

## RECYCLING OF SHIPS

### Report of the Correspondence Group

Submitted by ICS, BIMCO, Intertanko, Intercargo, IPTA

#### SUMMARY

<i>Executive summary:</i>	ICS provides comments upon Section D of Annex 1 to paper MEPC 55/3/2, regarding reporting requirements in the Draft Convention for the Safe and Environmentally Sound Recycling of Ships and proposes modifications to the draft requirements.
<i>Action to be taken:</i>	Paragraph 12
<i>Related documents:</i>	MEPC 53WP.2, MEPC 55/3/2, MEPC 55/Inf.X

#### Introduction

1. This document is submitted in accordance with the provisions of paragraph 4.10.5 of the Committee's Guidelines (MEPC/Circ.405) and comments on document MEPC 55/3/2 (Norway).
2. It is noted that MEPC 53 agreed that the reporting system for ships destined for recycling "is not a self-sustained objective [and] should be developed and included in the mandatory requirements with the aim of facilitating the control and enforcement of the other mandatory provisions on ship recycling". This decision clearly lays out the terms for the reporting system and its objectives, namely that it should not exist in isolation but instead complement and help enforce the provisions of the convention itself.
3. Having considered the convention in detail the signatories believe that there are four stages during the recycling process where reporting to the governing authorities is required:
  - i. The shipowner should notify the Administration of his intent to recycle the ship in order to initiate the preparation of a ready for recycling certificate.
  - ii. The recycling facility should notify the Competent Authority when entering into a MOA or contract to recycle a ship, and on receipt of the

ready for recycling certificate if later, affording the Authority the opportunity to confirm the presence of appropriate documentation and that its scope is within the authorization of the facility.

- iii. On delivery of the ship to the recycling facility the shipowner should notify the Administration in order to deregister the ship.
- iv. The recycling facility should notify the Competent Authority of completion of recycling.

4. Whilst the stages described above are partly covered by the reporting system detailed in section D of the draft convention, the signatories have concerns that the present formulation may give rise to significant problems during sales of ships for recycling. It is felt that the reporting system will require further attention and revision if the problems highlighted in this paper are to be avoided and the procedure is to fulfil its intended purpose of facilitating the control and enforcement of the convention as agreed by the Committee at its 53<sup>rd</sup> session.

### **Draft reporting system.**

5. One shortfall of the reporting system is that it addresses the issue from a perspective of Competent Authority enforcement rather than examining the Convention's relevant provisions and seeing whether reporting procedures are already accounted for within them. As a consequence, the draft reporting system in its present form fails to recognise areas of conflict that may arise during the sale of a ship for recycling as a result of its provisions, such as those identified in paragraphs 6-10. Of particular concern is the fact that the contact necessary between recycling facility and shipowner when agreeing a contract is not given sufficient heed, creating a potential for grey areas to arise when documents are agreed in relation to the appropriate time to report. Simplifying the system to the core requirements of stakeholders at the relevant stages in the recycling process will go some way to resolving this issue and highlighting areas where further guidance is required.

### **Authorised Facilities**

6. An especial concern is D-1(3) which can be seen to systematically undermine the provisions for authorised recycling facilities by requiring the Competent Authority's explicit permission each and every time a facility seeks to recycle a vessel. It should be recalled that the authorised facility provision was originally proposed with two objectives in mind: firstly to ensure that oversight and standardisation mechanisms existed to enforce standards of health and safety within facilities; and secondly to provide a tool for shipowners to clearly see which facilities were best placed to handle their product properly. In this, the provision would ensure safe and environmentally sound recycling processes without unnecessarily hindering the sale of end of life vessels to facilities.

7. However, D-1(3) does not fulfil these objectives. The provision does not appear to recognise the fact that under the terms of the Convention unauthorised facilities will not be allowed to purchase ships for recycling. The requirement that a facility must seek

State approval every time it wishes to recycle is therefore unnecessary and counterproductive, since the recycling State will already have approved the facility as fit to undertake ship recycling with possible limitations or conditions.

8. In its present form the wording of the provision allows for a scenario where the shipowner may fulfil all of his obligations under the terms of the convention, including selecting a yard authorised to recycle his vessel, yet still be refused the sale by the State which authorised the yard he chose without any recourse to compensation. Clearly this provision does not meet the original intention that the reporting system should act as a mechanism to facilitate the terms of the convention, and could furthermore potentially discourage stakeholders from fulfilling their obligations thoroughly through fear of their operations being jeopardised.

9. It is felt that the explicit authorisation for every sale required under D-1(3) is unnecessary where the authorised facilities system is in operation, and that a check such as is detailed in paragraph 3.ii of this paper, in conjunction with the inclusion of a provision at an appropriate point in the Convention for the inspection and auditing of recycling facilities by their Competent Authority, will ensure the smooth sale of ships for recycling whilst also ensuring safe and environmentally sound recycling practices.

### **Increased Commercial Risks**

10. The sum effect of the draft reporting system's shortcomings is the creation of a potential for significant accentuation of the commercial risks that already accompany the sale of ships for recycling. The delays that are incurred by unnecessary reporting procedures where other provisions provide ample cover, and the rigidity of a system that does not recognise the subtleties of the convention it seeks to prescribe, or commercial realities can only serve to complicate transactions of end of life vessels.

### **The Way Forward**

11. In order for the reporting procedure to achieve the aim established at MEPC 53 and facilitate the control and enforcement of the Convention without complicating ship recycling processes further, the signatories believe that the draft Convention should be reviewed and amended and amended as follows:

- i. Revise section D to incorporate the reporting system detailed in paragraph 3, which simplifies the procedure and reflects the terms of the convention.
- ii. Consider areas where possible conflict or confusion may arise as a consequence of the reporting requirements and provide definitive guidance or further regulations to resolve them.

### **Action Requested of the Committee**

12. The Committee is requested to consider the above comments and to decide as appropriate.