



Ship Recycling Transparency Initiative

2020 Report

The Ship Recycling Transparency Initiative (SRTI) report is published annually and presents data collected through the [SRTI online platform](#). As the second issue published since the SRTI's launch in 2018, this report aims to provide industry stakeholders with a snapshot on the SRTI's progress, serving as a basis for discussion at the 5 March 2020 SRTI Roundtable at Standard Chartered Bank's offices in London.

The report presents a compilation of data¹ on the ship recycling approaches of nine major shipowners that combined operate a total of 2,433 vessels. Describing progress since the last SRTI report, it highlights trends in sustainability and updates on ship recycling regulation. The report also shares the perspectives of shipowners, financiers and shippers on how transparency contributes to raising the bar on responsible ship recycling.





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The SRTI online platform is a tool that allows shipowners to share information on their ship recycling policies and practices that in turn helps key stakeholders make informed decisions. It provides shipowners with the opportunity to demonstrate their commitment to transparency by voluntarily disclosing information on their respective approaches to ship recycling, against a series of criteria developed by industry stakeholders. The SRTI is not a performance standard nor a rating exercise and SRTI data is neither audited nor verified by a third party; this report therefore does not rank nor assess individual shipowners' policies and practices.

What is the Ship Recycling Transparency Initiative?

The Ship Recycling Transparency Initiative (SRTI) uses transparency to drive progress on responsible ship recycling by way of a one-stop-shop online platform to share information on ship recycling. Through transparency the SRTI aims to accelerate a voluntary market-driven approach to responsible ship recycling – informing, influencing and improving the supply chain-related decisions made by key stakeholders and ultimately leading to an industry-wide level playing field.

An independent initiative hosted by the [Sustainable Shipping Initiative](#) – a non-profit organisation and UK registered charity – the SRTI reflects a collective effort that brings together stakeholders across the shipping value chain to improve ship recycling policy, practice and performance. The SRTI is governed by a Steering Group, composed of representatives of the following organisations: The China Navigation Company Pte Ltd, CMA CGM (joined March 2020), Forum for the Future, Hapag-Lloyd AG, Lloyd's Register Group Services Limited, A.P. Moeller-Maersk, NORDEN, Nykredit, Standard Chartered Bank, Stolt Tankers B.V., Teekay Corporation and Wallenius Wilhelmsen.

Our vision is of a world where ships are recycled responsibly – socially, environmentally and economically – going beyond international conventions and setting a new norm for responsible ship recycling.

The SRTI is financed through the annual fees paid by SRTI signatories, as well as from funding sought from foundations and philanthropic organisations.

Assessing progress

Since going live in December 2018 the SRTI online platform has attracted more than 7,400 visitors, averaging 500+ users/month. The SRTI has been covered by a range of media, including a diverse range of maritime and sustainability titles such as Tradewinds; BusinessGreen; Maritime Risk International; and Renewable Matter, among others. Maritime stakeholders have also highlighted the SRTI in their publications including those of the UN Global Compact's Sustainable Ocean Business Action Platform and Global Maritime Forum as well as SRTI signatories Gard, NORDEN, Wallenius Wilhelmsen.

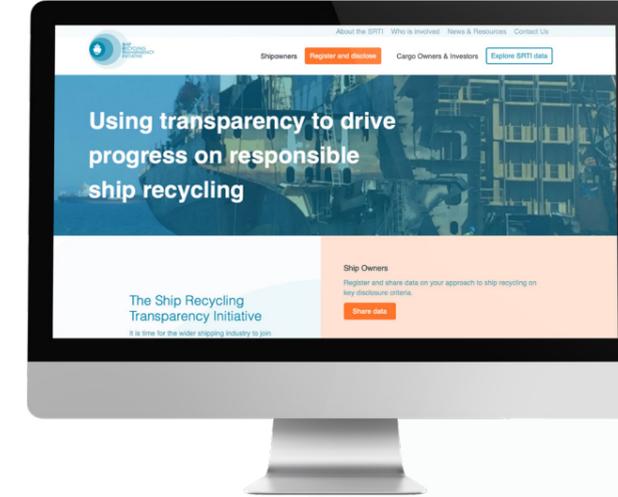
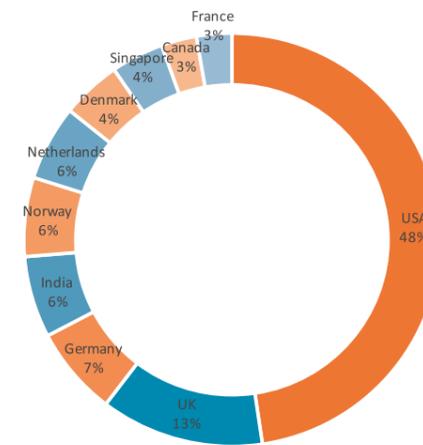
“An ambitious multi-stakeholder initiative wielding transparency as a market-driven tool to drive change in a hugely important industry. Bravo!”

2019 Responsible Business Awards – Judges' feedback

The SRTI has been recognised across and beyond the maritime industry, winning the 2019 SAFETY4SEA Sustainability Award and Highly Commended at the 2019 Responsible Business Awards under the category Partnership of the Year. SRTI Steering Group member Wallenius Wilhelmsen was also awarded the Customer Innovation Award at the Finished Vehicle Logistics North America Awards and the Greener Supply Chain Award at the Automotive Logistics Europe Awards for its founding role in the partnership. The SRTI was also shortlisted for the 2019 Green4Sea Initiative Award and 2019 BusinessGreen Award.



Users by country



Transparency is the new normal in sustainability

Transparency is key to achieving the Sustainable Development Goals. Transparency-focussed initiatives such as [CDP](#), the [Extractive Industries Transparency Initiative \(EITI\)](#) and the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) demonstrate the power and benefits of disclosure. The SRTI provides a space for the growing movement of sustainability leaders being transparent about their operations, allowing industry stakeholders to make informed decisions and hold shipowners to account.

Transparency on ship recycling helps us better understand and move towards a closed loop approach that looks at recycling across the entire lifecycle of a ship. Rather than a linear “take-make-waste” system, the SRTI supports a circular² shipping value chain whose economic activity builds and rebuilds overall system-health. An example of such an approach can be seen in the [Institute for Human Rights and Business' graphic](#) on human rights issues

across a ship's lifecycle – from design, planning and ordering, through building and operation, to recycling.

The SRTI also helps shipowners take Extended Producer Responsibility³ (EPR) of their fleet. By extending responsibility, shipowners fulfil their moral duty by proactively taking environmental considerations into account during the design, building and operations phases through the end of their vessels' working lives.

Ship recycling is also contributing to the maritime industry's efforts to reduce its carbon footprint by reducing emissions associated with the production of steel. While the vast majority (83-90%) of steel is recycled at end-of-life globally, recent research by the Energy Transitions Commission suggests that global annual carbon emissions from steel production – currently about 7% of global energy system emissions – could be reduced by 37% relative to business as usual by 2050, if total steel demand were met by more scrap-based recycled steel rather than ore-based primary production.

SRTI signatories



23 companies are signatories of the Ship Recycling Transparency Initiative

2,433 vessels operated by shipowners are currently disclosing their approach to ship recycling via the SRTI online platform (covering 4-5% of global merchant fleet over 1,000 gross tonnes)

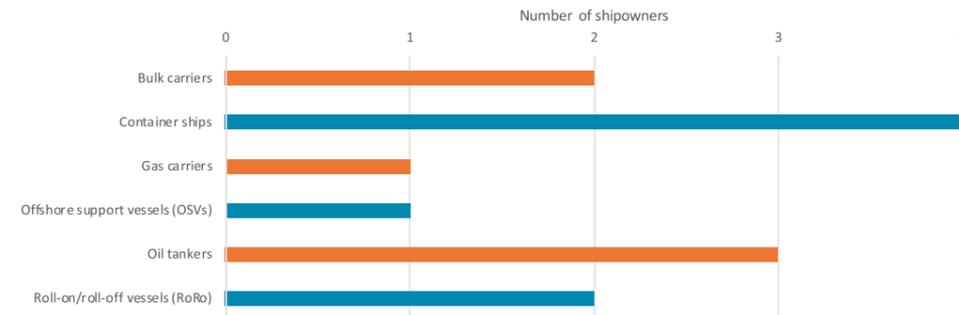
36% of the global container fleet's tonnage is covered in this report, representing a total market share of 38%

SRTI signatories by type

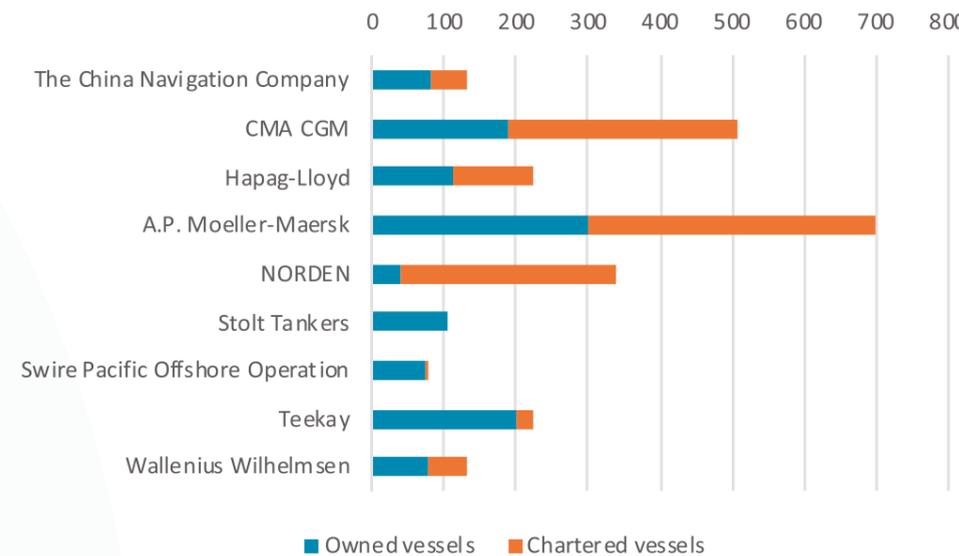


Shipowners by vessel type

Note: Shipowners may cover more than one vessel type



Number of vessels owned and chartered



“The Ship Recycling Transparency Initiative empowers those who invest in or buy services from shipping companies to make informed decisions on vessel recycling. With the SRTI they can demand transparency, helping them ensure they do business with companies that recycle responsibly, rather than those who continue with practices that have horrifying human and environmental consequences. It is unthinkable that change won't be driven with such knowledge. It also sends a clear signal to tonnage providers on the new normal.”

Craig Jasienski, President & CEO, Wallenius Wilhelmsen

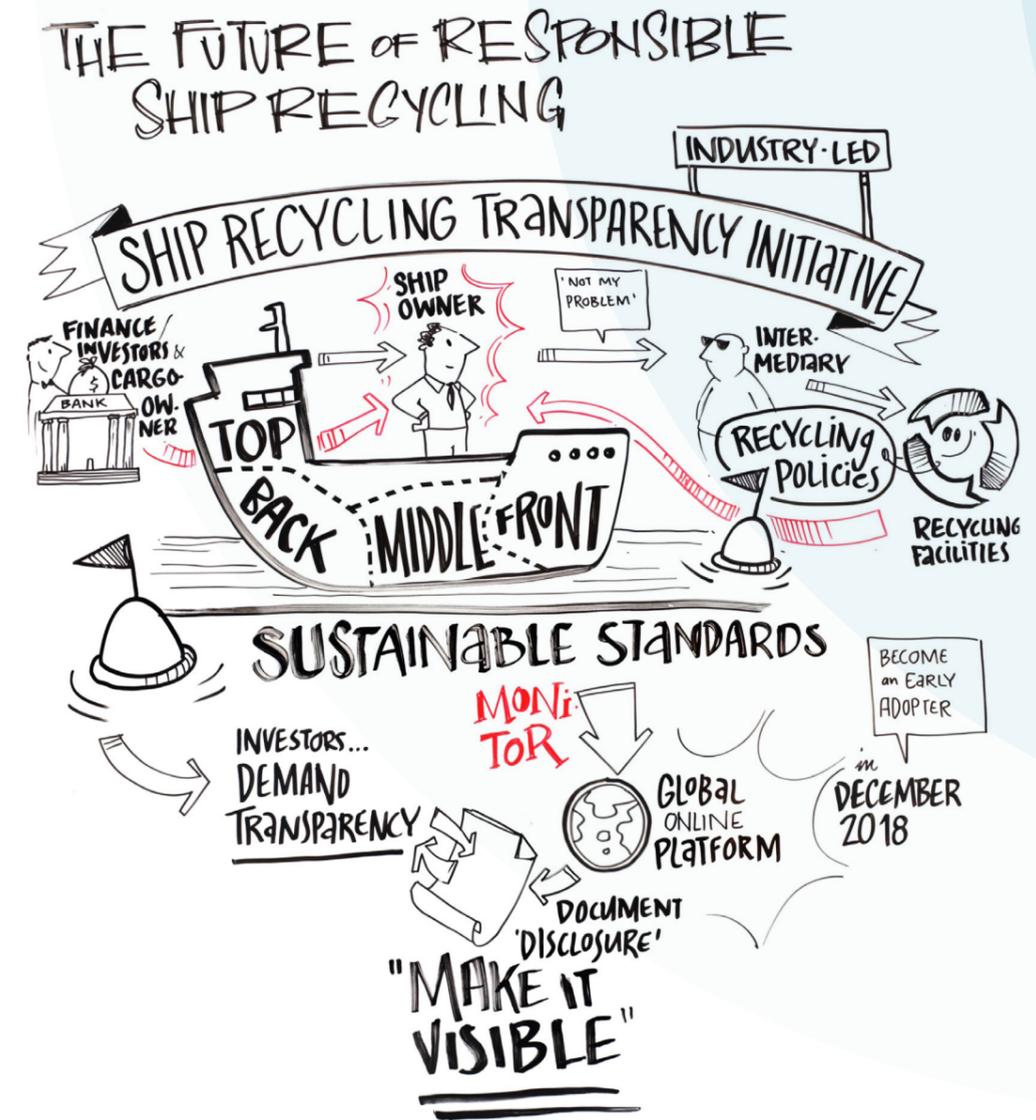


Image: Global Maritime Forum

A look at the data

Ship recycling policy

9 out of 9 disclosing shipowners have a written policy on ship recycling for their own vessels; of which six make their policies publicly available

9 out of 9 disclosing shipowners' policies on ship recycling adhere to the Hong Kong Convention

9 out of 9 disclosing shipowners' policies cover issues related to the environment, labour and human rights

8 out of 9 disclosing shipowners have up to (or more than) half of the ships they own covered by the EU Ship Recycling Regulation (EU SRR); one has none

8 out of 9 maintain records of ships which have been sent for recycling

5 out of 9 disclosing shipowners' policies contain restrictions based on the country where recycling takes place

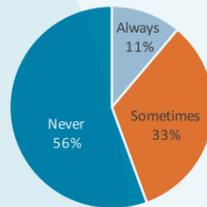
4 out of 9 disclosing shipowners' policies contain restrictions on recycling methods

Policy for selling owned vessels for further trading

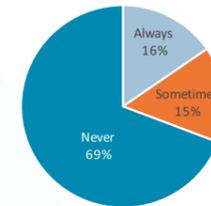
4 out of 9 disclosing shipowners' policies include a provision in the sales contract that the buyer will ensure compliance with the original shipowner's ship recycling policy if the vessel's residual value is below 25% above the highest current scrap value

Promotion of responsible recycling of chartered and JV-owned vessels

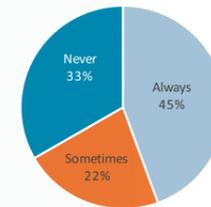
Does the company take steps to promote responsible recycling of vessels chartered for 5 years and over released for redeployment or recycling?



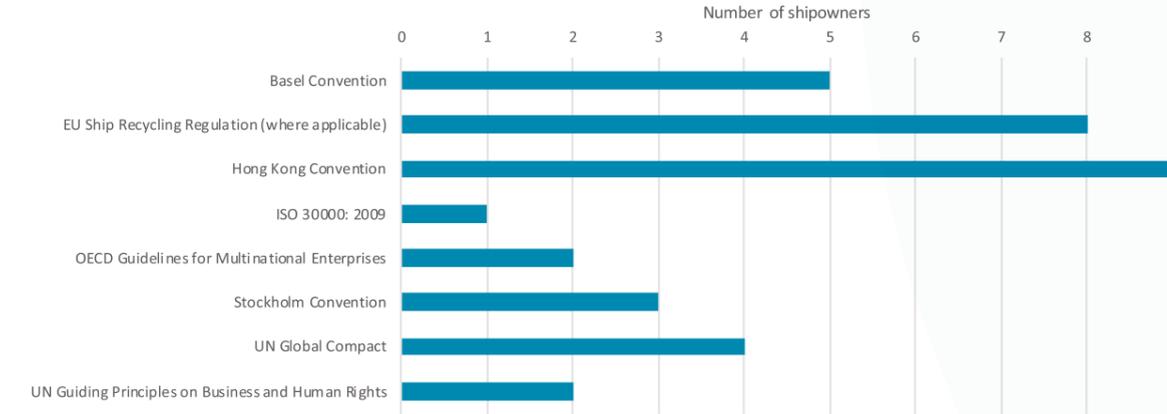
Does the company take steps to promote responsible recycling of vessels chartered for 2 years and over released for redeployment or recycling?



Does the company take steps to promote responsible recycling of vessels owned through JVs?



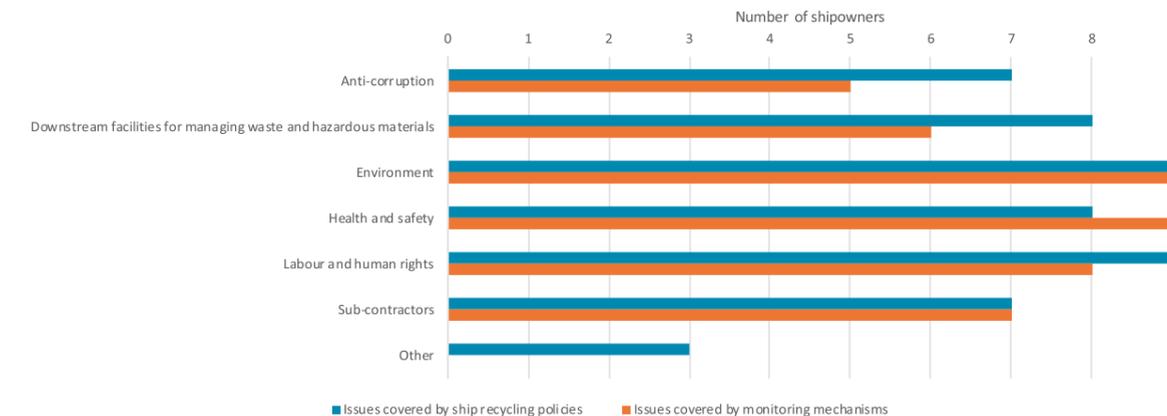
International conventions and principles to which ship recycling policies adhere



Disclosing shipowners' policies adhere to a range of global and regional international conventions, guidelines and principles of relevance to ship recycling. These include:

- Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (Hong Kong Convention; adopted 2009, not yet in force)
- EU Ship Recycling Regulation (where applicable according to vessel flag)
- Basel Convention on the Control of Transboundary Movements of Hazardous Waste and Their Disposal (Basel Convention, adopted in 1989 and in force since 1992)
- United Nations Global Compact
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- Stockholm Convention on Persistent Organic Pollutants (Stockholm Convention)
- ISO Specifications for management systems for safe and environmentally sound ship recycling facilities (ISO 30000: 2009)

Issues covered by ship recycling policies and monitoring mechanisms



The coverage of issues by disclosing shipowners' ship recycling policies and their respective monitoring mechanisms is uneven. All shipowners' policies cover the environment as well as labour and human rights; other issues commonly covered include downstream facilities for managing waste and hazardous materials, health and safety. All disclosing shipowners' monitoring mechanisms for their ship recycling policies address issues related to the environment as well as health and safety. Labour and human rights-related issues also feature highly in their monitoring.

Ship recycling contract

4 out of 9 disclosing shipowners use RECYCLECON from BIMCO as a contract for the sale of ships for recycling in a safe and environmentally sound manner

9 out of 9 use in-house developed agreements or contracts for the sale of vessels for green recycling

8 out of 9 disclosing shipowners' contracts include an explicit requirement to recycle the vessel at a specific ship recycling facility; the same number develop individual ship recycling plans for each vessel

9 out of 9 require access to the ship recycling facility for monitoring during the recycling process; eight require access for performance follow-up, while seven require access for control and stopping work during the recycling process.

To protect themselves and maintain ship access and monitoring throughout the ship recycling process, sellers receive regular monitoring reports; conduct third party audits (e.g. by external independent classification societies); and obtain access to shipyard sites, personnel and documentation

Inventory of hazardous materials and ship-specific documentation

9 out of 9 disclosing shipowners always provide the buyer/ship recycler with a Class approved IHM at the time of finalising the ship recycling contract; all provide full relevant documentation (including ship certificates, plans and procedures) to enable the shipyards to follow applicable ship recycling guidelines

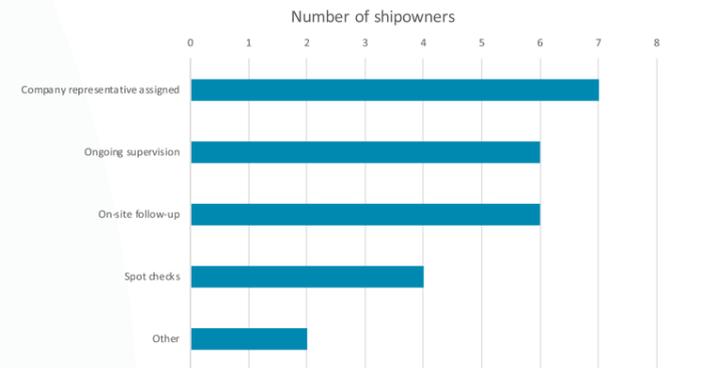
Implementation of ship recycling policy and standard

8 out of 9 disclosing shipowners require the ship recycling facility to have a Hong Kong Convention statement of compliance issued by a Classification Society⁴

9 out of 9 shipowners carry out additional audits to verify compliance prior to ship recycling, as well as monitoring yard compliance throughout the ship recycling process

Mechanisms for monitoring ship recycling process

Disclosing shipowners monitor yard compliance during the recycling process through different means, with most conducting ongoing supervision and/or assigning a company representative for monitoring. Shipowners also conduct follow-up onsite and spot checks. Other means of monitoring include the deployment of a responsible ship recycling supervision team; independent third-party approval and monitoring guided by an environmental and social action plan developed on the basis of an impact assessment; monitoring of performance and incident data; regular reporting; and training.



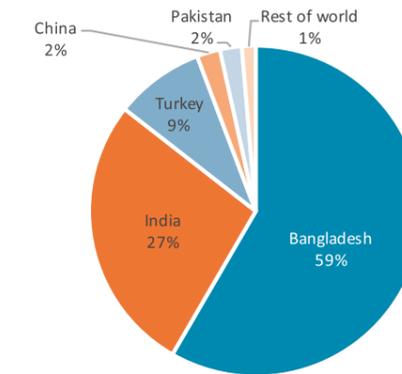
More data on ship recycling

90% of global shipbuilding (in terms of tonnage) was located in China, the Republic of Korea and Japan⁵

647 ships were recycled worldwide, of which 236 were recycled in Bangladesh; 200 in India; and 107 in Turkey⁶

397 deaths recorded in ship recycling yards since 2009⁷, of which at least 26 occurred in 2019

Recycled ships (in gross tonnage) by country – 2019



“As an industry we must drive and support the raising of standards globally by raising the safety and sustainability bar to the same level we have achieved in the other stages of a ship’s lifecycle – shipbuilding and ship operations, which many of us have focused on intensely as responsible shipowners over the past decades.”

Kenneth Hvid, President and CEO, Teekay

“We consider transparency as an important principle in line with conducting business in a legal, ethical and socially responsible manner. SRTI is not a compliance exercise, but about being transparent, which we are confident will drive improvements, and influence responsible practices across the supply chain.”

Jan Rindbo, CEO, NORDEN

Ship recycling regulation: The current state of play

The Hong Kong International Convention for the safe and environmentally sound recycling of ships

Hong Kong Convention

Adoption: 15 May 2009

Entry into force: 24 months after ratification by 15 States, representing 40 per cent of world merchant shipping by gross tonnage, combined maximum annual ship recycling volume not less than 3 per cent of their combined tonnage

Signatories as at February 2020 (representing just over 30% of world merchant shipping tonnage): Belgium, Congo, Denmark, Estonia, France, Germany, Ghana, India, Japan, Malta, Netherlands, Norway, Panama, Serbia and Turkey

Adopted in 2009, the Hong Kong Convention is yet to enter into force. It aims at ensuring that ships do not pose any unnecessary risk to human health and safety or to the environment when being recycled at the end of their operational lives.

The Hong Kong Convention covers the design, construction, operation and maintenance of ships to ensure they are responsibly recycled at the end of their lives. It requires that ships sent for recycling carry an Inventory of Hazardous Materials on board as well as provide a ship recycling plan.

“What happens to ships at the end of their lifetime is an important global issue with major consequences for safety and the environment. I urge all countries yet to do so to ratify this important convention so it can enter into force and provide a consistent, global regulatory regime for this vital industry”

Kitack Lim, Secretary General, IMO

Basel Convention on the control of transboundary movements of hazardous wastes and their disposal

Basel Convention

Adoption: 22 March 1989

Entry into force: 5 May 1992

53 signatories: 187 parties

The Basel Convention aims to protect human health and the environment by reducing the movement of hazardous materials and preventing the transfer of hazardous waste from developed to less developed countries. The treaty's obligations include the reduction of waste at source; management of waste within the country in which it is generated; the reduction of transboundary movement of wastes; management of waste in an environmentally sound manner; and controlled waste trade.

The Basel Ban Amendment entered into force on 5 December 2019 and prohibits OECD and EU member states and Liechtenstein from exporting hazardous wastes as defined by the Basel Convention to developing countries.

International Labour Organization

The UN's International Labour Organisation (ILO) developed a set of criteria on ship recycling endorsed in March 2004. The Safety and Health in Shipbreaking: Guidelines for Asian Countries and Turkey aim to support the implementation of the relevant provisions of ILO standards, codes of practice and other guidelines on occupational safety and health and working conditions as well as those provisions of other relevant international bodies. The guidelines are not legally binding, nor are they intended to replace national laws, regulations or accepted standards.

EU

The EU Ship Recycling Regulation (EU SRR) was adopted in 2013, and entered into force on 1 January 2019, by the European Parliament and the Council of the European Union, with the aim of reducing the negative impacts linked to the recycling of ships flying EU Member State flags. The EU SRR sets out the requirements for ships and ship recycling facilities to ensure ship recycling is conducted in an environmentally sound and safe manner. On 22 January 2020 the European Commission issued the sixth version of the European List of ship recycling facilities (the EU “White List”), listing 41 approved ship recycling facilities, including 6 outside of Europe.

In October 2019, the European Maritime Safety Agency (EMSA) published Guidance on the inspection of ships by the port states in accordance with Regulation (EU) 1257/2013 on ship recycling, aiming to assist EU Member States to fulfil the requirements of EU SRR and PSC Directives.

“The Ship Recycling Transparency Initiative platform provides the knowledge and information to enable informed decisions to be made to support improvements in the safety and environmental practices of recycling ships.”

Nick Brown, Marine & Offshore Director, Lloyd's Register



Bringing together stakeholders across the shipping value chain

A shipowner's perspective

By signing up to the SRTI, shipowners make a commitment to disclose their approach to ship recycling with their brand recognised for its leadership in sustainability as an SRTI signatory, associated with transparent and responsible ship recycling. Shipowners derive value from the SRTI by being part of a diverse community of like-minded transparent peers driving change across the industry, demonstrating how responsible ship recycling is possible, and providing evidence of a more transparent and accountable supply chain. They also benefit from a more level playing field.

Shipowners can draw on the SRTI data disclosed by peers as they learn about other shipowners' approaches to ship recycling. SRTI data also provides a useful benchmark against which shipowners can monitor and report on their respective ship recycling and sustainability journeys.

“The China Navigation Company believes that if more stakeholders in the shipping value chain share their practices transparently then it will be clear what best practices are possible, and at what level of commitment, and thus how standards can be raised globally for the benefit of all.”

James Woodrow, Managing Director, The China Navigation Company

“Hapag-Lloyd strongly encourages all players and competitors to support full transparency and contribute to a level playing field when it comes to ship recycling.”

Anthony Firmin, COO, Hapag-Lloyd AG

“Taking the opportunity to join with the wider shipping industry to improve transparency in recycling methods was a no-brainer. The Ship Recycling Transparency Initiative will give all stakeholders the information required to know when and where best practices for safe and environmentally sound recycling are being used.”

Mark Martecchini, President, Stolt Tankers



A financier's perspective

Financial stakeholders including investors, lenders, ESG rating agencies and insurance companies have a powerful role in leveraging their influence to drive transparency and responsible ship recycling. Financial stakeholders use SRTI data to hold the shipping industry to account, raising the bar for current ship recycling practice as well as creating fair competition among shipowners.

The SRTI provides value to financial stakeholders who seek information on which to base their risk management strategies for investments, lending and risk coverage of shipowners, allowing them to meet the growing expectations of their stakeholders. Financial stakeholders can use SRTI data to develop incentives to drive responsible ship recycling practice through the market. A shared imperative and cooperation between shipowners and financial stakeholders, the SRTI is an opportunity to articulate and demand data of the quality and level of detail needed to make better financing decisions.



CDP uses ship recycling governance as a metric by assessing shipping companies' commitment towards responsible ship recycling, including their transparency in disclosing via the SRTI

Environmental reporting framework CDP uses SRTI data in its recent report on the shipping sector. CDP uses ship recycling governance as a metric by assessing shipping companies' commitment towards responsible ship recycling. CDP also credits companies who voluntarily engage in initiatives designed to improve industry-wide ship recycling practices such as the SRTI.

Investors are also wielding their influence by divesting from shipping companies whose vessels have been recycled using non-sustainable practices.

The Responsible Ship Recycling Standards (RSRS) launched in 2017 is another example of financial stakeholders driving change, with banks engaged in ship financing promoting responsible ship recycling. Banks' position statements on ship recycling set out the conditions for the provision of financial services to clients engaged in ship recycling.

ESG trends to watch in 2020 could include the expansion of ESG ratings for the marine transport sector to include ship recycling in its risk analysis and the development of metrics related to issues such as human rights; toxic emissions and waste; health and safety; ecological impacts; accident and safety management.

“Standard Chartered welcomes the SRTI initiative to help create a level playing field in the ship recycling value chain through promoting transparency.”

Amit Puri, Global Head of Environmental and Social Risk Management, Standard Chartered Bank

“We believe that increased transparency around recycling practices of ship owners will be a key part of the solution – which will also require enforcement and cooperation between many stakeholders, including investors.”

Jens Munch Holst, CEO, MP Pension

“This initiative is helpful to any investor who wants insights to the very complex question of ship recycling. With key information on a company level this initiative will enable investors to better assess related risks and opportunities.”

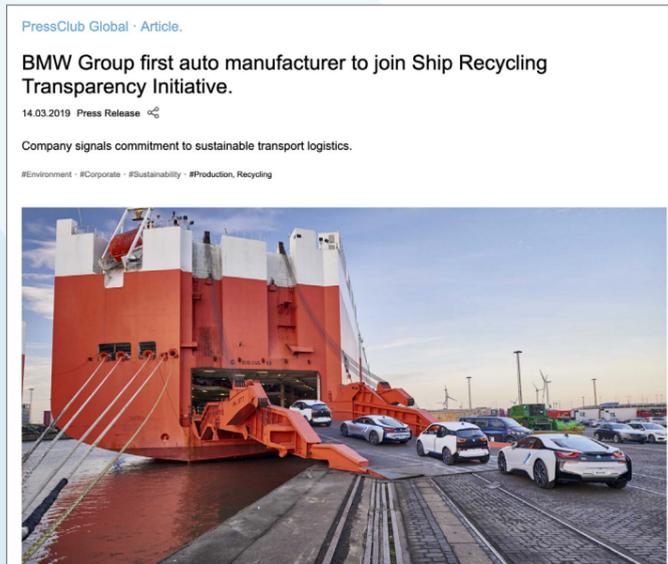
Morten Therkildsen, Managing Director, Nykredit Asset Management

A shipper's perspective

Customers are increasingly demanding transparency across the entire supply chain. By signing up to the SRTI, cargo owners demonstrate their commitment by associating their brand with transparent and responsible ship recycling. The SRTI provides value to cargo owners who seek information on which to base their sourcing-related decisions, allowing them to meet the growing expectations of customers for a more transparent and accountable supply chain.

Cargo owners can use SRTI data to develop incentives and build these into existing supplier codes of conduct and sustainability strategies, for example setting specific ship recycling criteria to be met and demanding transparency as a minimum requirement in procurement processes. SRTI data helps them hold the shipping industry to account, raising the bar for current ship recycling practice as well as creating fair competition among shipowners.

The first carmaker globally to sign up to the SRTI, BMW believes multinational companies using ocean-borne logistics should take responsibility when it comes to ship recycling, seeing the SRTI as a great fit with its sustainability mission.



“The SRTI is the only global initiative that is looking at the entire lifecycle of the vessel, including what happens to the vessel when it’s no longer used. That transparency is helping to create guiding principles that will affect the entire industry: that’s why the SRTI is a front runner when it comes to sustainability.”

Stephan Reinhold, Sustainability Manager for Transport and Logistics, BMW Group

“Bunge is focused on building 21st century value chains that are transparent, verified sustainable and create positive impact on the ground. As a cargo owner, and as the first agribusiness company to join the SRTI, Bunge can provide valuable insight to shipping companies about our logistics and sustainability needs and expectations.”

Marcio Valentim Moura, Director of Global Logistics for Bunge

“LDC is pleased to sign up to the SRTI as a cargo owner, bringing our support to transparent and responsible ship recycling as part of our philosophy to build awareness and work collaboratively with shipowners and other SSI members toward a more sustainable shipping industry.”

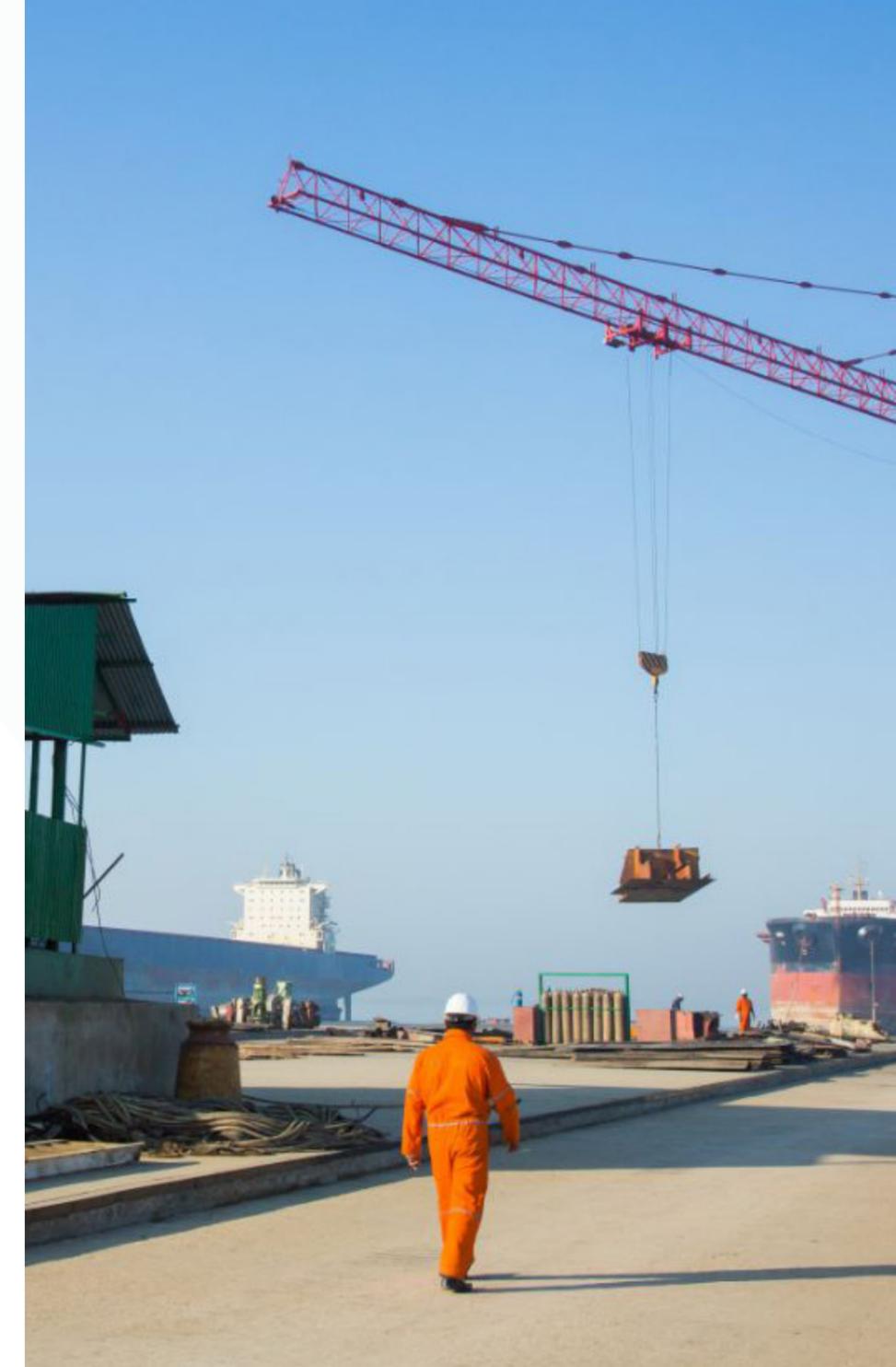
Sebastien Landerretche, Head of the Freight Platform, Louis Dreyfus Company

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Endnotes

- ¹Full disclosure data on individual companies can be accessed via the SRTI online platform: www.shiprecyclingtransparency.org 1
- ²According to the Ellen Macarthur Foundation, “a circular economy is based on the principles of designing out waste and pollution, keeping products and materials in use, and regenerating natural systems”. www.ellenmacarthurfoundation.org/circular-economy/what-is-the-circular-economy 4
- ³OECD defines EPR as “an environmental policy approach in which a producer’s responsibility for a product is extended to the post-consumer stage of a product’s life cycle”. <http://www.oecd.org/environment/extended-producer-responsibility.html> 9
- ⁴Recognising the Hong Kong Convention is not yet in force, one shipowner’s approach was to ensure it exceeded the Convention’s requirements and therefore is not currently seeking a statement of compliance 10
- ⁵UNCTAD, 2019
- ⁶NGO Shipbreaking Platform, 2020
“The data gathered by the NGO Shipbreaking Platform is sourced from different outlets and stakeholders, and is cross-checked whenever possible. The data upon which this information is based is correct to the best of the Platform’s knowledge, and the Platform takes no responsibility for the accuracy of the information provided. The Platform will correct or complete data if any inaccuracy is signalled. All data which has been provided is publicly available and does not reveal any confidential business information.”
- ⁷NGO Shipbreaking Platform, 2020





Ship Recycling Transparency Initiative (SRTI)

Using transparency to drive progress on responsible ship recycling



The SRTI is hosted by the Sustainable Shipping Initiative

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Sustainable Shipping Initiative; Wallenius Wilhelmsen

Authors

Nicole Rencoret (lead author),
Andrew Stephens and Elizabeth Pettit,
SSI/SRTI; Simon Bennett,
The China Navigation Company; Søren Larsen,
Nykredit; Slobodan (Bob) Kecic,
Teekay Corporation; Jon Spampinato,
Wallenius Wilhelmsen



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