

## PRESS RELEASE

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## Statistical anomaly explains China's soaring scrap usage

**Brussels, 6 April 2018**

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As the world's largest steel producer, China is never too far from the thoughts of the steel scrap recycling industry. In a press release dated March 6 2018, BIR pointed to last year's 64.2% leap in the Chinese steel industry's scrap use to 147.9 million tonnes, prompting a dramatic increase in the proportion of steel scrap used in the country's steel production to 17.8%.

During the preparation of the 9th edition of our statistical analysis "World Steel Recycling in Figures 2013-2017", intensive talks have been held to evaluate the reasons for this unexpected development of China's steel scrap consumption. During our investigation, it was learned that this growth in scrap usage was closely related to China's closure of induction furnaces last year.

Induction furnace production has been a characteristic of the steel industry in China for many years, but this sector's production and steel scrap consumption were not included in official figures. Estimates indicate that steel scrap use in the country's induction furnaces was around 60 million tonnes in 2016 - and yet these volumes did not feature in official statistics. Hence, the steel scrap use figures BIR has received since 2010 from the China Association of Metalscrap Utilization (CAMU) do not incorporate this large quantity of steel scrap.

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**BIR – REPRESENTING THE FUTURE LEADING RAW MATERIAL SUPPLIERS**

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Following the closure of the induction furnaces, most of this 60 million tonnes of steel scrap was used last year by China's basic oxygen furnace (BOF) and electric furnace (EF) steel producers. That was the reason behind China's sharp increase in steel scrap usage in 2017. As mentioned in the March 6 press release, a further 2.2 million tonnes of steel scrap was not used domestically in China but was instead exported.

Given that the steel scrap consumed by the now-idled induction furnaces was not included in the figures for 2016 and for preceding years, no direct comparisons can be made with the numbers for 2017.

The increase in China's steel scrap usage last year is in line with Chinese government plans for a general increase in steel scrap use in domestic steel production. For example, it has been heard that the country's BOF steelworks are being asked to increase their steel scrap use from 11% at present to at least 20%. Moreover, EF production accounted for 6.5% of China's overall steel production in 2017 but this figure is expected to climb over the coming years.

As a result of this development, further investments in steel scrap processing are planned, especially in shredder capacity.

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