



European Economic and Social Committee

NAT/365
Green paper on better
ship dismantling

Brussels, 13 December 2007

OPINION

of the
European Economic and Social Committee
on the
Green Paper on better ship dismantling
COM(2007) 269 final

On 22 May 2007 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Green paper on better ship dismantling
COM(2007) 269 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 31 October 2007. The rapporteur was Mr Adams.

At its 440th plenary session, held on 12 and 13 December 2007 (meeting of 13 December 2007), the European Economic and Social Committee adopted the following opinion unanimously.

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1. **Conclusions and Recommendations**

- 1.1 The European Economic and Social Committee (EESC) welcomes the Commission's proposal for action at both the international and regional level to change, as soon as possible, current unacceptable ship dismantling practices.
- 1.2 As presently structured the international ship dismantling industry ranges from safe, well regulated, dry-dock facilities to beaches where vessels are taken apart by hand with the minimum of health, safety and environmental protection. Most merchant shipping currently ends its life on one of these beaches in South Asia. There is a serious worldwide shortage of dismantling facilities compatible with principles of environmental and social sustainability.
- 1.3 The Committee is concerned that this situation will be aggravated by the "bulge" in the number of ships going out of service in the next few years following the global phase out of single hull oil tankers; the current back log of an estimated 15 million Light Displacement Tonnage (LDT)¹; and the recent boom in shipbuilding. Part of the surplus vessels needing to be disposed of in the coming years is a result of actions taken by the International Maritime Organisation (IMO), prompted by the EU to protect its own environment so the EU has a clear responsibility for action.

¹ European Commission, Environment Directorate-General: *Ship Dismantling and Pre-cleaning of Ships* Final report June 2007.

- 1.4 It is noted that some ship owners do not make provision in their operating costs for safe, contained, end-of-life ship disposal though a large group² see the need for action and are beginning to set in place voluntary measures.
- 1.5 It is also noted that although legal provision exists in the EU which should prevent ships making a final voyage to be dismantled at a location with inadequate facilities, this is easily avoided. The EESC has consistently argued, most recently in March 2007 in its Opinion on the green paper *Towards a future Maritime Policy for the Union*³, that Member States should promptly ratify international Conventions on maritime safety and environmental protection and ensure that they are properly enforced.
- 1.6 It is recognised that the dismantling of end-of-life vessels is a complex issue involving an important contribution in jobs and raw material resources which accrue to the developing countries offering low-cost dismantling. At the same time, the Committee acknowledges that structural poverty and other social and legal problems in some areas of South Asia is strongly linked to the absence or non-implementation of even minimum standards of safety at work, minimum labour standards and environmental protection.

The EESC therefore recommends the following:

- 1.7 A strong international regime for the identification, control and disposal of end-of-life ships should be established through the IMO. This regime must have an equivalent level of control as that found in the Basel Convention: incorporate all relevant International Labour Organisation (ILO) standards; not allow exemptions and prevent end-of-life ships with hazardous waste going to countries that are not party to the convention and which have inadequate facilities.
- 1.8 However, implementation of such an IMO agreement will take several years, therefore:
- effective voluntary programmes by ship owners to minimise disposal problems should be encouraged and supported;
 - the EU should unequivocally apply its existing legislation by enforcement of the Waste Shipment Regulation. Immediate action should be taken to ensure that port states have the power to declare a ship "end of life" and to support a guidance document clarifying the terms "intent to dispose" and "exporting state". The EESC also requests the Commission to urgently devise and implement additional measures to prevent evasion, such as requiring bonds on ships older than 25 years or specified as high risk and linking continued subsidies for the shipping industry to using "green" ship dismantling and/or pre-cleaning facilities; and

² Members of ICS, BIMCO, ESCA, INTERTANKO, INTERCARGO, that together make up a large part of the world's fleet.

³ CESE 609/2007, 26 April 2007.

- the EU should develop a third party certification and auditing scheme for safe and environmentally sound dismantling facilities. This has been called for by the ship owning industry and will help create a transparent, level playing field.
- 1.9 The EESC strongly supports encouraging best-practice ship recycling and the pre-cleaning of ships from gas and toxic waste within the EU. A commitment by member states to deal with all state-owned ships in this way and binding end-of-life clauses when such ships are sold to third parties are initial crucial steps in support of such an approach. Pre-cleaning vessels before export will provide avenues for getting clean secondary steel to South Asian destinations where the demand is high. A pre-cleaning guidance document should be developed for this purpose.
- 1.10 Providing financial and technical assistance to South Asian countries to improve their facilities – at a minimum converting beach operations to contained pier or dry-dock handling and providing better safety and downstream waste management facilities – will mitigate some of the worst problems.
- 1.11 The EESC recognises that effective action on this issue will involve extra costs. It supports the outline proposals by the Commission for mechanisms to ensure that provision for such costs become part of the normal operating costs of shipping. In particular further action is urged by the IMO and ship owners, to provide every ship with a recycling fund, either built up over its working life or established as a bond when it is launched. Various financial institutions are well-placed to structure and operate such measures. If such a fund is not made possible, the EU should look into regional mechanisms such as port state taxes or similar.
- 1.12 Recycling-aware design, identifying existing hazards and substituting as much toxic material as possible from ships when they are built will, in the long term, have a positive effect and the EESC supports efforts, both through the EU, IMO and by ship owners and builders.

2. **Introduction**

- 2.1 The context of the Opinion is international shipping and the international shipment of waste. 200-600 large ships are broken up each year and recycled for their steel and other raw materials. Much of this takes place on tidal beaches in South Asian countries, with little regard for workers' safety or environmental protection. It is estimated that in the next eight years some 5.5 million tonnes of hazardous materials will arrive in these dismantling yards in end-of-life ships, notably oil sludge, oils, paints, PVC and asbestos.
- 2.2 None of the sites used for ship dismantling on the Indian sub-continent has containment to prevent pollution of soil and water and the treatment of waste rarely conforms to even minimum environmental standards. Due to the low level of safety measures, high accident

rates are prevalent and long term health risks created through the workers handling toxic material without adequate protection⁴.

- 2.3 The transfer of end-of-life ships from industrial to developing countries is covered by international law on the shipment of waste, and the export from the EU of vessels containing hazardous materials is banned by the EU's Waste Shipment Regulation. However, transfer to ship brokers and re-flagging obscures ownership and responsibility issues making it difficult to enforce existing legislation and allowing scope for irresponsible owners to evade their obligations.
- 2.4 Part of the solution is to encourage greater capacity in the EU. However, although this would be a positive step, and could be taken up by naval and state-owned ships, it will be unlikely to deal with more than a small percentage of the estimated 105 million LDT that will go for dismantling by 2020⁵.
- 2.5 The green paper is therefore urgently seeking ways forward which will cost-effectively and comprehensively improve standards in line with existing European and international legislation as mentioned above.

3. **Summary of the Green Paper**

- 3.1 The conclusions of the November 2006 Council meeting were that environmentally sound management of ship dismantling was a priority for the European Union. The Commission had already set out its position in the Green Paper on Maritime Policy of June 2006⁶ where a future EU maritime policy should support initiatives at international level to achieve binding minimum standards on ship recycling and promote the establishment of clean recycling facilities.
- 3.2 This Green Paper presents fresh ideas in order to continue and intensify the dialogue with Member States and stakeholders, prepare the ground for future action and invites responses to a series of leading questions which highlight the main problems.
- 3.3 The main purpose of this exercise is the protection of the environment and of human health; the objective is not to artificially bring back ship recycling business volumes to the EU, thus depriving countries in South Asia of a major source of revenue and necessary materials. The final objective is to reach globally sustainable solutions.

⁴ Young Power in Social Action (YPSA) report (2005) on workers in shipbreaking industries.

⁵ European Commission, Environment Directorate-General: *Ship Dismantling and Pre-cleaning of Ships* Final report June 2007.

⁶ COM(2006) 275 final, Brussels 7.6.2006.

3.4 At present there is ship recycling capacity conforming to environmental and safety standards, to handle, at most, 2 million tonnes per year worldwide - 30% of the predicted total scrapping demand in normal years. Most of these facilities - particularly in China, but also in some EU Member States - cannot offer the same scrap prices and have much higher costs than their competitors in South Asia. These (and all other) facilities will come under pressure shortly as up to 1300 single-hulled tankers have to be taken out of service by 2015 following action taken after the *Erika* and *Prestige* disasters⁷. The main concern is that the recruitment of less skilled workers to deal with greatly increased volume will lower safety and environmental standards still further. A peak will be reached in 2010, when it is estimated some 800 single hull ships may be scrapped so the need for action is urgent.

3.5 **The legal situation**

The Basel Convention of 1989 provides a framework for controlling the export of hazardous waste across international frontiers. In 1997 an absolute ban ("The Basel ban") on exports of hazardous waste from OECD countries to non-OECD countries⁸ was incorporated into EU law and is binding on Member States. Once a ship has left European waters it is however very difficult to apply the export ban. Further binding rules on ship dismantling are proposed for the draft Convention under discussion by the IMO but the consensus is that the peak dismantling period will be long past by the time this Convention comes into effect.

3.6 **Economics of ship dismantling**

The great majority of ships are now dismantled in South Asia because of the advantages which result from several economic factors. The most important of these are:

- Lower or un-enforced regulatory requirements in waste and health and safety issues.
- Significantly lower wage costs. Beach dismantling does not enable the use of heavy machinery and hence manual labour remains a large element of the cost.
- The supply of ships is irregular and varied. Ships tend to be taken out of service when the freight rates are low and vessels vary widely in design and composition.
- The market for used steel and second hand ship equipment is largely non-existent in OECD countries due to regulatory requirements.

In essence, the Commission makes it clear that the market in South Asia functions because of the extreme externalisation of costs which create highly problematic social and environmental conditions.

⁷ Regulation (EC) No 417/2002 of EP and Council of 18 Feb 2002 on the accelerated phasing-in of double hull or equivalent design requirements, for single hull oil tankers and repealing Council Reg. (EC) No 2978/94.

⁸ Council Regulation (EEC) No 259/93 of 1 February 1993 on the supervision and control of shipments of waste within, into and out of the European Community (OJ L30, 6.2.1993, p.1), as amended.

3.7 Environmental and social impacts

Most ship dismantling takes place on open beaches where containment, reprocessing and disposal facilities are non-existent. A wide range of environmentally damaging substances leach into the soil, sand and sea and the burning of paint and plastic coatings creates atmospheric pollution. Lethal explosions are commonplace, accident rates are high and safety measures are regarded as totally inadequate. Workers are liable to contract irreversible chronic diseases - some 16% of workers handling asbestos at the Indian yards of Alang were found to be suffering from asbestosis. In Bangladesh more than 400 workers have been killed in accidents and over 6 000 seriously injured in the last 20 years⁹.

3.8 The international state of play

Since 2005 the IMO, together with the ILO and UNEP (United Nations Environment Programme) has been working towards a binding international regime for clean ship dismantling. A draft convention is being negotiated for adoption by 2009 but will not come into force until some years later. Currently the draft does not apply to warships and state-owned vessels. Still outstanding are questions about external, non-IMO standards, a baseline for ship recycling facilities, reporting requirements – including state-to-state notification, and compliance mechanisms. The Commission suggests that it is unlikely that the proposed convention will ensure an equivalent level of control, enforcement and protection as the Basel Convention.

3.9 International solutions

The Green Paper suggests that the best medium to long term approach is supporting the in-progress IMO Convention. A particular concern is that the Convention is not strong enough and will come too late to solve the problem of phased-out single hull tankers; this will require an interim solution. The Commission therefore sets out options for improving the European management of ship dismantling which are designed to be mutually supportive of the efforts at the international level - an urgent matter as a critically large volume of end-of-life ships will go for breaking in the next few years.

3.10 Better enforcement of EU waste shipment law

In addition to better cooperation between member states and further guidance on definitions of waste and acceptable recycling facilities, this will involve better enforcement by waste shipment and port authorities in European ports, targeting ships above a certain age (say 25 years) or where there is suspicion they are intended for dismantling. In addition, end-of-life ship tracking needs to be improved and cooperation with key third countries (such as Egypt because of the Suez Canal) enhanced. The Commission also suggests a policy focus on the dismantling of warships and other state-owned vessels.

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Young Power in Social Action (YPSA) report in 2005 on workers in shipbreaking industries.

3.11 **Strengthening EU ship dismantling capacity**

As ship dismantling capacity in the EU and in other OECD countries (especially Turkey) is barely sufficient for warships and other state owned vessels being decommissioned over the next 10 years there will be a considerable deficit in acceptable dismantling capacity for the foreseeable future. However, such "green" facilities as do exist cannot compete with the South Asian ship breakers. Until effective international measures are applied which serve to level the playing field the Commission suggests that action should focus on state-owned vessels. Member States, acting as they should in an exemplary manner towards the disposal of warships, could ensure that the capacity of "green" facilities are utilised. By including end-of-life disposal clauses in any sale agreement of warships to non-EU countries, this responsibility can be appropriately extended.

3.11.1 For the substantially larger merchant fleet initiatives are needed to induce changes in the current practices of the shipping industry. For example, as mentioned below, a funding system whereby ship-owners and others contribute to the safe and environmentally sound dismantling of ships worldwide.

3.12 **Technical assistance and transfer of technology and best practices to recycling States**

In spite of severe social and environmental drawbacks, ship dismantling is a vital contributor to the economic development of some South Asian countries. Thus encouraging an upgrading of facilities in these countries through technical assistance and better regulation needs to be considered. However, it is acknowledged that the absence or non implementation of elementary rules on safety at work and environmental protection is strongly linked with structural poverty and other social and legal problems. In order to achieve sustainable change, any assistance would have to be embedded in a wider framework.

3.13 **Encouraging voluntary action**

A ship-owner is best placed to ensure safe disposal and there are examples of positive voluntary agreements between European ship-owners and dismantling yards to provide support for upgrading facilities. In the short term there will also be some benefit in promoting voluntary codes and agreements, with awards and certification under a corporate social responsibility umbrella¹⁰. Socially responsible accounting practice and voluntary agreements may be effective when they are properly designed and are the quickest way to improve things. However, if it then turns out that the commitment is not followed up in practice, legislation may still be necessary.

3.14 **Ship dismantling fund**

It is discussed whether direct financial support for clean ship dismantling facilities in the EU or to ship-owners who send their vessels to "green" yards, either for full ship dismantling or for decontamination, should receive consideration. Emphasis is put on the high cost of such support and possible conflict with the "polluter pays" principle. The Green Paper therefore

¹⁰ E.g. as developed by Marisec (www.marisec.org/recycling) and the European Community Shipowners Association.

suggests that the principle that the cost of sustainable end-of-life disposal should be factored into the operating costs of a vessel should become standard practice.

- 3.14.1 Setting up a sustainable ship dismantling fund as a mandatory element of the new international regime on ship dismantling via the IMO could also be a positive step. A precedent exists in the existing oil pollution funds under the MARPOL Convention.

3.15 **Other options**

Several other measures might be useful to assist the process of upgrading the ship dismantling industry in the short and medium term. In summary these are:

- a) *EU legislation, in particular on single-hull oil tankers.*
- b) *Streamlining of shipping aids with a link to green ship dismantling.*
- c) *Establishment of a European certification system for clean ship dismantling and awards for exemplary green recycling.*
- d) *Intensifying international research on ship dismantling.*

4. **General comments**

- 4.1 Much ship recycling takes place in a way that contravenes internationally accepted standards on worker health and safety and environmental protection.
- 4.2 It is vital that the EU ensures that the maritime and safety protection it has imposed, for example for single hull tankers, does not translate to simply transferring the harm to developing countries, but in fact is addressed by full implementation of the Waste Shipment Regulation, which incorporates the Basel Convention, including the Basel Ban Amendment, and its principles.
- 4.3 Beyond technical and financial assistance to improve the conditions at the ship dismantling facilities in developing countries, funds will be required for the remediation of contaminated soil and water and other damages caused by uncontrolled shipbreaking activities. It should however also further be stressed that the types of problems endemic to the situation on the ground in developing countries cannot be addressed by simply providing technological advancement alone.
- 4.4 The EESC supports the Commission's concern on this issue and also its approach, which involves applying a wide-ranging mix of measures. Due to the urgent need to improve facilities and conditions, particularly in Bangladesh, rapid progress on determining the most effective forms of assistance, regulation and incentives should be prioritised so that proposals can be defined in a White Paper and appropriate impact assessments set in hand. The shipping industry also recognises the need to improve health and safety standards in ship recycling

yards around the world¹¹ and is positive about the role the EU can play in this and in influencing the IMO.

5. **Specific comments**

- 5.1 To ensure clarity and brevity the specific comments resulting from the Committee's work on this issue have been condensed into practical action points and are presented in the Conclusions and Recommendations section (points 1.1 to 1.12) which prefaces this Opinion.

Brussels, 13 December 2007.

The President
of the
European Economic and Social Committee

The Secretary-General
of the
European Economic and Social Committee

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Patrick Venturini

¹¹ Ship Recycling – The Way Forward, BIMCO, ECSA, INTERTANKO, INTERCARGO.