Maersk bets on its China recycling expertise

AP Moller-Maersk sees potential to handle plenty more third-party ship-recycling projects, says Tom Peter Blankestijn.

The Danish giant itself normally only sends around three ships per year for scrapping but it has established a growing business in China handling the green recycling of tonnage for car-carrier, oil-company and other clients.

Blankestijn, Maersk's global head of ship recycling, says that to maintain its expertise in the field it needs to grow this third-party business.

And the opportunities are there, says the former P&O Nedlloyd man.

He envisages the number of ships being recycled annually will rise to around 1,400 from the 500 to 600 in previous years. This would also far outpace last year's total, which ranged between 800 and 1,100 depending on whose statistics are used.

"The number of ships will definitely increase," said Blankestijn, who bases his assumptions on the rate of vessels reaching 25 years old. Besides that, ships have become larger, he adds.

"There is a market out there and I see us playing a role assisting owners with the expertise we have built up," said Blankestijn.

Plenty of bulkers are being built and a lot are laid up that need to be removed from the fleet. The same is true of oil tankers under the 2010 single-hull phase-out, unless they are used instead as floating production, storage and offloading (FPSO) units or brought into national waters. Then you also need to factor in ageing cruise vessels, adds Blankestijn.

Pressure on global recycling capacity will inevitably increase and if a growing volume of vessels are to be dismantled in a more environmentally friendly manner, then investment in facilities and people is the only answer, he stresses.

Blankestijn's questioning of whether any amount of cash could make the beaching method used in the Indian subcontinent acceptable from a health, safety and environmental perspective is well documented.

Even so, in a recent exchange of correspondence with cash buyer Global Marketing Systems (GMS)'s lawyer, Shashank Agrawal, Blankestijn says he is "open-minded for all changes taking place" and ready to discuss India.

GMS president Anil Sharma's brother, Komalkant Sharma, operates Leela Ship Recycling in Alang, which has been keen to promote its green credentials.

But Blankestijn doubts whether the typical recycling plot at Alang measuring 50 metres by 150 metres is big enough to allow for proper "management structures, planning and controls".

TradeWinds recently highlighted that standards vary widely, even in China, but Blankestijn compares the relatively small plots in India with the approximately one-kilometre quayside facility Maersk uses on the Yangtze River.

The same is true, he says, of three other facilities in China that recycle ships not on a project but an industrial scale.

Blankestijn adds that the facility used by Maersk, some 129 kilometres (80 miles) from Shanghai, recycled 80 ships in 2009.

He compares it to the approximately 100 vessels built in 2008 by Hyundai Heavy Industries but "in reverse".

With the new Hong Kong ship-recycling convention in mind, Blankestijn says the skills Maersk offers to third parties are threefold:

• Arranging the inventory of hazardous and potentially hazardous materials, including discussion with the yard on the ship-recycling plan.

• Assisting owners with regard to the last voyage, including the sales contract and import documentation.
Supervision during dismantling so that the vessel complies with the recycling plan.

"The last [point] is important because the ship-recycling plan is the basis of your sales contract, which means responsibility goes beyond the point of sale," said Blankestijn.

Yards may be responsible for taking proper care of health, safety and environmental standards but they must deliver according to the contract.

That is why ships are sold into China on a commercial basis and Maersk or whoever pays the yard afterwards for its green-recycling services.

"So, if it is not performed in a proper way you can withhold the service fee agreed upon in the contract," said Blankestijn. "You need to supervise it." This is the same as placing a site team in a newbuilding yard, the only difference being that what goes in at the start of building a ship is first for removal at the other end.

Maersk scraps only a small fraction of the vessels it operates because many are sold long before they reach the end of their life.

TradeWinds has previously mentioned the names of other owners that use the company to dismantle their vessels in China, including Hoegh Autoliners, which estimates that recycling its 5,500-car-equivalent unit Hoegh Trinity (built 1981) involved costs of around $1m, reducing what it received for scrapping the ship.

Blankestijn explained to TradeWinds webTV at a recent recycling forum in Dubai that Maersk's recycling-management activities should benefit from the new Hong Kong Convention by focussing attention on green scrapping in China.

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