Hazardous material to be bigger factor in secondhand ship values

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Value of ships could be reduced if large amounts of harmful substances onboard

INVENTORIES of hazardous materials will increasingly be used as a negotiating tool in the pricing of secondhand vessel sales as the awareness and removal of harmful substances on ships becomes a more common practice.

The value of a vessel could be reduced if there was a large volume of a hazardous material onboard, such as asbestos, as the cost of removing substances would be reflected in a ship's price, Germanischer Lloyd lead auditor Jens Rogge told the Capital Link Green Ship Recycling seminar.

He said the industry would become "more and more sensitive" about hazardous materials onboard ships in future, and that in addition to the ship recycling sector, repair yards were likely to take a growing interest in substances onboard vessels to which their workers were exposed.

IHM document guidelines have been devised by the International Maritime Organization as part of The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009, to aid owners and shipbreaking yards in disposing of ageing vessels without polluting the environment or humans.

Although not ratified yet, once the convention is in place owners of all new and existing ships will be required to have these documents.

Even though some experts forecast it will take between five and 10 years for the convention to enter into force, in October 2010, rival classification society Lloyd's Register said owners of 10% of the ships under its inspection, either in service or under construction at shipbuilding yards, had requested IHM documents to be drawn up for their vessels.

As the removal of hazardous materials become more common, however, it is likely that the removal of such substances will become less expensive, as will other aspects of green recycling.

"The more we accept green recycling as the norm, and the Hong Kong Convention will go a long way to help, the easier it will be and it will become the way we do business," said GMS president and Sharma the world's largest cash buyer of ships sold for demolition.

Questioned about the likelihood of green recycling becoming so expensive in future that owners have to pay to dispose of elderly tonnage, Dr Sharma did not think this would be the case.

As increasingly younger vessels, that were built using higher quality steel, are sold for recycling there was "always going to be value in ship recycling", he said.

GMS commercial director Zia Ansari also said that in India, the top shipbreaking nation in 2010 by volume, a national industry body called the Green Ship Recycling Association was working together to make efforts to centralise some costs involved with more environmentally-friendly practices, such as disposing of certain contaminants.

Mr Ansari also argued that when properly handled the process of recycling a vessel was a clean industry as only 2%-4% of the ship goes to waste, in addition to scrap steel that can be re-rolled and used for construction almost every part of a vessel, including spare parts, electrical cables, furniture and engines, could be sold on for another use in countries on the Indian subcontinent.