

# New emissions controls to drive surge in ship scrapping: BIMCO



*The 7,780 ships that were scrapped in the past 10 years is expected to double in the next decade.  
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**Greg Knowler, Senior Editor Europe | May 17, 2023, 10:00 AM EDT**

Shipowners will scrap twice as many ships over the next 10 years compared with the previous decade as tighter emissions control regulations push carriers to send huge numbers of vessels for demolition, shipping association BIMCO said Wednesday.

“Over the next 10 years, from 2023 to 2032, more than 15,000 ships with deadweight capacity of more than 600 million tonnes are expected to be recycled, more than twice the amount recycled in the previous 10 years,” Niels Rasmussen, chief shipping analyst at BIMCO, said in a market update.

BIMCO’s data shows that over the past 10 years, 7,780 ships with a total deadweight capacity of 285 million tonnes were recycled, with 60% of that capacity comprising

ships built during the 1990s.

But compared with the 1990s, more than double the deadweight capacity was built during the 2000s, and that will drive the expected increase in recycling, Rasmussen noted. He added that capacity built during the 2010s increased by a further 65%, which could lead to even higher levels of recycling 10 to 20 years from now.

“Many older ships are expected to be recycled earlier than normal due to the ever-tighter limits on greenhouse gas emissions,” Rasmussen said.

From Jan. 1 this year, it became mandatory for all ships to calculate their energy efficiency existing ship index (EEXI) to measure their energy efficiency, while also initiating the collection of data for the reporting of their annual operational carbon intensity indicator (CII) that will be used to determine a ship’s CII rating.

The International Maritime Organization (IMO) designed the measures to help reduce maritime shipping greenhouse gas emissions by calculating the intensity of emissions generated by individual cargo ships. Ships will be rated from A to E according to their energy efficiency, with A being the highest rating. A ship rated D or E for three consecutive years will be required to submit a corrective action plan to show how the required index of C or above would be achieved.

## Absorbing excess capacity

Hapag-Lloyd CEO Rolf Habben Jansen said the early effects of the energy efficiency rule on vessel recycling were already being seen.

“We start to see the first signs of ships being sent to demolition yards, but clearly still more will need to be done,” he told analysts on the carrier’s first-quarter earnings call last week. “It remains to be seen how much will really be absorbed by CII and how quickly scrapping will pick up.”

Hapag-Lloyd CFO Mark Frese added that the carrier has “a double-digit number of ships” nearing the end of their lifetime over the next 24 months that would be heading for the scrap yards.

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Further pressure on shipowners to scrap older tonnage was being exerted by an orderbook of 7.3 million TEUs, approaching 30% of the existing fleet capacity, with 6.4 million TEUs to be delivered in 2023 and 2024.

The rapid normalization of the container shipping markets from the severely disrupted supply chains of the past three years was also making the demolition of ships more attractive.

Maersk CEO Vincent Clerc told analysts during the carrier's first-quarter earnings call earlier this month that virtually nothing was scrapped in the last couple of years because all vessels were deployed to cope with high demand and port congestion.

"If you just look at the results of the quarter, it was still rational to deploy this tonnage during the first quarter because the prices were still profitable enough that you would keep pretty much anything that you can sailing," Clerc said, adding that scrapping would start to pick up through the second half of the year.

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