



Ship recycling disputes about to break cover

Reports of Pakistan's in-principle decision to ratify the Hong Kong Convention on Ship Recycling re-emphasise a parting of the ways on international regulation for ship demolition, as falling freight rates accelerate scrapping but the EU continues to exclude leading facilities from its approved list.

If the absence of global regulation to cover ship dismantling has brought persistent protests on conditions at ship receiving facilities, steps to regulate the sector and uphold standards are themselves embroiled in controversy.

As the first piece of international regulation to adopt a cradle to grave approach to ship recycling, The Hong Kong Convention of 2009 (HKC) is designed to ensure that ships are disposed of at the end of their lives without unnecessary risk to human health and the environment.



The HKC has been ratified by 17 countries to date, including shipbreaking majors India and Turkey in 2019, but has so far attracted insufficient signatures to enter into force. Preparatory work on legislation in Bangladesh was side-lined by Covid-19 but in October 2022 a representative of the Pakistan Ship Breakers' Association (PSBA) told delegates at a Ship Recycling Forum in Dubai that Pakistan's Ministry of Maritime Affairs had decided, in principle, to proceed to signing and ratification.

The announcement reaffirmed the HKC's position as the "globally accepted, discussed and negotiated standard for ship recycling" as described by Simon Bennett, General Manager Sustainable Development, Swire Shipping to a recent Maritime London webinar. Bennett told Maritime London's 'The Role of Sustainable Recycling in Shipping's Journey to Net Zero' virtual event that Swire had deployed its own monitoring teams to verify standards at recycling facilities on multiple occasions.

Dr Anand Hiremath, Chief Sustainability Officer, GMS, told the same audience that 93 recycling yards in India have already been certified by class as HKC-compliant. The facilities had capacity to scrap 450 ships per year – or 4.5 million tonnes – he said.

Off the EU list

[James Clayton](#), Partner and Head of the Commercial and Finance Department at Campbell Johnston Clark (CJC), reminded viewers that "the most potent part" of the EU Ship Recycling Regulation, in force from 2018, means that EU-flagged ships have to be recycled at EU-approved yards. Today, 46 such facilities qualify, with the majority in the EU and others in the UK, US and Turkey. However, no Indian Subcontinent yards feature on the EU's list, even if they are approved by class as HKC-compliant. Post-Brexit, UK authorities take the same stance.

Some 20 HKC-compliant yards in India applied to the EU for evaluation in 2017-2018, out of which 4-5 had been audited - "two of them twice", said Dr Hiremath.

At the end of October, India's state of Andhra Pradesh expressed its intention to develop ship-recycling facilities which would meet the HKC and EU approval from the start, with no beaching to be involved according to the state's Maritime Board.

For the moment, yards that have made it to the EU-approved list can "name their price", according to Clayton. "There is a dissatisfaction with the regulations that are currently in place, so there has been a call to evidence and consultation is planned for the end of this year," he added.

Carbon Intensity let down

As the world's largest buyer of ships and offshore vessels for recycling, over the short term GMS has seen high freight rates choke off the supply of ships sent for scrap through 2022. Market conditions are such that even the ship recycling bounce expected after entry into force of the Energy Efficiency of Existing Ships (EEXI) and Carbon Intensity Indicator (CII) schemes in January are now in doubt.

Buoyant rates have been encouraging owners to extend the lives for ageing ships on the spot market, Dr Hiremath said, with no additional vessels dispatched to India's key Alang recycling region for five months. In October, shipbroker BRS Group predicted that tanker recycling would remain low next year, projecting only 39 tankers of 34,000 dwt or above will be demolished in 2023. Even the most inefficient vessels will continue to turn a profit by slowing down.

However, with container and bulk carrier rates in sharp decline, scrapping plans are being dusted down elsewhere. One recent report quoted AP Moller-Maersk's head of responsible ship recycling, Captain Prashant Widge, as saying: "The yards on the EU list cannot handle the post-panamax in the shape and size and volumes that they are coming."

EU Recycling division

Clayton explained to the Maritime London webinar audience that the Basel Convention and Basel Ban Amendment essentially prohibit the export of hazardous wastes from Organisation for Economic Cooperation and Development (OECD) countries to all non-OECD countries and include a ban on the movement of plastic waste which has stalled EU evaluations of Alang yards, and their momentum towards compliance.

"Even though the yards have done an excellent job and addressed the gaps that the EU auditors identified on downstream waste management and hospital facilities, there is now no response from the EC because they themselves are not clear on whether to follow the EU Ship Recycling Regulation or the Basel Ban Amendment of 2019," Dr Hiremath commented.

Liability concerns

Clayton said that the recycling stand-off was also prompting growing concern among shipowners regarding reputational risk and personal liability.

"Recent case law demonstrates EU member states' willingness to bring claims under the recycling regulations; company executives have been personally fined by authorities for selling vessels for scrap in the Indian sub-continent," he said.

"There have been out of court settlements in relation to injuries sustained by workers at yards for claims against existing owners of vessels (pre-scrapping) which have been sold to cash buyers. We will wait to see with interest whether such claims become prevalent in the courts but it does suggest that even with the involvement of an intermediary cash buyer, a determined and financed claimant could create litigation risk for an owner."

For queries and further information, please speak to your usual contacts at CJC.



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