



From left: Thomas McMahon of Dillon Gage, Henry Van of CRU (standing at podium), BIR Nonferrous Division President David Chiao and BIR Nonferrous Division Senior Vice President Dhawal Shah

BIR 2019: Deep discounts in place for aluminum scrap

China's willingness to pump out primary aluminum while banning scrap imports has created low aluminum scrap prices worldwide.

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Aluminum scrap is flowing at record volumes from North America and Europe to India and Southeast Asia, but the new demand has not been enough "to fill the hole China is leaving behind," according to a speaker at the Nonferrous Division meeting of the [Bureau of International Recycling \(BIR\)](#). The Brussels-based BIR held its 2019 World Recycling Convention in May in Singapore.

Henry Van, a Singapore-based aluminum industry analyst with [CRU International Ltd.](#), said the action by China's government to restrict scrap imports has created a "supply side shock" in the United States aluminum scrap market. China's aluminum scrap import volumes in February 2019 "were the lowest in more than a decade," said Van.

Some of that scrap is still finding its way to China after being shipped to Malaysia, Thailand, Taiwan and other nations near China, where it is melted and cast at facilities in those countries. Another beneficiary of the new supply glut is India, where investments in secondary production are being made by global firms including India-based Hindalco and Japan-based Daiki.

Even with such investments, the rest of the world “doesn’t have critical mass in secondary [production] to replace China,” stated Van. The result has been “historically cheap” aluminum scrap prices in the U.S., with a scrap trading at a premium of as much as 19 cents per pound.

Both Van and fellow presenter Thomas McMahon, who works in Singapore for Texas-based metals trading firm [Dillon Gage](#), said aluminum scrap is nonetheless poised for a bright future.

Van said CRU is forecasting that recycled metal demand will grow globally in both absolute volume and in market share. While secondary aluminum had 29 percent global market share in 2018, CRU sees that figure rising to 35 percent by 2028. Some of that growth will occur in China, which Van estimates uses just 10 percent scrap as feedstock in aluminum production.

McMahon said that in an era of increased attention to climate change, metal recycling “conserves natural resources, uses less energy than making metal from virgin ore, and reduces greenhouse gas emissions” compared to primary production.

Eric Tan of Malaysia-based SDM Specialty Chemicals provided delegates with an update on a 400-acre recycling park being built in that nation, despite some concerns there on scrap import policies.

Tan said Malaysia has several environmental laws that focus on the handling of potentially hazardous materials. The interpretation and enforcement of one of them seems to have resulted in an import ban on “oil-filled” scrap wire or cable, also referred to as jelly cable.

A rush by China-based recycling companies to set up shop in Malaysia created numerous unlicensed facilities, some of which began stockpiling material that attracted negative attention. Tan warned the BIR delegates the public perception toward recycling in Malaysia is “very bad,” largely because of “illegal plastic recycling facilities.” He added, “Do not follow in the footsteps of the illegal plastic recyclers. It’s hurting the reputation of recycling.”

To help address the issue, Tan said his firm and other metals companies are in the process of chartering the Malaysia Non-Ferrous Metals Association “to become a central hub for the nonferrous industry in the Southeast Asia region.”

The 2019 BIR World Recycling Convention & Exhibition was held May 19-22 at the Shangri-La Hotel in Singapore.