

## BIR CONF: China's secondary aluminium industry will 'shift focus from imports'

May 27, 2013 - 12:03 GMT Location: Shanghai

## **BY FLEUR RITZEMA**

The Chinese secondary aluminium industry will depend less on imports and more on domestic scrap in the next few years as a result of low profitability from the use of imported raw materials, according to CS Huang, chairman and ceo of Ye Chiu Taicang.

Profit margins for secondary aluminium ingot makers have been squeezed in recent years, after costs increased, Huang

told delegates at the annual Bureau of International Recycling (BIR) conference in Shanghai on Monday May 27. "Future demand from the automobile industry in China will encourage the development of the entire secondary aluminium industry in China," he said.

While the growth in China's auto industry is likely to slow, use of aluminium in the sector will expand, he said. This is due to a focus on lighter materials to make cars, which, he argued, will result in huge growth in domestic aluminium scrap generation.

"At the moment, we need to import. This will gradually change. Collection policies have been implemented," he added. The price of imported material is very high while secondary sales prices are not sufficient, he said. Combined with increased environmental constraints and higher wages, this has effectively eroded profit margins in China.

"China has changed a lot. The price of labour has increased, while environmental awareness is growing. Costs for energy and raw material are increasing," he said.

Furthermore, China's Green Fence policy, which is currently being implemented by customs authorities, is slowing down imports.

"Green Fence action has caused costs to increase. Of course we need to be compliant but our profit margins are very thin [...] and the regulatory system in China is getting more stringent year on year," he explained.

American auto consumption is, meanwhile, growing, he said, reducing availability of scrap available for import.

"They utilise a lot of scrap, therefore exports are declining. In the US, they are encouraging the industry to relocate back to the US," he said.

Chinese scrap rates for automobiles were only 4.4% in 2012, compared with above 8% in America, he said.

"The central government is devoting efforts to promote urban mines. This is not an estimation, this is reality," he said.

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