



# ECSCA

European Community Shipowners' Associations

## **Towards compliance with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships and the European Regulation on ship recycling**

### **POLICY POSITION PAPER**

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**ECSCA firmly believes that the *International 2009 Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships* (HKC) sets up the necessary and ambitious framework to deliver the required sustainable level playing field in ship recycling activities worldwide.**

**The shipping industry is committed to the global efforts to improve the conditions applicable to recycling operations and has welcomed the fact that the HKC requirements are reflected in the European Union's Regulation on ship recycling. European Member States must as a matter of priority ratify the HKC and, in conjunction with the EU, strive to ensure that key Recycling States and Flag States follow suit.**

**With this purpose, the European Commission must ensure that the implementation of the EU Regulation provides any recycling yards with an incentive to increase their economic and environmental sustainability, representing a real opportunity of being included on the EU list of approved recycling facilities.**

### ***A swift ratification of the Hong Kong Convention is crucial***

The International 2009 Hong Kong Convention (HKC) specifically addresses the intricacies of international shipping and ship recycling. HKC is the only instrument that can provide a meaningful system of workable and enforceable regulations with the ultimate goal of lifting the level of sustainability of recycling facilities on a global scale to the benefit of all the parties involved. Furthermore, the IMO Guidelines<sup>1</sup> on interpretations and uniform procedures for technical issues arising from the provisions of the HKC provide a sounder basis for determining whether a shipping company is meeting its responsibilities, promoting the substitution of hazardous materials in the construction and maintenance of ships; and addressing the environmental, occupational health and safety risks related to ship recycling.

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<sup>1</sup> Note:

1. Guidelines for the development of the Inventory of Hazardous Materials (Inventory Guidelines)
2. Guidelines for safe and environmentally sound ship recycling (Facility Guidelines)
3. Guidelines for the development of the Ship Recycling Plan (SRP Guidelines)
4. Guidelines for the authorization of Ship Recycling Facilities (Authorization Guidelines)
5. Guidelines for survey and certification
6. Guidelines for inspection of ships

In particular, the HKC places clear, pertinent obligations on all operators (shipowners and recycling facilities), and on all IMO parties (Flag States as well as Recycling States) to ensure that end-of-life ships, when being recycled, do not pose any unnecessary risks to human health, safety and the environment. The entry into force criteria reflect the balance between the interests of Recycling States and environmental and social concerns.

However, with major Recycling States and Flag States playing a game of hide and seek as to who will first commit towards more sustainable ship dismantling operations, the HKC is subject to a prolonged entry into force period. The shipping industry therefore supports the efforts made in particular by the European Member States and the European Commission in achieving swift implementation of the international Convention, encouraging all IMO Member States to work towards the ratification of the HKC with no delay - offering no other options than recycling ships in 'HKC' recycling facilities.

### ***The European Regulation on ship recycling can play a key role***

The European Regulation on ship recycling (EU SRR) adopted in 2013, and which is not yet in application, aims at regulating the dismantling of European flagged vessels and also requires the carriage on-board of inventories of hazardous materials (IHM) for all ships calling at European ports. It is particularly relevant that the EU SRR reflects the technical standards of the HKC, which the shipping industry supports and which offers a unique opportunity to build up an effective international regime for the safe and environmentally sound recycling of ships.

Relying on the application of the verification and approval requirements under the EU SRR for the inclusion in the EU list of approved recycling facilities, the EU list could play a strategic role, if combined with appropriate support, in motivating those recycling yards to upgrade towards compliance with the HKC requirements. All requirements pertaining to a recycling facility will therefore need to be assessed on a case by case basis, taking into account the progress made towards compliance in first instance with the EU SRR requirements.

Such a process could be however undermined if the European Commission does not maintain an open and inclusive process establishing the European list of ship recycling facilities in order to incentivize each and every dismantling facility situated in third countries. These facilities include those situated in intertidal zones which comprise 70% of the world's ship recycling capacity not only in terms of volume but also in terms of size of ships enabled to be dismantled.

Hence, whilst the EU list may theoretically provide sufficient recycling capacity output on paper, the 'size capacity' of each approved facility could not necessarily be met, which makes the EU flagged ships potentially unable to comply with the EU SRR. The effectiveness of the EU SRR should be achieved in first instance through the availability of suitable facilities of sufficient capacity on the EU list of approved facilities. The potential lack of recycling capacity, combined with a low scrap value offered for the ship resulting from low competitive market conditions, would expand the lifetime of a ship.

Such prolonged lifetimes may in turn lead to less competitive and less energy efficient European fleet.

### ***Proactive actions and responsible behavior required during the interim period***

The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes on which the European Waste Shipment Regulation is based, was never intended for application to international shipping or to ships sold for recycling. However, authorities and shipowners have been increasingly facing application of this inappropriate legal basis. From a Port State or a Flag State perspective, the interim period before entry into force of the HKC should be bridged and therefore the use of EU listed recycling facilities and the availability on board of an IHM will represent a move forward for a level playing field to avoid mistrust between potential HKC parties and therefore encourages a swift ratification process of the HKC.

On a global basis, it is worth observing that a number of key ship recyclers outside the EU are already engaged in establishing standards equivalent to HKC - encouraged by the desire of all parties to forge ahead in implementing the safety and environmental standards established within the HKC.

Shipowners equally have a social corporate responsibility to ensure that their ships are dismantled in a sustainable way, especially during the interim period before the entry into force of the HKC and the application of the EU SRR. However, in some cases it is no longer a single vessel owner taking the decision if and where to recycle a vessel but the bank and the shareholders for whom the main incentive remains the offered steel price. The ship recycling industry is intrinsically linked to international markets, ship value, demand and supply of maritime services as well as global trade.

### ***ECSA recommendations to the shipping industry***

Owners of ships who also operate them have an independent responsibility to ensure proper recycling of their ships, especially during the interim period (this should equally apply to ships sold to third parties prior to recycling). Since a pro-active and responsible behavior is part of the equation towards global safe and environmentally sound ship recycling, ECSA calls on its membership to promote the following recommendations:

- ✓ Individual ship recycling operations during the interim period should be closely monitored and undertaken as part of projects, potentially initiated by third investing parties, aimed at improving standards in line with the HKC.
- ✓ Engage in dialogue with stakeholders, including environmental and social NGOs.
- ✓ Observance and compliance with the *Industry Interim Measures for Shipowners Intending to Sell Ships for Recycling* derived from the HKC, which seek to encourage best practices internationally in accordance with the HKC through commercial means prior to entry into force. This specifically implies that shipowners should ensure timely preparation or update of accurate Inventories of Hazardous Materials, so contributing to the efforts in achieving the swift ratification and early implementation of the HKC.
- ✓ Use of standard ship recycling contracts which could also define the environmental/social responsibilities of the contracting parties.

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- ✓ Make publicity on shipping company's best practices and ship recycling policy for newbuilds and existing fleet.
- ✓ Voluntary use of approved facilities on the EU list before application of the European Regulation on ship recycling.

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The European Community Shipowners' Associations (ECSA), formed in 1965, comprises the national shipowners' associations of the EU and Norway. ECSA aims at promoting the interests of European shipping so that industry can best serve European and international trade and commerce in a competitive and free business environment, to the benefit of both shippers and consumers. The European Economic Area maintains its very prominent position with a controlled fleet of 40% of the global commercial fleet.

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