

VLCC recycling faces capacity crunch in 'year of the tanker'

Price correction on the cards once Pakistan is full, says Mideast Shipping and Trading boss Shabbir Baig

Geoff Garfield
London

VLCC scrapping capacity is becoming squeezed and prices could fall, says cash buyer Shabbir Baig of Mideast Shipping and Trading.

Baig says, in what he terms the "year of the tanker", that 50 VLCCs are expected to be recycled this year, with 25 already dispatched for beaching.

The managing director of Mideast says Pakistan, which has returned to tanker recycling after an 18-month ban, can scrap 10 or 11 VLCCs this year. It has already taken six and has capacity for possibly four or five more.

Bangladesh is already full and India, which has already received at least eight VLCCs, can only handle two or three more this year.

India and Bangladesh gorged on tonnage during the wet ban in Pakistan.

Given a recycling yard is booked up for a minimum of about seven months to dismantle a VLCC, Baig tells TradeWinds that a capacity crunch could be looming. Special facilities are needed, limiting the number of potential VLCC end users.

"Once Pakistan is full, what then happens?" asks the Dubai-based intermediary between seller and recycler. "We will see a correction in prices for VLCCs."

Pakistan is currently paying upwards of \$435 per ldt, but Baig reckons it could come down to \$410 per ldt after the monsoons.

However, he says recyclers should be busy up to 2020 because



HOT TOPIC: Pakistan's shipyards have returned to tanker scrapping, but breaking slots are filling rapidly
Photo: Scanpix

of the volume of tankers likely to be torched.

Driving the market are new, upcoming ballast water and sulphur emissions regulations. Many owners will not bear the cost and

instead are scrapping early. Baig forecasts that plenty of tankers built in the 1980s and early 1990s will be recycled in the months ahead.

He brushes aside the impact of

the Chinese government's plans to ban the import of foreign-flag ships for demolition from the end of this year.

Cash buyers have not purchased ships for recycling in China for a

very long time. The price difference with the Indian subcontinent is typically \$100 per ldt.

Those owners seeking green recycling in China will instead turn to certificated yards in India, claims Baig.

He says if yards do not upgrade to meet the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships and become class compliant, sooner or later they may be prevented from beaching vessels.

"Everyone has to follow," Baig says.

Recyclers in Pakistan must be ISO-approved during the next six months or face closure. The cash buyer says Bangladesh is playing catch-up but is slowly improving.

Quizzed on the pending European Ship Recycling Regulation, which will restrict scrapping of European Union-flag vessels to a list of approved yards, Baig predicts that many owners will simply sidestep the rules by reflagging.

He says European owners still want "top dollar" for their super-annuated tonnage.

But now is the time for owners to pay for yards' investment in green recycling, especially in India where there are claimed to be about 25 such facilities.

"The end users have invested and are now saying 'where are the ships?'" Baig says.

He does not envisage shiprecycling on any scale migrating to other countries because it is labour intensive and wages remain low in the subcontinent.

European ship scrapping tsar switches to new role



EMILIEN GASC: Former EC policy officer waste management and recycling
Photo: TradeWinds Events

Geoff Garfield

Emilien Gasc, the key figure in steering the European Union's Ship Recycling Regulation (SRR) in recent years, has taken up a new position within the European Commission.

In an email to colleagues and friends seen by TradeWinds, he says with the benefit of hindsight there are many things he wished he had done differently.

But Gasc, who has been EC policy officer waste management and recycling, describes adoption of the SRR as a "remarkable achievement".

He says it has been turned into a "practical instrument" and directly or indirectly has already "contributed to an improvement of the situation in corners of the [ship recycling] market".

The SRR requires, from 31 December 2018 at the latest, all large seagoing vessels sailing under a European Union member state flag to use an approved ship recycling facility.

An initial list of 18 facilities has been increased to 21 but still includes only locations in mem-

ber states of the EU, including the UK. The updated list was published 7 May in the EU's Official Journal.

Various other applications have been received, including from Turkey and South Asia, capacity that SRR critics say is needed if the regulation is to succeed.

Otherwise owners will simply reflag to avoid SRR requirements aimed at ensuring EU-flag vessels are scrapped in facilities safe for workers and environmentally sound.

IMPROVEMENTS

Gasc spoke at TradeWinds Ship Recycling Forum in Hamburg in March about positive aspects of Indian yard applications to the recycling list, including improvements where in some cases hull blocks are now dismantled on an impermeable floor.

But he highlighted issues over the Indian subcontinent practice of beaching ships and the initial dismantling of vessels in environmentally sensitive intertidal zones.

In his email, Gasc talks about the "low-hanging fruit" being

picked from the beaches of India.

"Large segments of the market for the recycling of EU ships still lag behind," says Gasc. "Window dressing approaches are being marketed to muddy the waters and delay real progress."

He adds: "Depending on the location, such basic elements as hospitals for workers, downstream waste management or protection of the marine environment are still elusive concepts. But the ships are real and more and more numerous."

Gasc adds in his email that the EC's "detailed assessments and site inspection reports will continue, free of charge, to accompany recyclers towards safe and sustainable solutions".

He has moved to a unit in the EC overseeing environmental legislation.

Gael de Rotalier has been named as primary contact for shiprecycling until a direct replacement for Gasc has been recruited. De Rotalier has been appointed as new team leader, however, for ships within the environmental unit for waste management and secondary materials.