Ship Recycling: A Sustainable Solution

Dr. Anil Sharma, Founder & CEO

MM German Ship Finance Forum, Hamburg
February 27, 2019
Residual values for EU flagged vessels

What would be the impact on the maritime industry (and today’s conference) had prices of newbuildings dropped by about 80% effective January 1, 2019?

Well, this just happened to you (if you are a European owner with a EU flagged vessel); except it happened to Residual (Scrap) Values! Furthermore, violating EUSRR will lead to possible criminal and media prosecution.
Currently *Turkish yards* paying USD 250-300 levels, *Indian Subcontinent* USD 420-470. *EU*: some in the region of USD 100/tn while others have to be paid for their services.

<table>
<thead>
<tr>
<th>Residual Values</th>
<th>VLCC (40,000 LDT)</th>
<th>Suezmax (20,000 LDT)</th>
<th>Panamax Container (20,000 LDT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Subcontinent</td>
<td>$18,000,000</td>
<td>$9,000,000</td>
<td>$9,400,000</td>
</tr>
<tr>
<td>Turkey</td>
<td>$11,200,000 (62.2% of the India subcon value)</td>
<td>$6,000,000 (66.6% of the India subcon value)</td>
<td>$6,000,000 (63.82% of the India subcon value)</td>
</tr>
<tr>
<td>EU Yard</td>
<td>$4,000,000 (22.2 % of the India subcon value)</td>
<td>$2,000,000 (22.2% of the India subcon value)</td>
<td>$2,000,000 (21.27 % of the India subcon value)</td>
</tr>
</tbody>
</table>
Introductory Comments

- **Company’s business:** World’s largest buyer of maritime and offshore assets for recycling

- **Our added value:**
  - Simplifying the ship recycling universe from A to Z
    - Understanding the strengths and weaknesses of every ship recycling facility on the planet
    - Developing *practical and economically viable* Responsible Ship Recycling Programs (RSRP)
    - Serving as de facto Ambassador for the industry
How is our business dependent on market conditions?

- **Regulatory:** More regulation = more scrapping

- **Circular relationship to freight markets and newbuilding:**
  - Counter cyclical to freight markets (low freight markets = higher scrapping) and macro economic conditions (poor economy = higher scrapping).
  - Ultimately, higher scrapping = better freight markets (after about a lag of one year) and increased newbuilding orders.
  - Strong residual (scrap) values takes some pressure off freight markets and newbuilding prices.
Regulatory Overview

- **IMO’s Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships**
  - The HKC was adopted in 2009 but remains as Guidelines for shipowners
    - 77 HKC-approved yards in India

- **EU Ship Recycling Regulation**
  - EU flagged ships, irrespective of their location globally, have to be recycled in EU approved facilities

- **The EU Waste Shipment Regulation and the Basel Convention**
  - If a ship, regardless of flag, departs an EU port for recycling, it is obliged to be recycled in an OECD based yard with BASEL CONVENTION to apply.
## Contracting States of HKC

<table>
<thead>
<tr>
<th>Contracted State</th>
<th>Date of Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway (accession)</td>
<td>26 June 2013</td>
</tr>
<tr>
<td>Congo (accession)</td>
<td>19 May 2014</td>
</tr>
<tr>
<td>France (ratification)</td>
<td>2 July 2014</td>
</tr>
<tr>
<td>Belgium (accession)</td>
<td>7 March 2016</td>
</tr>
<tr>
<td>Panama (accession)</td>
<td>19 September 2016</td>
</tr>
<tr>
<td>Denmark (accession)</td>
<td>14 June 2017</td>
</tr>
<tr>
<td>Turkey (ratification)</td>
<td>31 January 2019</td>
</tr>
<tr>
<td>Netherlands (acceptance)</td>
<td>20 February 2019</td>
</tr>
</tbody>
</table>

- **Current Status:** **8 contracting states** whose combined fleet is **21.32%** of the gross tonnage of the world fleet and whose combined annual ship recycling volume in the last 10 years is 1,664,249 GT or **0.6%** of the gross tonnage.

- **Requirements for HKC Entry into Force:** **15** or more States, with no less than **40%** of the world’s shipping gross tonnage and combined recycling volume that is at least **3%** of the gross tonnage.

*Source: Status of Conventions, IMO*
EU Ship Recycling Regulation (EUSRR): What is it?

An **EU flag ship** will be subject to *EUSRR*, which requires that it will be recycled only in a yard that appears in the *European List of approved yards*, as published by the European Commission.

A **non-EU flag ship** departing on a voyage to a recycling yard from **EU** will continue to be subject to the *Waste Shipment Regulation (WSR)* which forbids its export to non-OECD countries. Presently Turkey is the only OECD country amongst the major recycling countries. Also, the exporter has to place a bond from the time of ship’s departure to completion of recycling.

A **non-EU flag ship** departing on a voyage to a recycling yard from a **non-EU port**, or where the decision to send the ship for recycling is taken when the ship is in international waters, is not going to be subject to *European* regulation.
EU Ship Recycling Regulation: What is it?

- The current EU List includes 23 yards located in EU countries, 2 yards in Turkey and 1 yard in the USA.

- Facilities based in EU, which do not require EC approval by default, have a combined recycled activity in their busiest year of 65,000 LDT (equivalent to just one VLCC size and a Suezmax), and physical restrictions for accommodating bigger tonnage.

- Pending review from EC: 12 Indian yards and 6 Turkish yards.
Inaccurate Perception of the Industry

Shipowners face risk of criminal liability for illegal demolition of end-of-life vessels

By Nick Shaw and Natasha Dobrowolska on 22 March 2018
Posted In Case Law, Environmental Issues

Bangladesh ship scrapyard blast kills two

About 17 workers were cutting up the 2000-built, Palau-flagged crude oil tanker S Warrior when a fire and explosion broke out in the engine room, leaving two dead and one seriously injured

19 Feb 2019 | NEWS

Dutch shippers sentenced for having ships demolished on Indian beach

4 OCTOBER 2018 | ANALYSIS

Ship recycling: can Europe clean up its own mess?

By Ross Davies

‘This is the world’s cheapest place to scrap ships’ – but in Chittagong, it’s people who pay the price

Recycling – where ships go to die

13/09/2018 | SHIPPING OFFSHORE
Ship Recycling: A Sustainable Solution

- Electrical Cables
- Chilling Compressors
- Engine
- Steel Scrap
- Re-Rollable Steel
- Furniture
- Spare Parts
- Pipes
- Motors

Waste <2-4% (only!)
EU Ship Recycling Regulation: What is GMS Doing to Help?

RAISING AWARENESS

Articles

Brace for Impact: The E.U. Ship Recycling Regulation

Credit: RPH in Bangladesh

BY MICHAEL MATHIUSKIS 2016-07-28 18:19:27

Ads

Effective Jan. 1, 2019 EUSRkicks in!

Are YOU prepared?

Violation of EUSR can invite civil and criminal liabilities. As the world’s largest buyer of ships and offshore assets for recycling, GMS has a team of dedicated experts to simplify today’s complex regulatory environment. In most shipping centers we can visit your office for complementary face to face meeting.

Call Us!

Conferences

www.gmsinc.net
snp@gmsinc.net
GMS-Responsible Ship Recycling Program: An Overview

GMS-Responsible Ship Recycling Programme (GMS-RSRP)

- GMS Voluntary training to the workers
- GMS-IIT R&D Initiative
- GMS-RSRP monitoring of safe and sound recycling of ships
- GMS Assistance for yard upgradation
- GMS-IRCLASS Train-the-Trainer Programme

SUSTAINABLE GREEN SHIP RECYCLING
The Recycling of Ships

by Dr. Nikos Mikeliis

“...at the end of the day, the goals are simple: Safety and Security.”

In the past year, GMS' Award-Winning Green Initiatives

GMS' Award-Winning Green Initiatives

www.gmsinc.net

snp@gmsinc.net

GREEN HANDBOOK

A PRACTICAL CHECKLIST TO MONITOR THE SAFE AND ENVIRONMENTALLY SOUND RECYCLING OF SHIPS

DR. ANAND M. HIREMATH

GREEN BRIEFING

DEC 2018

“...at the end of the day, the goals are simple: Safety and Security.”

As part of its CSR, GMS' support efforts at ship recycling yards with the knowledge to safely operate their ship operations. GMS' Handbooks contributed safety trainings to ship recycling yards in Bangladesh under its respective Safety and Recycling Programs. As part of its CSR, GMS' support efforts at ship recycling yards with the knowledge to safely operate their ship operations. GMS' Handbooks contributed safety trainings to ship recycling yards in Bangladesh under its respective Safety and Recycling Programs. As part of its CSR, GMS' support efforts at ship recycling yards with the knowledge to safely operate their ship operations. GMS' Handbooks contributed safety trainings to ship recycling yards in Bangladesh under its respective Safety and Recycling Programs.
Industry Awards

GMS
GREEN SHIPPING AWARD

FINALIST
The Green Shipping Award
Call to ACTION!

❑ Recycling impacts ALL of us (capital providers, ship owners, charterers, ship managers, class societies, newbuilding/repair yards.....):
   ✓ Financial risks, Social risks, Political risks, Headline risks, Intellectual risks, Personal risks

❑ GET INVOLVED. UNDERSTAND REAL FACTS. BE PROACTIVE
   ✓ ECSA, EU Commission, Associations, etc.
   ✓ Support RSR (HKC yards)

Call us for free consultations