

EN

EN

EN



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19.11.2008
SEC(2008) 2847

COMMISSION STAFF WORKING DOCUMENT

**Accompanying document to the
COMMUNICATION FROM THE COMMISSION**

Summary Impact Assessment for an EU strategy for better ship dismantling

{COM(2008) 767 final}

{SEC(2008) 2846}

COMMISSION STAFF WORKING DOCUMENT

Accompanying document to the COMMUNICATION FROM THE COMMISSION

Summary Impact Assessment for an EU strategy for better ship dismantling

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

Sub-option / measure	Positive impacts Affected group or concern: <i>Likelihood / intensity</i>	Negative impacts Affected group or concern: <i>Likelihood / intensity</i>	Recommended selection:
<i>Sub-option 1: Encourage dismantling in EU/OECD</i>			
Subsidies for EU dismantling	Environment + workers' safety in South Asia: <i>high / high</i> Jobs + revenue in EU recycling industry: <i>high / medium</i> Fishing in South Asia: <i>medium / medium</i>	Jobs in South Asia: <i>high / high</i> Costs for EU: <i>high / high</i> Revenue for industry in S. Asia, steel supply (especially Bangladesh): <i>high / high</i> Trade relations with South Asia: <i>high / high</i> Subsidies could lead to distortion of competition and have no support in EU state aid rules: <i>high / high</i>	Reject
EU coordination for warships	Environment + workers' safety in South Asia: <i>low / medium</i> Jobs + revenue in EU recycling industry: <i>low / medium</i>	Costs for EU navies: <i>low / medium</i> Environment + workers' safety in EU: <i>low / low</i>	Reject
<i>Sub-option 2: Encourage clean dismantling worldwide</i>			
Campaign for voluntary agreements	Environment + workers' safety in South Asia: <i>low / medium (but potentially effective in short term)</i> Jobs + revenue in EU recycling industry: <i>low / low</i>	No major impacts	Accept
EU certification & audit scheme	Environment + workers' safety in South Asia: <i>low / medium</i> Jobs + revenue in EU recycling industry: <i>low / medium</i>	Costs for shipowners + recycling facilities: <i>low / low (or even net positive)</i>	Accept
Award scheme	Environment + workers' safety in South Asia: <i>medium / low</i> Reputation for EU shipowners + other participants: <i>medium / medium</i> Jobs + revenue in EU recycling industry: <i>medium / low</i>	Costs for EU: <i>high / low</i>	Accept
Technical assistance for developing countries	Environment + workers' safety in South Asia: <i>medium / medium</i> Fishing in South Asia: <i>medium / medium</i>	Costs for EU: <i>high / low</i> Effect on competition: <i>medium / low</i>	Accept
Participation in pilot projects	Environment + workers' safety in South Asia: <i>low / low</i> Jobs + revenue in EU recycling	No major impacts	Accept

Sub-option / measure	Positive impacts	Negative impacts	Recommended selection:
	Affected group or concern: <i>Likelihood / intensity</i>	Affected group or concern: <i>Likelihood / intensity</i>	
	industry: <i>low / low</i>		
Guidance for shipowners (global list of dismantling facilities)	Environment + workers' safety in South Asia: <i>medium / medium</i> Jobs + revenue in EU recycling industry: <i>medium / medium</i>	Costs for EU research: <i>high / low</i>	Accept

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

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

Measure	Positive impacts Affected group or concern: <i>Likelihood / intensity</i>	Negative impacts Affected group or concern: <i>Likelihood / intensity</i>	Recommended selection
Information duties of recycling states	Transparency, more effective implementation: <i>medium / medium</i>	Additional administrative burden for MS: <i>medium / low</i>	Accept
Reporting requirements for shipowners + recycling facilities	No major impacts, potential reduction of costs by rule on single contact point	No additional costs in relation to baseline (IMO Convention)	Accept
<i>Complementing measures</i>			
Extension of rules to government vessels	- Environment + workers' safety in South Asia, - Jobs + revenue in EU recycling industry: <i>medium / medium</i> (higher if additional rules on sale of ships)	Costs for EU navies: <i>medium / medium</i> Environment + workers' safety in EU: <i>low / low</i> Jobs + revenue in South Asian facilities: <i>medium/low</i>	Accept
More extensive bans on hazardous materials	Marine environment : <i>high / high</i> Workers' safety + health: <i>high / medium</i>	Interference with EU product legislation: <i>high / high</i> Competitive position of EU ship suppliers: <i>medium / high</i> Effectiveness of risk investigations: <i>medium / medium</i>	Reject
Stricter pre-cleaning obligations for EU-flagged ships	Environment + workers' safety in South Asia, <i>low / medium</i> - Jobs + revenue in EU recycling industry: <i>low / medium</i>	Costs for shipowners: <i>medium / medium</i> Re-flagging of EU ships: <i>high / medium</i> Additional risks of accidents en route + for safety/ environment in SouthAsia: <i>low / medium</i>	Reject (as ineffective)
Ban on beaching for EU-flagged ships	Environment + workers' safety in South Asia, <i>low / medium</i> - Jobs + revenue in EU recycling industry: <i>low / medium</i>	Costs for shipowners: <i>low / medium</i> Re-flagging of EU ships: <i>high / medium</i>	Reject (as ineffective)
Obligation for EU-flagged ships to use only certified facilities	Environment + workers' safety in South Asia: <i>medium / medium</i> - Jobs + revenue in EU recycling industry: <i>low / medium</i> - Jobs + revenue in class societies: <i>medium / medium</i>	Costs for shipowners + recycling facilities: <i>medium / medium</i> Re-flagging of EU ships: <i>medium / medium</i>	Accept
List of ships ready for	Prevention of hazardous waste ship exports from EU:	Administrative burden for shipowners:	Accept

Measure	Positive impacts Affected group or concern: <i>Likelihood / intensity</i>	Negative impacts Affected group or concern: <i>Likelihood / intensity</i>	Recommended selection
scrapping	<i>medium / medium</i> Marine safety + environment (prevention of accidents) in EU: <i>medium / medium</i> Environment + workers' safety in South Asia: <i>low / medium</i>	<i>low / low (higher for owners of older ships)</i> Admin. burden for authorities: <i>medium / medium</i> Loss of revenue for EU transit ports in the Mediterranean: <i>medium / medium</i>	
<i>WSR enforcement measures</i>			
Guidance document on waste ships	Prevention of hazardous waste ship exports: <i>medium / medium</i> Environment + workers' safety in South Asia: <i>low / medium</i>	Administrative burden for EU + Member States: <i>high / low</i>	Accept
IMPEL-TFS project	Prevention of hazardous waste ship exports: <i>medium / medium</i> Environment + workers' safety in South Asia: <i>low / medium</i>	Administrative burden for EU + Member States: <i>high / low</i>	Accept
Infringement proceedings	Prevention of hazardous waste ship exports: <i>medium / high</i> Environment + workers' safety in South Asia: <i>low / medium</i>	Costs for EU + MS: <i>low / low</i>	Accept
Cooperation with third countries	Prevention of hazardous waste ship export, transit and import: <i>low / medium</i> (countries of destination), <i>medium / medium</i> (Egypt) Environment + workers' safety in South Asia: <i>low / medium</i>	Administrative burden for EU + Member States: <i>high / medium</i>	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)

Measure	Positive impacts	Negative impacts	Net impact / interference
Inventory of Hazardous Materials, surveys and certificates	Early harmonization of safety rules in EU would <ul style="list-style-type: none"> - establish level playing field - reduce costs for shipowners + shipyards - increase effectiveness of health + safety controls: <i>medium / medium</i>	No additional costs in relation to baseline (IMO Convention)	Medium positive impact; no interferences expected.
Requirements for ship recycling facilities	No major impacts, potential reduction of costs for Management Plan	No additional costs in relation to baseline (IMO Convention)	Minor positive impact; no interferences expected.
Information duties of recycling states	Transparency, more effective implementation	Minor additional burden for MS	Minor positive impact; no interferences expected.
Reporting requirements for shipowners + recycling facilities	No major impacts, potential reduction of costs by rule on single contact point	No additional costs in relation to baseline (IMO Convention)	Minor positive impact; no interferences expected.
Extension of rules to government vessels	Less pollution + health impacts from contaminated warships in South Asia, More jobs + revenue in EU recycling industry:	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	Medium positive impact; no interferences expected.
Obligation to use only certified facilities	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:	Higher costs / less revenue for shipowners, minor certification costs for recycling facilities Possibly out-flagging of EU ships	Medium positive impact, if no major out-flagging. Combination with campaign for voluntary action/CSR necessary.
List of ships ready for scrapping.	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	More administrative burden for authorities and owners of older ships through monitoring + controls Loss of revenue for EU transit ports in the Mediterranean:	Medium positive impact. Could interfere with encouragement for voluntary actions by shipowners.
<i>WSR enforcement measures</i>			
- Guidance document on waste	Better compliance with WSR / prevention of hazardous waste ship	More administrative burden for authorities and owners of older ships	Medium positive impact. Rigid execution of measures could interfere with

Measure	Positive impacts	Negative impacts	Net impact / interference
ships - IMPEL-TFS project - Infringement proceedings	exports from EU Minor impact on environment + workers' safety in South Asia	through additional controls	encouragement for voluntary actions.
Cooperation with third countries (countries of destination + transit)	Possibly better compliance with Basel Convention / prevention of hazardous waste ship export, transit and import: Possibly medium impact on environment + workers' safety in South Asia	More administrative burden for EU + Member States	Potentially medium positive impact, but successful cooperation with countries of destination not likely. No interferences expected.
<i>Measures for voluntary actions</i>			
Streamlining existing shipping aids	Better compliance with WSR / prevention of hazardous waste ship exports from EU Minor impact on environment + workers' safety in South Asia More jobs + revenue in EU recycling industry	Higher costs / less revenue for ferry operators:	Medium positive impact; no interferences expected
Campaign for voluntary agreements with shipowners	Possibly medium impacts on environment + workers' safety in South Asia, especially in short term	No major impacts	Potential for positive impact, especially in short term. Interference by legislative + enforcement measures possible.
Award scheme	Minor impact on environment + workers' safety in South Asia Better reputation for EU shipowners + other participants Possibly more jobs + revenue in EU recycling industry	Minor costs for EU + industry participants (but presupposes already high standards).	Medium positive impact; if transparent + broad scheme no interferences expected.
Technical assistance for developing countries	Possibly medium impacts on environment + workers' safety in South Asia Possibly better conditions for local fishermen in South Asia:	Costs for EU funds Possibly distortion of competition with other recycling states	Potential for positive impact, dependent on cooperation from recycling state. No interferences expected.
Participation in pilot projects	Minor impacts on environment + workers'	No major impacts	Minor positive impact. No interferences expected.

Measure	Positive impacts	Negative impacts	Net impact / interference
	safety in South Asia		
Guidance for shipowners (global list of "green" dismantling facilities)	Possibly medium impacts on environment + workers' safety in South Asia Possibly more jobs + revenue in EU recycling industry	No major impacts	Medium positive impact. No interferences expected.

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.