EU-listed yards can handle the recycling demand of EU-flagged ships

Implementation of the EU Ship Recycling Regulation No 1257/2013 (EU SRR).

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Image: Damen Verolme Rotterdam ship recycling yard - © DAMEN

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1. INTRODUCTION

The NGO Shipbreaking Platform and T&E have taken a closer look at the capacity available for ship recycling under the EU Ship Recycling Regulation No 1257/2013 (EU SRR). The shipping industry claims that there is not enough capacity for the safe and environmentally sound recycling for the EU-flagged fleet under this legislation, and state that it will be forced to leave EU ship registries so that it can find other breaking options outside the scope of the Regulation. The figures in this report, however, clearly show that the ship recycling facilities currently included on the EU List could have recycled all EU-flagged vessels, both in terms of LDT and size, which went for breaking since 2015.

Yards operating in Italy, Norway, Turkey and the US are further expected to be included on the List before the EU SRR is applicable on 1 January 2019, adding additional capacity for clean and safe recycling. This report demonstrates that the argument presented by the ship owners on the lack of capacity under the EU SRR is simply another poor excuse to justify the continued use of the low-cost and substandard method of beaching.

2. Scope of EU Ship Recycling Regulation

The EU SRR requires that vessels registered under the flag of an EU Member State be recycled in a safe and environmentally sound manner. To assist ship owners in choosing a suitable destination for their end-of-life vessels, the European Commission maintains a list of facilities worldwide that operate in line with the standards for ship recycling set by the EU SRR. Whilst any ship owner can of course opt for a facility that is on the EU List, only those owning an end-of-life ship registered under an EU Member State flag will be legally bound to do so.

3. How many ships fall under the scope of the EU Ship Recycling Regulation?

Whereas the EU can pride itself on being the home to many shipping companies trading on the international seas, the figure looks much bleaker when counting the ships sailing under an EU flag. Indeed, it is common practice for European shipping companies to register vessels under post-box companies on the other side of the world, and to use the flags of countries that offer lower taxes and often less stringent requirements for crewing, safety and environmental performance. Roughly, 40% of the world fleet is owned by EU shipping companies, 20% sail under an EU flag during their operational life, whereas just 9% still have an EU flag when they reach end-of-life. Statistically, the EU-registered fleet is relatively young compared to other fleets. The older a ship gets the less likely it is that it will sail under an EU flag as it is often either sold or re-flagged to a registry that is less stringent on maintenance.

Less than 9% of the world fleet will thus be legally bound to use an EU-approved facility at end-of-life as of 1 January 2019, when the EU SRR enters into force.

Detailed data on EU-flagged vessels broken since 2015 can be found here. In terms of total Gross Tonnage (GT) and Light Displacement Tonnage (LDT) the figures are as follows:[1]

[1] Whilst the capacity of the EU listed recycling facilities is measured in LDT – the weight of a vessel – and the price of an end-of-life ship is determined using LDT, GT is the measurement of the internal volume of a ship and often the only publically available tonnage value. For the compilation of the data, the NGO Shipbreaking Platform has relied on well-known shipping databases. It was not necessary to apply conversion factors, which do not guarantee precision, for the calculation of the LDT values for most of the analysed ships. The exact LDT figure for 223 ships out of 265 was already available. For the 42 ships with a reported GT value, but without a publicly available LDT value, the Platform has used the GT value. In most of the cases, the GT of a ship is significantly

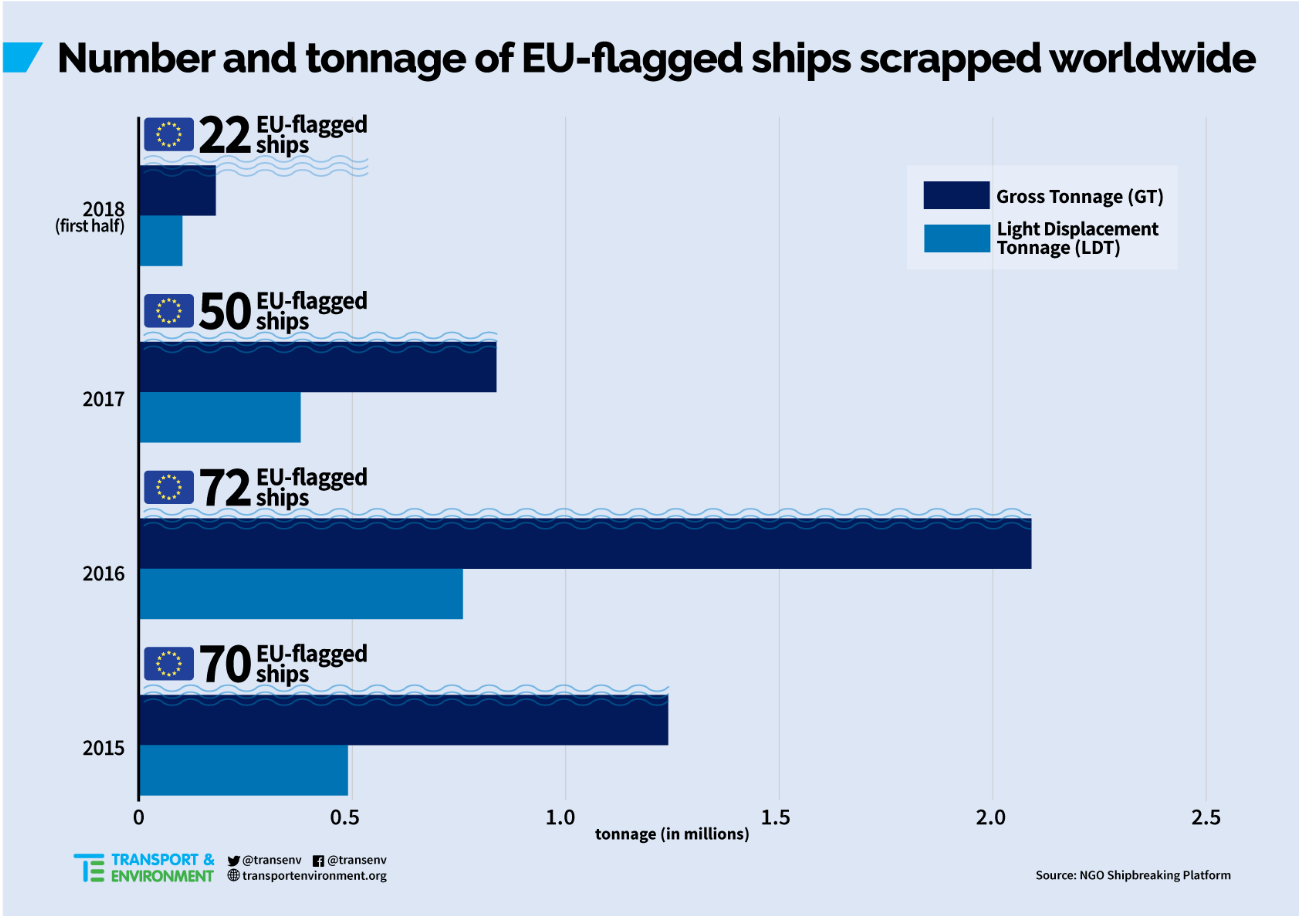

Figure 1. Number and tonnage of EU flagged vessels scrapped worldwide between 2015-2018[2]

If one adds the tonnage of the ships that were sailing under an EU flag just weeks before they were scrapped, the figures become slightly higher.[3] These ships were likely purchased by scrap dealers known as "cash buyers", and swapped their EU flag to that of a typical end-of-life flag, such as the Paris MoU grey- and black-listed flags of Comoros, Palau and St Kitts and Nevis, during their last voyage to the breaking yard.

The figures in this report corroborate the figures calculated by European Maritime Safety Agency (EMSA)[4] - the small differences between the datasets are probably due to calculation methodology and databases used.

higher than its LDT and therefore our figures are likely an overestimate. There are a few exceptions when it comes to specific types of vessels such as platforms and tugs; in these cases, the LDT could be slightly higher than the LDT.

[2] First half 2018: 22 EU-flagged ships, with a total of 187.284 GT and 101.654 LDT, were scrapped worldwide. 2017: 50 EU-flagged ships, with a total of 858.078 GT and 372.731 LDT, were scrapped worldwide. 2016, 72 EU-flagged ships, with a total of 2.162.252 GT and 714.240 LDT, were scrapped worldwide. 2015, 70 EU-flagged ships, with a total of 1.270.344 GT and 499.809 LDT, were scrapped worldwide.

[3] First half 2018: 4 vessels, with a total of 392.298 GT and 115.239 LDT, changed flag from a EU to a non-EU flag few weeks before being demolished. 2017: 25 vessels, with a total of 1.284.653 GT and 447.035 LDT, changed flag from a EU to a non-EU flag few weeks before being demolished. 2016: 23 vessels, with a total of 1.046.958 GT and 356.487 LDT, changed flag from a EU to a non-EU flag few weeks before being demolished. 2015: 9 vessels, with a total of 457.100 GT and 136.419 LDT, changed flag from a EU to a non-EU flag few weeks before being demolished.

[4] EMSA figures for EU, or recently EU, flagged ships scrapped between 2013-2017: http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupMeeting&meetingId=5650

4. Is there enough capacity on the EU List?

Currently 20 facilities are on the EU List, all of which are located in the EU and have been licenced under the EU SRR by EU Member States. Facilities outside the EU can be included on the List after approval by the European Commission and final acceptance by the European Council, i.e. EU Member States. The yards outside the EU, which apply to be on the List, have to go through a rigorous application procedure, including a review of the documentation submitted and an on-site audit, to ensure that all EU SRR standards relating to the facility operations and the downstream waste management are met. Yards in Turkey, US, China and India have applied to be on the EU List – and whilst some are likely to fail due to major shortcomings, others are likely to be approved by the EU within the coming months. With also the announced upcoming inclusion of some Italian and Norwegian yards, the capacity on the EU List is thus expected to increase by the end of 2018. Finally, should Brexit result in the UK yards currently on the EU List being removed, these will of course have the option to be included again on the List as non-EU-based facilities.

When comparing LDT of EU-flagged ships that were broken since 2015 and the capacity of the 20 facilities that are currently on the EU List, it is evident that there is already enough capacity to properly recycle the EU-flagged fleet in accordance with the Regulation. In fact, even the ships that were sold to cash buyers and changed flag at end-of-life could have been recycled in these facilities:

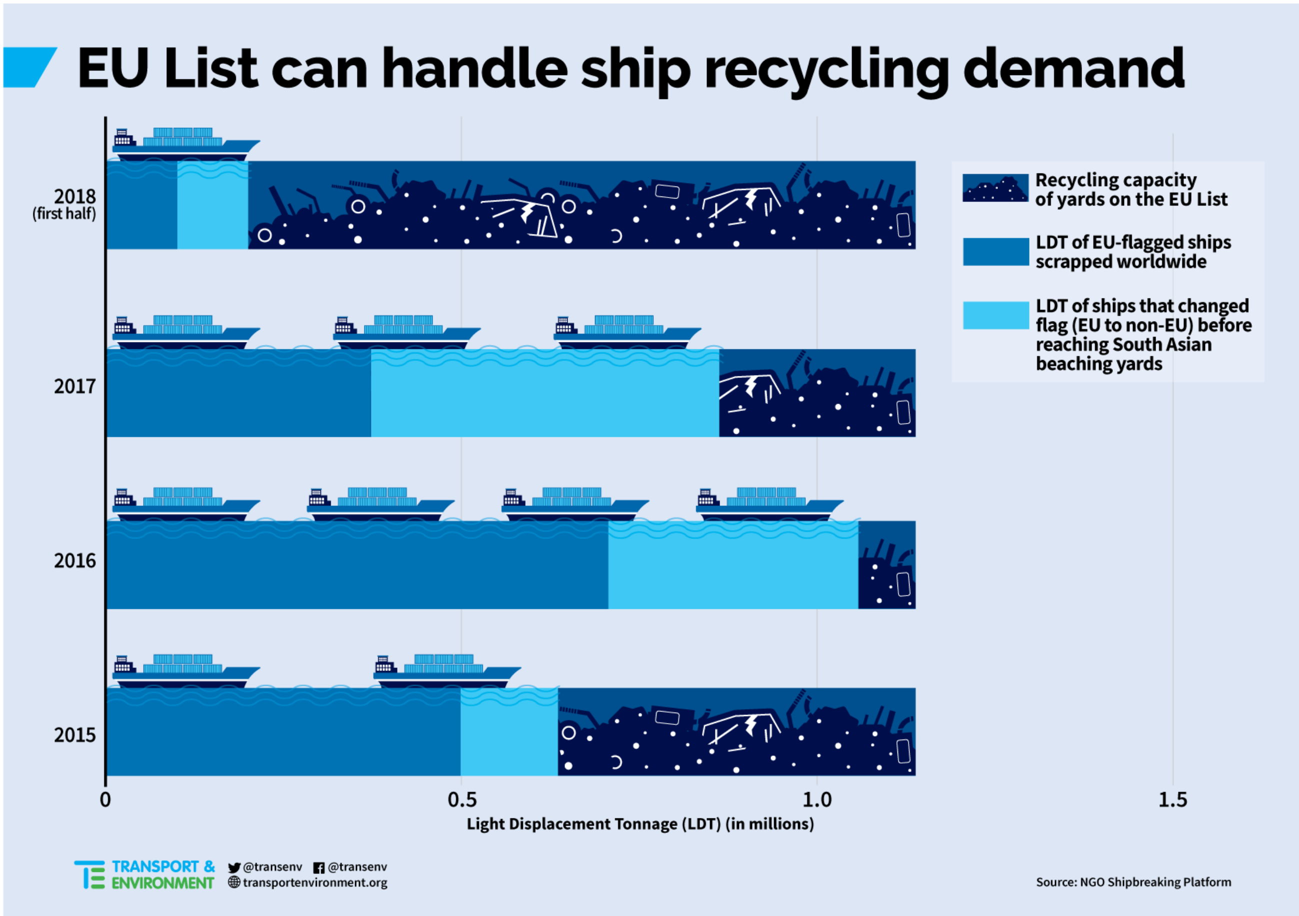

Figure 2. EU List can handle ship recycling demand. The total capacity of EU-listed yards is 1.150.274 LDT. The total LDT of EU-flagged ships scrapped annually, including ships that recently changed flags, is well below the capacity.[5]

[5] 2018: Even if vessels that changed flag prior to reaching the beaches of South Asia are taken into account, the total amount of LDT (i.e. 216.893) is well below the current capacity of yards on the List. 2017: Even if vessels that changed flag prior to reaching the

WHAT IS THE CAPACITY ON THE EU LIST?

The main figures that are mentioned on the EU List only reflect the maximum tonnage that a given facility has recycled in the past 10 years, i.e. the so-called "historical" capacity. This leads to the unfair situation that the recorded capacity for a yard does not reflect the amount of tonnage that can actually be scrapped in it. The yards on the EU List have been operating under capacity for many years due to unfair competition from substandard yards that do not bear the costs for safe and environmentally sound recycling and waste disposal. Giving importance to the historical capacity of yards, as opposed to their actual capacity, also leads to illogical and impractical conclusions. For example, newly opened yards that have not yet started their operations are listed as having zero capacity. The real capacity of the yards, i.e. the amount the facility is actually licenced to handle, has only been included as additional information in the footnotes of the List and has clumsily been labelled the "theoretical" capacity of the yards. To illustrate with a comparison: a 100-room hotel does not have 100 "theoretical" rooms, nor is its capacity limited to 20 rooms should it not have been fully booked at one point. Thus, to sum up: the real, actual, licenced capacity of the yards on the EU List is 1.150.274 LDT from the footnotes, and not 328.192 LDT which sadly only reflects the fact that most ship owners have systematically not opted for these yards and the higher standards they offer.

5. What about the big ships?

One of the arguments that the owners of large ships use to justify South Asian beaches as the only option for the breaking of their ships, is that facilities that comply with the EU SRR are not big enough and therefore can only take in small ships. This argument is very easily rebutted by simply looking at the dimensions of the yards on the EU List. Since 2015, all the ships that had an EU flag at end-of-life and went for breaking could have been received by at least one yard which complies with the EU SRR. Even those that swapped flag to a non-EU flag on their last voyage could have been recycled in one of the EU-listed facilities. Indeed, several facilities that are already on the EU List can take vessels longer that 200m and wider that 30m. See our data sheet for a more detailed overview.

As already mentioned, more facilities will be added to the List in the near future, and thus add to the capacity available. Some yards furthermore also signal that they will invest to enlarge their facilities to take in bigger ships should they get a return on their investments, i.e. guarantees to receive more ships for recycling in the future. The EU List will function as an important market differentiator for sustainable ship recycling, and – as long as the standard remains high – will also likely prompt investments to build new yards.

6. Predictions for the future

Will more stringent rules on ballast water management and sulphur emissions, as well as the sheer size of the world fleet, result in more ships heading for the scrap yards? Probably, but the EU SRR should also prompt the creation of more compliant capacity. Will the decommissioning of North Sea oil and gas

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beaches of South Asia are taken into account, the total amount of LDT (i.e. 819.766) is well below the current capacity of yards on the List. 2016: Even if vessels that changed flag prior to reaching the beaches of South Asia are taken into account, the total amount of LDT (i.e. 1.070.727) is well below the current capacity of yards on the List. 2015: Even if vessels that changed flag prior to reaching the beaches of South Asia are taken into account, the total amount of LDT (i.e. 636.228) is well below the current capacity of yards on the List.

structures take up space in many of the yards in Europe? Probably some, but many of the yards that are in the business of decommissioning oil and gas structures are not currently on the EU List.

The European shipping industry is well placed to identify future capacity gaps and it should also be their responsibility to ensure that there are solutions available to them that comply with European laws. Entering into dialogue with responsible recyclers that operate in line with the EU SRR would be a reasonable first step.

To help further boost capacity, the EU also still has an ace up its sleeve: the introduction of a return scheme for ships based on the use of a facility on the EU List. Labelled 'Ship Recycling Licence'[6], such a financial incentive would increase the market demand for better practices. Indeed, all ships trading in EU waters, including those owned by EU companies, but that are not registered under an EU flag, would be impacted.

7. Conclusions

The EU SRR is not mission impossible: on 1 January 2019 there will be more than enough capacity on the EU List for all ships bound by the EU SSR. There is no need to feel pressured to add yards on the List that would never be allowed to operate in an EU Member State – no need to succumb to the pressure of the shipping industry stakeholders that by all means want to make us believe that they have to continue to use beaching yards, pollute and put workers lives at risk because there is no other option.

[6] See Ecorys/DNV GL/University of Rotterdam report for more details: http://ec.europa.eu/environment/waste/ships/pdf/financial_instrument_ship_recycling.pdf