

## Container shipping demolition derby set to start

Market expectations are that following the 3 million teu delivered last year and some 1.8 million teu due to be delivered this year vessel scrapping will begin in earnest and will continue at pace until 2027.

[Nick Savvides](#), Europe correspondent

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Shipbroker Braemar said in its first 2025 quarterly report: “It is likely that earnings may have peaked from 2024 highs and we could be entering a period of readjustment and alignment to more normalised trading conditions for liner companies.”

It was another shipbroker that nailed it for 2024, “Buoyant market keeps oldies afloat – at least for now,” declared Alphaliner in this week’s market report.

“Last year, the average age of the (few) container ships that were sent to scrap reached a high of just above 28.6 years, the oldest age recorded in 13 years,” added [Alphaliner](#).

According to Braemar data of the 60 vessels sent for demolition last year, 45 were in the 1-1,999 teu bracket, one was over 7,500 teu.

Again, Alphaliner is succinct in its analysis: “The demolition of container vessels is expected to remain low as long as the crisis continues in the Red Sea.”

[Xeneta](#) points out that connecting the ceasefire directly to the resumption of trade through the Red Sea could be problematic.

Chief Analyst Peter Sand said: “The ceasefire deal will need to enter stage two before we can say that the ceasefire is holding.”

Even so Xeneta estimates that demolition levels could reach 200,000 teu this year, with smaller ships again being the main focus and some below standard ships up to 5,000 teu.

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Current events in the Middle East would suggest that the Red Sea/Suez Canal corridor could reopen sooner rather than later, releasing an avalanche of spare capacity into a global market that is at best benign in comparison.

“Should the Suez route be again used from the second half of the year or earlier, the likely return of overcapacity, with close to 2 million teu of new tonnage due to hit the water in 2025 could trigger a surge in demolition sales which could potentially more than double from their 2024 level,” reports Alphaliner.

Offsetting the economic imperative will be the introduction of the [Hong Kong Convention](#) on recycling of ships, requiring significant improvements in breakers yard safety and environmental management.

“In the Indian sub-continent, a number of yards have yet to comply with the new rules,” said Alphaliner, which raises a question over the capacity of the demolition yards to meet the demand, should the economic conditions substantially change over the coming weeks and months.

Xeneta does not believe that the Hong Kong Convention will have a substantial impact on the demolition of the container fleet.

“Container ship owners already use the more expensive yards for demolition,” explained Sand, “They accept low demolition prices because they are closer to the consumer than operators of bulk ships or tankers.”

However, a senior container line executive was concerned about the volume of ships that will need recycling especially given the Hong Kong Convention coming into force in June. He questioned how easy it would be to lay the vessels up and get them out of the fleet.

Meanwhile, vessel owners have seen the charter market boom in 2024 with higher charter rates and longer periods Braemar believes owners may be protected from the worst of the headwinds that are currently gathering this year.

“The increasing trend of forward fixing has provided an additional layer of leverage for tonnage providers to maximize their balance sheets. Braemar's container time charter index rose by 180% in 2024. The average time charter period increased from 5.5 months in January 2024 to 11 months by year-end.”

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That trend to longer periods and forward fixing will result in an estimated 35% reduction in available tonnage this year compared to last year, which will likely shift the pain for owners into 2026 and 2027 as yet more tonnage is delivered.

As market fundamentals shift, moving into unfavourable territory for owners and operators the expectation is that an increase in demolition will follow.

Xeneta again cautions that when the new, larger, locks in the [Panama Canal](#) were opened it was assumed that [Panamax](#) vessels would be obsolete and scrapped, instead they found new employment.

“As markets turn against carriers the entire potential for scrapping may not be too many ships,” argues Sand, with owners likely to extend the life of older ships through technical upgrades and by finding new markets for ageing ships.