

# Banks Join Ship Recycling Debate



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The Dutch banks ABN AMRO, ING Bank and NIBC, together with the Scandinavian SEB and DNB, have announced that they are introducing responsible ship recycling standards (RSRS) for their ship financing.

The Norwegian fund, KLP, which commissioned a [report](#) by the International Law and Policy Institute on shipbreaking in 2016, has already taken a stance to reject beaching practices.

A collective move to include ship recycling conditions on loans by leading banks and financial institutions with large shipping portfolios is a positive step to imposing responsible practices on shipowners, says NGO Shipbreaking Platform. Shipowners, rather than finding crafty loopholes in the law, will feel the bite if they do not choose to recycle responsibly off the beach, says the Platform.

Dr Nikos Mikelis, Non-executive Director of cash buyer GMS, says the announcement by the three banks to enforce responsible ship recycling standards should be, or should have been, a welcomed development. In the last two years 28 yards in India have achieved Statements of Compliance with Hong Kong Convention by IACS class societies and 24

more yards are currently in the process of gaining Statements of Compliance. Furthermore, there are promising signs that yards in Bangladesh are preparing to meet the new IMO standards.

To keep this momentum, an increasing numbers of shipowners will have to demand responsible recycling for their ships, says Mikelis, this way leading more and more yards to invest in improvements. It therefore follows that support for responsible recycling by the banking sector will be invaluable in bringing forward the day that all ship recycling is done in a safer and cleaner manner, according to the new international standard.

The initiative of the banks is detailed in the RSRS where the three banks commit themselves to implementing this standard and to promoting it within the financial sector. Section 4 of RSRS contains eight requirements that participating banks should make their best efforts [to satisfy].

“Here I see one specific requirement, namely that the bank will require that any ship it (re)finances should be provided with an Inventory of Hazardous Materials (IHM) by the shipowner,” says Mikelis. “The remaining requirements of the standard appear to be ‘nice’ but not specific.”

In its last section RSRS details its “Guidance for Loan Agreements” where it provides “language that can be included in loan agreements” and which “should not be viewed as a required legal framework but as suggested wording to assist banks in incorporating the ship recycling standards in their loan agreements.”

“Here in addition to the requirement to provide and maintain the IHM (the document mistakenly refers to a “Green Passport” which was the precursor to the IHM, until 2005), the Borrower is required to ensure that the vessel shall be recycled in accordance with the E.U. Ship Recycling Regulation,” says Mikelis.

“Shipowners should be very careful in understanding the implications of contractually agreeing with their lender to recycle a ship in accordance with the E.U. Ship Recycling Regulation. The European Commission, who will implement the new regulation (on European flagged ships), has still not published the list of approved yards outside E.U.

“Furthermore, for the last three years the Commission has shown inordinate support for the extreme views of the NGO Platform (banning of beaching and therefore of recycling in South Asia) and characteristically keeps funding more than half of the NGO’s budget. We can hope that the Commission will recognize the tremendous improvements that have been taking place in India and also will be cognizant of the tremendous push Europe will give to responsible recycling by approving deserving yards in South Asia.

“Nevertheless, I guess that it is not safe to assume that sense will prevail over Brussels’ politics, in which case the E.U. Ship Recycling Regulation may ignore South Asia, the improvement in many of its yards and the fact that in 2016 the three South Asian countries recycled 84.1 percent of the tonnage recycled worldwide (World Casualty Statistics 2016 by IHS Global).

“Whereas the RSRS document by the banks does not address banning of beaching or recycling in South Asia, the banks’ press release quotes the NGO Platform who welcomes the leading role taken by the banks to ensure a departure from the unnecessarily dirty and dangerous practice of beaching. Shipowners should start getting very worried in case these three, and possibly more banks, as well as the European Commission, end up sharing the same dangerous lack of vision as the NGO Platform.”

Source: <http://www.maritime-executive.com/article/banks-join-ship-recycling-debate>