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Containership sector to boost lowest ship recycling volumes since 2007

Vessels, of all types, of a combined 3m gross tonnes have been committed for demolition since January 1, compared with 5m gt in the corresponding period last year

29 Jun 2023 | **ANALYSIS**

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Ageing ships continue to be sold for further service rather than for recycling, although a surge in the sale of containerships for scrap seems assured



THE 1,088 TEU CAPACITY CONTAINERSHIP WAN HAI 165 AWAITING RECYCLING IN A BAHRAIN DRYDOCK.

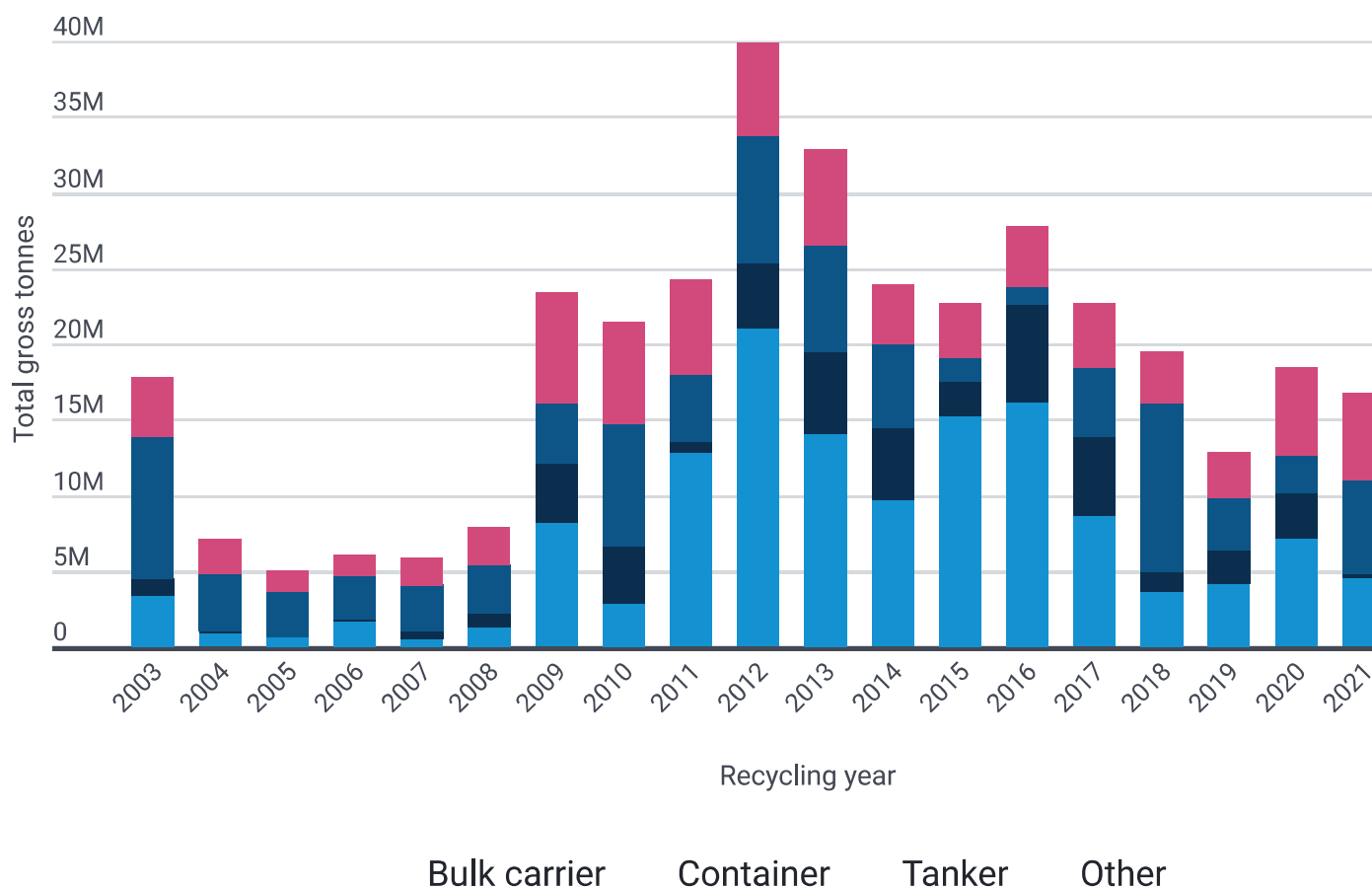
Source: *Elegant Exit Company*

VESSEL recycling volumes for the first half of this year appear to be well below even the relatively negligible levels seen in the corresponding period in 2022.

According to Lloyd's List Intelligence data, only 175 merchant ships have arrived at ship recycling centres since January 1, with a combined gross tonnage of 3.6m. This is some 38% down on the gross tonnage delivered to shipbreakers in the first half of 2022, itself a fallow period for vessel recycling sales and the lowest level seen in almost 15 years.

While the continued shortage of candidates for recycling is being driven by the sale of elderly ships for further service rather than recycling, especially for trades connected to Russian business, the recycling industry is expecting a surge in containerships being listed strictly for recycling sales, as boxship values begin to fall amidst chronic over-capacity and a record high newbuilding orderbook.

Ship recycling volumes by ship type



Source: Lloyd's List Intelligence



“It’s in the boxship market where we are waiting for big things to happen and this is regardless of any regulations such as the Hong Kong Convention, the European Union Ship Recycling Regulation or even the effects of the Ukraine crisis – there are now more powerful drivers at work,” Captain Uday Yellapurkar, chairman of Netherlands-based green ship recycler Elegant Exit Company, told Lloyd’s List.

Around 30 containerships have been sold for recycling so far this year, with a combined container capacity of 70,000 teu. This is well up on the 15 vessels committed for demolition in the whole of 2022 but has hardly made a dent in the total fleet, which currently provides some 24m teu of slot capacity.

“The largest global container carriers are themselves the decision makers to manage capacity and balance it with their market share, unlike in other segments such as dry bulk and tankers,” noted Capt. Yellapurkar, who said that EEC is in active discussions with liner operators CMA CGM, COSCO, Evergreen, Hapag-Lloyd, Maersk, MSC, ONE and Zim.

“They are talking to us very actively as they all have huge newbuilding programmes and therefore a need to recycle their old fleets.”

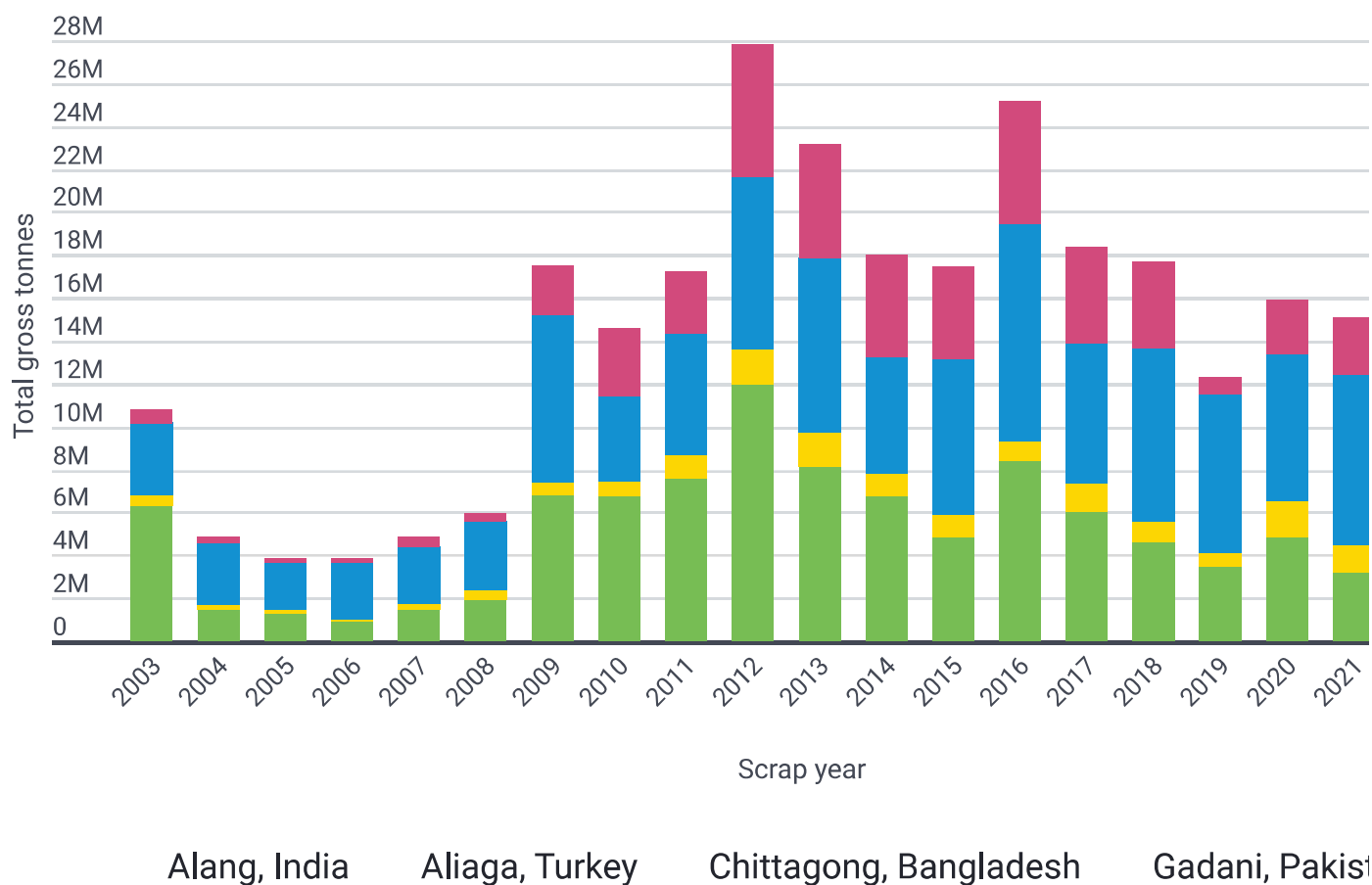
EEC has set up an alliance with containership operators to enable it to make bespoke offers for their old ships. The company is also talking to non-operating boxship owners about its plans to provide a supply chain of recycled material for the steel industry, provided by the demolition of vintage containerships.

“The container industry has the mentality to co-operate. Our intention is that we buy containerships early, up to three years before they are retired. The shipowner’s want a solution for their old ships, but they want an *organised* solution, while we see an enormous build up in demand for steel for recycling by the world’s largest steel makers.”

EEC acquired its first ship for sustainable ship recycling in a tender process from Taiwanese liner operator Wan Hai Lines. The 1998-built, 1,088 teu capacity, *Wan Hai 165* (IMO: 9158850) arrived at a drydock operated by Bahrain-based ship repairer ASRY earlier this year, where sustainable dismantling is due to start soon.

It has plans afoot to recycle up to 100 boxships per year, using its networks in the steel industry to sell the recycled material which is in high demand, in particular for use in the agricultural sector on the Indian sub-continent. The recycling of ship steel plate also creates far lower carbon emissions than new steel produced via the arc furnace process.

Ship recycling volumes by location



Source: Lloyd's List Intelligence

To date this year, ship recycling has been dominated by the dry cargo sector, which has contributed 45% of all tonnage delivered to the major recyclers on the Indian sub-continent and Turkey. The volume of recycled bulk carriers in the first half of this year is already in excess of the total for last year.

Meanwhile, with ageing tankers being snapped up in the past year for the trading of Russia-related cargoes, the sale of crude oil and products tankers for scrap is presently at the lowest level seen since the 1970s.

Only 29 tankers of a combined 674,000 gt have been sold for recycling since January. The majority of tanker scrap sales so far this year have been for vessels of below 40,000 dwt, with the only large tankers sold for scrap being vessels utilised for crude oil storage.