

The Sustainable Shipping Initiative

Membership case study: China Navigation Company



The China Navigation Company Ltd. (“CNCo”) is one of a small group of companies that has been working for over five years to help develop more sustainable Ship Recycling Facilities (“SRF”). This has been evidenced most recently in the Alang-Sosiya area on the coast of Gujarat state in western India; to help develop willing and proactive SRF to operate in an environmentally and socially responsible manner during the recycling of ships at the end of their economic lives. CNCo sets strict standards, based on both its company policies and global standards such as the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships (“HKC”), even prior to its coming into force internationally, that must be met by SRF before they will be accepted as tenderers. CNCo then establishes clear contractual arrangements with the selected Ship Recycling Facilities, through which CNCo will work with the yards to encourage them to continually raise standards, conditions and work practices.

CNCo’s approach to sustainability

CNCo prioritises sustainability in all its business operations, with Simon Bennett, the General Manager for Sustainable Development at CNCo, commenting “Sustainability should not be weighed against commercial priorities —because they are actually both on the same side of the scales. Taking the long-term view and focusing on the positives of radical carbon reduction, good ethical behaviour, observing human rights, employing fair business practices and investing in key stakeholder communities all create added-value for an organisation”

CNCo formally committed as a company nearly 30 years ago that “even if the environmentally “clean” way of doing something is more expensive and therefore on the face of it uneconomic, we should always, regardless of mandatory legislation, have a close look at the overall feasibility of adopting such a practice” This outlook continues to drive the company’s practices, and its actions with respect to sustainable ship recycling are some of the fruits of this long term vision.

CNCo is promoting sustainable ship recycling through following a rigorous quality assurance process in the selection, award and execution of the recycling contract. It first filters only SRFs that have, as a minimum, been certified by an independent marine classification society member of IACS as “compliant with the UN IMO Hong Kong Convention”. Whilst the HKC has not been ratified by sufficient states to come into force globally, it still provides a clear, internationally agreed, standard. The next stage is to visit the potential individual SRFs with a surveyor from an independent class society to confirm that the SRF is indeed meeting the HKC and relevant ISO standards, aligns with the company’s policies, and is committed to raising standards further going forwards. This is particularly important as the Hong Kong Convention is silent in respect of social and governance issues, which are of equal importance in delivering a truly sustainable operation. CNCo highlights that it is important to see beyond solely environmental issues, and also take responsibility for the “outside the gate” social issues that are involved in ship recycling.

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Compliance Monitoring Team

The contract with the agreed SRF includes a requirement for the SRF to agree that CNCo will embed a Compliance Monitoring Team ("CMT") of 2-3 competent marine HSE/technical advisors in the SRF to work with its internal management team for the duration of the recycling process.

The CMT has the responsibility to monitor the demolition process on behalf of the prior shipowner and has the full authority to stop any work by SRF employees or contractors that it feels may lead to an accident or pollution.

CNCo also engages an independent surveyor to visit the SRF and work with them pre-commencement, during the recycling, and post-completion. The presence, responsibility and authority of the CMT and independent surveyor in a third party premises represent a paradigm shift (in almost any industry) as, even after the completion of the sale process, the passing of the asset to the buyer and on

receipt of proceeds of sale, CNCo, as the seller, still retains some authority and responsibility for the safe and environmentally sound execution of the recycling process.

During the recycling process, CNCo receives weekly progress reports from its CMT and the SRF and uses these to work to continue to raise standards and build capacity.



Recycling facilities in Alang , 2017

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Ship recycling in Alang: A case study

CNCo is working with the more far-sighted Ship Recycling Facilities in Alang, whose owners and management are prepared to invest significant quantities of their own money to raise standards with zero guaranteed return “for both the general public good and for enlightened self-interest”. CNCo is helping to move the safety, environmental, social and operational standards upwards towards those of a responsible industry that is worthy of a licence to operate in the 21st century, and help service a global need, in a sustainable and environmentally responsible manner. As examples: Both R L Kalthia’s SRF #19 and JRD’s SRF #30 in Alang recently between them finished sustainably recycling three 20,000dwt multi-purpose container carriers that previously belonged to CNCo. Nearly 350 workers worked for more than 95,500 man-hours in the two yards to recycle to these three ships without a single Lost Time Injury or Fatality, and in compliance with the HKC. Both R L Kalthia and JRD’s SRF owners have invested material amounts of money in redesigning their yards with an impermeable floor to prevent hazardous substances from dirty blocks leaking into the sub-soil and polluting the environment.



Recycling facilities in Alang , 2017

They also established management systems to manage the yards generally and to manage more specifically the workflow of the demolition of each new ship in a safe and environmentally sound way. All workers are provided with personal protective equipment and must undergo a defined suite of training relevant to their particular job groups.

The facilities were audited by ClassNK for over nearly a year before they were awarded initial Statements of Compliance (and which are then re-audited annually), confirming that they met the standards of the HKC.

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Subsequently working with the CNCo CMTs, the SRFs welcomed these “extra eyes” as a means of building capacity and raising standards. The CMTs were accepted by the workers at both facilities and seen as being “on their side” to get them home to their loved ones safely at the end of their shifts. To reward the workers for the extra efforts they had made, CNCo handed out t-shirts as small tokens of gratitude to the 350 workers on completion of their work on the three ships.



Leading by example

CNCo believe that leading by example, working with the best of the Ship Recycling Facilities in Alang, and showing what can be achieved by taking positive and proactive action, it will be able to convince other ship-owners that they can (and should) also act responsibly and sustainably. Once this is in place it will improve the reputation of these owners by building capacity in the ship recycling part of their value chain, which is often a forgotten element in the life of a ship.

This element needs to be addressed appropriately for their business to be sustainable, and ensures that they do not irresponsibly externalise costs (such as those in respect of better safety practices, competence training etc.) that they should rightly bear. Simon Bennett concludes that “the shipping industry as a whole needs to do more” in order to really progress towards sustainable and environmentally sound ship recycling. CNCo is continuing to push for more improvements and higher standards in Ship Recycling Facilities, such as ensuring that the yards construct dormitories for workers. This is *not* included in the HKC, but makes the SRF compliant with such as International Labour Organisation standards to which either or both of the SRF national government or the shipowners’ flag registry states may be signatories. Some SRFs do offer good quality, free

accommodation now, but there still remains a lot to do to persuade the wider shipping industry that this aspect of the cycle of life of ships needs to be responsibly addressed.

Challenges to Ship Recycling

However it must be said that despite the progress that has been made, ship recycling remains an incredibly complex issue with differing opinions on how, where and how fast developments should be made. It is therefore vital that we create a forum where these important discussions can be held, and where the SSI and its members can actively work with key stakeholders to drive progress in an area that is so integral to delivering a sustainable shipping industry by 2040. To help maintain progress in this area, the SSI has to date held three Roundtables on Sustainable Ship Recycling over the past 3 years, attended by all stakeholders in this area (Ship Owners, Ship Recyclers, Class Societies and NGOs), but held under Chatham House Rules to foster open and honest dialogue.

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In Conclusion

Going forward, there are a number of priorities that we must see urgently:

1) That the Hong Kong Convention, as a baseline set of governance regulations from which to build upon, is ratified by the relevant IMO member states at the earliest opportunity;

2) That The EU Ship Recycling Regulations are issued in a complete, final and usable form (to cover the period only until the HKC is ratified, as intended by the EU drafters), and which recognise the absolute need to be method agnostic (or risk them being totally unworkable due to massive global under-capacity) and avoid being prescriptive. Rather they must be goals-based: for SRF to demonstrate that they are safe, and socially and environmentally responsible;

3) For ship-owners to take responsibility for the costs incurred in sustainably recycling their own assets at the end of their economic lives in a



social and environmentally responsible way, and cease externalising these costs to 3rd world nations.

Simon Bennet visiting the recycling team in Alang , 2017

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