



NGO SHIPBREAKING PLATFORM

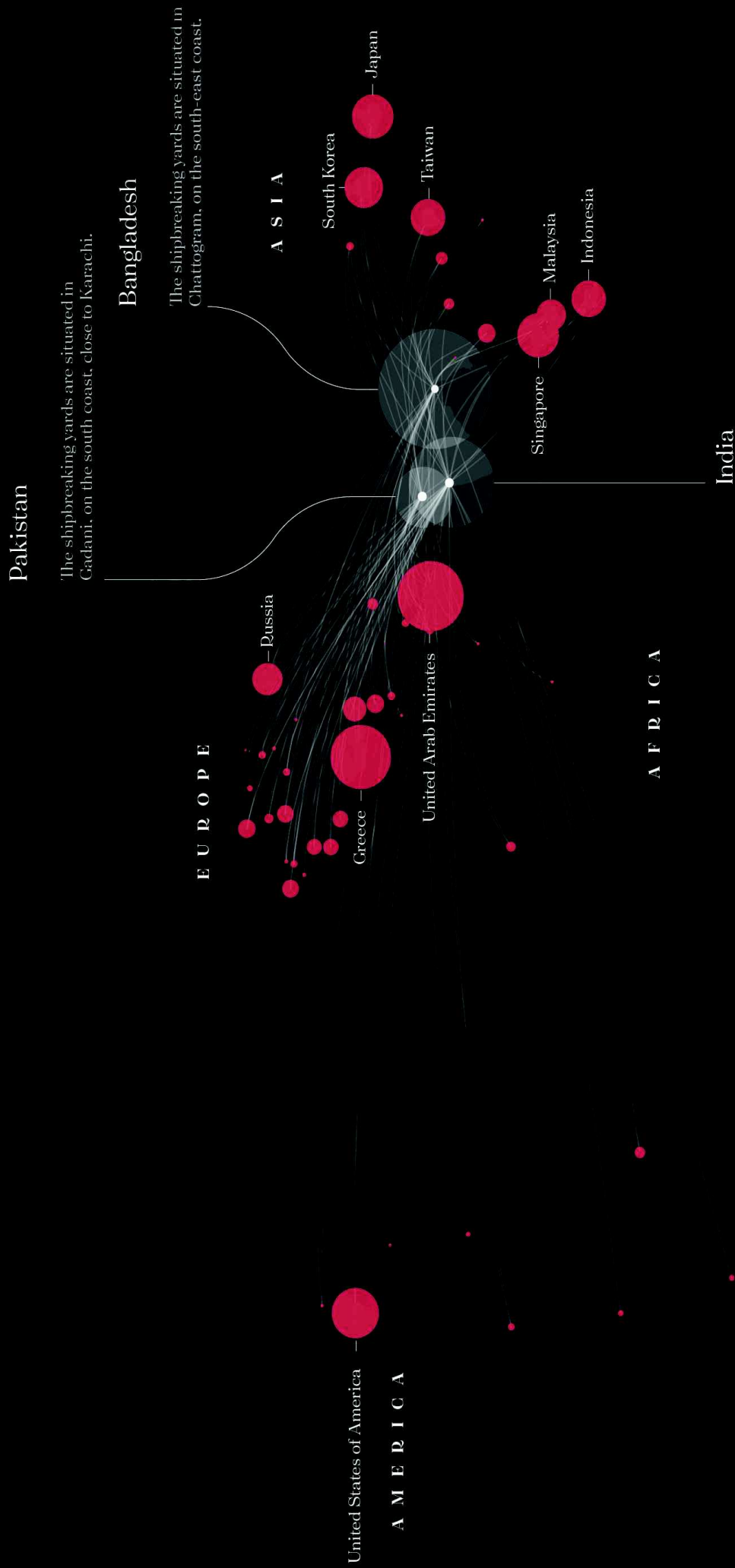
WHERE SHIPS GO TO DIE

Understanding the shipbreaking industry
and its financial and liability risks

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IUMI WEBINAR 2 JULY 2020

The World of Beaching

What happens to ships at end of life? They need to be recycled. The vast majority of the world's end-of-life fleet, full of toxic substances, is simply broken down - by hand - on the beaches of South Asia. There, unscrupulous shipping companies exploit minimal enforcement of environmental and safety rules to maximise profits.



Risks to human health and the environment





RISK

The problems

High risk of accidents and damage to workers' health

Lack of proper medical and healthcare facilities

Breach of labour rights

Emissions to sea and ground in intertidal zone

Emissions to air, also at steel rerolling mills

Poor or no proper treatment of hazardous wastes

Poor quality and misleading 3. party surveys

Lack of transparency

90,4%



518 ships sold to South Asian ship beaching yards



35 workers lost their lives
39 workers severely injured



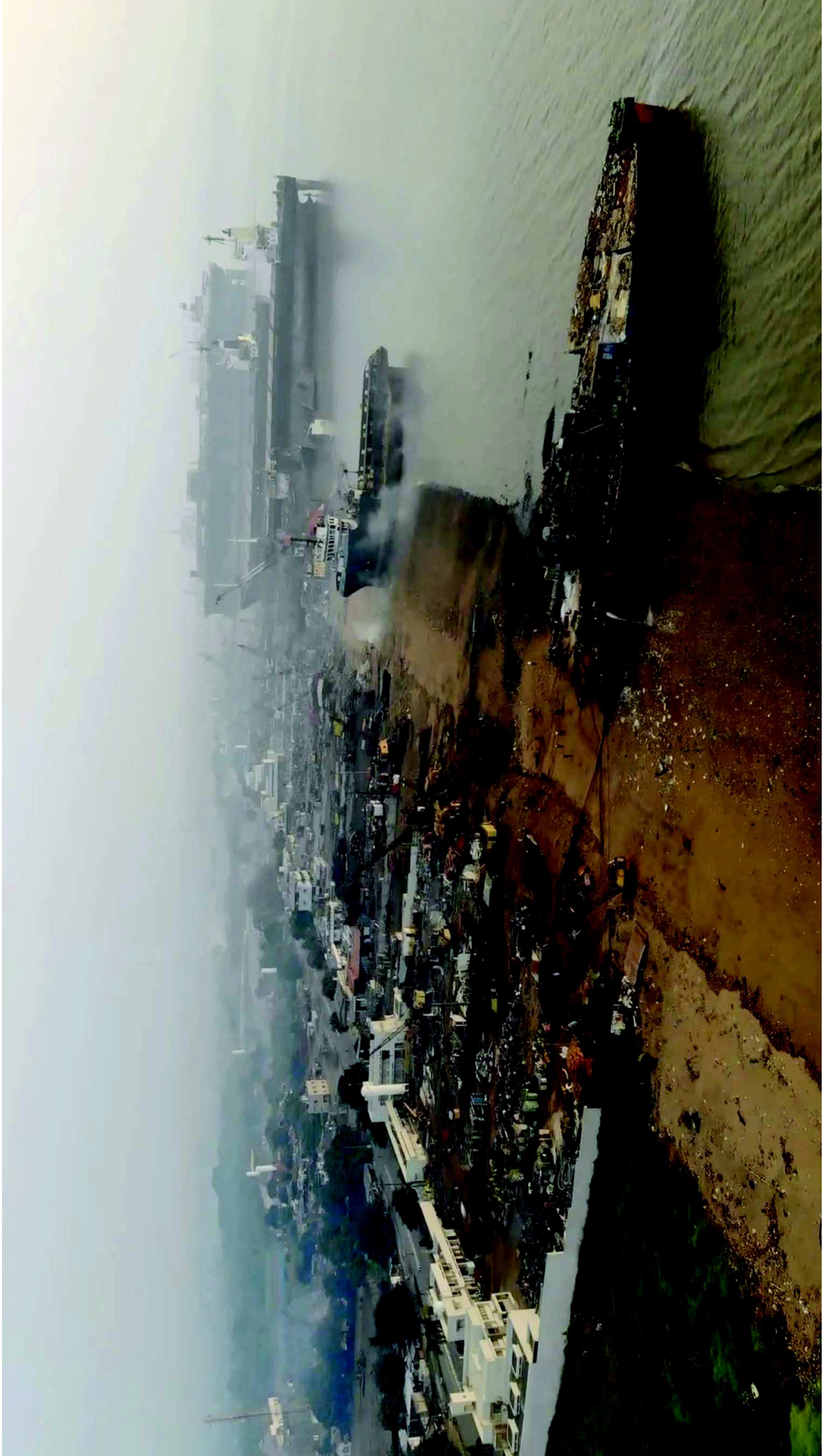
'If you talk about the problems, you're fired'



Danwatch's investigation in Alang







Financial and liability risks



Relevant legislation



UNEP Basel Convention

Exporting-State Jurisdiction

Adopted 1989, entered into force in 1992

Controls transboundary movement of hazardous waste to protect especially developing countries

Ban Amendment entered into force
5 December 2019

Incorporated at the EU level under the
Waste Shipment Regulation



EU Ship Recycling Regulation

Flag-State Jurisdiction

Applicable as of 31 December 2018

Sets requirements for recycling operations and IHM

List of approved facilities and independent third party audits

Financial incentive can be added



IMO Hong Kong Convention

Flag-State Jurisdiction

Adopted 2009, not yet entered into force

Nothing on Downstream Waste Management

Allows BEACHING

Denounced by NGOs, UN Special Rapporteur and European Parliament

Easy circumvention of the law...

For waste legislation:

Simply do not inform authorities that the vessel is sold for scrap and issue a false declaration of intent, such as “further operational use” or “repair work”... or just plot in AIS: “Steaming for Sunshine”...

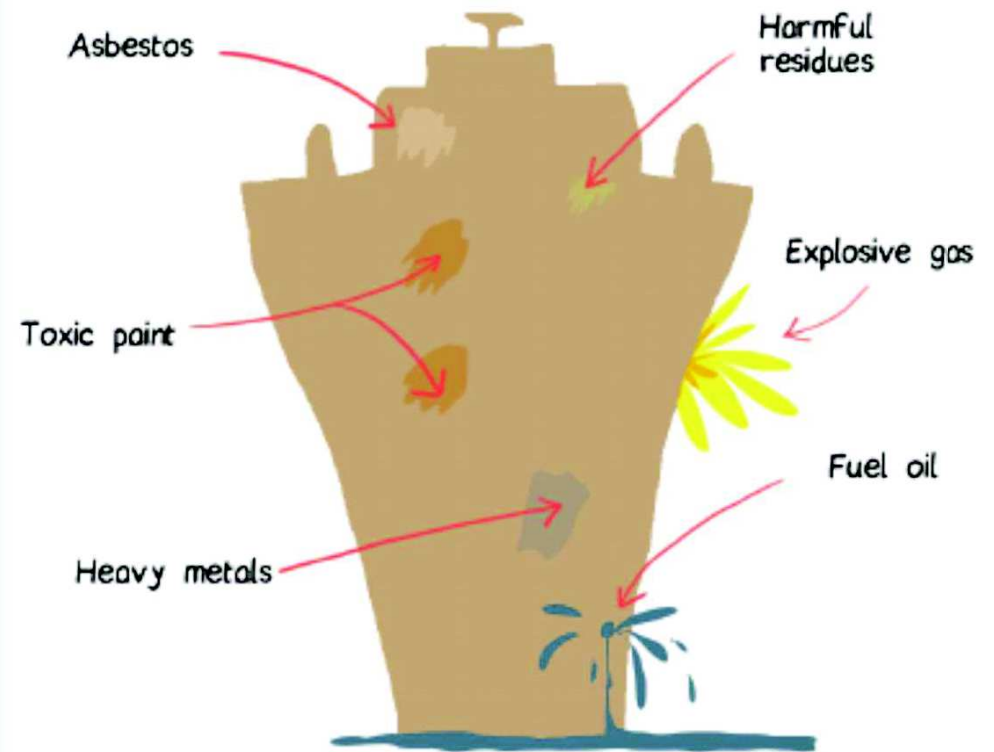
For EU flagged vessels:

Simply swap to a non-EU flag, typically a Paris MoU grey- or black-listed flag...

For importing countries:

Simply issue fake IHMs declaring that the ship is ‘toxic-free’...

PURPOSE = EXTERNALISATION OF COSTS



RISK

Criminal liability

Seatrade

Dutch court sentences Seatrade to heavy fines and forbids two company executives from exercising their profession for 1 year
Court decision based on the INTENT to sell vessels to India



Dutch court informs that Holland Maas Scheepvaart Beheer II BV, a subsidiary of WEC Lines, has been fined for illegal export and that the company has settled EUR 2.2 mill





Legal cases and ongoing investigations



MAERSK

ODEBRECHT



RISK

Compensation claims



Leigh Day



ZODIAC MARITIME AGENCIES LTD

Bangladesh worker was seriously injured when breaking a Zodiac vessel

Represented by law firm Leigh Day, he claims compensation from Zodiac in UK

The case was settled to the satisfaction of the worker

RISK

Investor divestment



Etikkrådet
for Statens pensjonsfond utland

Norges Bank GPF excluded four companies because of beaching on 16 January 2018:

“One particular problem with beaching is that shipbreaking takes place when the vessels are standing in mud and sand. As a result, the pollution leaches into the ground and is washed out with the tides. Even if arrangements were put in place at the beaching sites for the treatment of asbestos and PCBs, for example, the fundamental problem of containing and collecting the pollution would be impossible to resolve.

There are better ways of dismantling ships that are readily available to the shipowner, but these are more expensive”

- Council on Ethics

Banks following suit



“The recycling, or scrapping, of a ship at the end of its lifecycle poses potential large social and environmental risks for the shipping industry, especially if so-called beaching practices are used. These practices mean that ships are driven directly upon beaches and dismantled under difficult working conditions and with detrimental environmental consequences as hazardous waste is discharged directly into the sea”

- Nordea, 8 December 2017

How to mitigate risk?



Due diligence

Due diligence extends to the company's entire corporate structure, including controlled companies, as well as its business relationships

Obligation to factor in social, environmental and governance criteria, not just financial return

UN Guiding Principles on Business and Human Rights:

13. The responsibility to respect human rights requires that business enterprises: [...] (b) Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.



IDENTIFYING RISK

Cash buyers = scrap dealers

Purchase vessels in cash from ship owners

Re-name, re-flag and re-register the vessel for last-voyage

All vessels sold to beaching yards pass via the hands of cash buyers

Cash buyers are not needed when selling to facilities in Europe, US and China



2018 SHIPBREAKING RECORDS

Flags of Convenience

Ship owners often change the flags of their vessels just before the last voyage to the shipbreaking yards in order to reduce costs and take advantage from light regulatory burdens. These flags are often grey - or black-listed flags from tax havens and non-traditional shipping nations like Comoros, Palau and St Kitts & Nevis.

There is a huge discrepancy between the states in which ship owners are based and the flag states that exercise regulatory control over the world fleet.

End-of-life Flag States

Panama and Liberia are the main granters of flags of convenience also during operational life.

Palau

Comoros

Panama

St Kitts & Nevis

Liberia

Niue

Togo

Tanzania

Thailand

Ship Owning States

Ship owners from these countries benefit from the use of flags of convenience.

United States of America

Greece

United Arab Emirates

India

Russia

Unknown

Singapore

Germany

Malaysia

Thailand

South Korea

Indonesia

Japan

China

Nigeria

Cyprus

United Kingdom

Hong Kong

Taiwan

Norway

Canada

Mexico

Syria

China

Turkey

Belgium

Equator

Malaysia

Ukraine

Venezuela

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IDENTIFYING RISK

Greenwashing

Statements of Compliance with the Hong Kong Convention:

Box-ticking exercise

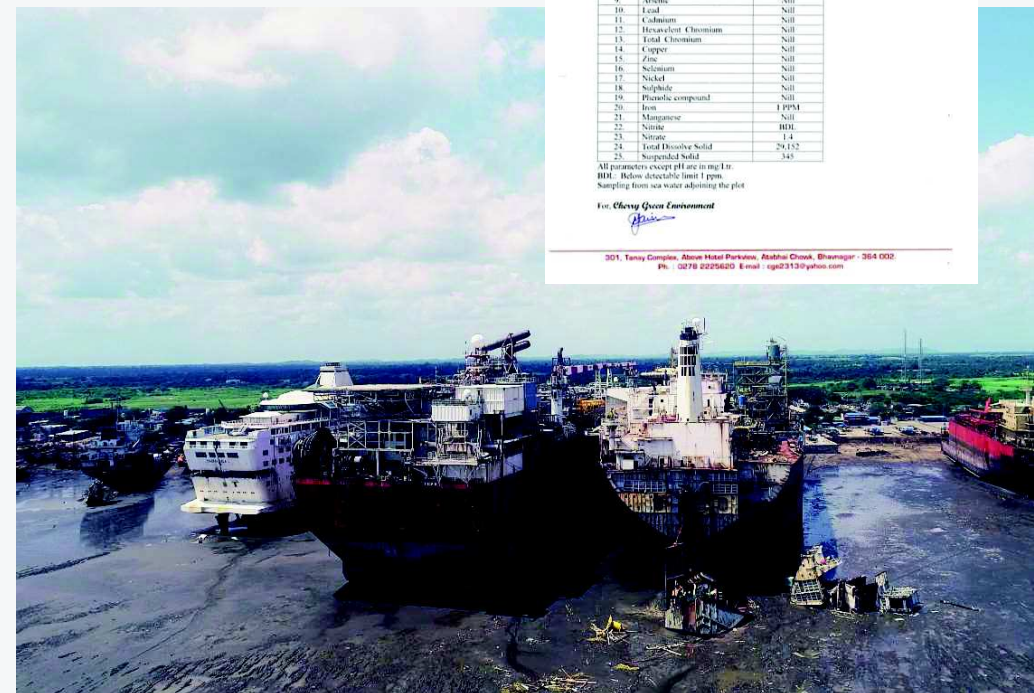
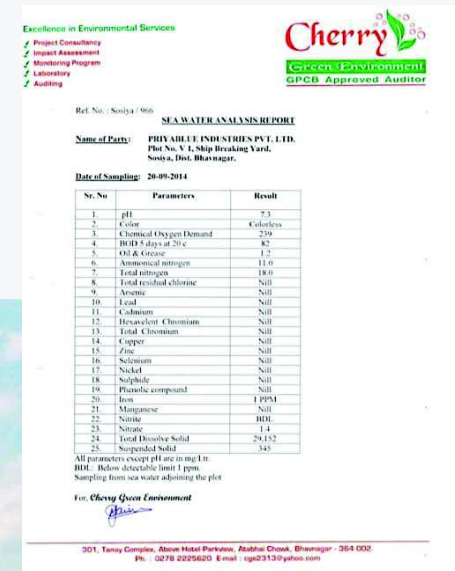
Subjective interpretation of weak standards

Poor environmental monitoring accepted

Downstream waste management ignored

Classification societies as private consultants (not ROs)

90 HKC SoCs already issued to beaching yards



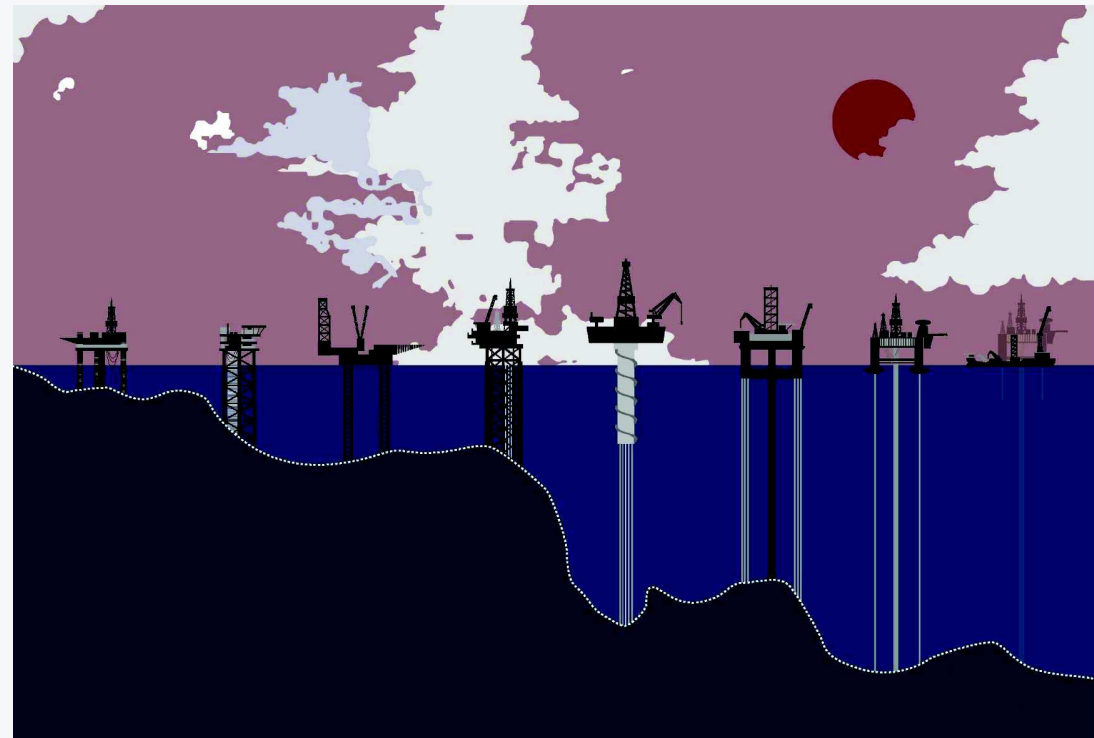
IDENTIFYING RISK

Decommissioning of oil and gas units

Challenges linked to the transport of units

Challenges linked to NORM and mercury contamination, especially FSOs and FPSOs

Increasing number of floating oil and gas units sold for breaking to South Asian beaching yards



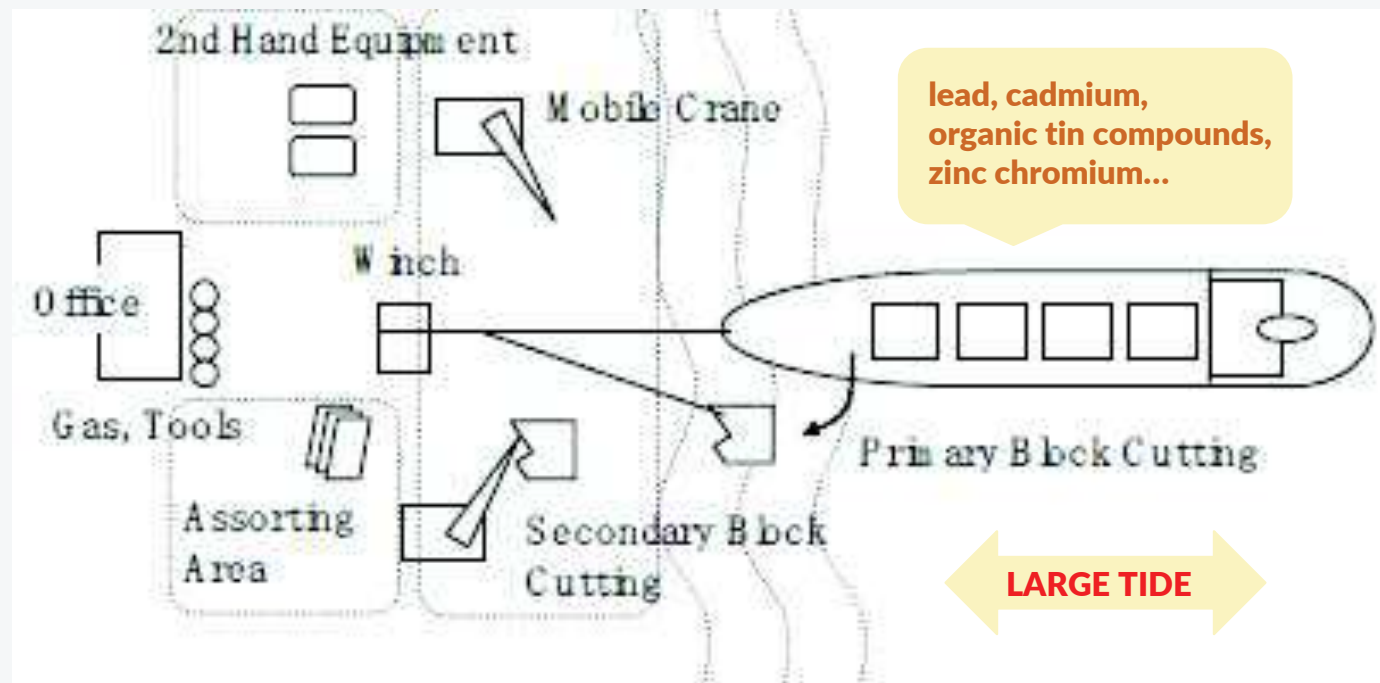




Why beaching is not environmentally sound

Basel Convention Article 2: Environmentally sound management of hazardous wastes or other wastes means taking all practicable steps to ensure that hazardous wastes or other wastes are managed in a manner which will protect human health and the environment against the adverse effects which may result from such wastes

- ❗ Impossible to contain pollutants
- ❗ Lack of access for emergency equipment
- ❗ Poor environmental monitoring
- ❗ “Intertidal landing” is beaching
- ❗ No beaching facility is accepted on EU List



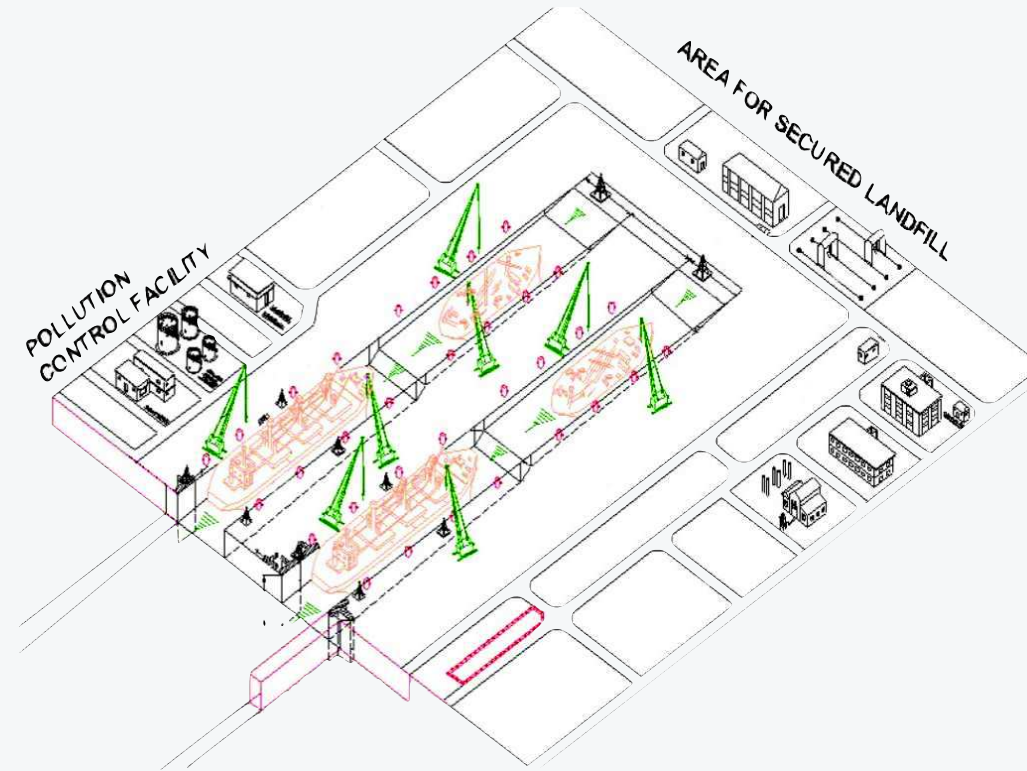
Meanwhile in 1999...

Japanese investor built 4 docks less than 100 km from the Alang beach in India

Capacity to recycle 1 mill LDT annually

Was forced to convert to building and repair because the beaching yards in Alang were not closed...

POINT: India had better yards 20 years ago – its of course possible to recycle ships off the beach in India!



SOLUTION

EU List: guarantee and opportunity

41 yards currently recognised as meeting ship recycling standards

Several yards operating under capacity

Includes yards able to take the largest vessels

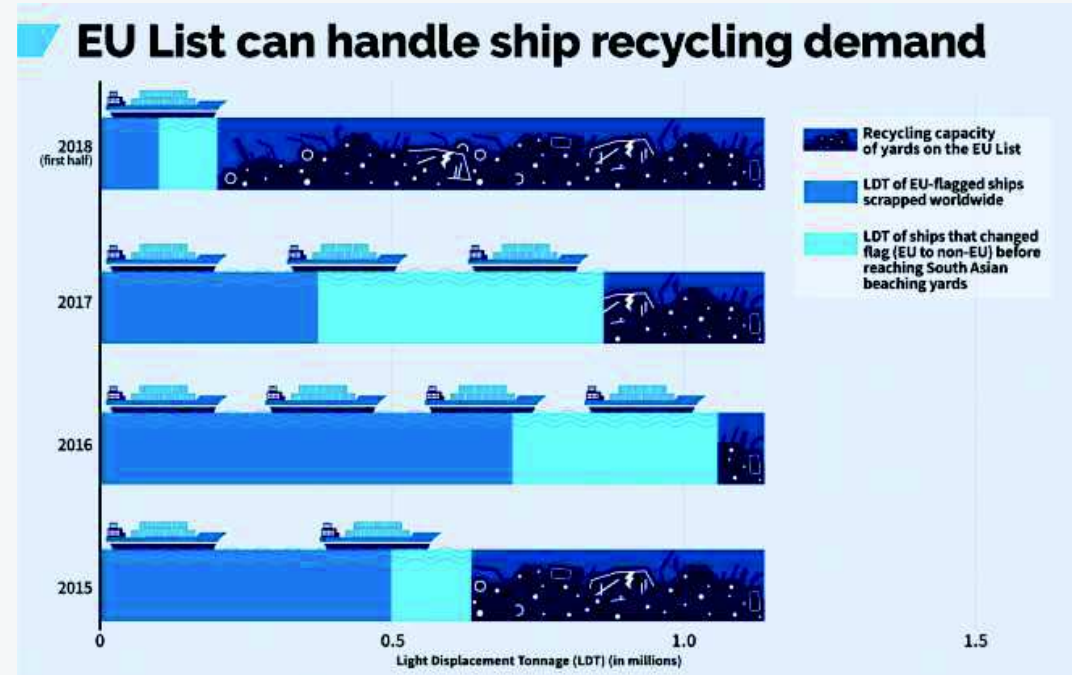
Robust market differentiator

Aims to boost use of dormant capacity & new yards

Scrap steel: reduce carbon footprint & boost green jobs

Waste management opportunities: EU Green Deal & Circular Economy

Competitiveness enhanced by use of state-of-the art technologies



Protect people, the environment and your company

Mitigate risk by ensuring Due Diligence:

- Is the 'last voyage' compliant with relevant international, regional and national waste legislation?
- What is the final destination? Is it a beaching yard?
- Is the company asking for H&M insurance actually a scrap-dealer? What is the track record of that company? Are they systematically involved in unsafe and polluting shipbreaking practices?

Avoid providing covers for 'last voyages' that will knowingly result in harmful shipbreaking practices

Final thoughts: What about P&I? What are the risks of end-of-life vessels operated by scrap dealers and registered under black-listed MoU flags for operational ships?



**Role of NGOs: from pollution to solution
fact-finding, advocacy, litigation & advice - support our work!**



@shipbreakingplatform



@NGOShipbreaking