

## Give credit where it's due on ship recycling

*GMS director Dr Nikos Mikelis says a Lloyd's List article does a disservice to the Hong Kong Convention; to the leading shipowners, first from Japan and then from Europe; to the leading recycling yard owners in India; to ClassNK; to government officials from Japan; and to the cash buyers*

07 Nov 2018 | **OPINION**

by Nikos Mikelis |

Instead of using the European List as a carrot to induce yards in South Asia to improve their safety and environmental standards, the European Commission has been sitting on the fence



LEADING RECYCLING YARD OWNERS IN INDIA SUCH AS LEELA SHIPBREAKING YARD THAT HOLD CLASSNK COMPLIANCE CERTIFICATES HAVE LED THE WORLD IN STANDARDS FOR SHIP BREAKING, SAYS DR MIKELIS.

SIR,

Your article on October 31 (“EU scrapping regulation could spur wholesale change”) gives the definite impression that credit is due to the European Union for “laying the foundations for the ship recycling industry to finally clean up its act”.

The European Union Regulation on Ship Recycling was developed by copying the detailed technical requirements of Hong Kong Convention, in order to implement the convention without having to wait for its

entry into force.

As the EUSRR is regional legislation and not an international convention, it has no power to be enforced in recycling yards located outside European jurisdiction. For this purpose, the regulators developed the mechanism of the EU list of approved yards, so that these can be individually approved by the European Commission for the recycling of EU flag ships.

On the other hand, yards located inside the EU receive their approval directly from the authorities of their own member state.

Whereas the regulation entered into force at the end of 2013, its implementation to regulate the recycling of EU flag ships is scheduled to commence on December 31, 2018. In accordance with European governance, EUSRR is enforced and interpreted by the European Commission (DG Environment). Thus, for the last five years, the commission has been fully aware of the 2018 deadline and of the need to approve a number of yards, with reasonable geographic spread, and with capacity that is sufficient for the expected tonnage of EU-flagged end-of-life ships.

Unfortunately, instead of using the European List as a “carrot” to induce yards in South Asia to improve their safety and environmental standards, the designated official of the European Commission sat on the proverbial fence, conveying to the industry, in numerous meetings and conferences, the impression that recycling by the beaching method is not going to be accepted by Europe.

Having spent an inordinate time developing non-binding and incidentally not particularly helpful guidance for non-EU applicant yards, the EC finally invited non-EU yards to apply for inclusion in the European List only in the middle of 2016. At that time, applications were received from two yards in the US, four yards in China, seven yards in Turkey, and five yards in India. Since then a further eight Indian yards applied to be approved and included in the EU list. Around May 2018 the Chinese government surprised the industry, and the commission, with its announcement that the import of ships for recycling in China is banned from January 1, 2019.

As we are approaching the eve of the implementation of EUSRR, the European list incorporates 23 EU-based yards and contains the preliminary approval of two yards in Turkey and one in the US.

Looking at the European yards, it is difficult to identify yards known for the routine recycling of ocean-going vessels. Instead, European yards specialise in the recycling of small boats, domestic trading ships, inland waterways shipping and the occasional wrecks.

Ship recycling in Europe is an activity of necessity, and not a business where European yards can compete internationally. The primary reason is that the EU happens to be the world's largest net exporter of scrap steel. The vast majority of the ferrous scrap exports from the European Union go to Turkey, with some quantities also being exported to Egypt, India, China and Pakistan.

It makes no business sense whatsoever to recycle large ships in Europe in order to obtain scrap that will have to compete with the large quantities of other European ferrous scrap in order to be sold and transported to countries most of which already recycle ships.

Also, the US, which is the second-largest net exporter of scrap steel in the world, is a most unlikely destination for the recycling of non-US flag ships.

The remaining two yards in Turkey offer a realistic option for the recycling of only a handful of ocean-going ships annually. Notwithstanding this simple logic, very noisy voices from Brussels are telling us that the European list now offers plenty of capacity for the needs of the owners of European-flag ships, and furthermore that the recycling of EU flag ships ought to be done exclusively in EU yards!

Your article of October 31 claims that the EUSRR is laying the foundations “for the industry to clean up its act”. This claim does a disservice to Hong Kong Convention, which is the legal instrument that laid the actual technical foundations for the ship recycling industry to clean up its act, as is attested by the 60-odd yards in India that have voluntarily conformed to the convention and have been awarded statements of compliance.

It also does a disservice to the leading shipowners, first from Japan and then from Europe; to the leading recycling yard owners in India; to ClassNK; to government officials from Japan; and to the cash buyers who laid the real foundations to the infrastructural, training and quality assurance improvements that are now becoming the norm in India.

Following these initiatives that were taken together by the shipping and the ship recycling industries, the European Commission has now a simple choice, either: (i) to further motivate the virtuous cycle of improved standards for improved rewards, by approving the leading yards in India and, in this way, helping increase the number of ships that are seeking responsible recycling in the traditional recycling centres; or (ii) to waste this rare opportunity to add the heavy weight of European shipping in the process that has been taking place for the past five years, and in so doing condemn the EUSRR to become an irrelevance and a reason for shipowners to avoid EU flags.

*Dr Nikos Mikelis*

*Non-executive director, GMS*