

The Rise of Green Shipping

The background image shows a large industrial ship, likely a recycling vessel, with a prominent crane and rusted metal surfaces. The ship is set against a dark, overcast sky. The crane is a large, black lattice structure with a yellow arm. The ship's hull is white and red, with significant rust and peeling paint. The overall scene is industrial and somewhat somber.

There is a huge growing global problem with waste generation. One of the leading industries being a large culprit is the ship recycling business where the industry tries to dismantle and salvage any reusable materials. With many governments trying to bring in more and more sustainable and environmentally friendly practices, the whole industry has had a new lease of life as a result of governments putting this high on the agenda with climate change, etc. We talk to Henning Gramann of GSR Services who has recently been awarded CEO of the year Green Shipping 2017 by European Business Magazine readers. He tells us more about the industry.

1 How long have you been in the Ship Recycling Business and how long have you been running GSR services?

I started in the maritime industry in 2000 as a specialist in maritime waste management with a small research institute in Bremen. Three years later, I went to sea as Environmental Officer before joining Germanischer Lloyd (GL) in 2005. There I had the great opportunity to work at IMO (International Maritime Organization) where the Hong Convention was under development and to start the ship recycling department early in 2006. Since then, I've been working in this field for twelve years. In 2011, I decided to leave the safe job at GL and start my own company GSR Services to have the freedom to take my very own decisions and get active where I believe my knowledge can be used most effectively.

2 Over the last 10 years, you must have seen substantial changes in the industry - which changes are most noticeable?

Having visited all ship recycling destinations since 2007 (China, Turkey, Bangladesh, India, Pakistan), I see the biggest changes amongst ship recyclers in Alang/India. Not all have started with improving towards the Hong Kong Convention requirements, which was finalised in 2009, but the 20 finished projects we were involved in has changed the face of these yards tremendously. There are more than twenty projects underway and I'm proud that with GSR Services we have and are playing a vital role in these developments. What is most visible is the infrastructure in the ship recycling yards but that is by far not all that has changed. Even more important, is the change in the mind-sets to take care of safe, environmental protection and generally to implement proper engineering and planning for each individual ship recycling project instead of simply cutting it in bits and pieces and hoping that all will work out fine. The awareness about risks and understanding how to mitigate



Henning Gramann

them including proper training for all involved in ship recycling is what has changed the conditions most. These projects would not have been possible with GL as its focus lies with ship owners and shipyards. However, ship recyclers also belong to the shipping industry, which remains widely unrecognised.

3 What is the typical lifespan of a ship and when it is at the end of its cycle how do you manage the waste? Where does all the steel go? Is it recycled or sold off?

Some years back, ships were designed for a lifespan of 20 to 25 years, some even more. However, due to the economic crisis, changing market conditions, the new Panama Canal, low oil prices, new requirements for e.g. ballast water, air emissions and various other factors, we see younger and younger ships in recycling yards, some are less than 10 years old when being broken up.

The various wastes and hazardous materials are to be investigated properly according to guidelines developed by IMO, where I was heavily involved as well. There are two categories, hazardous materials in structure and equipment of ships, which is called "Inventory of Hazardous Materials - IHM" which requires a lot of expertise and appropriate laboratories to prepare, and wastes

including oils and fuels which can be found on board any ship. This IHM is key for planning safe and environmentally sound recycling of ships and soon it will be required by EU states for all existing ships above 500 Gross Tonnes when being registered in EU or visiting an EU-port. This IHM is to be provided to ship recyclers so that they are aware of what they receive within the ship.

All wastes and hazardous materials are removed, segregated and stored by specifically trained workers of the facility for later delivery to designated disposal companies. We also have planned the categories and dimensions of required waste storage rooms. The steel itself is not a waste, it is recycled like more than 90% of the ship itself. That's why I speak about ship recycling, as it is a truly green industry when carried out properly, and not ship breaking or alike.

4 The employment within the ship recycling industry is notoriously dangerous - have there been new laws to help combat this?

There are various international and national laws with the aim to prevent any harm. Due to the huge number of different requirements, it is difficult to find a way through this legal jungle. Most appropriate for this international market would be a ship recycling specific regulation like the Hong

Kong Convention, but due to lack of ratifications by countries it has still not entered into force. Even though some recycling countries have taken over elements of Hong Kong Convention, the interpretation and enforcement by administrations sometimes are a bit weak.

Here the market fundamental supply and demand kicks in. The ship recycling capacity has already diversified in “green” and “grey recycling” in which the green facilities struggle to get paid for higher standards. So far, most owners demand top dollar and with this accept low standards and unnecessary risks for workers and environment. It is their lack of responsibility which allows bad practices to remain and risks of injuries and fatalities remain high especially in the “grey recycling industry”. Considering that ship owners don’t need to pay for getting their ships recycled but earn currently 420 USD to 450 USD per ton of the ships weight which often weigh well beyond 10,000 tons, the acceptance of approximately 5% lower price for their assets would ensure fully green recycling including IHMs and independent supervision in India.

5 Where are the main biggest regions globally for the Ship Recycling Business?

The Indian Sub-Continent is home to the three largest ship recycling destinations - Bangladesh, India and Pakistan. Then China and Turkey follow. It is important for me to highlight that “green” and “grey” ship recycling yards may find that they are direct neighbours. Therefore, judging the quality of ship recycling country wise or on hand of the recycling method applied is not appropriate. This is yearlong and continuing practice by some NGOs and by this, they create doubts amongst recyclers on the Indian Sub-Continent and basically hamper the further spreading of good practices.

6 Have there been any recent areas where you see the industry changing? For example, do you think the European Commission will also announce whether it will continue to allow EU-flagged ships to be recycled in Asia or not?

Basically, any ship which leaves EU waters to get recycled in Asia is breaching existing international legislation like the Basel Convention (transboundary movement of hazardous wastes which applies to end of life ships as well). The requirements can hardly be fulfilled as this Convention has been developed without having ships in mind. Therefore, the EU has never allowed recycling of ships outside of EU, they were simply not asked or made aware of intentions.

As the Hong Kong Convention might take few more years until it enters into force internationally, the EU Commission has enforced their own legislation in 2013 which soon will become effective. The only good thing is that certified IHMs will be required from the end of 2020 onwards for all EU-registered and all EU-visiting ships and responsibility for this lies with the owners. That will help the recyclers as today most recycling ships are delivered without IHMs even though they are quite cheap.

Non-EU facilities have to undergo a complicated application and approval scheme to get on the “EU-List of approved facilities”. The requirements



to be fulfilled are not only equal to Hong Kong Convention as the Commission has added a few things and some of them seem to act as pull-out options for not accepting beaching as required by NGOs. This judgement is based on lack of understanding of what really counts to make ship recycling safe and sound and this battle will probably continue for many more years.

With regards to end of life ships, I doubt that we will see any effect under EU-legislation. Due to legal boundaries, it can only apply to EU-registered end of life ships. An effect can only be achieved when being technically fair and applying economically reasonable and sound requirements. If the EU fails to accept the compliant beaching facilities due to public pressure, owners would have to face much lower prices for their ships in final destinations like China and Turkey. As today, not even marginal costs are accepted due to top dollar approach, and it is obvious that ships will leave EU jurisdiction by flagging out which is fast, easy and cheap. Then the EU will have achieved nothing except having another legislation which is circumvented like Basel Convention.

7 What are other regulations being brought through on a global basis to make the industry greener?

As said before, the most important and internationally relevant regulation is the Hong Kong Convention. It is most important that it gets ratified so that it can enter into force soon. Other regimes have been in place for many years, but for end of life ships, they have not changed anything. That will continue until the only ship recycling specific legislation can be enforced. This is also requested and supported by the shipping industry - time that governments follow up on this.

Other standards exist as well, like the ISO 30000 series. It is a very good one, as it requires full compliance with Hong Kong Convention and control about others involved like



waste disposers in the hinterland. However, poor certifiers, of which some also come from Europe, have granted too many certificates to non-compliant yards and the standard has become meaningless. Since very recently, we see this starting with Hong Kong Convention certificates as well and shipowners should seek expert guidance when looking for green recyclers.

8 How, in your eyes, do you see the industry changing to become greener?

Looking at the German market is particularly interesting in this regard. We have many so-called "KG ships" which are financed by numerous private investors and operated by ship management companies. The decision makers, in this case, are fund managers from state-run banks like HSH and NordLB. For bankrupt ships, decisions are taken by insolvency administrators. Both don't look for green recycling but for the return of investments with a good interest rate or minimising the losses.

On the other side, some yards have invested heavily for their compliance with Hong Kong Convention and many more are in the process of doing

so. We have and are working with more than 40 ship recyclers in the Indian subcontinent and have helped create a huge green capacity which as of today is underutilised. That is really sad to see and as the majority of owners is still going for top dollar including top brands from Europe. Only very slowly owners start choosing green recyclers for their ships and this is what will further trigger the change. When demand grows, supply will follow and today we see a little betterment and extended consideration of recycling within the corporate social responsibility policies of shipowners.

9 What changes would you make?

Well, we're already offering all related services from supply chain management via IHMs for new and existing ships to recycling preparations and on-site supervision plus the building of green capacity within economically acceptable limits. We're focusing on quality on which we never compromise, but as CEO, I would, of course, like to scale this up when demand rises. Until then, we keep educating the industry and promoting what we believe are fair and sound solutions.