

The Ship Recycling Transparency Initiative

Andrew Stephens, Executive Director

IUMI webinar – 5th October 2021

Using transparency to drive progress on responsible ship recycling

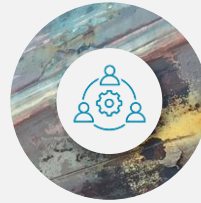


SHIP
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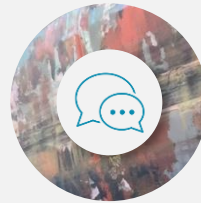
Mission

The SRTI aims to accelerate a voluntary market-driven approach to responsible ship recycling practices through transparency; and subsequently to influence and improve decision-making about ship recycling, creating an industry-wide level playing field.

Objectives



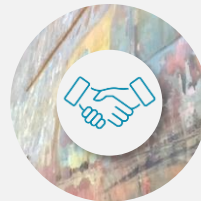
Improve transparency across the shipping value chain



Increase disclosure of ship recycling policies and practices



Enable and encourage cargo owners, financial stakeholders and others to make informed decisions that will in turn **drive improved performance**



Create a **level playing field** for shipowners, covering the **lifespan of a ship**



Who is involved

The SRTI community now consists of 30 signatories, broken down into:

13 disclosing shipowners

5 cargo owners
(shippers and charterers)

8 financial stakeholders
(lenders, investors and insurance providers)

4 others
(Bolloré Logistics, Forum for the Future,
Lloyd's Register, RightShip)



The SRTI has also received funding from Engineering X, an international collaboration founded by the Royal Academy of Engineering and Lloyd's Register Foundation.



What issues do shipowners disclose against?






Shipowners disclose data against a pre-determined set of questions across five topics:

- Policy and standards
- Selling owned vessels
- Ship recycling contracts
- Inventory of hazardous materials (IHM) and ship recycling documentation
- Policy and standard implementation



Using SRTI data

SRTI data can be used by:

	<p>Lenders, investors, and insurance providers to incorporate ship recycling into their due diligence processes</p>
	<p>Shipping customers, such as cargo owners and charterers to understand the policies and practices of the carriers they work with in order to mitigate supply chain sustainability risk as well as consider and demand transparency across their value chains</p>
	<p>Shipowners who want to understand best practice, see what their peers are doing, or who have not recycled or had a need for a ship recycling policy in the past</p>
	<p>Researchers looking for further information on the ship recycling industry</p>
	<p>Civil society looking to understand different stakeholder approaches to the issues encountered in ship recycling</p>



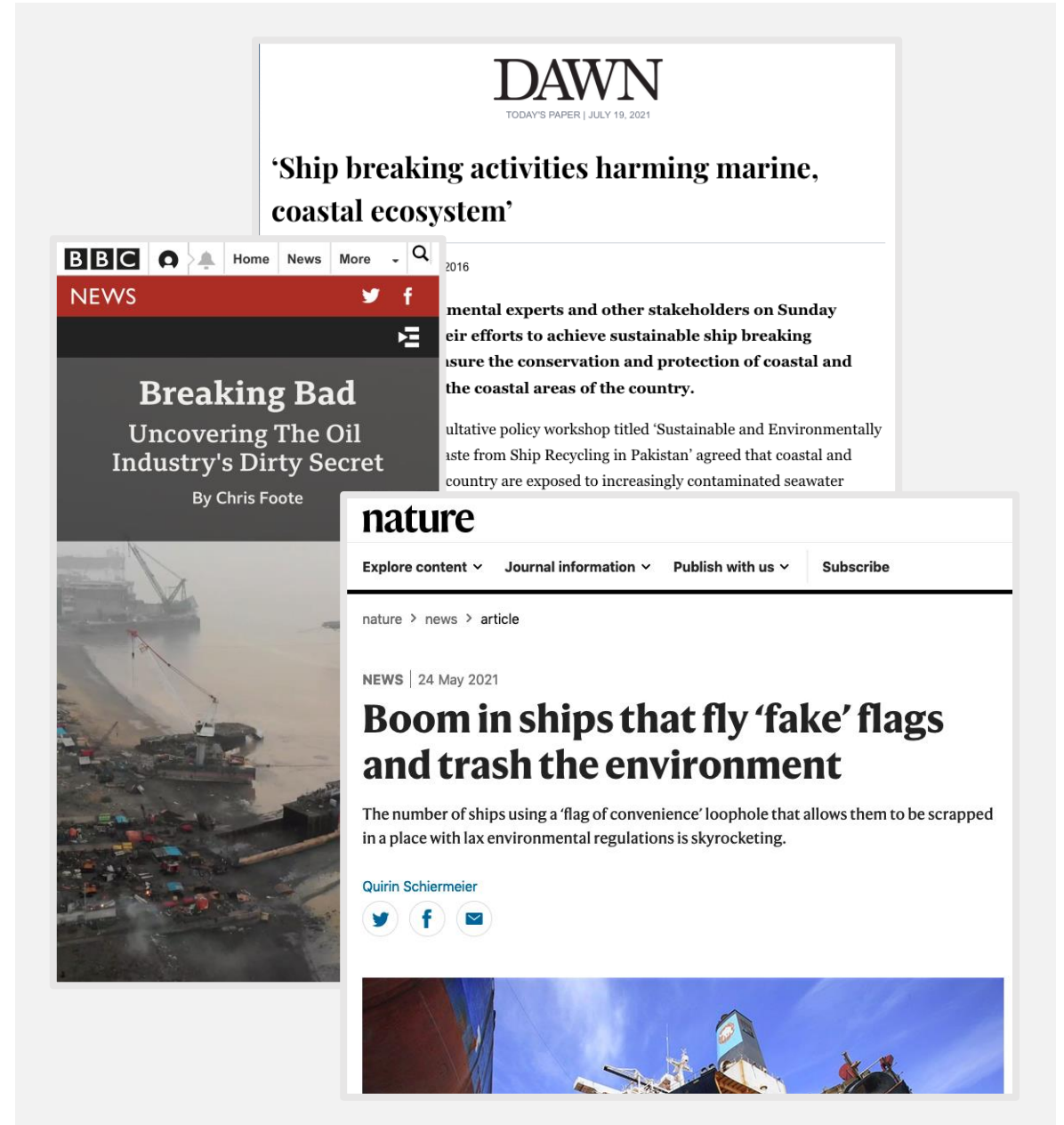
Increasing focus on ESG

- Ship recycling carries environmental, social, and governance risks, standing out as a material E, S, and G issue for financial stakeholders
- Growing focus on ESG through initiatives like the Poseidon Principles, Responsible Ship Recycling Standards, and upcoming EU Taxonomy put pressure on all stakeholders to be informed and aware of the risks
- Insurers, lenders, and investors have the leverage to demand transparency on end-of-life policies and practices and drive improvements in the industry

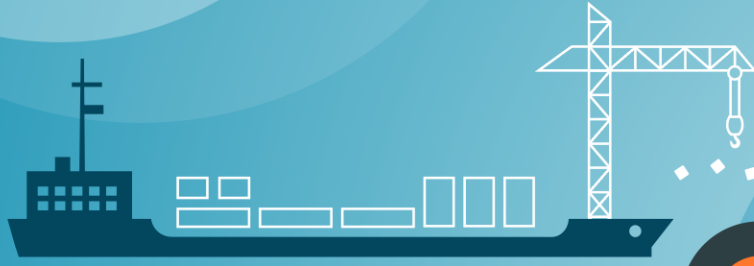
The screenshot shows a PwC article on a website. The article title is "Momentum is gaining in linking the monitoring and reporting of ESG performance to shipping finance". The text discusses increased regulatory requirements and market trends around sustainability, specifically mentioning the IMO 2050 target for a 50% reduction in GHG emissions compared to 2008 levels. It notes that these trends are impacting investor decisions and the ability of shipping companies to access financing. A quote from the article states: "Investors and banks are now trying to understand how ESG and other non-financial measures are shaping the company's strategy, operations and long-term prospects." Below the main article, there is a section titled "Seafarers' union looks to widen role in ESG push" with a sub-headline "ITF says the importance of environmental, social and governance has been brought to the fore in the pandemic". The article is dated 15 April 2021 and updated on 20 April 2021, written by Matt Coyne in Stamford.

Bad recycling practices can lead to reputational risk

- Ship recycling carries environmental, social and governance risks, standing out as a material E, S, and G issue
- Articles on substandard recycling practices reaching mainstream media show public interest in the issue and possibility for reputational risk
- Ship recycling transparency aids accountability across the supply chain and enables cargo owners to assess their risk and make informed decisions about partners and suppliers



Shipowners collect and disclose data on their ship recycling policies, practices and progress, holding themselves to account before key stakeholders and for the benefit of the wider public. Data is updated annually.



Disclosure & accountability

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Demand for data & transparency



Data is publicly available for use by stakeholders demanding transparency across their supply chains:

- **Cargo owners**
Shippers
Charterers
- **Financial stakeholders**
Investors
Shipping banks
Insurance providers
- **Others**
Governments
NGOs
Academia
General public

Ship Recycling Transparency Initiative

Informed decision-making

SRTI data is used by stakeholders to develop incentives and inform procurement, investment and lending decisions to ensure they are not associated with shipowners who are not transparent on their approach to ship recycling.



Knowledge as a driver of change

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Good practice is rewarded through the market. Increased transparency raises the bar for the entire industry, promoting fair competition among shipowners and providing cost and reputational advantages for those that recycle sustainably and responsibly.



Industry context

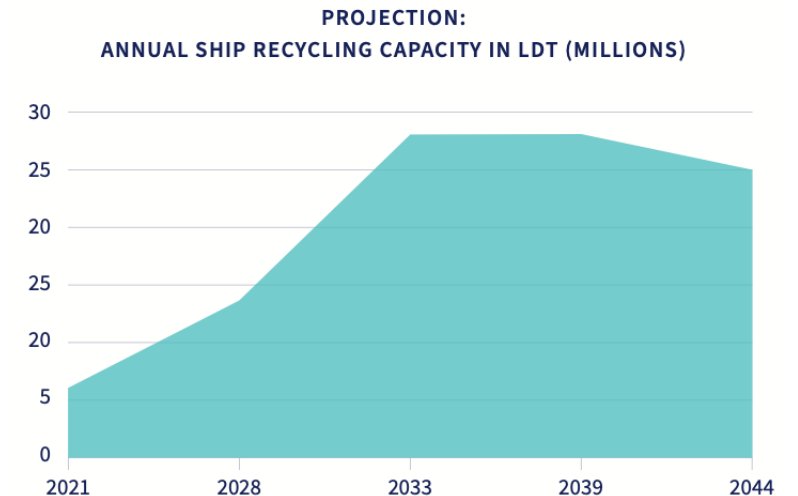
Most of the ship recycling is done in South Asia, with no SRFs in South Asia currently on the EU White List of approved SRFs

Following increased numbers and size of ships, tonnage due for recycling is projected to nearly quadruple by 2033

- Combining global fleet figures with the average age of ships result in the conclusion that the current ship recycling capacity will not be able to process the increasing number of ships to be recycled.
- Tonnage due for ship recycling capacity is projected to double by 2028 and nearly quadruple by 2033

REGIONS	COUNTRIES	PROCESSED 2019		PROCESSED 2020	
		Tonnage in Idt (millions)	%	Tonnage in Idt (millions)	%
South Asia	Bangladesh	3.14	50	1.84	34
	India	1.44	23	1.74	33
	Pakistan	0.15	2	0.78	15
Europe & USA	Turkey	0.47	7	0.74	14
	Other EU / UK / USA	<0.10	<1	<0.10	<1
ROW	China and other	1.10	17	0.23	4
Total		6.30		5.35	

Developed by 2BHonest based on NGO Shipbreaking Platform data



Extrapolation by 2BHonest based on UNCTAD data

Ship Recycling - Regulatory landscape

it's complex.....

Disclosing shipowners' policies adhere to a range of global and regional international conventions, guidelines and principles of relevance to ship recycling, which include:

- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their disposal
- EU Ship Recycling Regulation
- Hong Kong Convention for the safe and environmentally sound recycling of ships
- ISO 30000:2009 Ships and marine technology – Ship recycling management systems
- OECD Guidelines for Multinational Enterprises
- Safety and health in shipbreaking: Guidelines for Asian countries and Turkey
- Stockholm Convention on Persistent Organic Pollutants
- The Recycling of Ships Act
- United Nations Global Compact
- UN Guiding Principles on Business and Human Rights



Ship Recycling - Regulatory landscape

- **The Hong Kong Convention (HKC)** – adopted in 2009, not yet entered into force
 - It will enter into force 24 months after the date on which **1)** 15 States, plus **2)** representing 40 per cent of world merchant shipping by gross tonnage, have either signed it, and **3)** the combined maximum annual ship recycling volume of those States must, during the preceding 10 years, constitute not less than 3 per cent of their combined merchant shipping tonnage
 - Currently 17 states have ratified, ±29% gr.tonnes, <3 recycling volume
- **EU Ship Recycling Regulation (EU SRR)** – adopted in Dec 2013, entered into force from 31 Dec 2018
 - HKC is the foundation, plus additional requirements
 - Environmental requirements, including downstream; Safety requirements; Control mechanisms
 - European List of approved facilities (the “white list” – currently 44 (being 34 EU, 1 UK, 8 Turkey, 1 USA))
 - Scope:
 - ships flying the flag of EU Member States
 - Same size/class scope as HKC (500GT, non-navy)
 - All ships not in the scope of the Ship Recycling Regulation remain covered by the Waste Shipment Regulation



Ship Recycling - Regulatory landscape

- **EU Ship Recycling Regulation (EU SRR) – *continued***
 - Ships flying the flag of an EU member state can only be recycled at a facility on the EU List. Such facilities are required to meet design, construction and operation requirements of the EU and can be located outside of the EU.
 - Inventory of Hazardous Materials (IHM)
 - All EU flagged ships must carry an IHM
 - All non-EU flagged ships calling EU ports must carry an IHM (from 31 Dec 2020)
 - EU vs HKC for Ship Recycling Facilities (SRFs) – i.e. additional requirements of the EU SRR
 - "The facility operates from built structures" (article 13.1.c)
 - "The facility prevents adverse effects on human health and the environment, including the demonstration of the control of any leakage, in particular in intertidal zones" (article 13.1.f)
 - "Handling of hazardous materials, and of waste generated during the ship recycling process, only on impermeable floors with effective drainage systems" (article 13.1.g.i)
 - "The facility ensures rapid access for emergency response equipment, such as fire-fighting equipment and vehicles, ambulances and cranes, to the ship and all areas of the ship recycling facility" (article 13.1.h)
 - Standards for downstream waste management: "broadly equivalent to EU and international standards" (article 15.5)



Ship Recycling - Regulatory landscape

Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and their Disposal (BC) is a UN international treaty which came into force in 1992

- Amendments to the Basel Convention (BCA) entered into force in December 2019
 - The BC is ratified by all EU and OECD Member States◆ It restricts the transboundary movement of waste
 - Initially, assumptions were made by different EU Member States, that the amendments to the BC would effectively bar the EU from allowing ship recycling outside the EU in accordance with its own Regulation
 - This would mean that the EU could not allow yards from non-EU countries to be adopted on to the approved EU list
- According to article 11(2) of the BC, other treaties – such as HKC and the EU SRR– may take precedence: “provided that such agreements are compatible with the environmentally sound management of hazardous wastes and other wastes as required by this Convention”

source: SRTI Progress Report 2021 - guest editorial by: A.P. Moller Maersk



Download the SRTI 2021 progress report

www.shiprecyclingtransparency.org/2021-report/



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Thank you

E srti@sustainableshipping.org

W shiprecyclingtransparency.org

