Demand for green recycling yards estimated at 10%

- Thursday 24 June 2010, 11:12
- by Michelle Wiese Bockmann
- Back to Lloyd's List Asia

Interested in this topic? Set up a custom email alert and we'll tell you everytime we write more like this.

Commercial imperatives trump environment as owners seek last dollar

The world’s largest cash buyer has forecast that around 1,000 ships will again be scrapped in 2010, but brokers estimate that demand for demolition at so-called ‘green’ recycling yards will be around 10%.

Dr Anil Sharma, president of GMS, said there was more than enough capacity to deal with the high demolition numbers in 2010, saying China — typically viewed as a higher-cost but greener shipbreaking destination — had boosted available plots.

However, new recycling yards in China were also offering cut-price rates to buy ships, recently at levels equal to usually cheaper rivals in Bangladesh, in order to win business. This was in part why the gap in scrapping rates paid by yards in the two countries had narrowed this year.

Speaking at the 5th Annual Ship Recycling Conference in London yesterday, Mr Sharma said that 28.2m dwt, or 8.1m ldt, was scrapped in 2009. This compared to the record level seen 25 years ago of 42.6m dwt, or 9m ldt, in 1985.

Around the same demolition levels in 2009 were anticipated in 2010 but the supply of tonnage to shipbreaking countries was slowing down, Dr Sharma said.

Three shipbrokers who negotiate sales to cash buyers on behalf of owners also spoke at the conference of the commercial imperatives that negated higher-cost ‘green’ considerations.

Peter Gaff, shipbroker with Norway-based Inge Steensland Shipbrokers, said shipowners “more and more” wanted to get the last dollar from their asset.

Those who specified a greener recycling option would typically choose an Indian yard with higher safety and environmental standards over Bangladeshi recyclers, he said. But they would get $50-$60 per ldt less for their vessel. Last week Chinese breakers were paying $360 per ldt for tanker tonnage.

“My customers want a good price from a performing buyer and a decent level of trust in the whole operation,” he said.

Anthony Poole, sales and purchase divisional director with London broker Clarksons, said owners based in northern Europe were “showing a trend of being more geared to vetting yards’ check environmental and safety standards before their ships sailed there.

But Dimitris Koukas, managing director at Greece-based Olima Shipbroking, said most decisions were solely influenced by the “top dollar”, as well as the track record of the cash buyer. He said only those shipowning companies with public exposure, such as liner companies or those listed on stock exchanges, would feel the pressure to “be the nice guys of the industry” and choose a green option.

Brokers revealed that some Asia-based companies had established vetting procedures for breakers’ yards, with contracts of sale stipulating how ships would be scrapped responsibly and followed through to ensure yards complied.

Some breaking yards had been certified demonstrating ability to adopt greener practices and standards, although compliance was not guaranteed.

Some yards could be trusted, and others could not, Mr Poole said. “Like any business, there will be those who take shortcuts.” About owners’ attitude to green recycling, he said: “To be frank, only 10% are interested in green recycling. I don’t think shipowners see it as a benefit but a painful process they have been pushed into.”

Over the last 18 months, many greenfield Chinese shipbuilding yards had converted to scrapping plots, with Dr Sharma estimating there were now about 75 in the country. This compared to 175 in the world’s largest shipbreaking centre of Alang, Bangladesh, of which 150 plots were estimated to be operational.

Another 81 plots were at Chittagong, with 63 in operation, Dr Sharma said, while in Karachi, Pakistan, 75 of the 110 plots were defined as operational.

Some Chinese recycling facilities even had graving docks, and ships were not beached, as in India and Bangladesh. Breaking yards on the Indian sub-continent accounted for about 60% of all ships demolished in 2009.

Standards in China were on par with India, said Mr Koukas, where facilities had demonstrated major improvements in standards over the past 10 years.

Rakesh Bhargava, fleet manager for Malaysia-based Wilhelmsen Ship Management, said the company regularly vetted yards and signed an agreement with two in China that undertook ‘green’ recycling.

Container ships scrapping slows

Recycling figures from GMS show that the pace of container ships scrapping has slowed in 2010, indicating that half as many could be demolished compared to 2009, writes Michelle Wiese Bockmann.

There have been 55 containerships scrapped so far in 2010, according to GMS, the world’s largest cash buyer, compared to 198 for the entire year of 2009.

Last year was characterised by plunging freight rates, an oversupply of containerships in the global fleet and multi-billion dollar losses liner companies, which saw them dispose of unprofitable or elderly ships.

But numbers of vessels scrapped have eased in 2010, reflecting the turnaround in trading conditions, and tentative recovery in fuel volumes and time charter rates.

The number of bulk carriers scrapped is also slowing, with 268 scrapped in 2009, but only 73 so far this year. Levels of scrapping appear to remain consistent with 2009 for those sectors which have yet to experience any sustained rates recovery, such as ro-ro and car carriers, reefer ships and gas carriers.

Some 14 liquefied petroleum gas carriers have been scrapped so far in 2010, compared to 28 in 2009, while 18 reeferships have been scrapped, versus 33 last year.

Article from Lloyd’s List