

# GREEN SHIP RECYCLING – TRENDS & INVESTMENT OPPORTUNITIES

**GMS**<sup>®</sup>  
Leadership



# Pre- 2008 / Newbuildings

“Yards in talks with Maersk over \$3Bn”

*Lloyds List*      *13 June 2008*

“DryShips inks \$800m dry bulk ships spree”

*Lloyds List*      *08 August 2007*

# Now – Ship Recycling

“Braemar boss urges owners to boost scrapping”

*Lloyds List 29 May 2009*

“Up to 60 vessels on sale for scrap”

*Lloyds List 27 February 2012*

# Ship recycling – the 4<sup>th</sup> pillar of shipping

- **Whether you are a banker, ship owner, ship building yard, chartering broker, repair facility, any thing to do with shipping, ship recycling is relevant to you TODAY**

# Players in the Ship Recycling Industry

- **Ship Owners**
- **Brokers**
- **Cash- Buyers (GMS)**
- **Local Representatives of Cash Buyers**
- **Ship-Recyclers**

# Cash Buyers – Who are they?

- **Cash Buyers are not brokers.**
- **Cash Buyers are PRINCIPALS/TRADERS. They buy vessels on cash basis from ship owners and resell to ship recycling yards on Letters of Credit.**
- **Cash Buyers take delivery of vessels on both “delivered” and “as is where is” terms.**
- **IMO’s Hong Kong Convention on Ship Recycling will consider Cash Buyers as OWNERS of vessels.**

# SOCIO-ECONOMIC BENEFITS OF SHIP RECYCLING



**Electrical Cables**



**Chilling Compressors**



**Engine**



**Furniture**



**Steel Scrap**



**Kitchen Ware**



**Spare Parts**



**Re-Rollable Steel**

**Waste**  
**<2-4%**  
**(only!)**



**Pipes**



**Motors**

**Properly handled, ship recycling is, without question, a Green Industry!**

# SHIP RECYCLING – Environmental Impact

- Scrap steel reduces related water pollution, air pollution, and mining wastes by about 70%.
- It takes four times as much energy to make steel from virgin ore.
- Benefits of using Iron and Steel (ferrous metals) instead of virgin ore to make new steel:
  - Savings in energy 74%
  - Savings in virgin materials 90%
  - Reduction in water use 40%
  - Reduction in water pollution 76%
  - Reduction in air pollution 86%
  - Reduction in mining wastes 97%
  - Reduction in consumer waste generated 105%

# Green Ship Recycling



What is a typical “green facility”?

- Authorization for handling hazardous materials
- Recycling Facility Management System
- Qualified and trained personnel
- Occupational safety and health
- Environmental protective measures and monitoring
- Designated key personnel/ competent persons
- Preparations (e.g. gas-free for hot work and asbestos removal)
- Disposal arrangements (sub contractors)



**“Ship Recycling means all associated operations including, mooring or beaching, dismantling, recovery of materials and reprocessing”**

# Trends in Green Ship Recycling

## India

- Greater focus on green ship recycling. About 70 yards (37%) are fully ISO Certified.

## China

- Leading destination for owners wanting green recycling, CAPES and other vessels discharging in China

## Pakistan

- Push for improvements through partnership with Turkey

## Bangladesh

- Supreme Court now merging proposed laws between Environmental Lawyers (BELA) and local ship recyclers (BSBA)

## **GMS's GL Green Ship Recycling Program**

- **Seamless implementation of Safe and Environmentally Sound ship recycling guidelines developed by the IMO's Hong Kong Convention.**
- **Designed to address the needs of the most demanding Corporate Social Responsibility (CSR) programs of the leading ship owners of the world**
- **Mitigate risk of potential legal action against owners.**
- **Offers the BEST combination of cost effective practical solutions without sacrificing superior quality.**
- **In compliance with the guidelines established not only by the IMO's Hong Kong Convention, but also by other leading shipping organizations (Intertanko, ICS, Intercargo, BIMCO, OCIMF, IACS etc):**

**Typical stages once a vessel is bought for Green recycling on an ‘as is where is’ basis or “delivered” basis:**

- **GL will supervise the preparation of the Inventory of Hazardous Materials (IHM) and certify it.**
- **GL will vet the ship recycling yard to ensure compliance with international quality standards and issue conclusive report.**
- **GL will approve the Green Ship Recycling Plan for the vessel.**
- **GL will supervise and audit the ship recycling process.**
- **GL will review and approve the final report on the ship recycling process.**
- **GMS will manage the complete project and do all of the reporting under the auspices of GL.**

# Opportunities in Ship Recycling

Opportunities abound in both the markets!

## SUPPLY

Shipping  
(Sea Borne)  
Markets



## DEMAND

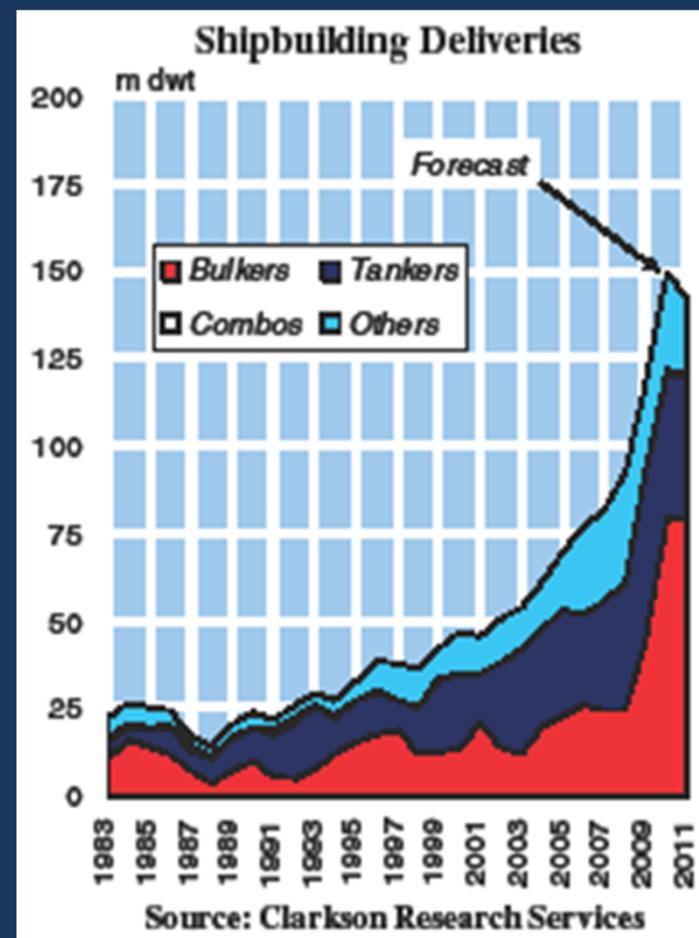
Scrap  
(Steel)  
Markets



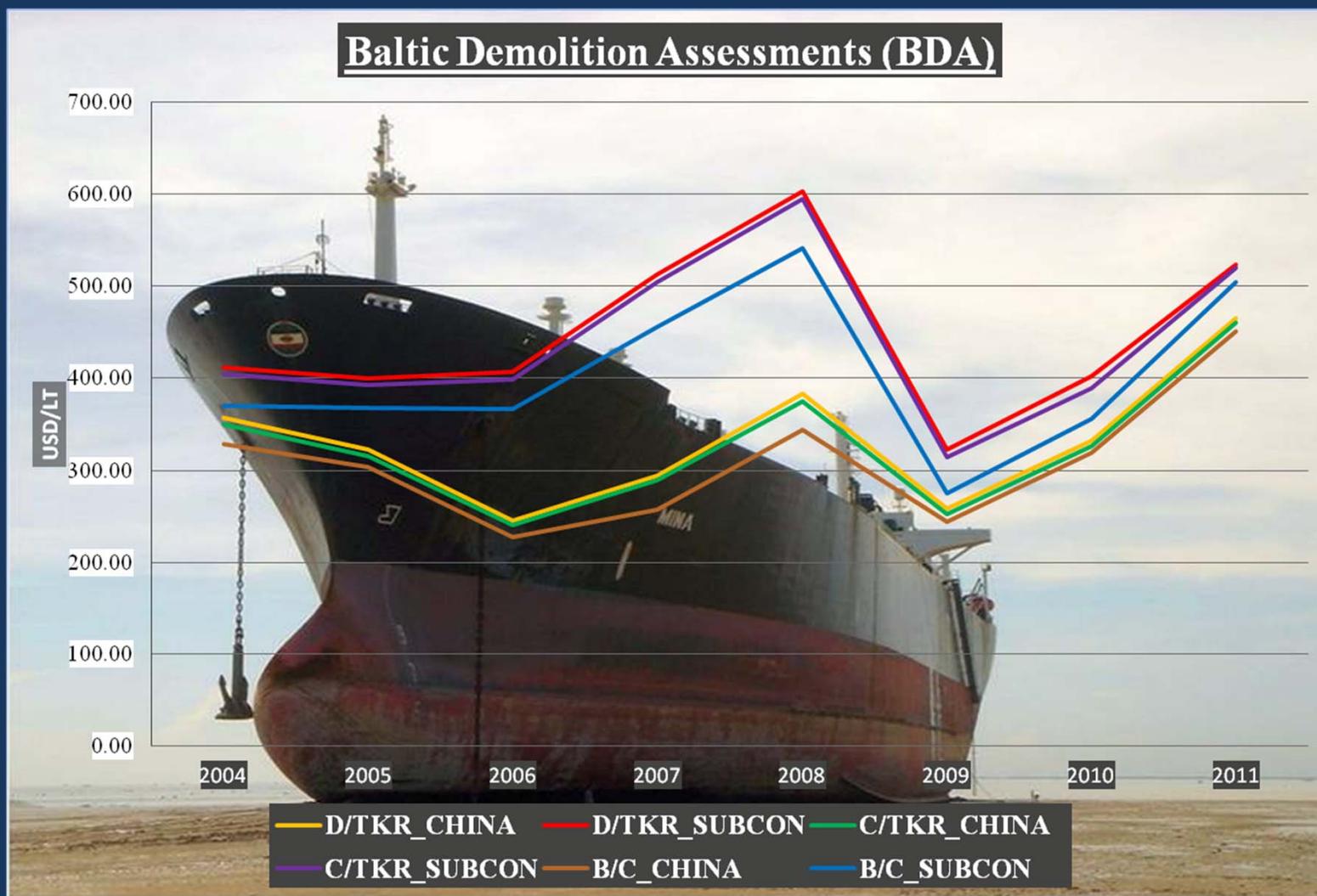
# The Global Ship Recycling Industry: Fleet Supply

Next 3 years will be busy:

- Massive Order books
- Poor Freight Rates
- Legislation
- Selective Charterers
- High Scrap Prices



# DEMOLITION PRICES



# The Global Ship Recycling Industry: POTENTIAL SUPPLY

Number of ships: Categories destined for recycling

**Tankers**

S / Skin – D/Bottom = 999

Over 25 years old and other than S / Skin – D/Bottom = 181

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1,180  
(13% of Fleet)

Bulkers (30 or > 30 years old) = 541

Containers (28 or >28 years old) = 228

Ro-Ro & Passenger (31 or >31 years old) = 682

**TOTAL NO. OF SHIPS = 2,631**  
(Excl. other types)

# Financial Opportunities in Ship Recycling

- **Banks and other global financial institutions are beginning to understand that buying an old vessel for recycling is not as illiquid as buying a new vessel.**
- **Rather they are liquid assets, generally being re-sold within 30 days of acquisition.**
- **Vessels destined for recycling are similar to other commodity metals such as gold, with ready buyers in the market.**
- **Cash Buyers function as commodity traders specializing in a unique form of scrap steel.**
- **With an average value of 5 Million USD per vessel, the industry turnover for this year is estimated at 6 Billion USD (1,200 \* \$5M).**

# Ship Recycling – Going Green

- **Due to pressures from International Community, industry is evolving toward CSR compliance and ‘Green’ practices**
- **More yards becoming ISO certified**
- **National oversight leading to increased regulation in local markets**
- **Due to large number of ships destined for recycling and increasing number of ISO certified yards, more ships will be recycled ‘green’ than ever before**

# **Role of GMS as Cash Buyer in Green Recycling**

- **GMS can guarantee in MOA, a CSR compliant recycling event through selection of ISO certified yard at zero additional cost to seller**
- **GMS can offer ‘Certified Green’ recycling event in strict compliance with Hong Kong convention through GL Green Recycling Program**
- **GMS continues to push Green Recycling agenda both on International stage and at local levels to ensure Green recycling evolution**

# GMS Profile

- ❖ World's largest Cash Buyer.
- ❖ World's FIRST ISO 9001:2000 certified Cash Buyer!
- ❖ World's FIRST Cash Buyer to develop and promote a Green Ship Recycling Program.
- ❖ Exclusive representatives in all of the major ship recycling markets in the world (Bangladesh, China, India, Pakistan and Turkey).
- ❖ In last two years, principals of GMS have delivered about 17 million DWT for recycling; more than a quarter of the world's fleet sold for recycling!
- ❖ Vessels are bought on simple "as is where is" or "delivered" terms. Our specialized teams can reactivate laid-up vessels and steam them to the recycling yards under buyers risk, name and flag. If vessels cannot be reactivated, they are towed to their destination. All purchases are done on simple CASH terms.
- ❖ Recently, with technical assistance of GMS, three ship recycling yards in Bangladesh were able to secure ISO certifications in regard to quality management, safety, environment and ship recycling. The company contributes extensively to agendas that create a safer and responsible ship recycling processes.





Thank you!