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Scrap prices could break \$400, says GMS

Paul Bartlett | Nov 17, 2020

Mainstream ship recycling yards on the Indian subcontinent have hiked their prices during the first two weeks of November, and there are signs that the \$400 per light displacement ton (Ldt) watershed could soon be breached.

According to a market report from GMS, the world's largest buyer of ships for recycling, indicative prices for containerships in Pakistan are now around \$380 per Ldt, with India ten dollars behind, and Bangladesh a further ten.

The same differentials apply for bulk vessel prices, according to GMS. Pakistani breakers are now typically paying around \$370 for tankers and \$360 for bulk carriers.

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The company notes that the European Commission's most recent tally of approved recycling facilities, released on 11 November, lists eight yards in Turkey, 34 in Europe and one in the US. However, there is a serious shortage of recycling capacity for EU-flagged vessels or those with last ports of call in Europe, GMS warned, resulting in an overall backlog of tonnage.

Under the EU Ship Recycling Regulation, vessels in these categories must be recycled in an EU-approved facility. However, none of the 43 facilities is capable of breaking large vessels and, although more than 80 Indian recycling yards out of a total of about 120, have been audited and approved by major classification societies under the IMO's Hong Kong Convention on ship recycling, none has been validated so far under the European regime.

EU-approved recycling facilities are currently offering prices around a quarter of those available on the Indian subcontinent. This is partly because the economics of ship dismantling are not easily compatible with high labour costs, and partly because there is weak demand in these regions for scrap steel and other components from dismantled ships.

Meanwhile, Lloyd's Register (LR) has reminded shipowners and operators that there are now only about six weeks until ships must have valid Inventory of Hazardous Materials (IHM) or Statements of Compliance on board. However, some companies may have been prevented from completing this regulatory requirement owing to the impact of the pandemic, LR acknowledged.

"Shipowners without completed IHMs and/or certificates or Statements of Compliance (for non EU-flagged ships) will need to be prepared to provide evidence to port state control officers in the EU, that all possible measures were taken to develop the IHM and for the required certification to be issued," the classification society said in a recent bulletin.

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