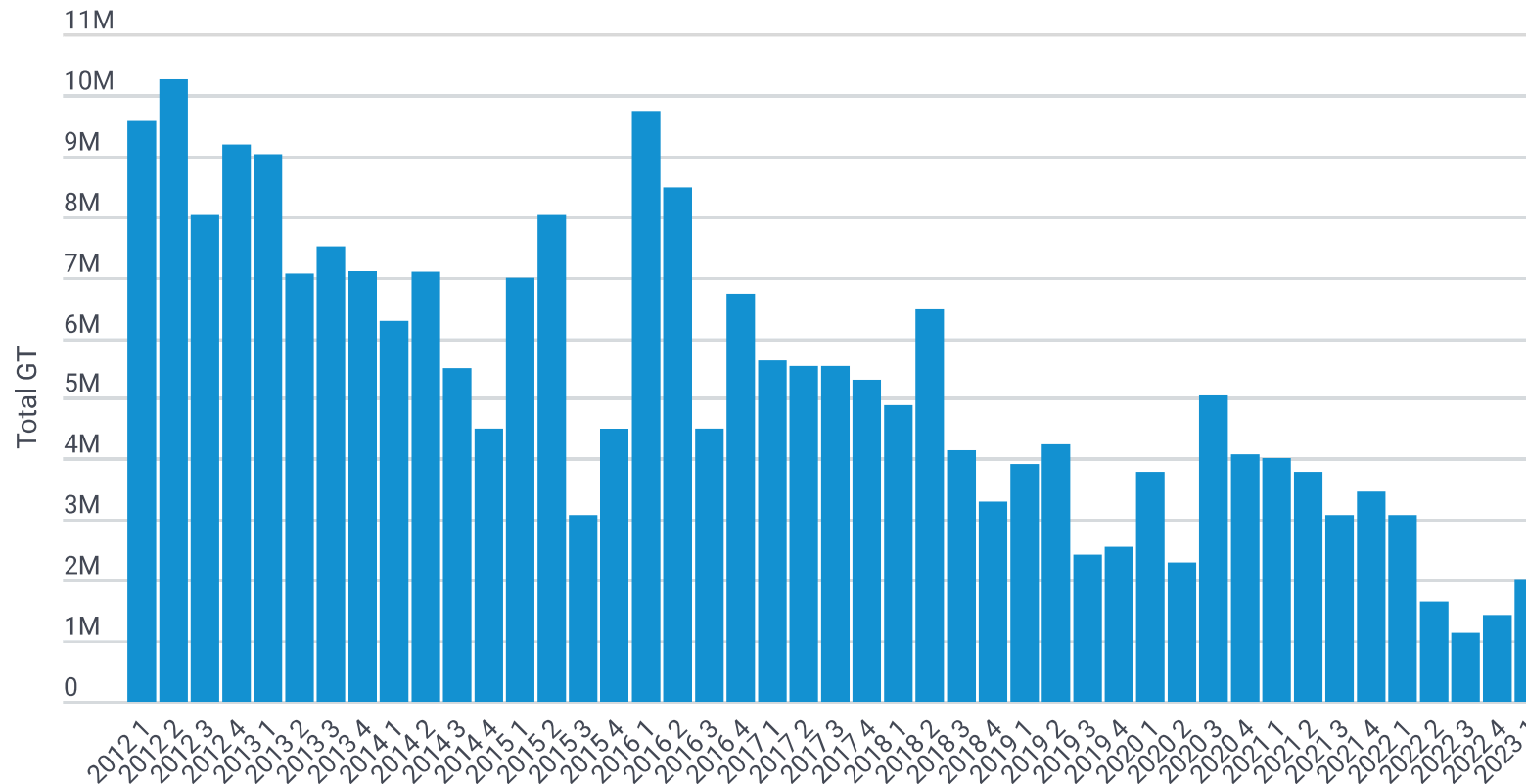
"Condition three" requires that the combined maximum annual ship recycling volume of the states during the preceding 10 years must constitute no less than 3% of the gross tonnage of the combined fleets.

"Condition two has reached 30% while the 10% can be easily met. For condition three this depends on when the ratification takes place. We would need any one or two major recycling country like Bangladesh, China or Pakistan to ratify to meet this condition." Mr Vyas told Lloyd's List.

Nevertheless, entry into force of the HKC can only occur 24 months after the date on which all three conditions have been met.

With the maritime industry now accelerating its shift towards net zero, a push to recycle older ships with lower performing carbon intensity indicator ratings was expected to lead to a surge in ship recycling from the end of last year. However, expected volumes of ships sold for scrap have been far lower than expected.

Demolition since 2012 by quarter



Source: Lloyd's List Intelligence



The European Commission launched a public consultation last month to gather views from a range of maritime stakeholders on the European Union Ship Recycling Regulation, which entered into force in 2013 and closely follows the HKC, but has a number of caveats that regulate European Union-flag ship recycling.

The consultation intends to assess how well the regulation has been applied and its impact to date, assess how well it contributes to the general policy objectives of the European Green Deal and the Circular Economy Action Plan, and identify shortcomings in its implementation and enforcement, the EU said, adding: "Once the evaluation is completed, depending on its findings, the Commission might launch a revision process for the Regulation."

The Ship Recycling Regulation has been criticised by EU-flag shipowners which say there is not enough recycling capacity for large ships to handle future demand. This is not an issue presently due to the low number of ships currently being sold for recycling.

"Today we are in a situation when there are not enough ships being sold for scrap so there is no problem," said Mr Vyas. "But two to three years down the line shipowners will be more worried. The EU will force more owners to reflag just before the end of their ship's life, so they will have more facilities to choose from whether EU-listed or not."

The consultation is likely to face requests from shipowners to include Indian sub-continent recyclers in the EU list of approved ship recycling yards. This request has had only minor consideration so far.

"We have not seen good results with the EU's SRR," said Uday Yellapurkar, chairman of Netherlands-based ship recycling new entrant Elegant Exit Co. "It's only created overcrowding at EU-approved ship recyclers and enormous confusion for EU-flag shipowners."

He said he does not have high hopes for improvements from the EU's public consultation.

"I'm not at all excited about it and it will take a long time to put it mildly. Shipowners should work using market dynamics. By adding new threats the EU could encourage more ways to circumvent regulations."

Elegant Exit Co was founded three years ago with a strategy of buying up older ships to operate in commercial service and then recycle them in a sustainable fashion. Unlike more established ship recycling intermediaries such as GMS and Wirana Shipping, it is not a cash buyer in the traditional sense.

Capt Yellapurkar said that he sees the business in particular as a facilitator to the steel industry for the supply of recyclable steel plate as an alternative to, more carbon intensive, new steel.

The company is currently working with Bahrain-based Arab Shipbuilding and Repair Yard Co (Asry), which has obtained statement of compliance certificates for both the Hong Kong Convention and European Ship Recycling Regulations.

Earlier this year Elegant Exit Co acquired its first ship for sustainable ship recycling following a tender from Taipei-based boxship operator Wan Hai Lines. The 1998-built, 1,088 teu capacity *Wan Hai 165* (IMO: 9158850) is set to be dismantled in one of Asry's drydocks during this year.

"The difference between EEC and a cash buyer is that we bought the ship via the banking system and we still own the scrap after the sale," said Capt Yellapurkar. "We then sell it to the steel plants. You could say we're more involved in the steel industry than ship recycling. More steel mills are using electric arc furnaces which cannot use iron ore."

"In our process you have the upcycling of scrap steel. We are the owner of the scrap and have our own subsidiary which is a licensed authority to buy and sell ships. We buy under our Dutch holding company and are responsible until the end of the recycling process - we are responsible if things go wrong."

"Our desire is to make a pathway that reduces the risk to sellers. We are more involved in the steel industry which needs to ensure sourcing. They must know where they source the material. In a global sense we see huge demand from the mainstream steel industry while there is going to be a large number of ships that need to be scrapped in the near future."

He sees traceability as becoming more important for sellers of recycled ships and cited containership operators, which have a higher public profile than other sectors, as being exceedingly cautious when it comes to selling their tonnage for scrap.

"The momentum is now here in terms of traceability. With Wan Hai we had their inspection team at the yard with us. When a ship gets sold traceability is limited but large companies like Wan Hai and Maersk want traceability for environmental, social and governance reasons. The container industry is under pressure to appear ethical while ESG means they need to know what happens to their old ships."

Within two years Elegant Exit Co has plans to recycle up to 100 ships per year using its network in the steel industry to sell the recycle steel.

"We're deep in to the steel side and have spent three years building relationships with the steel industry. In Asia there is more steel recycling but this will change in the future as European steel mills are compelled to reduce emissions from the smelting of steel. And ship steel is good quality."