

Scrap metal export curbs threaten steel expansion plans

BLOOMBERG
3 November

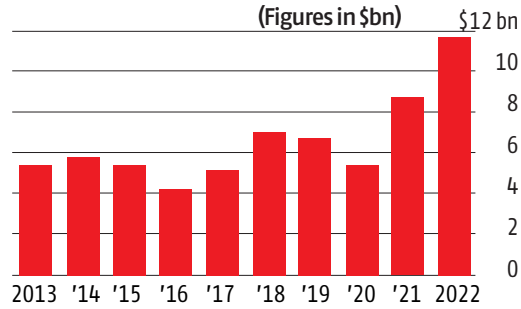
Potential restrictions on scrap metal shipments from the European Union as it seeks to reduce industrial emissions may make it harder for India to grow its steel sector.

Countries are recycling more scrap domestically to reduce the use of pollutive feedstocks like iron ore in the steel-making process. For India, which is scrap deficient due to a relatively small consumer base, imports are key to its target of doubling steel production capacity to 300 million tons by the end of the decade. Producers are following policy developments such as the EU's update of its waste shipment rules, which came after China tightened scrap metal exports. The bloc's proposal recommends that waste is only sent to countries outside the Organization for Economic Cooperation and Development group if they can meet strict environmental criteria.



SCRAP METAL IMPORT BILL HAS JUMPED IN LAST DECADE

Ferrous scrap makes for half of imports



Sources: Bloomberg, Ministry of Commerce

“Every country is going to protect their scrap due to a circular economy being implemented at home,” Sanjay Mehta, president of the Material Recycling Association of India, said in an interview in Mumbai. “It’s going to be a very tough situation for us” as the EU’s new regulations will likely tighten supplies to India, he said.

India is the biggest destination for European scrap after Turkey, and it

buys the rest from the US, Central and South America, Asia and the Middle East, according to the industry group. The country’s consumption of ferrous scrap metal will jump 50 per cent to 60 million tons by the end of the decade, and imports will double to about 20 million tons, it estimates.

The South Asian nation imported about \$12 billion worth of metal scrap in 2022, more than double the

amount from just five years earlier, according to trade ministry data. Almost half of the inflows were steel scrap, used as feedstock in electric arc and induction furnaces.

The US, Europe and the Middle East want to make sure that these efficient raw materials do not flow out easily, said Dhawal Shah, a partner at trading house Metco Ventures. “India will have to work more aggressively to secure adequate

supplies,” he added.

Indian producers like Tata Steel, JSW Steel and ArcelorMittal Nippon Steel are poised to use more scrap to keep trading with the EU after the roll out of its cross-border carbon tax, Mehta said. Tata Steel set up its first steel recycling plant in northern India in 2021. The country’s recycling infrastructure is currently limited due to the low number of old vehicles being disposed of, and will continue to rely on imports to meet its growing demand, Mehta said.

In 2021, the Centre launched a scrapping policy to encourage recycling and remove old and polluting vehicles from the roads, but the uptake remains low.

“India has started with recycling of end-of-life vehicles today, and tomorrow, it could be white goods, air conditioners, refrigerators”, Shah said. “As the society matures, and domestic scrap generation grows, I think the import dependency ratio will come down automatically.”

