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RECYCLING OF SHIPS

Recycling capacity for entry into force criteria for the International Convention for the Safe and Environmentally Sound Recycling of Ships

Submitted by India

SUMMARY

<i>Executive summary:</i>	This document comments on the report of the Correspondence Group on Ship Recycling (MEPC 58/3/3) and puts forward India's views regarding entry into force criteria for the Convention
<i>Strategic direction:</i>	7.1
<i>High-level action:</i>	7.1.2
<i>Planned output:</i>	7.1.2.1
<i>Action to be taken:</i>	Paragraph 15
<i>Related documents:</i>	MEPC 57/WP.6; MEPC 57/3/13; MEPC 57/21 and MEPC 58/3/3

Introduction

1 This document is being submitted in accordance with the provisions of paragraph 4.10.5 of the Guidelines on the Organization and method of work of the Maritime Safety Committee and the Marine Environment Protection Committee and their subsidiary bodies (MSC-MEPC.1/Circ.2) and comments on the report of the Correspondence Group on Ship Recycling (MEPC 58/3/3) with regard to entry-into-force criteria.

2 The debate at MEPC 57 focused on the perceived problem of a possible lack of recycling capacity to serve the needs of end-of-life Party flagged tonnage at the time the convention enters into force.

3 Some Member States, who are predominantly flag States, were concerned that if, at the time the convention enters into force, insufficient recycling capacity is provided by Parties to the convention, then end-of-life ships flying the flags of Parties could be forced to change to non-Party flags. It was therefore suggested that this potential exodus from the registries of Parties would discourage Member States who are predominantly flag States from ratifying the convention.

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4 The above considerations led MEPC 57 to instruct a correspondence group on ship recycling to: "... address the circumstances in which sufficient recycling capacity may not be available both before and following entry into force of the Convention ...", and in a way which would: "... encourage States to ratify the Convention at the earliest opportunity, and should address disincentives for flag and recycling States to ratify the Convention ...".

5 The correspondence group addressed the concerns expressed by MEPC 57 and having done some very useful work, produced three options for entry into force conditions, two of which are dependent on a recycling capacity criterion and one which does not employ a recycling capacity criterion (MEPC 58/3/3).

6 Prior to deciding amongst the options proposed by the correspondence group, the Committee will need to consider whether its concerns over the adequacy of recycling capacity are realistic and whether in fact a much more serious problem may exist in a potential recycling over capacity amongst Party States when the convention enters into force.

7 We need to recognize that known recycling capacities of major recycling States far exceed the current volume of ships being recycled. Also recycling yards in some of the major recycling States are already in compliance with national requirements (either due to legal or administrative enforcement) for safe and environmentally sound recycling of ships, which are equivalent to those of IMO's draft Convention on ship recycling. Once these recycling States ratify the convention there would be availability of massive capacities.

8 Reference may be made to the table of data given at the annex to this document, compiled from Lloyd's Register/Fairplay (LR-F) published data. The data for "merchant vessel fleet in the world" are the World Totals in Table "Merchant Fleets of the World – by Country of Registration" in the annual LR-F publication "World Fleet Statistics". The data on recycling are the Totals in the table "Disposals – by Country of Breaking" in the annual LR-F publication "World Casualty Statistics". The maximum tonnage recycled in a country in a year during the periods 1997-2006 and 1998-2007 are highlighted in the table in the annex by shading.

9 The table shows that, while the maximum recycling capacity of the world was 20.662 mGT during 1997-2006 and also during 1998-2007, the average annual tonnage which was actually available and recycled during those periods were only 11.166 and 10.711 mGT respectively. It is clearly evident that in each of those years recycling capacity far exceeded the tonnage available for demolition. Hence if two or three major recycling States become Parties to the Convention and the Convention were to come into force, there need not be any concern that recycling capacity in Party States would be inadequate for end-of-life ships flying the flag of Parties.

10 It needs to be recognized that the mechanism of the sale and purchase market for ship recycling is a juxtaposition of existing freight rate or earning potential of ships, scrap prices, the availability of demolition berths, existing price of scrap steel in the recycling State and many other factors most of which are difficult to predict over a mid to long term time horizon.

11 India is of the view that Option 2 of the Correspondence Group report MEPC 58/3/3 is the most logical entry into force criteria. The proposed Article 17 reads as follows:

*This Convention shall enter into force **[12] [24]** months after the date on which not less than **[25]** States, the combined merchant fleets of which constitute not less than **[25]** per cent of the gross tonnage of the world's merchant shipping, **and the combined maximum annual ship recycling volume in the past [10] years of which constitute not less than [3] per cent of the gross tonnage of the combined merchant shipping**, have either signed it without reservation as to ratification, acceptance or approval, or have deposited the requisite instrument of ratification, acceptance, approval or accession in accordance with Article 16.*

12 The only amendment India would propose is to replace the recycling capacity criterion expressed as a percentage of world merchant ship tonnage, to a percentage of world recycling capacity, since there is no direct relationship between world merchant ship tonnage and tonnage recycled in a given year as seen in the table in the annex. Therefore if the requirement for entry into force is, say, 25% of the world fleet's tonnage then a suitable requirement for minimum recycling capacity could also be 25% of the world's recycling capacity (and not 3% of the world's fleet which incidentally has been changing dramatically in the last few years).

13 In 2001 when MEPC adopted regulation 13G of Annex I and then again in 2003 when this was amended there were many predictions that the rate of demolition of single-hull tankers would skyrocket. Nevertheless, this did not happen due to changed market conditions. We therefore saw single-hull tankers being converted into double hull tankers and then into bulk carriers and FPSOs.

14 Because of all the above, India is of the view that Option 2 with a slight amendment as proposed above is the most appropriate option since it takes the realities of the recycling market into account without being speculative. We propose the following text for Article 17:

*This Convention shall enter into force **[12] [24]** months after the date on which not less than **[25]** States, the combined merchant fleets of which constitute not less than **[25]** per cent of the gross tonnage of the world's merchant shipping, **and the combined maximum annual ship recycling volume in the past [10] years of which in gross tonnage constitute not less than [25] per cent of the combined maximum recycling capacity of the world**, have either signed it without reservation as to ratification, acceptance or approval, or have deposited the requisite instrument of ratification, acceptance, approval or accession in accordance with Article 16.*

Action requested of Committee

15 The Committee is invited to consider the proposal contained in this document and to decide as appropriate.

ANNEX

DATA * FOR EVALUATING RECYCLING CAPACITY IN ACCORDANCE WITH MEPC 57/3/13

(Unit : mGT)																
	Percentage of Recycling Capacity 1997-2006 or 1998-2007	Maximum Recycling Capacity 1997-2006	Maximum Recycling Capacity 1998-2007	Recycling by Country												
				1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Average 1997-2006	Average 1998-2007
Turkey	1.9%	0.385	0.385	0.195	0.182	0.226	0.295	0.165	0.385	0.280	0.200	0.138	0.148	0.118	0.221	0.214
Spain	0.2%	0.048	0.048	0.019	0.033	0.048	0.026	0.008	0.027	0.033	0.013	0.005	0.001	0.001	0.021	0.019
Korea, South	0.0%	0.007	0.007	0.000	0.000	0.007	0.001	0.000	0.000	0.002	0.006	0.000	0.000	0.000	0.002	0.002
Pakistan	11.5%	2.380	2.380	0.930	2.210	2.380	0.789	1.739	0.997	0.817	0.209	0.048	0.187	0.380	1.031	0.976
Italy	0.0%	0.007	0.007	0.000	0.000	0.000	0.002	0.007	0.002	0.007	0.001	0.000	0.000	0.001	0.002	0.002
Croatia	0.0%	0.002	0.002	0.000	0.000	0.000	0.000	0.000	0.001	0.002	0.001	0.001	0.000	0.000	0.001	0.001
Japan	0.2%	0.046	0.046	0.030	0.019	0.031	0.022	0.012	0.025	0.046	0.006	0.000	0.001	0.000	0.019	0.016
China	27.0%	5.582	5.582	0.099	0.550	2.564	2.637	2.510	3.139	5.582	1.538	0.151	0.254	0.341	1.902	1.927
India	32.9%	6.803	6.803	4.948	6.256	6.803	5.987	4.768	6.751	5.886	1.620	1.123	0.853	1.332	4.500	4.138
Bangladesh	24.2%	4.992	4.992	2.228	2.626	3.799	2.407	4.992	4.894	2.890	3.357	2.114	2.883	1.838	3.219	3.180
Others	2.0%	0.409	0.409	0.258	0.409	0.324	0.166	0.094	0.156	0.383	0.246	0.192	0.265	0.142	0.249	0.238
Total Recycling (A)	100.0%	20.662	20.662	8.707	12.285	16.182	12.332	14.295	16.377	15.928	7.195	3.772	4.592	4.153	11.166	10.711
Merchant Vessel Fleet in the world (B)				522.20	531.89	543.61	558.05	574.55	585.58	605.22	633.32	675.12	721.86	774.94	595.14	620.41

* Data for merchant ships over 100 GT compiled from annual publications of Lloyd's Register / Fairplay.