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COMMENT: Five things we learned at the BIR scrap conference in New Delhi

'Out with the new and in with the old' could be the slogan for India's steel industry in the coming years, as it leaves the domestic iron ore market between a rock and a hard place and embraces scrap-based steelmaking.

The Bureau of International Recycling (BIR) conference visited India for the first time last week, bringing delegates from around the globe to the grandiose Taj Diplomatic Enclave Hotel in New Delhi.

And much like the bustling streets of India's capital, the hotel's lobby was a hive of activity throughout the four-day event, with scrap market participants eager to meet new contacts and reunite with old ones.

It was there and in the conference halls where myriad of debates took place on topics such as the future of scrap use in India, the possibility of China banning certain scrap imports and the rising powers of Pakistan and Bangladesh in the import ferrous scrap markets.

Delegates were generally positive about the future of domestic scrap markets in India – where local stocks of ferrous material are expected to grow by 41% in the next five years.

Meanwhile, with margins tight and markets quiet for Indian imports of the material, some importers in that market said they were using the event to make contacts in other metals in order to diversify their businesses.

1) Scrap is in vogue

India's steel minister Birender Singh delighted ferrous scrap market participants, in his event-opening speech, by reiterating his desire to see a larger amount of scrap-based steelmaking in the country over the next 14 years.

India's Ministry of Steel said the country was aiming to reach 300 million tpy of crude steel output by 2030-2031, and it firmly sees scrap as the most environmentally-friendly steelmaking raw material to achieve the target.

The government wants to see much more scrap availability in the country, given that local stocks are currently tight, with the material feeding new scrap-based steelmaking plants to be built in the country.

It hopes to facilitate import scrap buying by eliminating the 2.50% import tariff on ferrous scrap by next year, and wants to raise domestic stocks by starting vehicle shredding.

India's first legal car shredder – a collaboration between exports regulator MSTC and Indian firm Mahindra Intertrade – will begin operations next year and will be able to shred around 100,000-300,000 vehicles per year, according to Mahindra Intertrade md Sumit Issar.

And higher consumption of ferrous scrap will increase prices for the material in India by 10-15%, Singh predicted at the event.

Metal Bulletin's index price for shredded scrap imported into India was \$319.50 per tonne cfr Nhava Sheva on Friday October 20, up by \$1.10 per tonne week-on-week.

2) Indian Iron ore, DRI could face long-term headwinds

With India's government squarely placing the emphasis on boosting scrap utilisation, ministers had dire predictions for the future of iron ore and direct reduced iron (DRI) in the country's steel production.

Birender Singh said that greater scrap use in India could "reduce iron ore excavation by 65%", which would be somewhat significant for a country that produced 155.90 million tonnes in the financial year from April 2015-March 2016, according to Ministry of Steel figures.

Metal Bulletin's benchmark 62% Fe iron ore index was \$62 per tonne cfr Qingdao on Monday October 23, down by \$0.46 per tonne compared with Friday.

At the moment, around 45% of India's current steel production comes through the primary blast furnace route. But the secondary sector, which includes re-rolling and production from scrap, is predicted to take a 70% share by 2030-2031 from 45% in 2017, BB Singh, chairman and md of government exports regulator MSTC, said in New Delhi.

DRI is also likely to be shunned as a steelmaking raw material in the coming years, due to the high amount of emissions produced by the material, Barthwal said.

"Scrap works better than DRI, because, greenhouse gas emissions-wise, DRI is not very sound," he said.

"When we are going for future technologies, scrap-based technology will definitely win over DRI-based technologies," Barthwal added.

India, which is a signatory to the UN's Paris agreement on climate change, must reduce its carbon dioxide emissions by 30-35% by 2030.

3) Chinese scrap bans could intensify

Another environmental topic discussed at the conference was China's decision to ban imports of mixed paper and certain plastics, along with the country's proposal to levy a 0.30% 'carried waste' threshold on all imports of commodities into the country.

Metal market participants are keeping a close eye on the policy, with Robin Wiener, president of the Institute of Scrap Recycling Industries (ISRI), suggesting that China's desire to become self-sufficient in scrap means that certain metal scrap imports could be restricted by 2019.

The policies are already proving to be a bit of a headache for the market, leading to the issue being one of the top three talking points for US president Donald Trump when he visits China in November, according to Wiener.

One trader told Metal Bulletin on the sidelines of the BIR conference that he is no longer able to export plastic bottles to China, while delegates at the plenary session spoke of China revoking import licences for some companies involved with the trade of scrap.

Another complication is the difficulty of policing the policy, with another delegate telling Metal Bulletin that it could take months for containers of material to clear customs as each one would have to be subject to inspections on the 0.30% "carried waste" rule.

Furthermore, points were raised by delegates over the capability of Chinese infrastructure to carry out the inspections and that different inspectors could come to different conclusions about whether material is of an acceptable standard.

4) Import scrap markets largely quiet

BIR's New Delhi conference was held amid a lull in activity in the major global import scrap markets and, in India, last week's Diwali festival only exacerbated the situation.

But for one Indian trader, this break in activity was more a consequence of the poor margins in India's import scrap market at the moment. "If I was making money, I would be working on Diwali," he said.

Turkey's import scrap markets have also stalled, with a rebound in prices abruptly cut off at the end of last week by lower-value deals, with prices softening ever since.

Metal Bulletin's benchmark import index price for Northern European-origin imports of HMS 1&2 (80:20) into Turkey was \$304.91 per tonne cfr on the first day of the BIR conference on October 13, but dropped to \$295.20 per tonne cfr by the final day on October 16, with just one deal heard in that time.

Exporters to Turkey told Metal Bulletin that import scrap prices would hold relatively steady for the foreseeable future, and added that they certainly could not see markets rising as quickly – or as high – as in early September.

5) Bangladesh, Pakistan markets attracting sellers

With Indian import scrap markets enduring a lacklustre year in terms of prices, many sellers based in the UK and Europe admitted that they have stepped up their activity in supplying Pakistan and Bangladesh.

Indian imports of ferrous scrap were down by 31.80% year-on-year from January to July 2017, according to BIR, with prices for the material frequently lagging behind those to Pakistan or Bangladesh.

One leading trader told Metal Bulletin that his sales to Bangladesh had pulled ahead of those to India for the first time this year, while another seller said he found doing business with Bangladesh was easier than with India.

Furthermore, Pakistani prices for import ferrous scrap have been frequently higher than those in India this year, largely down to the fact that demand is rising in Pakistan where there are no local DRI or domestic ferrous scrap sources to compete with the material, sources told Metal Bulletin on the sidelines of the BIR event.

Only stainless and special steelmakers in the country are able to match Pakistani prices at the moment, sources said, adding that the smaller induction furnace steelmakers have been largely content to pack the majority of their steelmaking mix with local DRI.

But given the ambitious targets and clear determination demonstrated by Indian government figures at the BIR event, many market participants will be hopeful that the country's 2017 import scrap slump will not be sustained over the coming years.

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