



# Towards Sustainable Recycling: The role of the Cash Buyer

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# 1.1. Issues affecting the implementation of actual Responsible Ship Recycling Practices

- a) Deep understanding of the international regulations related to ship recycling, including national regulations of each recycling state
- b) Technical expertise in order to identify the level of compliance of the candidate yards
- c) Regular auditing of the facilities so that the development is monitored accurately
- d) The selling process
- e) Proper monitoring and reporting of the recycling process should be taking place in order to ensure implementation of the agreed standards while looking into continuous alternatives for further development
- f) Awarding the yards which perform better
- g) Other yards which were not previously approved should be given the chance to go through further auditing after they have implemented the required standards



## 1.2. Issues affecting the implementation of actual Responsible Ship Recycling Practices: The Selling process

The selling process should be:

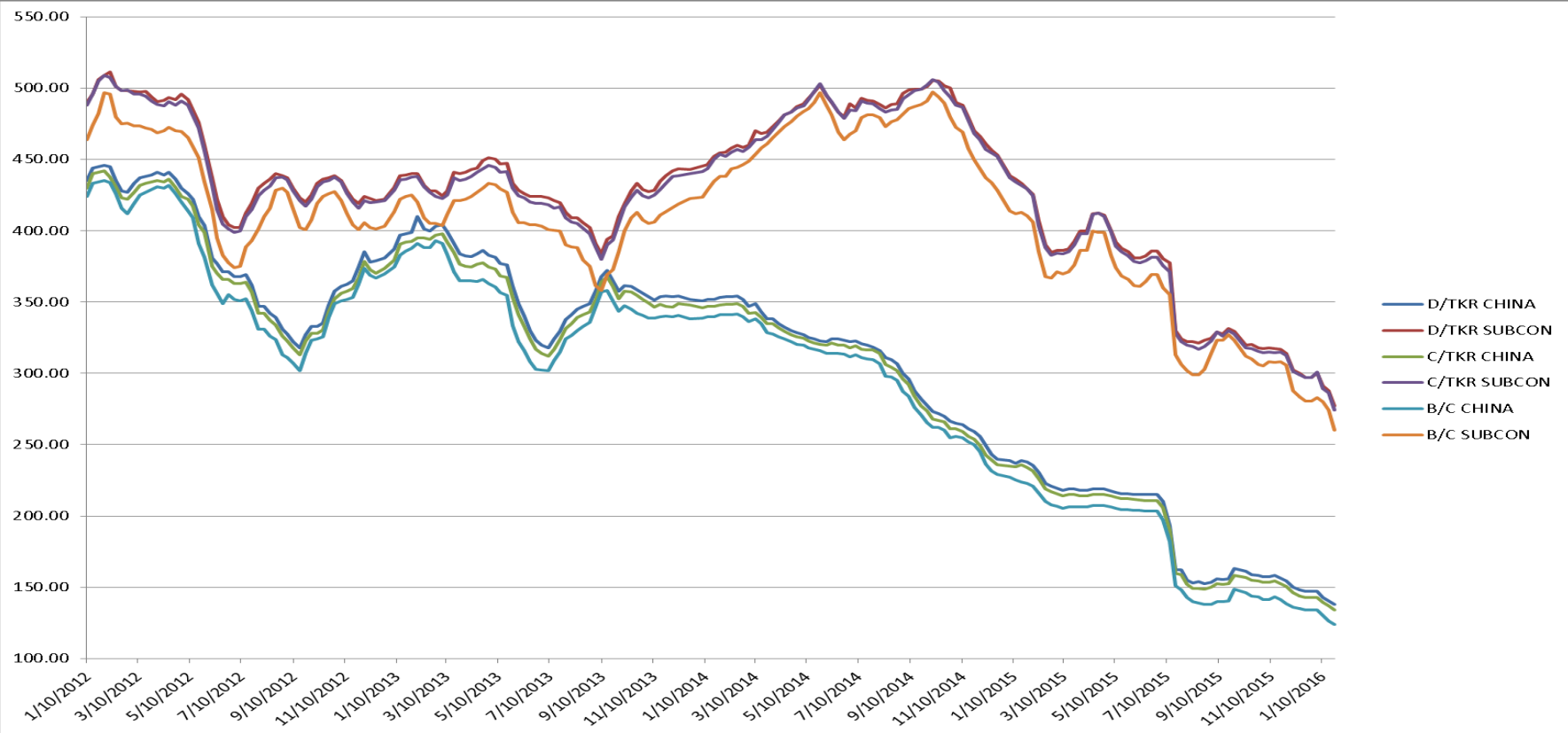
- Ensuring implementation of responsible ship recycling practices
- Awarding the recycling facilities for their performance
- Avoiding unreasonable competition which will lead to a “top dollar” deal



- a) Yards are losing the motivation to continuously develop their standards
- b) Cash Buyers keep on promoting CSR practices with limited success, since yards do not see the returns required in order to keep investing in their infrastructure
- c) Yards have to face adverse market conditions hence financial difficulties

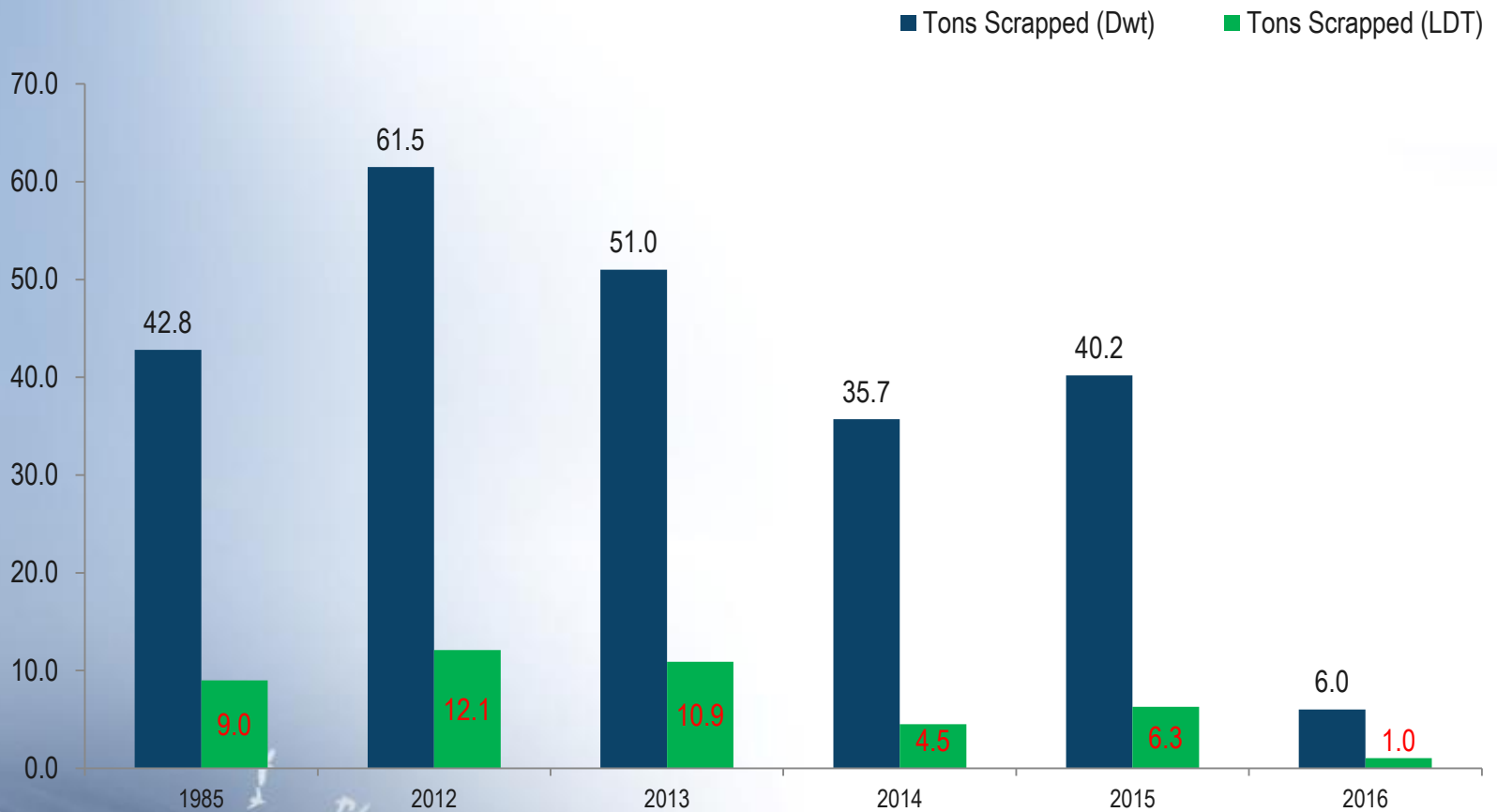
# 2.1. - Factors that Affect Pricing

1. Supply
2. Demand
3. Steel Prices... Ore, Finished steel, Competing products
4. Currency exchange rates
5. Government Regulations



# 2.2. Historical Highs – Ship Recycling BOOMS... past and present!

## Recycling Overview



# 2.2.1. Demometer

	Total Scrapped in 2016 YTD	Total Scrapped in 2015	Total Scrapped in 2014	Total Scrapped in 2013
Bulk Carrier	6.3 m – DWT (81 VSLS)	29.6 m – DWT (437 VSLS)	17.1m – DWT (362 VSLS)	23.1 m – DWT (490 VSLS)
Tanker	0.1 m – DWT (3 VSLS)	2.8 m – DWT (93 VSLS)	8.9m – DWT (137 VSLS)	10.4 m – DWT (140 VSLS)
Containership	51,000 – TEU (19 VSLS)	199,000 – TEU (88 VSLS)	406,000 - TEU (167 VSLS)	437,000 – TEU (185 VSLS)

Source: BraemarACM  
January 2016

# 2.2.2. Demometer

**Recycled YTD 2016**

**Recycled During same period in 2015**

**Graph Comparison: Recycled volumes January 2015 / 2016**

**Bulk Carrier**

6.3 m – DWT  
(81 VSLS)  
(78.64%)<sup>1</sup>

1.8 m – DWT  
(39 VSLS)  
(63.93%)<sup>1</sup>

**Tanker**

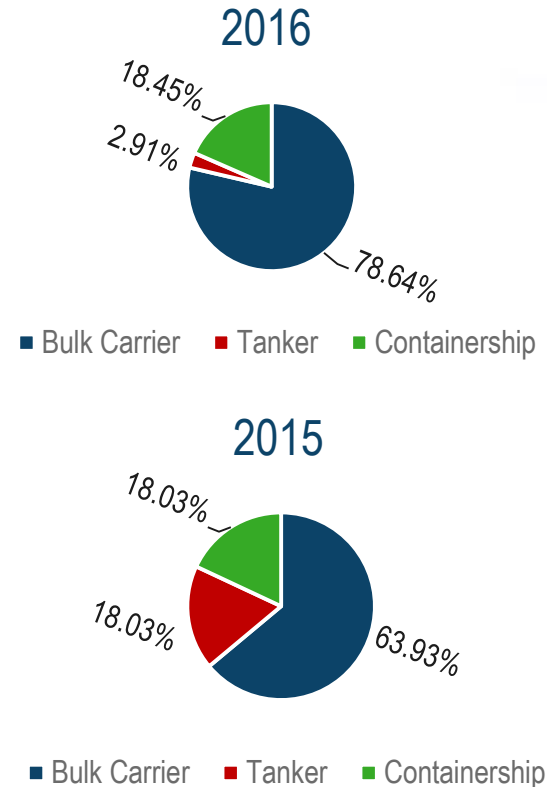
0.1 m – DWT  
(3 VSLS)  
2.91%<sup>1</sup>

0.4m – DWT  
(11 VSLS)  
(18.03%)<sup>1</sup>

**Containership**

51,000 – TEU  
(19 VSLS)  
(18.45%)<sup>1</sup>

22,500 – TEU  
(11 VSLS)  
(18.03%)<sup>1</sup>

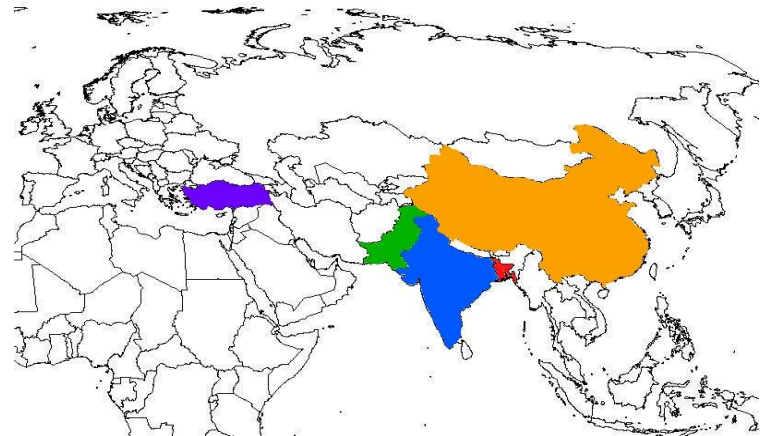


<sup>1</sup> Percentages based on total units of the three types: bulk carrier, tanker and container recycled in same period (January) of 2016 and 2015

Source: Braemar ACM Shipbroking January 2016

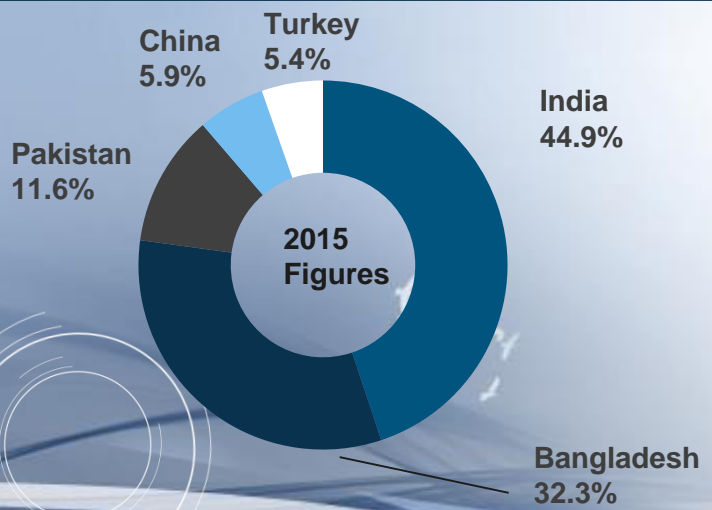
# 2.3. Where it is done (Capacity)

- ✓ 5 countries (with 80% Asian) recycle more than 95% of the world's fleet
- ✓ Number of active yards in each Country:
  - Indian subcontinent
    - India: 2015 about **35** yards out of 167 (2013: **162** of 172)
    - Bangladesh : 2015 about **45** yards out of 120 (2013: **80** of 110)
    - Pakistan: 2015 about **37** yards out of 43 (2013: **110** of 129)
  - China: **14** yards out of 22 (2013: **16** of 20)
  - Turkey: 2015 about **18** yards out of 20 (2013: **20**)

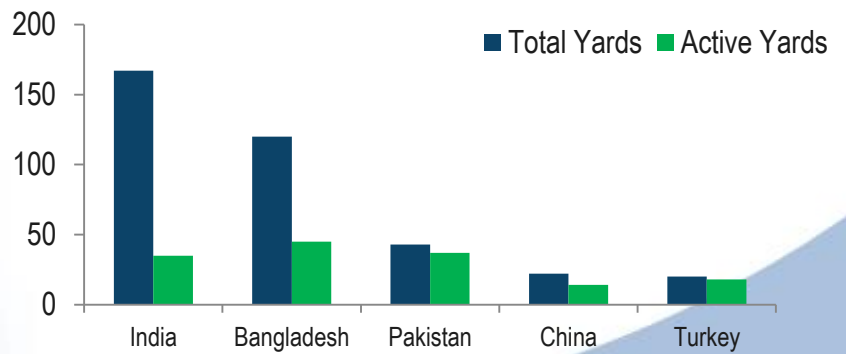


\* Note: all figures are approximates

## Geographic Breakdown – No. of Existing Yards (%)



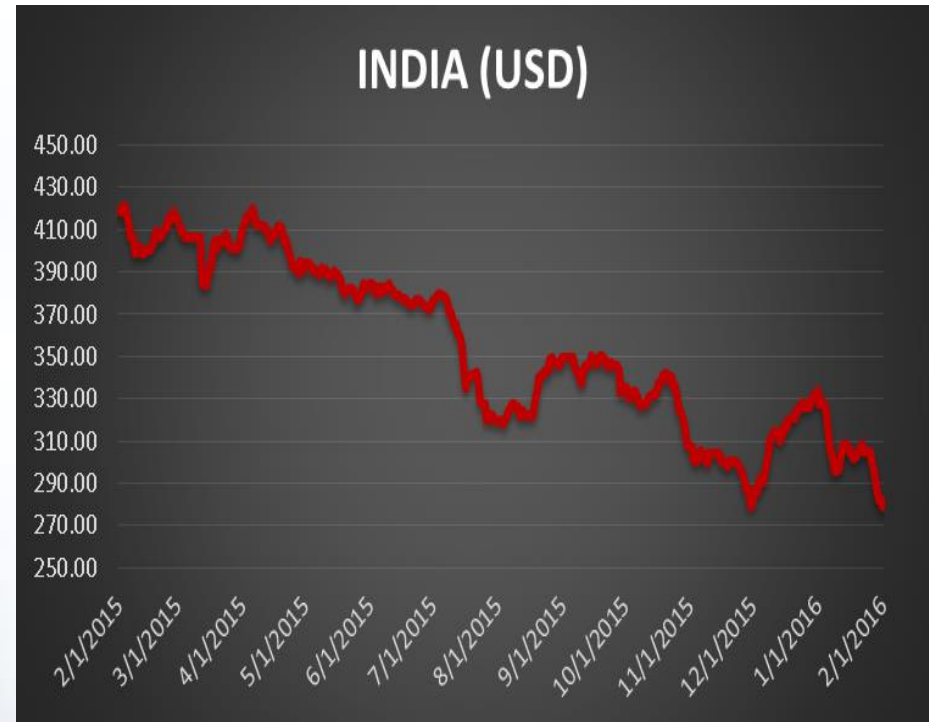
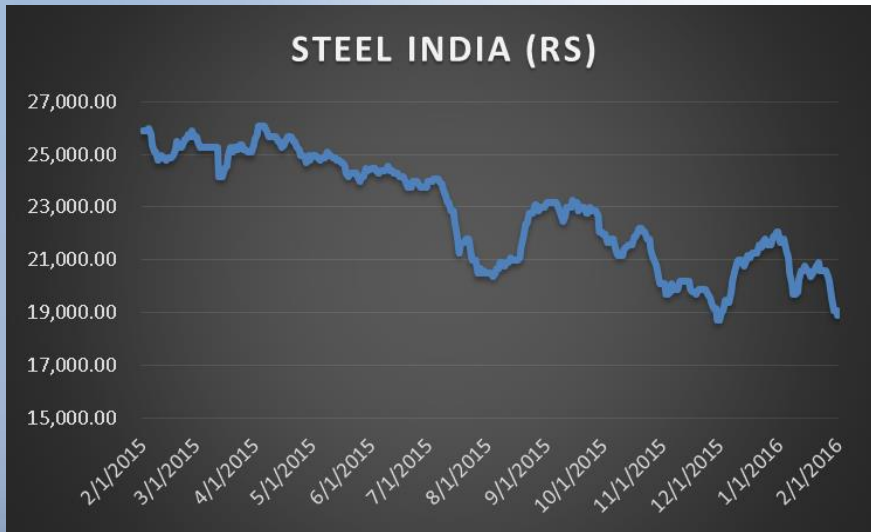
## Total v/s Active Yards





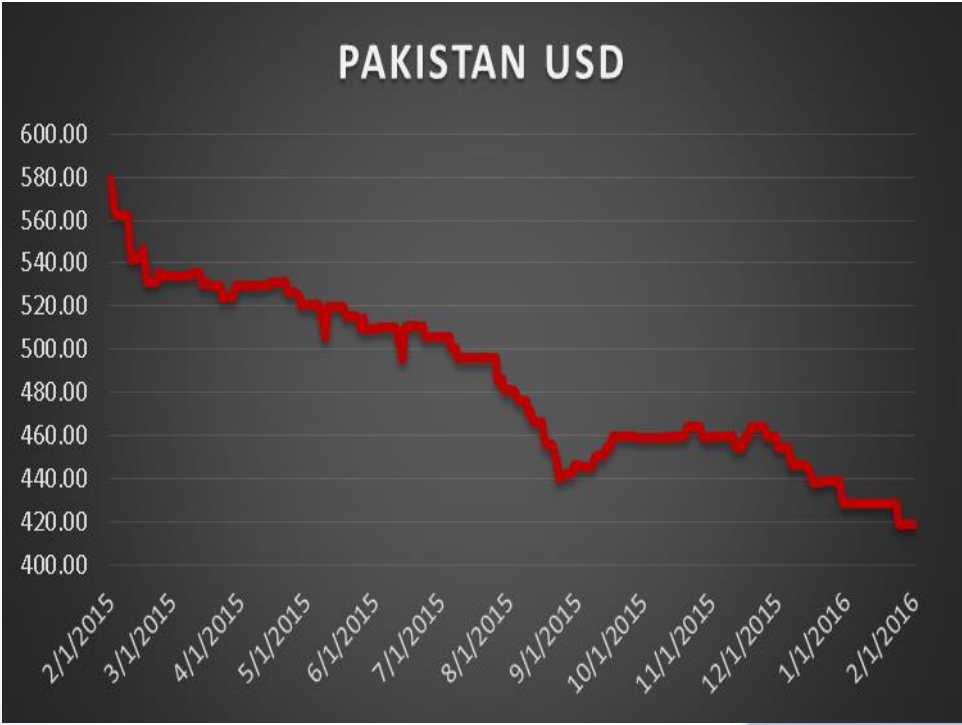
# 2.4.1. Steel Prices – Currency 2014: India

- IR on 1<sup>st</sup> January 2013: **54.80 per USD** / Steel prices: IR 26,000 per 12 mm scrap metal
- IR on 1<sup>st</sup> January 2014: 61.88/ Steel prices: IR 28,000
- IR on 1<sup>st</sup> January 2015: 63.22 / Steel prices: IR 26,600
- IR on 1<sup>st</sup> January 2016: **66.22** / Steel prices: IR 22,100



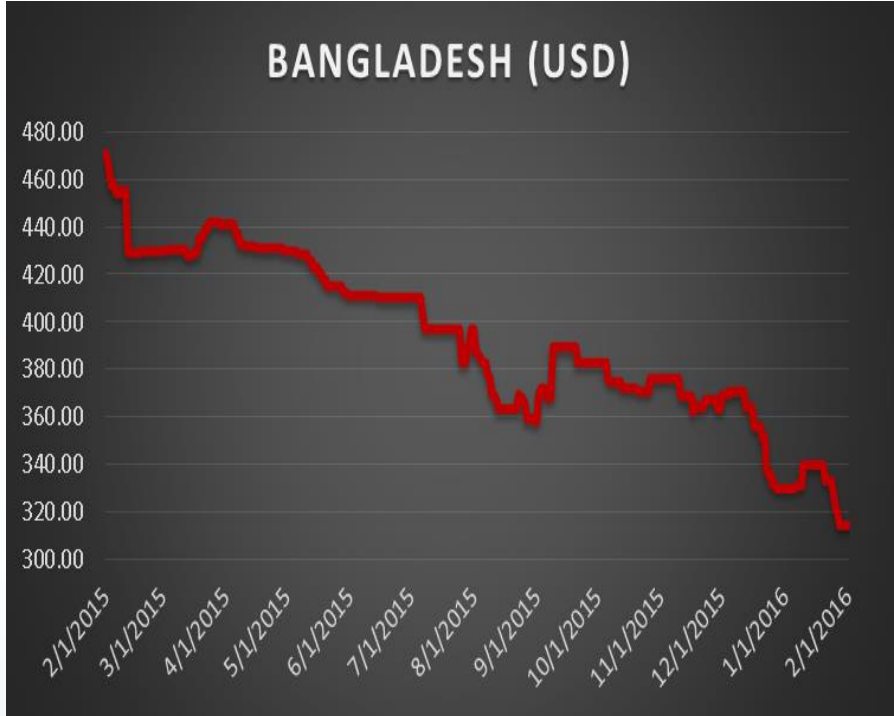
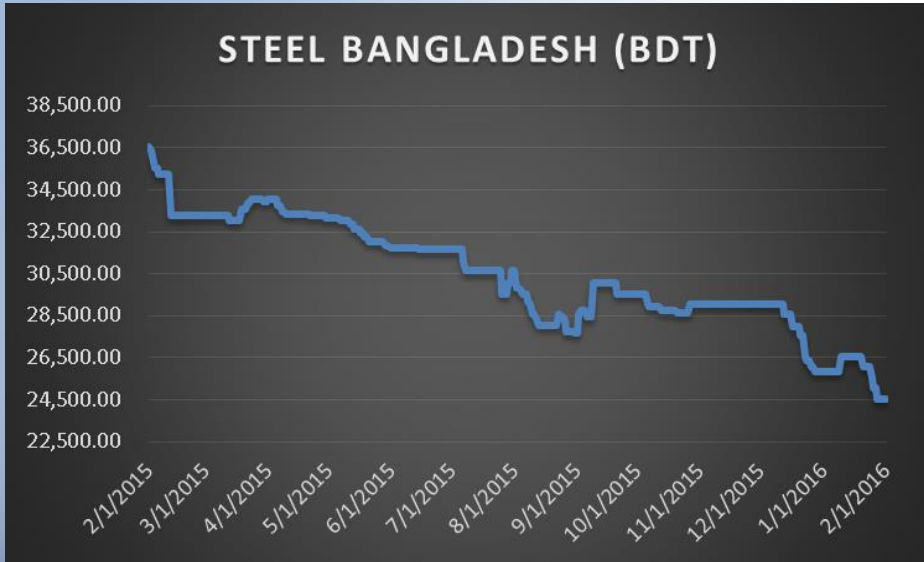
# 2.4.2. Steel Prices – Currency 2014: Pakistan

- PKR on 1<sup>st</sup> January 2013 : 97.27 per USD / Steel prices: PKR 52,000 per 12 mm scrap metal
- PKR on 1<sup>st</sup> January 2014: 105.30 / Steel prices: PKR 56,000
- PKR on 1<sup>st</sup> January 2015: 100.60 / Steel prices: PKR 59,000
- PKR on 1<sup>st</sup> January 2016: 105.05 / Steel prices: PKR 45,000



## 2.4.3. Steel Prices – Currency 2014: Bangladesh

- BDT on 1<sup>st</sup> January 2013 : 79.67 per USD / Steel prices: BDT 42,500 per **12 mm scrap metal**
- BDT on 1<sup>st</sup> January 2014: 77.59 / Steel prices: BDT 37,300
- BDT on 1<sup>st</sup> January 2015: 77.80 / Steel prices: BDT 37,000
- BDT on 1<sup>st</sup> January 2016: 78.05 / Steel prices: BDT **25,800**



### 3. Cash Buyers and their expertise in Ship Recycling

- Cash Buyers are not brokers
- Cash Buyers are Principals/Traders: They buy vessels on cash basis from ship owners and resell to ship recycling yards on Letters of Credit.
- One-stop for complete recycling needs
- In house expertise in order to be able to meet requirements of international regulations
- Cash Buyers take delivery of vessels on both “delivered” and “as is where is” terms.
- Hong Kong Convention (HKC) considers Cash Buyers as owners of the vessel.
- Should be able to mitigate market risk towards the Shipowner and the yard.
- Cash Buyers have the expertise required in order to enforce Responsible Recycling Practices.



## 3.1. Adopting to the requirements of Ship Recycling: GMS Specific

- Team of experienced professionals capable of:
  - ✓ Structuring “tailor-made” deals according to the needs of the seller
  - ✓ Resolving technical matters
  - ✓ Finding value in all types/age of vessels / offshore units
  - ✓ Identifying the best options of recycling for a shipowner
  - ✓ Identifying recycling facilities capable of meeting the highest standards
- Experienced with taking over Rigs / Offshore units:
  - ✓ Towed semi submersible units across Atlantic & India Ocean
  - ✓ Smooth cooperation / protection against negative publicity by recycling in an environmental friendly and safe for the workforce manner
  - ✓ Discharging cargoes and taking over vessels (collisions, groundings, etc.)
  - ✓ Insurance / Salvage matters
- Exploring:
  - ✓ Chartering potentials and bareboat possibilities
  - ✓ Ship Finance / Ship Owning
  - ✓ Investments in ships / projects and companies

## 3.2 CSR in Ship Recycling: GMS Specific

- GMS has been instrumental in supporting visits of several stakeholders of the industry in ship recycling facilities, including:
  - ✓ International Maritime Organization (IMO)
  - ✓ Individual Japanese and Scandinavian Shipowners
  - ✓ Japanese Shipowners' Association and government officials
  - ✓ Danish Shipowners' Association
- Has the in-house expertise required in order to:
  - ✓ Monitor:
    - the successful implementation of the recycling programme
    - Compliance of the recycling facilities with international and national guidelines
    - Waste management and treatment
  - ✓ Planning and recycling activities of the yard
  - ✓ Help Owners with producing an Inventory of Hazardous Materials (IHM)
  - ✓ Assist the ship recycling facility to produce an accurate Ship Recycling Plan (SRP)
- ✓ Cash Buyers are focusing on volumes hence they have a network of yards able to meet different standards

## 3.3 CSR in Ship Recycling: GMS Specific

- Proven record of efforts to continuously promote the RESPONSIBLE ship recycling for more than 10 years:
  - ✓ Sponsorship of: events, trips, advertisements,
  - ✓ Cooperated with an IACS Classification Society
  - ✓ Financed students, individuals and professors to help guide and sponsor their research, documentaries, art-work and to promote interest among scholars to foster industry wide improvements
- Cooperating with “best in class” experts in order to ensure environmental friendly and sound ship recycling
- GMS is actively promoting responsible recycling towards all possible directions related with the shipping industry i.e. recycling facilities, ship owners, conferences, academia, regulators and associations.

## 3.4. Meeting CSR requirements: India

- ❖ Several leading shipowners have visited Alang and after vetting yards thoroughly they have approved a total of about 26 yards as responsible “green” yards.
- ❖ Recycling facilities in India:
  - ✓ Are ISO certified. 14 are IACS certified.
  - ✓ Meet or exceed safe and responsible ship recycling guidelines
  - ✓ Are in position to comply with the requirements of the Hong Kong Convention (HKC)
  - ✓ Are certified by Class NK for their compliance with the HKC
- ❖ In principle, India is the MOST LOGICAL destination for “green recycling”
  - ✓ 98% of the materials from the vessel are either recycled or reused. About 2% is waste.
  - ✓ Strongly regulated
  - ✓ Easy to audit
  - ✓ Best price/value relationship
  - ✓ Strongest economic and social impact
  - ✓ Unsubsidized free market enterprise
  - ✓ Early adoption by Japanese ship owners BUT they should **stop implementing “top dollar” selling policies** as yards and Cash Buyers who do not have the motivation are being given the motivation to “buy green” on the contract only without actually enforcing best practices.



## 4. Closing Thoughts

1. The issues preventing the implementation of actual Responsible Recycling practices are mostly commercial since Cash Buyers and Yards are being pushed to offer market levels, while such compliance is coming with a cost/expense.
2. Few Cash Buyers recognize the need to promote CSR and the necessity to put pressure to stakeholders to take action in implementing best practices even if the HKC is still in the form of guidelines. Nonetheless several other parties of the industry are just achieving to develop relationships with “responsible” owners without actually being willing to implement best practices.
3. The EC should motivate efforts which are taking place globally from recycling facilities and not ban the method of delivery being the “beaching” since as it has already been proven there are yards which strive for excellence.
4. **HOW CAN OWNERS HELP:**
  - Support HKC & good yards in all countries (this will encourage more yards to follow)
  - Applaud good efforts of owners who are pragmatic, responsible, bold and have taken ship recycling decisions based on evidence and facts
  - Give the commercial motivation to ship recycling facilities to keep on developing.



# Who says responsible recycling reduces choice?

GMS promotes responsible recycling in yards around the world. Our customers return to us again and again for expertise in helping them make the right choice for their business

[www.gmsinc.net](http://www.gmsinc.net)

World's Largest Cash Buyer of Ships

