

INSIGHT

[See all articles](#)

Petrobras is recycling an FPSO in Brasil but insists it won't happen on one the country's beaches. Photo: Michael James/Creative Commons

Petrobras FPSO recycling sale leaves subcontinent yards green with envy

Cash buyers warn of bleak times ahead for recycling sector as supply of owners looking to recycle tightens further

15 January 2024 6:12 GMT UPDATED 15 January 2024 7:12 GMT

By [Jonathan Boonzaier](#)  in **Singapore**

Petrobras has sold one of its larger FPSOs for recycling, but the deal provides little consolation to ship-starved recyclers on the Indian subcontinent — the vessel will be recycled in Brazil.

The Brazilian oil major cut the South Asian ship recycling nations out of the picture when it first invited offers for the 280,000-dwt FPSO Petrobras XXXIII (built 1978) last September.

The tender documents for the former VLCC stipulated the mandatory use of a dry dock for green recycling, with the work to be carried out in a Brazilian shipyard.

A vessel its size would have provided much relief to ship-starved Hong Kong Convention-certified yards in India, where many oil majors routinely recycle FPSOs and other large offshore assets.

Indian ship recyclers, according to the latest market reports published by cash buyers, are struggling to raise their price offerings to levels attractive enough to convince any shipowner to recycle.

Cash buyer GMS noted that prices currently being offered out of Alang are lower than Bangladesh and Pakistan.

Local steel plate prices in India have fallen by \$3 per mt due to weak demand and a glut of local scrap, while global scrap steel prices have increased by \$10 to \$13 per mt, according to Wirana Shipping Corp.

“Traders are not keen to book imported scrap at higher prices,” the Singapore-based cash buyer said.

Despite this, GMS added, India's ship recycling sector remains relevant due to it having a greater availability of local recyclers with workable letters of credit to provide the necessary financial framework needed to facilitate prompt delivery.

Singapore-based Star Asia Shipbroking said it has become increasingly clear that the ship recycling sector in India is evolving in a green direction, with a trajectory similar to that of Turkey today.

“For Alang's recyclers, the only glimmer of hope lies in securing pure green recycling that adheres to environmentally friendly standards, in order to sustain the industry's viability,” said Star Asia director Rohit Goyanka.

The only owner to make use of Alang's green recycling capabilities last week was MSC Mediterranean Shipping Co, which sold the 1,837-teu container ship MSC Uma (built 1998) to a hand-picked facility for enhanced HKC-compliant recycling at \$528 per ldt, or \$5.5m in total.



MSC Mediterranean Shipping Co's 1998-built container ship MSC Uma was the only vessel reported as sold for recycling at Alang during the second week of January 2024. Photo: Farid Mernissi/Creative Commons

Pakistan gets its groove back

Over in Pakistan, the ship recycling sector has witnessed a notable resurgence following the International Monetary Fund's executive board approving an immediate transfer of around \$700m for Pakistan., with prices being offered out of Gadani Beach surpassing those of India and Bangladesh.

"The previously encountered challenges with the opening of letters of credit have now eased somewhat, prompting recyclers facing a shortage of ships to adopt a more optimistic outlook," said Goyanka.

The past week has seen one scrap sale to Pakistan.

Chinese owner Sea Justice Ltd, a company affiliated with Glory Ships, sold the 35,200-dwt general cargo ship G Harmony (built 2005) to a Gadani-based recycling facility. While pricing details for the deal have yet to be disclosed to the market, Best Oasis indicated that pricing levels out of Pakistan for container and general cargo ships were in the region of \$535 per ldt.

The G Harmony's impending demise comes as its owner continues to fight a legal battle over collision damage with Greece's NGM Energy, a fight that TradeWinds recently reported was shifting jurisdictions from Singapore to China.

GMS said it was bullish about Pakistan's prospects.

"Pakistan seems to have come storming back into the picture this week, with an increasing demand and far-more competitive pricing being tabled, both of which have invariably placed this market atop the pile of the sub-continent ship-recycling pool," the Dubai-based cash buyer said.

Pakistan could provide stiff competition for recyclers in Bangladesh when it comes to buying smaller vessels for which financing and credit is easier to obtain, it added.

Vessels reported sold for recycling at Chattogram over the past week included Magsaysay Maritime's 519-teu container ship General Romulo (built 1998), sold for an undisclosed price, and Duta Shipping International's 16,350-dwt roro vessel Duta 1 (built 1991), sold for \$500 per ldt, or \$2.95m.

Several market reported indicated that Winning Shipping sold the 176,000-dwt bulk carrier Sunny Conakry (built 2002) to cash buyers for close to \$11.5m on an as-is Singapore basis.

However, TradeWinds understands that the ship has been acquired by GMS-affiliated shipowners Lila Global for further trading.

GMS cautioned that available recycling candidates remain severely lacking and, as the industry is soon to enter Chinese New Year Holidays when activity traditionally slows, it may be weeks before more prospective vessels are made available to ship recyclers. ([Copyright](#))

[Offshore](#) [Containers](#) [Petrobras](#) [Ship recycling](#) [MSC Mediterranean Shipping Company](#)