

**Ferrous**

# Like 'trying to kill a fly with a hammer'

Eminent contributors to the BIR Ferrous Round-Table meeting in Warsaw were unanimous in their condemnation of possible EU scrap export restrictions as both unnecessary and potentially very damaging from a social, economic and environmental standpoint. One said any such move would be like 'trying to kill a fly with a hammer' while several highlighted the negative implications for free trade, particularly with long-time partner Turkey.

**W**hen BIR first signalled an intention to establish itself as a 'Statistical Observatory', one of the main objectives was to generate hard data to support the recycling industry's arguments when talking to national, international and supranational bodies. The research conducted recently by consulting firm Laplace Conseil, and part-funded by BIR, represents a prime manifestation of this strategy in that it quantifies the substantial social, economic and environmental benefits of the scrap/electric arc furnace steelmaking route in the EU as well as the scale of the legislative inequity it faces. The investigation concluded that the scrap/EAF industries produce 42% of all EU crude steel and yet offer the larger slice of the region's steel and scrap industry employment (56%). In addition, the EU's scrap/EAF industries gener-

ate a trade surplus of Euro 11 billion versus a deficit of Euro 19 billion for BF/BOF steelmaking while accounting for only 22% of the entire

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EU steel sector's energy usage and just 15% of its CO<sub>2</sub> emissions. And as a further positive, the scrap/EAF route requires on average only a third of the capital costs and maintenance expenditure per tonne produced when compared to integrated mills, Laplace Conseil's founder and manager Marcel Genet told the BIR Ferrous Round-Table in Warsaw.

Given all these pluses, Genet said, it was 'surprising' that the scrap/EAF industries 'have to pay 54% of the total cost of EU steel regulations' and that the scrap industry was now 'threatened with new regulations and restrictions'.

### No imminent shortage

Earlier in his presentation, Genet had referred to the EU's recently-published Steel Action Plan, which mentions the possibility of monitoring or restricting scrap exports as part of the overall aim of alleviating the difficulties currently suffered

by the region's steel sector. Although the exact intent behind its wording was open to interpretation, Genet suggested, 'it seems they want to do something' - even though the EU's large scrap 'mine' of around 2.5 billion tonnes meant that there was 'no fear of an imminent shortage of scrap for the EU consumer to justify scrap export restrictions'. Temporary direct aid to the most beleaguered steel producers would be a better response than scrap export restrictions which, he said, would be like 'trying to kill a fly with a hammer'.

According to Laplace Conseil, such restrictions would have a huge detrimental impact on the scrap collection and processing industry, with a reduction in total revenues of 'close to 18%' and the loss of perhaps 50 000 jobs - a financial impact far greater than that which the export restrictions would be attempting to protect, Genet maintained. Furthermore, such restrictions would create 'major uncertainty for buyers and sellers of steel scrap by introducing a disconnection between EU prices and international prices, thus risking a reduction in overall recycling and a reduction in investment to promote sound recycling practices'.

In response to this threat, it was Genet's view that, given the 'symbiotic relationship' enjoyed by the steel scrap industry and EAF steelmakers in the EU, they should 'create a stronger alliance to defend their common interests as well as

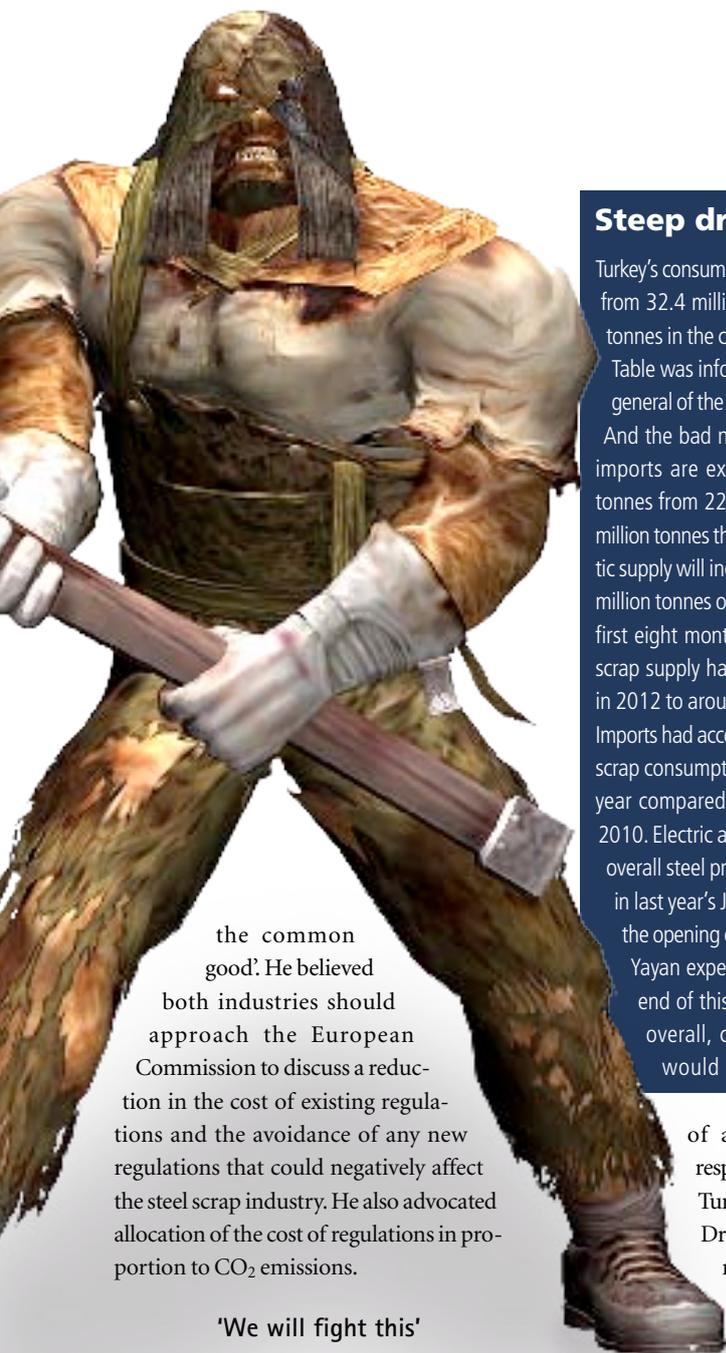


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the common good'. He believed both industries should approach the European Commission to discuss a reduction in the cost of existing regulations and the avoidance of any new regulations that could negatively affect the steel scrap industry. He also advocated allocation of the cost of regulations in proportion to CO<sub>2</sub> emissions.

**'We will fight this'**

At the start of the meeting, BIR Ferrous Division president Christian Rubach of Germany's TSR Recycling had explained that EU policymakers were openly discussing scrap export monitoring and the mandatory certification of non-EU steel mills and foundries which receive EU scrap. 'We will continue to fight this,' he later assured delegates in Warsaw. According to Tom Bird, president of the European Ferrous Recovery and Recycling Association (EFR), export restrictions could be read as an attempt at 'price control through the back door' while some of the measures being considered at EU level were potentially 'insulting' to the EU scrap industry's long-time trading partners in Turkey. Guest speaker Genet also alleged that scrap export restrictions would create a major dispute with leading buyer Turkey with whom the EU enjoyed an extremely positive trade balance

**Steep drop in Turkey's scrap imports**

Turkey's consumption of scrap was on course to drop from 32.4 million tonnes in 2012 to 30.5 million tonnes in the current year, the BIR Ferrous Round-Table was informed by Dr Veysel Yayan, secretary general of the Turkish Steel Producers Association. And the bad news for overseas suppliers is that imports are expected to slide almost 3 million tonnes from 22.4 million tonnes last year to 19.5 million tonnes this time round, implying that domestic supply will increase from 10 million tonnes to 11 million tonnes over the same period. Figures for the first eight months of the year revealed that local scrap supply had jumped from 6.9 million tonnes in 2012 to around 7.7 million tonnes in 2013. Imports had accounted for just 64% of Turkey's total scrap consumption in the first eight months of this year compared to the peak of 76% recorded in 2010. Electric arc furnaces had seen their share of overall steel production in Turkey fall from 75.1% in last year's January-August period to 72.1% in the opening eight months of 2013 - a figure that Yayan expected to fall to around 70% by the end of this year. His statistics indicated that, overall, crude steel production in Turkey would slip from 35.9 million tonnes

in 2012 to 35.5 million tonnes in the current year. The influence of Turkey on global steel scrap exports was underlined by the BIR Ferrous Division's statistics advisor Rolf Willeke in his latest 'World Steel Recycling in Figures' update covering the first half of the year. The main reason for falls of 12% and 21.5% in shipments from, respectively, the USA and the EU was the 'steep' drop in Turkey's purchases, he pointed out. Willeke also drew attention to the major year-on-year increases in steel imports by Egypt, for which official scrap trading figures are not available. Shipments from the USA soared 70.4% to 569 000 tonnes while growth in supplies from Canada was an even more spectacular 133.7% to 243 000 tonnes. EU-27 exports to Egypt climbed almost 10% in the first half of this year to 994 000 tonnes.



Dr Veysel Yayan, secretary general of the Turkish Steel Producers Association, reported that local scrap supply had jumped from 6.9 million tonnes in 2012 to around 7.7 million tonnes in 2013.

of around Euro 27 billion. In response, the secretary general of the Turkish Steel Producers Association, Dr Veysel Yayan, warned that such moves would have the potential to undermine the free trade agreement between the EU and his country. 'It wouldn't be free trade any more ... we would like to see free and fair trade,' he insisted. His hope that a 'rational' solution would be found was echoed by Rubach, who assured Yayan: 'We are on your side.'

**'Far more optimistic'**

Also at the Warsaw meeting, market summaries and updates were provided by the following contributors to the recently-released BIR Ferrous World Mirror: Blake Kelley of Sims Metal Management, reporting on the USA and Pacific Rim; Hisatoshi Kojo of Metz



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Corporation for Japan and other parts of Asia; Andrey Moiseenko of Ukrmet for Russia and Ukraine; and Tom Bird for Europe who observed that, in market terms, the general outlook for the fourth quarter was 'far more optimistic' given strong demand from the Eastern Mediterranean, low stocks and the likelihood of tightening supply in the approaching winter period. The same speaker also confirmed that competition for raw material remained fierce among EU scrap operators, thus putting increasing pressure on volumes. Operator feedback suggested volumes of material were still 'down as much as 50% in some areas', he said. □



Hisatoshi Kojo of Metz Corporation gave an overview of the market in Japan.



Andrey Moiseenko of Ukrmet gave a report for Russia and Ukraine.