

BIR 2019: Europe oversupplied with non-ferrous scrap with sellers eager to offload

The European non-ferrous scrap market is oversupplied and sellers at this week's Bureau of International Recycling (BIR) conference in Hungary were eagerly approaching buyers in the hope of offloading materials by the end of this year.

In a hotel lobby crowded with scrap market participants, a typical pick-up line one would hear at the conference, held October 13-15 in Budapest, was: "Are you buying?"

Scrap metal sellers are currently finding it unusually tough to destock after China implemented a quota system to limit its imports of ferrous and non-ferrous scrap metal, as well as imposing tariffs on US-origin scrap.

Trying to divert scrap metal to markets other than China, one favored destination could be Europe, home to major copper scrap buyers including Aurubis, Metallo, La Farga and Montanwerke Brixlegg.

The BIR conference became a magnet to scrap sellers fishing for potential buyers.

"When you can buy birch/cliff [No2 copper scrap with 94-96% copper content] at 85% of the LME price in Europe, it's clear that the market is full," a Europe-based buyer said.

"We are fully stocked until the end of year. There is no room to buy now. Other big buyers in Europe are likely to be well covered too," the source added.

Germany is one of the more popular markets. In the first six months of 2019, Germany's imports of copper scrap rose by 10.8% year on year to 115,713 tonnes.

"I had to keep saying 'no' to [sellers] ," another secondary copper producer said. "Since China restricted scrap inflows, we have seen offers from Australia, Japan and South Africa. In the past, we rarely saw scrap offers from Japan."

For the second half of 2019, China announced that it would allow total copper scrap imports of 484,767 tonnes, as well as imposing a cap of 405,416 tonnes on aluminium scrap.

Quotas to allow purchases of overseas-origin scrap [have become scarce in China](#). Some smaller firms that were not awarded quotas, and which could not source scrap domestically, were willing to pay a premium to larger importers to buy quotas.

"China's biggest copper scrap buyer still has some quotas but it is picky," a scrap trader based in Asia said.

"I am still struggling to sell a cargo now on the sea. It has been on the water for almost one month already," a third Taiwan-based trader said.

A similar story was apparent in the aluminium scrap market. Oversupply in Europe and limited appetite from China due to quota restrictions was putting pressure on the benchmark aluminium scrap price in Europe, which is now at a decade-low level.

Fastmarkets assessed the [price for aluminium pressure diecasting ingot DIN226/A380, delivered Europe](#), at €1,260-1,290 (\$1,389-1,422) per tonne on October 11, down from €1,550-1,590 per tonne since the start of the year. The price was also at its lowest since June 2009.

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BIR 2019: Chinese government ‘partly approves’ proposal to rename copper, aluminium scrap - sources

A proposal by China’s metal recycling lobby group to rename copper scrap and aluminium scrap, and set out a new definition for copper recyclable raw materials has been partly approved by two key government departments as of Friday October 11, Fastmarkets understands.

The development could ringfence certain scrap import materials from a potential outright ban by 2021.

China’s State Council said in June this year it is [working toward implementing a complete ban on imports of solid waste](#), including all metal scrap, by the end of 2020.

China imported 2.6 million tonnes of copper scrap last year.

In May 2019, Fastmarkets exclusively reported that the Chinese Nonferrous Metals Industry Association’s (CMRA) recycling metal branch [submitted to the government a key proposal to rebrand high-quality scrap](#).

The proposal, which has not been publicly disclosed, outlines the specifications of copper alloy scrap - including brass scrap - as well as aluminium scrap eligible to be renamed recyclable raw materials. A consensus has been formed on the above products already, three sources confirmed.

The above definitions have been approved by both China’s environmental ministry and CNMSQ, a Chinese government unit that offers guidance for non-ferrous metal standards and qualifications.

Prior to implementation, the definitions will have to be approved by China’s Commerce Ministry and customs department.

A consensus is still not formed on what types of copper scrap can be renamed - mainly with a difference in opinion on whether enameled wire should be included, a well-informed source told Fastmarkets on the sidelines of an industry conference in Budapest.

The vast majority of No 1 and No 2 copper scrap of high purity, however, is secure on the list, the source said.

The finalized standards could be announced by CMRA at a conference in China’s Ningbo in early November, the source added.

The renaming of copper scrap as a recyclable raw material could mean that its import is no longer confined by the quota system introduced at the beginning of July, which has put a cap on Chinese scrap inflow.

Earlier this week, the Bureau of International Recycling (BIR) said it [supports China's industry bodies' proposal to discard the term "scrap"](#) by officially renaming certain copper scrap products as "recyclable copper raw materials", whilst seeking further clarity with Chinese officials on the definition and specifications of importable scrap.

Prior to the launch of the quota system, the [No 2 copper scrap discount on a cif China basis](#) had widened to 37-42 cents per lb in April, the widest in three years, due to availability of material. Fastmarkets' assessment was most recently at 31-35 cents per lb on September 30.

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BIR 2019: BIR supports China's move to rename 'scrap' metal, seeks clarity on classification at Nov meeting

The Bureau of International Recycling (BIR) will advocate for a Chinese proposal to discard the term "scrap" by officially renaming certain copper scrap products as "recyclable copper raw materials", whilst seeking further clarity with Chinese officials on the definition and specifications of importable scrap, the association said on Sunday October 13.

In Chinese, "scrap" and "waste" are essentially being translated into the same word, which often undermines the value of high-quality scrap metal, Tom Bird, president of BIR said during a press briefing at the World Recycling Convention in Budapest, Hungary.

In May 2019, the Chinese Nonferrous Metals Industry Association's (CMRA) recycling metal branch submitted to the government a [key proposal to rebrand high-quality copper scrap](#), which Fastmarkets exclusively reported.

The BIR, representing over 800 companies in the recycling industry, will meet with the CMRA at the end of November to find out the progress of the renaming project and what possible support BIR could provide to facilitate the move, BIR's director general Arnaud Brunet said at the briefing.

It is a critical move for the industry to save huge scrap flows from [a potential outright ban in China by 2021](#).

While there has not been any update on the CMRA proposal since May, industry participants have expressed concern over what scrap is eligible for renaming because the business revenue is significant to the sector with China importing 2.6 million tonnes of copper scrap last year.

The association will seek more regulatory clarity from Chinese government over the line between "scrap" and "raw materials", it said.

Bird cited the instance of automotive metal scrap, which is at times regarded by Chinese officials

as “scrap”, and other times as raw materials in auto manufacturing.

Over the past two years, China has implemented certain import barriers for scrap, including a series of tariffs on United States-origin scrap, a ban of low-quality category 7 copper scrap, as well as the introduction of a quota system, leading to drastic fluctuations in scrap prices.

Prior to the launch of the quota system in July of this year, the [No 2 copper scrap discount on a cif China basis](#) had widened to 37-42 cents per lb in April, the widest in three years, according to Fastmarkets' assessment.

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BIR 2019: BIR president Tom Bird to leave role as Chiho's COO

Tom Bird, the head of Bureau of International Recycling (BIR), will leave his position as the chief operating officer of Chiho Environmental Group in November, Fastmarkets learned on Sunday October 13.

Chiho Environmental is China's largest scrap metal recycling company. It runs 700 yards globally with extensive operations in the recycling of ferrous and non-ferrous metals scrap, end-of-life vehicles, electronic scrap and the production secondary aluminum ingot from aluminum scrap.

Bird has worked with Chiho since November 2017.

Primarily based in Hong Kong for the past two years, Bird will return to the United Kingdom after his departure.

Well known in the ferrous scrap sector, Bird has been in the metals recycling industry for more than three decades, taking several senior positions in major companies.

Prior to Chiho, Bird had worked at Sims Metal Management UK, Liberty Metal Recycling and Van Dalen UK.

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BIR 2019: BMRA on what will happen to UK, EU scrap market in the case of No-Deal Brexit

New customs declaration procedures could be put in place by European Union member states if the United Kingdom ultimately leaves the bloc with no agreement in place (a “no-deal Brexit”), an industry association told Fastmarkets this week.

This would cause months of congestion affecting UK-origin scrap cargoes although no long-term disruption was expected for the UK's metals recycling sector, worth £7 billion (\$8.6 billion) per year, it added.

"The only concern arising from the scenario is the new customs declaration that might be required by EU member states," James Kelly, chief executive officer of the British Metals Recycling Association (BMRA), said in an interview on Tuesday October 8.

"But we are still not sure what these new customs declaration will look like," he added. "[It] could be filling in forms regarding content of scrap, weight, [etc]."

The UK government has said that it will take the country out of the EU on October 31, with or without a deal. In the latter scenario, UK officials and their EU counterparts would have to work with each other on non-tariff barriers, such as additional checks on the production standards of UK exports.

"Possibly, for the first few months after Brexit, there could be delayed deliveries due to recognition of new documentation by border officials. But the effect will be short-lived," Kelly said.

UK as a major scrap exporter to Europe

For decades, the UK has been an important scrap metal supplier to Europe.

In 2018, the country sold 1.33 million tonnes of ferrous scrap to the 27 other EU member countries, accounting for one sixth of the UK's total ferrous scrap exports, according to calculations by Fastmarkets.

Its non-ferrous scrap export volume was relatively small, mainly comprising aluminium and copper scrap derived from used vehicles.

The UK's exports of aluminium alloy and aluminium scrap amounted 888,824 tonnes last year while copper scrap exports came to 262,006 tonnes, the World Bureau of Metal Statistics has shown.

No tariff on UK scrap exports to Europe even under 'no-deal Brexit'

While UK-origin supplies of metal scrap remained significant to European buyers, and vice versa, industry participants were concerned whether any tariffs could be implemented that would raise the transaction costs for either side if no trade deal was agreed between the country and the EU.

"In the case of a no-deal Brexit, the UK's scrap metal exports will fall back automatically on [World Trade Organization] rules, meaning that there will still be a zero-rate tariff on British scrap metal, both ferrous and non-ferrous," Kelly said.

He saw no need to negotiate a new trade arrangement while remaining optimistic about the continued free flow of scrap metal between the UK and the EU27.

Challenges from automotive decline, China-US trade disputes

Other than uncertainties arising from Brexit, the downtrend in the automotive industry was also posing challenges for UK scrap sellers, including the falling supplies of motor scrap.

BMRA members have reported an estimated drop of 15-20% in non-ferrous scrap export volumes compared with two years ago, mainly due to lower availability of aluminium and copper scrap, Kelly said. This was attributed to lackluster domestic car purchasing.

New car registrations in the UK declined by 2.5% year on year to 1,862,271 for the first nine months of 2019, according to the Society of Motor Manufacturers & Traders (SMMT).

Another concern was the massive diversion of US scrap metal to Europe after the Chinese

government imposed a series of tariffs on US products beginning in late 2018.

Increased availability of US materials has hurt the competitiveness of some UK scrap products in Europe, with prices of several aluminium scrap products starting to weaken.

One of these was [aluminium scrap, baled old rolled, delivered consumer UK](#), whose price was assessed by Fastmarkets at £650-680 (\$796-833) per tonne on October 9, compared with £700-780 per tonne at the beginning of the year.

The price for [aluminium scrap, loose old rolled cuttings, delivered consumer UK](#), dropped to £540-560 per tonne from £710-730 per tonne in the same comparison.

For more on the effects of the Sino-US trade dispute on the trade flow of metal scrap, join us at the non-ferrous section presentation at the upcoming BIR conference in Budapest, Hungary, on October 14.

Amy Hinton in London contributed to this report.

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