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REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

on the application of Regulation (EU) No 1257/2013 of the European Parliament and of the Council of 20 November 2013 on ship recycling and amending Regulation (EC) No 1013/2006 and Directive 2009/16/EC

{SWD(2025) 40 final}

1. INTRODUCTION

Ship dismantling makes a significant contribution to the circular economy as it leads to the reuse, preparation for re-use and recycling of large amounts of valuable resources (in particular high-quality steel, which typically makes up between 75% and 85% of a vessel's weight, as well as other metals and equipment). But ships also contain large amounts of hazardous materials such as asbestos, polychlorinated biphenyls (PCBs), heavy metals, oil, mercury, ozone-depleting substances (ODS). These substances, if not handled, removed and disposed of in a safe and environmentally sound way, pose significant risks to both human health and the environment.

The aim of the EU Ship Recycling Regulation (the SRR or the Regulation)[1] is to prevent, reduce and eliminate the adverse effects on human health and the environment of the recycling of ships flying the flag of a Member State. Before the SRR was adopted, 95% of the volume of large EU-flagged and EU-owned ships were dismantled outside the OECD[2], mostly in South Asia (India, Bangladesh and Pakistan) using the so-called 'beaching method'.

The SRR achieves its aim with three specific objectives: (i) ensuring that EU-flagged ships are dismantled in safe and environmentally sound facilities, (ii) ensuring the proper management of hazardous materials on ships, and (iii) facilitating the ratification of the International Maritime Organisation's 2009 Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (the Honk Kong Convention)[3]. The SRR contains provisions that go beyond the Honk Kong Convention, including a requirement for owners of EU-flagged ships to ensure their ships are only recycled in facilities listed by the Commission as complying with the SRR requirements on protecting the environment and human health. The SRR covers seagoing vessels above 500 gross tonnage[4].

The SRR contains a review clause requiring the Commission, 5 years after the date of application of this Regulation[5], to '*submit a report to the European Parliament and to the Council on the application of this Regulation, accompanied, if appropriate, by legislative proposals to ensure that its objectives are being met and its impact is ensured and justified*'. In line with this clause, the Commission has launched an evaluation process for the SRR[6]. This report, accompanied by the Commission Staff Working Document on the evaluation of the Regulation, is the result of this process. If appropriate, the Commission might table a proposal for a subsequent revision of the Regulation, supported by an impact assessment in accordance with the Commission's Better Regulation Guidelines and Toolbox[7].

[1] https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32013R1257

[2] Impact Assessment 2012. 74% in India, Pakistan and Bangladesh, 22% in China, Gross Tonnage-based, data from 2009.

[3] The Honk Kong Convention will enter into force in June 2025.

[4] The scope is similar to the Honk Kong Convention's scope. It excludes warships, other vessels on non-commercial government service and ships operating throughout their life only in waters subject to the jurisdiction of the Member State whose flag the ship is flying.

[5] The general date of application of the SRR is 31.12.2018, as specified in Article 32(1) point (b), so this means by 31.12.2023.

[6] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13377-EU-Ship-Recycling-Regulation-evaluation_en

[7] https://commission.europa.eu/law/law-making-process/planning-and-proposing-law/better-regulation/better-regulation-guidelines-and-toolbox_en

2. METHODOLOGY

The report and its accompagying evaluation are based on extensive consultation with stakeholders. This included a public consultation, targeted surveys and interviews (with expert stakeholders and with Member States), a stakeholder workshop and discussion in the Commission Expert Group on ship recycling. A wide range of stakeholders contributed, including Member State authorities, non-governmental organisations (NGOs) and research organisations, industry stakeholders and their associations (e.g. shipowners and ship management companies, ship recycling facilities, steel industries), classification societies, consultancy firms and financial institutions. Literature reviews, databases and legal texts were also extensively used to gather additional expertise and information.

This report is also based on Member States' reports required under Article 21(2) of the SRR covering the first triannual reporting period from 2019-2022. Annex IX to the evaluation makes available the content of the report for 2019-2022 and provides a summary, in accordance with the second and third paragraphs of Article 21.

The evaluation was carried out in line with the European Commission's Better Regulation principles and methodology, using its five established criteria: effectiveness, efficiency, relevance, coherence and EU added value. External contractors did a support study for the evaluation report.

The findings of the evaluation are mainly the result of a qualitative approach, given the lack of comprehensive quantitative data on benefits and costs. Quantitative data on the SRR's impact on the health of workers and on the pollution of the coastal and marine environments are limited due to the lack of transparency of the ship recycling sector. There is also often a lack of specific data on individual shipyards covering the period before their application and it is not easy to separate the impact of the SRR from the impact of multiple external factors. More effective reporting obligations accompanied by harmonised methodology and indicators would therefore be needed to perform a more quantified evaluation of the SRR.

The evaluation period runs from January 2013 to December 2023. As most of the SRR requirements started to apply on 31 December 2018, December 2018 was used as the main point of comparison. The evaluation covers the Member States and European Economic Area countries, as well as the impact of the SRR on ship recycling practices in non-EU countries.

3. EVALUATION FINDINGS

The evaluation findings show that the SRR has to a large extent achieved all its objectives compared to what could have been expected had the EU not intervened in this area. The Regulation's effectiveness has however been significantly undermined through the practice of shipowners changing the ship's flag from a Member State's flag to a third country's flag shortly before the ship is being recycled and, to a lesser extent, through weak enforcement of the measures related to the inventory of hazardous materials. This report outlines the evaluation's main findings and suggests areas for improvement.

3.1. EFFECTIVENESS

First objective: Ensuring EU-flagged ships are dismantled in safe and environmentally sound facilities

The SRR's main operational objective is that at the end of their life, ships flying the flag of a Member State are dismantled in facilities that are approved by the EU and are on the European List of ship recycling facilities. To be on this list, a ship recycling facility must

meet the SRR's safety and environmental requirements. For facilities in the EU, competent national authorities must check that these requirements are met, and, if they are, tell the Commission that the facility in question should be listed. Ship recycling facilities in third countries must submit an application to the Commission to be put on the European List of ship recycling facilities. The Commission assesses how these facilities meet the SRR requirements, including through onsite inspections, before deciding whether or not to put them on the list. The first European List of ship recycling facilities was adopted in December 2016, with 18 facilities in the EU on it. At the end of the evaluation period, the 12th edition of the list[8] contained 45 ship recycling facilities, including 35 facilities in Europe (EU, Norway and the UK), 9 in Türkiye and 1 in the USA. Applications from other facilities, notably from India, are being assessed.

Overall, the inclusion of these facilities on the European List, and the prospect of joining it for the applicants, in conjunction with the control mechanisms with independent oversight, have contributed to higher environmental and social standards in ship recycling practices. The reports from over 55 Commission inspections of 25 facilities worldwide are a valuable source of information[9] in that regard, notably on the mitigation of the externalities that affect the industry. The European List is also a reference point for sustainable ship recycling practices in and outside the EU.

The SRR's effectiveness has however been considerably undermined by the practice of EU companies re-flagging ships, shortly before being recycled. These re-flagged ships are no longer subject to the SRR and can be recycled anywhere, once they become waste outside of the EU. In most cases, they are dismantled in South Asia. In 2023, while the share of EU-flagged ships was around 13% of the total world fleet, the percentage of end-of-life ships with an EU flag at the time of recycling was below 7%, compared to the number of ships recycled worldwide.

The main determining factor for shipping companies choosing a ship recycling facility is the price a facility offers for dismantling their ships. The prices facilities in South Asia offer have been consistently higher than in the rest of the world due to (i) the lack of internalisation of the environmental and social costs (externalities) of ship recycling practices in these facilities, and (ii) their ability to offer high prices for steel scrap, given the strong demand from their construction sector and the use of re-rolling to process steel scrap, cheaper than other forms of steel recycling generally used elsewhere.

In this context, despite the greater awareness of social and environmental responsibility and the fact that the European List provides for sufficient capacity to deal with end-of-life ships flying an EU flag, many ships owned by EU shipping companies are not dismantled in ship recycling facilities that are on the European List. Due to re-flagging just before recycling, it is often just not possible to enforce the SRR provisions on shipowners' obligation to have the ship dismantled in a facility on the European List.

Second objective: ensuring the proper management of hazardous materials on ships

Shipping companies are required to establish an inventory of hazardous materials for each of their ships. The inventory's quality and completeness are essential for ensuring safe and sustainable dismantling practices. However, data reported on a voluntary basis over the period 2021-2023 on SRR related port state control inspections that verified the inventory of

[8] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202302726

[9] https://environment.ec.europa.eu/topics/waste-and-recycling/ships/site-inspection-reports_en

hazardous materials show that 45% of inspected ships did not comply with the SRR and that, in most of these cases, an inventory certificate, or its equivalent for ships flying a third country's flag, did not exist. However, the certificate with the inventory of hazardous materials is generally available at the recycling stage, when they are given to the ship recycling facility to make it easier to dismantle the ship concerned. Nevertheless, inventories of hazardous materials quality and completeness are often insufficient. It is therefore generally acknowledged that they need to be more reliable.

Third objective: facilitating the ratification of the Hong Kong Convention

The evaluation shows that the SRR has made a positive contribution to the ratification of the Hong Kong Convention. The minimum number of ratifications to trigger its entry into force was reached in 2023, with almost 50% of them by Member States. Besides what the analysis of the ratification figures shows, what is clear is that for many years the SRR has been the only international legal instrument setting out specific ship recycling requirements and that it was an important benchmark used by many stakeholders and authorities outside the EU.

3.2. EFFICIENCY

On the basis of the opinions and data obtained from the surveys and interviews done, the costs of implementing the SRR requirements are considered to have generally been low to moderate over the evaluation period. Tangible improvements were made in EU-listed facilities, so that they could operate in line with the requirements of the SRR, so it is reasonable to believe that the SRR resulted in a positive impact on health and the environment. The lack of a clear baseline of what would have happened in the absence of the SRR and the limited availability of quantitative data mean it is not possible to do a fully quantified cost benefit analysis and monetisation, with the result that the overall general positive conclusions on efficiency are largely based on qualitative data.

Moderate costs are attributed to authorisations of ship recycling facilities by Member States and to surveys of ships. Costs associated with the port state controls related to the SRR are considered low. For these controls to be effective, several EU Member States nevertheless said more resources, specific guidance and investigation tools were needed. Costs vary from one EU Member State to another, depending firstly on the importance of shipping and ship recycling in the Member State in question, but also on different enforcement practices and powers, as well as on the resources allocated to enforcing the SRR. Recycling facilities in third countries report high costs for upgrading their infrastructure and practices to bring them into line with the SRR and for them to be put on the European List. However, being on the list confers reputational benefits that lead to a positive impact on revenues and investments. For shipowners, the inventories of hazardous materials -related costs vary depending on the ship and the quality of the service provided, but they remain negligible. The negative economic impact of the SRR on shipowners, linked to the loss of revenues from selling end-of-life ships to EU-listed facilities did not materialise as expected at the time the SRR was adopted, due notably to its being circumvented. For the same reason, the SRR did not alter the competitive disadvantages of EU ship recycling facilities, as the EU share in the recycling market remained limited.

The SRR has a limited number of reporting obligations, all of which were analysed and found to be broadly proportionate. Efforts are being made to reduce reporting costs, for example, to ensure reporting synergies with the Hong Kong Convention in accordance with the 'once only principle'. A way of reducing the administrative burden would be to increase the period of validity of inclusion on the European List (currently 5 years, after which it can be renewed).

3.3. COHERENCE

Overall, the SRR is considered internally coherent and consistent. However, detecting and addressing infringements of it is difficult due to the global nature and limited transparency of shipping and recycling operations, a complex supply chain involving various stakeholders and intermediaries and the fact that a ship can change flags easily. This makes it difficult to identify a ship destined to be recycled, to trace its journey and to hold the actual decision-makers to account for their actions, which makes matters difficult for enforcement authorities. Determining which Regulation applies due to the dual legal status of an end-of-life ship as hazardous waste and as a ship can also be problematic. In this respect, the coherence between the SRR and the Waste Shipment Regulation[10], both of which can apply to end-of-life ships depending on the circumstances, is sometimes seen as confusing too.

Also, although the SRR is largely consistent with the Hong Kong Convention, as it implements it into EU law, a few public authorities and the shipping industry are worried about the implementation difficulties that will arise once both frameworks are in force. Shipowners and public authorities also point to legal inconsistencies between the Hong Kong Convention and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, which need to be addressed in the relevant international fora.

3.4. EU ADDED VALUE

In the absence of an operational dedicated global instrument addressing the problems with ship recycling at international level, a large majority of participants in the consultation process believed that the SRR has provided a much-needed EU framework for implementing the Hong Kong Convention in the EU.

Arguments about what level of legislation (EU or international) is the most appropriate for addressing ship recycling matters differ amongst stakeholders. Shipping industry stakeholders and some EU Member States believe that it would be better addressed at international level through the HKC, underlining the need for a level playing field globally. On the other hand, arguments in favour of continuing to work on this at EU level point to the higher level of ambition and scrutiny of the SRR compared to the Hong Kong Convention. These are notably supported by NGOs, trade unions and ship recycling associations.

These stakeholders unanimously support a possible revision of the HKC after it enters into force, whereby the EU should promote its higher standards at the International Maritime Organisation's level. This includes setting higher health and environmental requirements and putting stronger monitoring and control mechanisms in place, including independent scrutiny of the compliance of ship recycling facilities with adequate environmental and workers' safety requirements.

3.5. RELEVANCE

The ship recycling market is expected to grow substantially in the near future. The need to ensure safe and sustainable dismantling practices, as well as proper management and identification of hazardous materials on board ships, will therefore remain relevant.

[10] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32024R1157.

The SRR's relevance should also be assessed in the light of the EU policy and regulatory landscapes that have considerably evolved since its adoption. Focusing as it does on the environmentally sound management and storage of hazardous materials and waste, leading in turn to increased energy and resource efficiency through the recycling of material (in particular scrap steel), the SRR is consistent with the objectives of the EU Green Deal, the Circular Economy Action Plan, the Zero Pollution Action Plan, the Sustainable Blue Economy Communication and the green transition under the EU taxonomy.

However, stakeholders generally believe that the SRR does not sufficiently contribute to the EU's industrial strategy, including ensuring a competitive EU steel industry, and that it has the potential to play a bigger role in decarbonisation of the shipping industry. Increased ship recycling in the EU, with a corresponding higher uptake of steel scrap from ship recycling, could provide a steady supply of high-quality scrap, which the EU steel industry could use as feedstock to reach its decarbonisation goals. These aspects are of particular relevance in the context of the upcoming Clean Industrial Deal, Industrial Maritime Strategy and Steel Action Plan. Finally, some stakeholders believe that the SRR does not sufficiently integrate the life cycle approach into ship recycling, through cradle-to-cradle design and a comprehensive materials' passport for each ship.

4. LESSONS LEARNED

Given the SRR's effectiveness is being considerably undermined by re-flagging, it should be considered how to address this problem so that the SRR's key provisions can be effectively implemented. This is crucial for achieving the SRR's current core objective of ensuring EU-flagged ships are dismantled in safe and environmentally sound facilities. In this context, it is essential to clarify how it is determined that a ship is destined to be recycled or become waste, on the one hand, and who is the responsible owner, on the other hand, considering the role cash buyers currently play in trading end-of-life ships. Appropriate mechanisms should then be considered to prevent the owners of EU-flagged ships from circumventing their obligations to have these ships recycled in EU-listed facilities. Different options in that regard could be considered. One of them could be to continue working on developing a financial incentive as referred to in Article 29 of the SRR. This could take the form of a ship recycling licence for all ships calling at an EU port, bridging the revenue gap between dismantling in EU-listed facilities and in facilities not operating in a safe and environmentally sound way. Another option could be to apply the concept of a ship's 'beneficial owner', instead of the registered owner linked to a country's flag. Both ideas gave rise to polarised views among stakeholders. The impact of such sensitive measures under the SRR deserves a dedicated analysis in another context.

The possibility of upgrading the Hong Kong Convention's provisions, on the basis of the SRR's provisions, is seen by shipowners' associations and some EU Member States as a possible promising step towards more ambitious and harmonised global standards for ship recycling.

At the same time, clarifying the SRR standards to ensure a level playing field for EU facilities could also be considered. This could involve, for example, developing additional and/or more specific criteria to evaluate waste management and steel recovery operations, implementing effective pollution control measures and using cleaner dismantling and recycling technologies and methods.

The evaluation shows that the SRR and its European List have been effective at ensuring there is sufficient capacity for the dismantling of ships within its scope (including ships that changed flag in the year prior to dismantling). However, it also concludes that capacity needs to keep growing to be able to meet the demand for ship recycling that is expected to increase significantly over the next 10 years.

To have more qualitative and reliable inventories of hazardous materials s, consideration should be given to how the whole chain of responsibilities can be strengthened: from the qualifications of experts preparing inventories of hazardous materials and the way the Materials Declaration and Suppliers' Declaration of Conformity are obtained to methodological guidance and investigation tools that are necessary for carrying out effective controls under the SRR.

To properly enforce the SRR, all EU Member States should have specific provisions on penalties for infringing it and ensure that the penalties are severe enough to discourage non-compliance. The interplay of the SRR with other legal instruments also needs to be clarified. To avoid there being an unnecessary administrative burden once the Hong Kong Convention enters into force, consideration should be given to how to streamline reporting or certification requirements arising from the co-existence of the SRR and Hong Kong Convention.

Finally, any future revision could further assess the opportunity for the SRR to be made more relevant to the EU's ambitions in terms of EU's competitiveness, resilience, and climate neutrality, including through efficient and circular use of resources.