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|                    |                        |
|--------------------|------------------------|
| To                 | All Surveyors/Auditors |
| Applicable to flag | All Flags              |
| Title              | <b>Ship recycling</b>  |
| Reference          | Hong Kong Convention   |

**Ship Recycling in 2019**

The only way possible for ship recycling yards across the globe to satisfy and maintain common minimum safety and environmental protection standards is through the entry into force of the IMO's Hong Kong Convention.

**The Hong Kong Convention**

Although 2019 was the 10th anniversary of the Convention's adoption in Hong Kong, by the beginning of the year only six countries had ratified it. (Note that a country wishing to become a Contracting State to an international convention can do this by accession to the convention or by a two-stage process that involves first signing the intent to become Party and then ratifying its signature. Thereafter nine more countries ratified the Convention, as shown in the following table:

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|                           |    | World fleet 31/12/18                 |                 | 1,333,643,373          |                  |
|---------------------------|----|--------------------------------------|-----------------|------------------------|------------------|
|                           |    | State                                | Date of deposit | Fleet in GT 31/12/2018 | % of world fleet |
| <b>Contracting States</b> | 1  | Norway                               | 26/06/2013      | 17,989,986             | 1.3%             |
|                           | 2  | Republic of Congo                    | 19/05/2014      | 4,757                  | 0.0%             |
|                           | 3  | France                               | 02/07/2014      | 6,338,648              | 0.5%             |
|                           | 4  | Belgium                              | 07/03/2016      | 6,134,891              | 0.5%             |
|                           | 5  | Panama                               | 19/09/2016      | 214,863,965            | 16.1%            |
|                           | 6  | Denmark *                            | 14/04/2017      | 20,503,511             | 1.5%             |
|                           | 7  | Turkey                               | 31/01/2019      | 5,549,796              | 0.4%             |
|                           | 8  | Netherlands **                       | 20/02/2019      | 7,092,147              | 0.5%             |
|                           | 9  | Republic of Serbia                   | 22/03/2019      | -                      | 0.0%             |
|                           | 10 | Japan                                | 27/03/2019      | 28,098,510             | 2.1%             |
|                           | 11 | Estonia                              | 25/04/2019      | 396,582                | 0.0%             |
|                           | 12 | Malta                                | 14/05/2019      | 75,346,183             | 5.6%             |
|                           | 13 | Germany                              | 16/07/2019      | 7,948,717              | 0.6%             |
|                           | 14 | Ghana                                | 18/11/2019      | 96,756                 | 0.0%             |
|                           | 15 | India                                | 28/11/2019      | 10,481,554             | 0.8%             |
|                           |    |                                      |                 | 30.1%                  |                  |
|                           |    | * Excluding Faroe Islands and Faroe; |                 | ** Excluding Curacao   |                  |

The ratification by Turkey was an important milestone, this being the first main ship recycling country to become a Contracting State of Hong Kong Convention. Note that in 2018 the four main ship recycling countries (Bangladesh, India, Pakistan and Turkey) recycled 96 percent of all tonnage, and that with the import ban of ships for recycling in China from December 31, 2018 this market share is expected to rise from 2019 to 98 percent.

Japan's ratification in March was another milestone, partly because of the large tonnage that flies its flag, but also because of the great support that country has given, first to the development of the Convention, then to the voluntary implementation of the Convention to its ships, and last but not least to the support and aid it has already provided for the upgrading of recycling yards in India. Malta's ratification in May was noteworthy because of its large fleet, which also is the largest in European Union.

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All ratifications of the Convention are important and carry weight, but none as much as the ratification by India which took place near the end of the year. India happens to be the country with the largest “maximum annual recycling volume”, this being the measurement of recycling capacity that is defined in Hong Kong Convention (as the GT tonnage recycled in the year with the largest output, taken out of the preceding 10 years). According to this definition India has 31 percent of the world’s capacity based on its recycling of 12.2 million GT of ships in 2012.

However, the importance of India’s ratification does not stem only from its large capacity, but also from marking the anniversary date of Hong Kong Convention becoming the accepted standard for the ship recycling industry. The plain reality is that the international community decided to develop the Convention at the IMO to address the low safety and environmental standards that existed in the dominant recycling countries of South Asia, and not necessarily to address the standards that existed at the time in Turkey and China. The transformation that has taken place in most of the ship recycling yards of India in the last four years demonstrates the acceptance of the Convention as the mainstream industry’s working standard.

At the end of 2019 we face for the first time the real prospect of the Convention’s entry into force in the proximate future. The provisions for entry into force are: 24 months after the following three conditions are met: (1) ratification by at least 15 countries; (2) whose fleets together add-up to at least 40 percent of the world’s fleet; and (3) whose ship recycling capacities together add-up to at least three percent of their fleets. The first condition has already been met, while the second and third conditions are 75 percent and 87 percent satisfied, respectively.

### **The European Regulation on Ship Recycling (EU SRR)**

From the beginning of 2019 the EU SRR mandates that European flagged ships must be recycled only in yards that are entered in the European List of approved yards. The 4th List of approved yards was published in December 2018 containing 23 yards based in the EU, two yards based in Turkey and one yard based in the U.S. In June 2019 the Commission updated its previous List by publishing its fifth List, containing 30 yards based in the EU, three yards based in Turkey and one yard based in the U.S.

The sixth European List of approved recycling facilities, which is expected to be published soon, will include a further four EU-based yards (in Lithuania, Latvia, the Netherlands and Norway) and a further three Turkish yards.

An EU List of approved yards that mostly comprise of EU-based recycling yards (incidentally, a number of which do not recycle ships) does not make sense, as the EU is the world’s largest net

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exporter of scrap steel, with the vast majority of its exports going to Turkey, Egypt, India, China and Pakistan. Obviously, it is not economically sustainable to be recycling large ships in Europe to produce scrap that will have to be transported to countries that already recycle ships.

One other important development that will take place in the next 12 months is the provision of Inventories of Hazardous Materials (IHMs) to all ships over 500GT that intend to call EU ports after the December 31, 2020.

REFERENCES:

- Ship recycling - Courtesy to Dr. *Nikos Mikelis*

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