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Summary Impact Assessment for an EU strategy for better ship dismantling

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{SEC(2008) 2846}
This is a summary of the impact assessment (IA) accompanying the Commission proposal for an EU strategy on better ship dismantling.

The IA identifies the problem as a global market failure in the sense that the present ship recycling market operates under unacceptable conditions for the environment and workers' health in South Asia, and that this failure concerns also the EU on account of the high number of European-flagged and European-owned ships that go for scrapping to facilities in Bangladesh, India or Pakistan.

The general objective of an EU strategy on ship dismantling is to ensure that ships with a strong link to the EU in terms of flag or ownership are dismantled only in safe and environmentally sound facilities worldwide. This includes as specific objectives: to prevent, in line with the Waste Shipment Regulation, the export of hazardous end-of-life ships from the EU to developing countries and to reduce significantly and in a sustainable way by 2015 the negative impacts of shipbreaking, especially in South Asia, on human health and the environment without creating unnecessary economic burdens.

Four options were considered to address these objectives: 1) a continuation of the current level of EU activities as "baseline", 2) a policy with emphasis on voluntary action by shipowners and recycling facilities, 3) rules to implement key provisions of the forthcoming IMO Convention and complement it with certain mandatory provisions, and 4) an integrated policy approach combining selected legislative and non-legislative measures.

The first option would imply a low level of EU activity, essentially relying on Member States for the implementation of the IMO Ship Recycling Convention in the longer term. Taking no additional action at EU level would mean in the short and medium term, until the new international regime is in place and transposed by Member States, that the current trends in ship dismantling would continue unabated. The problems of enforcement of the Waste Shipment Regulation with regard to end-of-life ships and the decommissioning of a ship outside the EU waters, will remain unsolved.

The second option would favour non-legislative measures to promote voluntary action by the shipping industry, i.e. encourage shipping companies to use only safe and environmentally sound ship dismantling facilities. It would focus on positive incentives and not on the stricter enforcement of the current EC Waste Shipment Regulation. Two sub-options are distinguished, according to whether incentives should be used to encourage clean ship dismantling in the EU or candidate countries, or promote better practices worldwide.

The impacts of the actions under Option 2 are summarized in the following table:

Table 1: Measures to encourage voluntary action and their impacts
<table>
<thead>
<tr>
<th>Sub-option / measure</th>
<th>Positive impacts</th>
<th>Negative impacts</th>
<th>Recommended selection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sub-option 1:</strong> Encourage dismantling in EU/OECD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies for EU dismantling</td>
<td>Environment + workers’ safety in South Asia: high / high Jobs + revenue in EU recycling industry: high / medium Fishing in South Asia: medium / medium</td>
<td>Jobs in South Asia: high / high Costs for South Asia: high / high Revenue for industry in S. Asia, steel supply (especially Bangladesh): high / high Trade relations with South Asia: high / high Subsidies could lead to distortion of competition and have no support in EU state aid rules: high / high</td>
<td>Reject</td>
</tr>
<tr>
<td>EU coordination for warships</td>
<td>Environment + workers’ safety in South Asia: low / medium Jobs + revenue in EU recycling industry: low / medium</td>
<td>Costs for EU navies: low / medium Environment + workers’ safety in EU: low / low</td>
<td>Reject</td>
</tr>
<tr>
<td><strong>Sub-option 2:</strong> Encourage clean dismantling worldwide</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campaign for voluntary agreements</td>
<td>Environment + workers’ safety in South Asia: low / medium (but potentially effective in short term) Jobs + revenue in EU recycling industry: low / low</td>
<td>No major impacts</td>
<td>Accept</td>
</tr>
<tr>
<td>EU certification &amp; audit scheme</td>
<td>Environment + workers’ safety in South Asia: low / medium Jobs + revenue in EU recycling industry: low / low</td>
<td>Costs for shipowners + recycling facilities: low / low (or even net positive)</td>
<td>Accept</td>
</tr>
<tr>
<td>Award scheme</td>
<td>Environment + workers’ safety in South Asia: medium / low Reputation for EU shipowners + other participants: medium / medium Jobs + revenue in EU recycling industry: medium / low</td>
<td>Costs for EU: high / low</td>
<td>Accept</td>
</tr>
<tr>
<td>Technical assistance for developing countries</td>
<td>Environment + workers’ safety in South Asia: medium / medium Fishing in South Asia: medium / medium</td>
<td>Costs for EU: high / low Effect on competition: medium / low</td>
<td>Accept</td>
</tr>
<tr>
<td>Participation in pilot projects</td>
<td>Environment + workers’ safety in South Asia: low / low Jobs + revenue in EU recycling</td>
<td>No major impacts</td>
<td>Accept</td>
</tr>
</tbody>
</table>
1.1. The actions presented above as acceptable would encourage voluntary actions by shipowners to improve the worldwide practice of ship dismantling, but will not necessarily address the gaps with regard to end-of-life ships in the current EU legislation.

Under the third option, key elements of the future Ship Recycling Convention (survey and certification requirements for ships, essential requirements for recycling facilities, and rules on communication and reporting) would be transposed and complemented where necessary to fill gaps. Beyond implementation, additional measures could be envisaged to extend future Convention standards to government vessels of Member States, to require EU-flagged ships go only to audited and certified facilities for dismantling, and to establish a list of ships ready for scrapping to improve the control system of the Waste Shipment Regulation for ships. In this context, some other possible actions - more prohibitions on hazardous materials in ships, stricter obligations for pre-cleaning or a ban on beaching - are also assessed. The option would cover other measures (guidance documents, IMPEL-TFS projects, infringement proceedings, cooperation with third countries) to ensure better enforcement of current waste shipment law with regard to end-of-life ships.

The impacts of the actions under Option 3 are summarized in the following table:

**Table 2: Measures on ship recycling and their impacts**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Positive impacts</th>
<th>Negative impacts</th>
<th>Recommended selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory of Hazardous Materials, surveys and certificates</td>
<td>Early harmonization of safety rules in EU would - establish level playing field - reduce costs for shipowners + shipyards - increase effectiveness of health + safety controls: medium / medium</td>
<td>No additional costs in relation to baseline (IMO Convention)</td>
<td>Accept</td>
</tr>
<tr>
<td>Requirements for ship recycling facilities</td>
<td>No major impacts, potential reduction of costs for Management Plan</td>
<td>No additional costs in relation to baseline (IMO Convention)</td>
<td>Accept</td>
</tr>
<tr>
<td>Measures to implement the IMO Ship Recycling Convention</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sub-option / measure** | **Positive impacts** | **Negative impacts** | **Recommended selection:**
---|---|---|---|
Guidance for shipowners (global list of dismantling facilities) | Environment + workers’ safety in South Asia: medium / medium Jobs + revenue in EU recycling industry: medium / medium | Costs for EU research: high / low | Accept |
<table>
<thead>
<tr>
<th>Measure</th>
<th>Positive impacts</th>
<th>Negative impacts</th>
<th>Recommended selection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Information duties of recycling states</strong></td>
<td>Transparency, more effective implementation: medium / medium</td>
<td>Additional administrative burden for MS: medium / low</td>
<td>Accept</td>
</tr>
<tr>
<td><strong>Reporting requirements for shipowners + recycling facilities</strong></td>
<td>No major impacts, potential reduction of costs by rule on single contact point</td>
<td>No additional costs in relation to baseline (IMO Convention)</td>
<td>Accept</td>
</tr>
<tr>
<td><strong>Complementing measures</strong></td>
<td>- Environment + workers' safety in South Asia, - Jobs + revenue in EU recycling industry: medium / medium (higher if additional rules on sale of ships)</td>
<td>Costs for EU navies: medium / medium Environment + workers' safety in EU: low / low Jobs + revenue in South Asian facilities: medium / low</td>
<td>Accept</td>
</tr>
<tr>
<td><strong>More extensive bans on hazardous materials</strong></td>
<td>Marine environment: high / high Workers' safety + health: high / medium</td>
<td>Interference with EU product legislation: high / high Competitive position of EU ship suppliers: medium / high Effectiveness of risk investigations: medium / medium</td>
<td>Reject</td>
</tr>
<tr>
<td><strong>Stricter pre-cleaning obligations for EU-flagged ships</strong></td>
<td>Environment + workers' safety in South Asia, low / medium - Jobs + revenue in EU recycling industry: low / medium</td>
<td>Costs for shipowners: medium / medium Re-flagging of EU ships: high / medium Additional risks of accidents en route + for safety/ environment in South Asia: low / medium</td>
<td>Reject (as ineffective)</td>
</tr>
<tr>
<td><strong>Ban on beaching for EU-flagged ships</strong></td>
<td>Environment + workers' safety in South Asia, low / medium - Jobs + revenue in EU recycling industry: low / medium</td>
<td>Costs for shipowners: low / medium Re-flagging of EU ships: high / medium</td>
<td>Reject (as ineffective)</td>
</tr>
<tr>
<td><strong>Obligation for EU-flagged ships to use only certified facilities</strong></td>
<td>Environment + workers' safety in South Asia: medium / medium - Jobs + revenue in EU recycling industry: low / medium - Jobs + revenue in class societies: medium / medium</td>
<td>Costs for shipowners + recycling facilities: medium / medium Re-flagging of EU ships: medium / medium</td>
<td>Accept</td>
</tr>
<tr>
<td><strong>List of ships ready for Prevention of hazardous waste ship exports from EU</strong></td>
<td></td>
<td>Administrative burden for shipowners:</td>
<td>Accept</td>
</tr>
<tr>
<td>Measure</td>
<td>Positive impacts</td>
<td>Negative impacts</td>
<td>Recommended selection</td>
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</tr>
</tbody>
</table>
| scapping                             | **Affected group or concern:** Marine safety + environment (prevention of accidents) in EU: *medium / medium*  
|                                      | Environment + workers’ safety in South Asia: *low / medium*                      | **Likelihood / intensity**                                                      |                       |
| WSR enforcement measures             | **Administrative burden for EU + Member States:** *high / low*                  | **Accept**                                                                      |                       |
| Guidance document on waste ships     | Prevention of hazardous waste ship exports: *medium / medium*                   | **Administrative burden for EU + Member States:** *high / low*                  | Accept                |
| IMPEL-TFS project                    | Prevention of hazardous waste ship exports: *medium / medium*                   | **Administrative burden for EU + Member States:** *high / low*                  | Accept                |
| Infringement proceedings             | Prevention of hazardous waste ship exports: *medium / high*                     | **Costs for EU + MS:** *low / low*                                              | Accept                |
| Cooperation with third countries     | Prevention of hazardous waste ship export, transit and import:  
|                                      | *low / medium* (countries of destination), *medium / medium* (Egypt)  
|                                      | Environment + workers’ safety in South Asia: *low / medium*                      | **Administrative burden for EU + Member States:** *high / medium*                | Accept                |

The **fourth option** combines a selection of rules under option 3 with certain supporting actions under option 2 in an integrated policy approach. This would include rules to implement, as a priority, key elements of the envisaged Ship Recycling Convention as soon as adopted by the IMO diplomatic conference foreseen to take place in May 2009, in particular provisions concerning surveys and certificates for ships, essential requirements for recycling facilities and rules on reporting and communication. It would also include rules for the clean dismantling of warships and other government vessels and on certified dismantling facilities, and a list of ships ready for scrapping. Supporting actions would mean a range of non-legislative measures, such as a campaign for voluntary commitments, streamlining of shipping aids, certification and award schemes, and technical assistance to developing countries, but not subsidies for ship dismantling in the EU.

*Table 3: Net impacts of measures under Option 4 (integrated policy approach)*
<table>
<thead>
<tr>
<th>Measure</th>
<th>Positive impacts</th>
<th>Negative impacts</th>
<th>Net impact / interference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory of Hazardous Materials, surveys and certificates</td>
<td>Early harmonization of safety rules in EU would - establish level playing field - reduce costs for shipowners + shipyards - increase effectiveness of health + safety controls: medium / medium</td>
<td>No additional costs in relation to baseline (IMO Convention)</td>
<td>Medium positive impact; no interferences expected.</td>
</tr>
<tr>
<td>Requirements for ship recycling facilities</td>
<td>No major impacts, potential reduction of costs for Management Plan</td>
<td>No additional costs in relation to baseline (IMO Convention)</td>
<td>Minor positive impact; no interferences expected.</td>
</tr>
<tr>
<td>Information duties of recycling states</td>
<td>Transparency, more effective implementation</td>
<td>Minor additional burden for MS</td>
<td>Minor positive impact; no interferences expected.</td>
</tr>
<tr>
<td>Reporting requirements for shipowners + recycling facilities</td>
<td>No major impacts, potential reduction of costs by rule on single contact point</td>
<td>No additional costs in relation to baseline (IMO Convention)</td>
<td>Minor positive impact; no interferences expected.</td>
</tr>
<tr>
<td>Extension of rules to government vessels</td>
<td>Less pollution + health impacts from contaminated warships in South Asia, More jobs + revenue in EU recycling industry:</td>
<td>Higher costs / less revenue for EU navies Possibly minor impacts on jobs + revenue in South Asia Possibly minor impacts on environment + workers' safety in EU</td>
<td>Medium positive impact; no interferences expected.</td>
</tr>
<tr>
<td>Obligation to use only certified facilities</td>
<td>Less pollution + health impacts from EU-flagged ships in South Asia More jobs + revenue in certified facilities, possibly in EU More jobs + revenue in classification societies:</td>
<td>Higher costs / less revenue for shipowners, minor certification costs for recycling facilities Possibly out-flagging of EU ships</td>
<td>Medium positive impact, if no major out-flagging. Combination with campaign for voluntary action/CSR necessary.</td>
</tr>
<tr>
<td>List of ships ready for scrapping.</td>
<td>Prevention of hazardous waste ship exports from EU Contributes to protection of marine environment by less old ships + accidents in EU waters Minor impact on environment + workers' safety in South Asia</td>
<td>More administrative burden for authorities and owners of older ships through monitoring + controls Loss of revenue for EU transit ports in the Mediterranean:</td>
<td>Medium positive impact. Could interfere with encouragement for voluntary actions by shipowners.</td>
</tr>
<tr>
<td>WSR enforcement measures</td>
<td>- Guidance document on waste Better compliance with WSR / prevention of hazardous waste ship</td>
<td>More administrative burden for authorities and owners of older ships</td>
<td>Medium positive impact. Rigid execution of measures could interfere with</td>
</tr>
<tr>
<td>Measure</td>
<td>Positive impacts</td>
<td>Negative impacts</td>
<td>Net impact / interference</td>
</tr>
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<tr>
<td>ships</td>
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<tr>
<td>- IMPEL-TFS project</td>
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<td></td>
<td></td>
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<tr>
<td>- Infringement proceedings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperations with third countries (countries of destination + transit)</td>
<td>Possibly better compliance with Basel Convention / prevention of hazardous waste ship export, transit and import:</td>
<td>More administrative burden for EU + Member States</td>
<td>Potentially medium positive impact, but successful cooperation with countries of destination not likely. No interferences expected.</td>
</tr>
<tr>
<td>Measures for voluntary actions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streamlining existing shipping aids</td>
<td>Better compliance with WSR / prevention of hazardous waste ship exports from EU</td>
<td>Higher costs / less revenue for ferry operators:</td>
<td>Medium positive impact; no interferences expected</td>
</tr>
<tr>
<td>Campaign for voluntary agreements with ship owners</td>
<td>Possibly medium impacts on environment + workers' safety in South Asia, especially in short term</td>
<td>No major impacts</td>
<td>Potential for positive impact, especially in short term. Interference by legislative + enforcement measures possible.</td>
</tr>
<tr>
<td>Award scheme</td>
<td>Minor impact on environment + workers' safety in South Asia</td>
<td>Minor costs for EU + industry participants (but presupposes already high standards).</td>
<td>Medium positive impact; if transparent + broad scheme no interferences expected.</td>
</tr>
<tr>
<td>Technical assistance for developing countries</td>
<td>Possibly medium impacts on environment + workers' safety in South Asia</td>
<td>Costs for EU funds Possibly distortion of competition with other recycling states</td>
<td>Potential for positive impact, dependent on cooperation from recycling state. No interferences expected.</td>
</tr>
<tr>
<td>Participation in pilot projects</td>
<td>Minor impacts on environment + workers' safety in South Asia</td>
<td>No major impacts</td>
<td>Minor positive impact. No interferences expected.</td>
</tr>
<tr>
<td>Measure</td>
<td>Positive impacts</td>
<td>Negative impacts</td>
<td>Net impact / interference</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
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</tr>
<tr>
<td></td>
<td>safety in South Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guidance for shipowners (global list of &quot;green&quot; dismantling facilities)</td>
<td>Possibly medium impacts on environment + workers' safety in South Asia</td>
<td>No major impacts</td>
<td>Medium positive impact. No interferences expected.</td>
</tr>
<tr>
<td></td>
<td>Possibly more jobs + revenue in EU recycling industry</td>
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</tr>
</tbody>
</table>

The impact analysis of these options presents an assessment of environmental, social and economic impacts. It gives an indication on the extent to which each of the options can resolve the problem, and discusses the costs and possible drawbacks. **As the Communication on an EU ship dismantling strategy does not represent a concrete legislative proposal, and that the impacts of such measures that may be adopted subsequently will be analysed in detail in separate IAs, the level of analysis is deemed proportionate at this stage.**

The conclusion of this IA is that the fourth option (integrated policy approach) is preferable, as it is the only one that can achieve altogether positive environmental, social and economic impacts in the short and medium as well as in the long term. This option would ensure a high level of compliance with current waste shipment law and reduce significantly in the next years the negative impacts of shipbreaking on human health and the environment, especially in South Asia, without creating excessive burden on EU taxpayers.