

### **Saudi scrap demand growth seen continuing at slower pace**

Demand for scrap in Saudi Arabia will likely continue to grow after 2016, driven in part by a large number of small-scale induction furnace-based mills in the country. The current situation of some steelmakers preferring to source billet and iron ore over scrap, meanwhile, is “reactive” and unlikely to last for long, according to Ismail Al-Sulby, general manager longs at Sabic.

Saudi scrap demand is forecast at 4 million tonnes in 2015 and 4.4mt in 2016, up from 2.2mt in 2012. This is a large increase in a short space of time for a country like Saudi Arabia, according to Al-Sulby. “We believe the current situation of billet, iron ore being preferred to scrap is short-term, it’s reactive,” he said at Monday’s Bureau of International Recycling summit in Dubai attended by **Kallanish**. “We’re building our industry on relationship. The fundamentals of production will continue.”

Saudi historically generated more scrap than it consumes, but then imposed scrap export restrictions after new steel mills put pressure on supply. In 2012/13 Solb Steel, Al Ittefaq Steel and Sabic each commissioned 1 million tonnes/year electric arc furnace meltshops that required scrap. This saw increased imports of the steelmaking feedstock. “As Sabic we like to make sure we get our scrap from reliable suppliers – we had to import scrap,” Al-Sulby said. “We believe this will be the way forward in the short to medium term.”

According to Al-Sulby, scrap collection in Saudi was, as well as the steel market in general, affected by the government labour crackdown in 2013 which saw over 1 million foreign workers leave the country. Regional political instability is also a “very big challenge”, despite stability within Saudi itself, he added.

Falling oil prices and their knock-on effect on steel prices has also posed a problem. “Having prices drop this way is very difficult,” Al-Sulby observed. “However, we believe low prices of steel will provide a catalyst for economic development everywhere in the world. Where there is economic growth, steel will follow... Steel is the only true indicator of economic growth.”

Sabic estimates rebar and wire rod demand in Saudi at 9.2-9.3m t/year, while flat product demand is at 4.7mt. The firm uses a 20:80 scrap:DRI ratio.

### **China to use more scrap, not export it; India next region to drive growth: Worldsteel**

China is unlikely to become a net exporter of scrap in the foreseeable future as it will increasingly use the feedstock in basic oxygen furnace-based steelmaking to save on energy costs and reduce carbon emissions. So said World Steel Association director general Edwin Basson at this week’s Bureau of International Recycling convention in Dubai.

With Chinese steel consumption growth slowing as China’s market becomes “mature”, the global steel industry is waiting for a new candidate to take over as the main driver for steel demand, according to Basson.

“India is a very strong contender because it has the people numbers and the economy size required to have a global impetus,” he said at the summit attended by **Kallanish**. “The second contender is the Middle East and North Africa area which is growing quite strongly at the moment, but in terms of size is not large enough to drive the global pattern. And the last one is the African continent itself, but we think that’s quite a way off.”

The global population is expected to reach 9 billion in 2040, which would mean a steel demand of 2.1 billion tonnes. Steel use has doubled in the last decade thanks to the impact of China, but future growth is likelier to be much steadier, Basson observed. The “major megatrend” driver of consumption remains urbanisation.

Global blast furnace iron use is seen stagnating by 2019, while scrap and DRI use will grow as a replacement. “The reason for this is nothing to do with technology, it’s more to do with the environmental factor,” Basson said. “The pressure on steelmakers to perform and continue to supply steel at low carbon emission rates, the pressure on society as a whole to stop producing waste – steel very quickly turns from waste into a reusable product.”

Around 1 billion tonnes of scrap could be generated globally by the late 2020s, he added. Close to 50% of the 2.1 billion tonnes of steel that we use in 2040 could be produced using scrap.

Scrap is becoming increasingly available in China, where steel stays in use for 20-30 years on average, compared to 43 years in the US and 47 years in Europe, Basson continued. The first use for the obsolete scrap will be to contribute to BOF steelmaking. “So we don’t see China becoming a net exporter of scrap,” he explained.

In his own personal opinion, since worldsteel cannot get involved in WTO matters, Basson said he sees senior steel industry figures in China taking steps to address overcapacity. This could bring results in 12-18 months, the director general said.

### **Inspection agencies must recertify by 7 June for India scrap shipments, new rules from July**

Pre-shipment inspection agencies have until 7 June to reapply for certification that will enable them to approve shipments of scrap to India under the Indian government’s strict new metal scrap import regulations. All existing certifications will be invalidated when the new rules, which include the requirement that the entire loading and inspection process is recorded by video or photo, come into effect from 1 July.

India’s Directorate General of Foreign Trade (Dgft) announced the new regulations in its latest foreign trade policy. It previously required a 3-5 minute detailed video of the inspection; however, it now says photos are an acceptable alternative. Agencies that carry out pre-shipment inspections will also be required to provide extensive details to Indian authorities before inspecting shipments in countries without agency representation.

The move has been made in response to radioactive and explosive material being found in several scrap imports into India. Despite criticism of the severity of the regulations, which many fear will lead to reduced scrap shipments to India, the home affairs ministry has ruled the security of the country takes priority. This is especially so with the increasing threat of terrorism, according to Metal Recycling Association of India (MRAI) president Ikbal Nathani.

“Dgft is hell-bent on this new procedure,” Nathani said at Tuesday’s Bureau of International Recycling convention in Dubai attended by **Kallanish**. However, MRAI is seeking two concessions from the directorate, he continued. One is to allow for self-certification of scrap yards that already inspect and monitor material for explosives or radiation. This would remove the need for a third-party inspection agency.

The second concession is “to exempt shredded scrap from requiring an inspection certificate because... when an automobile goes through a shredder, a hammer mill, if there’s any explosive in the scrap, it will explode at that time – there’s no radiation because each of those yards that have a shredder have their own gate monitors,” Nathani observed. If these two conditions are granted, “that will take care of 18% of India’s [metal scrap] imports”, he added.

Although MRAI is initially pushing for scrap yards and processors to be self-certified, it also later wants to include traders and brokers, said association VP Dhawal Shah. “But there would need to be clarity over where the material comes from – this would have to be disclosed to Dgft,” he observed.

MRAI urged scrap merchants to inform inspection agencies in their respective countries of the necessity to reapply for certification.

### **New BIR president urges removal of barriers in scrap trade**

Ranjit Singh Baxi urged the reduction of trade barriers in international scrap trade as he was elected the new president of the Bureau of International Recycling (BIR).

Baxi is founder chairman of UK-based recovered fibre, plastic and metals merchant J & H Sales. As he assumed the presidency from former president Bjorn Grufman during this week’s BIR convention in Dubai, Baxi said: “Why is recycling not part of climate change discussions? Yet we see very little or no mention of the contribution made to this by our industry. With your support I would like to change this.”

“All of us working together will be and can be the change agents in promoting the message that recyclables must be provided with free passage globally, with reduced with reduced trade barriers and minimum legislative controls,” he told the audience at the convention attended by **Kallanish**.

“We are always listening of new controls being imposed on our business worldwide – I think we should work together to reduce controls,” he continued. “We should also work together to increase the volumes and quality of recyclables and make sure that recycling is always kept at the forefront of all climate change discussions.”