Summary

Following the postponement of the Ship Recycling Transparency Initiative (SRTI) in-person roundtable event (March 2020) due to COVID-19, the SRTI community is instead meeting at a series of themed webinars between April and June 2020. Each webinar covers a theme of relevance to the SRTI’s vision and responsible ship recycling: data and transparency, circular economy, and the role of financial stakeholders.

The webinar series forms an important part of the SRTI’s further development, identifying areas for expansion of the disclosure criteria against which shipowners are currently disclosing, and stakeholders’ use of this data. They will also explore common themes and concerns for the potential development of disclosure criteria for ship building yards and ship recycling facilities, to be shared in a final online roundtable event, scheduled to take place later this year.

About the SRTI

An independent initiative hosted by the Sustainable Shipping Initiative, the SRTI provides a platform through which shipowners can publicly disclose their ship recycling policies, practices and progress, thereby holding themselves to account before key stakeholders – including customers, investors, governments, NGOs and their peers – and for the benefit of the wider public.

25 signatories have joined the SRTI since its launch in 2018, with 10 shipowners voluntarily disclosing data to enable stakeholders to make informed decisions and reward good practice through the market. Recent signatories include heavy equipment manufacturer and shipper, John Deere and the P&I Club, Gard.

SRTI Steering Group member Søren Larsen, Head of ESG at Nykredit facilitated this webinar on the role of financial stakeholders in responsible ship recycling which focused on the use of SRTI data and how the information currently being disclosed by shipowners via the SRTI is relevant and useful for investors, lenders, and other data users.

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1 More information on the SRTI webinar series is available at https://www.shiprecyclingtransparency.org/srti-webinar-series/

41 participants\(^3\) attended the webinar. Before kicking off the discussion participants were invited to answer the question: *What is the single greatest challenge to address in ship recycling today?* There was an even split between ship recycling regulation and safety and social issues. This response was fairly consistent across webinars, with webinar 2 seeing a similar split among the two options (50% voted for safety and social issues, and 38% chose regulation), and webinar 1 seeing a clear majority indicate ship recycling regulation as the key issue.

**Poll results: What is the single greatest challenge to address in ship recycling today?**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Votes</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ship recycling regulation</td>
<td>(13)</td>
<td>43%</td>
</tr>
<tr>
<td>Safety / social issues e.g. training, housing, PPE, etc</td>
<td>(11)</td>
<td>37%</td>
</tr>
<tr>
<td>Waste management</td>
<td>(2)</td>
<td>7%</td>
</tr>
<tr>
<td>Environmental monitoring</td>
<td>(4)</td>
<td>13%</td>
</tr>
</tbody>
</table>

\(^3\) List of participants not publicly available due to the Chatham House Rule.
The subsequent discussion centred around the following problem statement:

_The SRTI has a set of data it collects from shipowners on their ship recycling policies and practices, and makes publicly available for financial stakeholders, cargo owners and other stakeholders to incorporate into their decision-making processes. The extent to which SRTI data addresses the specific needs of investors, lenders, insurers or risk analysts remains unclear, thus:

What additional (or different) data would be useful to collect and disclose for financial stakeholders to help accelerate the transition to responsible and sustainable ship recycling as an industry norm – which may include data to be sourced from shipowners, shipbuilding yards or ship recycling yards, clearly explaining WHAT it is; WHY it is useful; and WHO it is useful for._

**Summary of discussion**

Participants were invited to share their views on how the information currently disclosed via the SRTI could be made relevant and useful for financial stakeholders.

- Investor focus has historically been on risk management and doing less harm, but the focus is shifting toward a forward thinking approach of mobilising finance to do more good.
- Many institutions lack the in-house skills and resources to identify “good” vs. “bad” shipowners and shipyards, and rely on ESG ratings agencies to provide a reliable answer on efforts and progress happening on the ground.
- Attention was drawn to the adoption by the European Parliament of the EU Taxonomy for sustainable activities, outlining the EU’s classification of green economic activities for climate change mitigation and adaptation4.
- There is a growing trend of transparency and disclosure for financial stakeholders – and though currently focused on climate (TCFD, EU taxonomy), we are also seeing a rise in non-CO2 metrics used to assess overall sustainability and expect this trend to continue.
- Charterers want data to distinguish between good and bad actors, and SRTI data is another indicator that they can use to make decisions to drive responsible ship recycling alongside financial stakeholders.
- Rating agencies are assessing the financial materiality of ship recycling and see significant investor interest on the topic:
  - The key inputs to a ship recycling standard would be high quality, comparable information.
  - Requires an understanding of channels of risk and opportunity in ship recycling, value drivers, etc.
- Suggestions for incentives (e.g. KPIs) and investment premiums for Ship Recycling Facilities (SRFs) committed to improving standards.
- On the issue of global ship recycling standards, a point was made that recycling methods and practices vary from country to country, and “one size doesn’t fit all” – global standards or KPIs need to take these differences into account. However, information sharing and common training across yards can benefit all.

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4 The EU taxonomy for sustainable activities was developed by the Technical Expert Group (TEG) on Sustainable Finance approved by the European Parliament on 18 June 2020.
• It was commented that financial stakeholders want the industry to take the lead and indicate what they see as responsible ship recycling, and which indicators can be used to measure this.

• Transparency is good, but it is not enough in itself. The SRTI should be a way to spur progress in the industry, leading to dialogue among stakeholders and a race to the top.

• In order for investors and financial stakeholders to benefit from the transparency provided by the SRTI, we need more momentum and signatories.5

• Concerns were raised around duplication of auditing and ensuring that ship recycling facilities and shipowners do not need to comply with numerous overlapping standards. A parallel was drawn to the Better Work Programme in the garment industry.

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5 In the 18 months since its inception, the SRTI has grown to 25 signatories including 10 disclosing shipowners, and SRTI data now covers 36% of the global container fleet by tonnage.