



## **Answer of the German Shipowners' Association (VDR) to the call for evidence for an evaluation / fitness check of the ship recycling regulation**

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The VDR expressly supports the Hong Kong Convention (HKC) and the regulations and standards made with it, which in the opinion of the VDR are to create high standards for environmentally friendly and safe ship recycling worldwide.

The VDR believes that the EU SRR can be a useful tool in the transition period, pending the entry into force of the Hong Kong Convention, provided it is inclusive and also gives countries outside the EU a fair chance to have their ship recycling facilities listed on the EU list for recognized recycling yards.

The VDR welcomes the efforts of the Commission and Member States to ensure safe and environmentally sound ship recycling practices and standards.

The VDR would like to thank the EC for the opportunity to contribute to this Call for Evidence for an assessment of the Ship Recycling Regulation (SRR) and would like to comment as follows:

The SRR aims to prevent, reduce and eliminate the adverse effects on human health and the environment caused by the recycling, operation and maintenance of ships flying the flag of a Member State (EU-flagged ships). The SRR also aims to help ratify the International Maritime Organisation's (IMO) 2009 Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (HKC), which provides for global action on ship recycling.

In order to achieve these goals, the core requirement is the availability of sufficient ship recycling capacity that meets EU standards for safe and environmentally sound recycling. Unfortunately, it must be noted that the ship recycling capacities currently included in the EU List only cover a fraction of the capacity needed to recycle all end-of-life EU-flagged vessels worldwide and that substantial additional capacity located outside the EU is needed (Solakivi et al., 2021) (MARPROF, 2020).

Taking into account the expected development of the ship recycling market and the potential increase of recycling demand in the coming years, the current lack of recycling capacity becomes even more obvious. As outlined in the article on "The European Ship Recycling Regulation and its market implications: Ship-recycling capacity and market potential", "the global demand for ship breaking is expected to increase from around 6.6 MLDT in 2020 to 34.1 MLDT in 2036, after which it will decline to around 20 MLDT in 2041. In the case of the EU fleet the demand will increase from 0.67 MLDT in 2020 to 5.4 MLDT in 2035." (Solakivi et al., 2021). These figures clearly underline the lack of capacity, which must urgently be increased in favour of the effectiveness of the SRR. Especially, as a huge difference between the nominal recycling capacity and the real effectively available capacity on the EU List must be assumed. Firstly, because most approved facilities do not have their main business in ship recycling but in ship buildings and repair and secondly, because the majority of the listed facilities is limited in terms of the vessels size they can handle.

The letter one is also confirmed by the figures provided by the Shipbreaking Records 2021 of the NGO Ship Beaking Plattform. Acc. to the figure provided, the total number of ships recycled in the three South Asian countries Bangladesh, India & Pakaistan in 2021 is 583 vessels, with 141.453.274 GT in total. While the number of vessels recycled within the EU is 37 with 104983 GT in total (Ship Breaking Platform, 2021). Calculating these figures in percentages, the calculation shows that 6.35% of vessels are recycled in the EU (compared to South Asia) but these vessels only have a share of 0.74% of the GT. It can therefore be assumed that these vessels are roughly one tenth the size of the vessels recycled in South Asia.

The VDR therefore welcomes the Commission's proposal for a new regulation on shipments of waste, which was published in November 2021. If this scope will be maintained when preparing the legislative proposal on the Ship Recycling Regulation, it would allow any ship recycling facilities complying with the EU standards to be listed on the EU list, irrespectively if located within an OECD country or not. Hence, this would not only have the positive effect that enough recycling capacity can be made available to meet the afore mentioned aims of the EU SRR, but would also further encourage investments into health, quality and enviromental standards in recycling facilities located outside OECD countries. Such investments and their positive impact on the development of social, safety and enviromental standards can also be derived from the Site Inspection Reports prepared for the EC by contracted external bodies (EU, 2022).

Moreover, a longterm perspective to be included into the EU List for ship recycling facilities in especially South Asia would be of high importnace for some countries, were shipbraking facilities as employer, but also the valuable materials obtained from the ship recycling process are of decisive importance for the domestic economy (Sarraf et al., 2010).

Considering the above argumentation, VDR stronly supports to open the EU List for all recycling facilities worldwide meeting the EU standard. This would contribute globally to the reduction of adverse effects on human health and the environment caused by the recycling of ships and would further encourage ship recycling countries to ratify the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships. Moreover, it would be a contribution to stablize the local economy in developing countries.

A general exclusion of facilities in non-OECD countries from being included in the EU list would not only lead to an extreme bottleneck in the recycling capacity for ships flying the EU flag, but would also, "in case of severe market distortions, mean that the SRR will become a significant burden for EU flagging. This as such would diminish the attractiveness of EU flags and, over time, decrease the EU flagged fleet" (Solakivi et al., 2021).

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The German Shipowners' Association (VDR) is a leading professional association within the German business community. It was founded in 1907 by the regional shipowners' associations in order to enable them to have common and uniform representation of their interests. Today, the VDR represents the German maritime shipping segment not only in Berlin and Bonn, but also in Brussels, London, Geneva and at global level. With its over 150 member companies from different shipping sectors, the association represents the German shipping industry, which currently boasts the world's fifth-largest merchant fleet.

## Sources

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