

Steel firms look forward to recycle mandate for automakers

Say improved scrap availability will help them in reducing carbon footprint

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Kolkata, 15 September

The government is expected to mandate automakers to recycle a specified amount of steel from old vehicles, a move that is expected to boost the steel circular economy and nudge scrap availability.

Taking off from the draft regulations on Extended Producer Responsibility (EPR) for end-of-life vehicles issued on January 30, the Environment Ministry is expected to issue regulations asking automakers to recycle or recover from FY26 at least 8 per cent of the steel used in vehicles placed in the market in 2005-06. The draft regulations specified 10 per cent but the mandate is likely to be kept at 8 per cent, according to sources. The percentage will be increased gradually and go up to 18 per cent in 2035-36. The regulations set a 30 per cent mandate for 2035-36 but the government is likely to keep it at 18 per cent.

According to CRISIL, an additional 0.2-0.25 million tonnes (MT) of steel scrap would become

available if automakers increase recycling. "Although this quantity is modest compared to the overall steel scrap consumption by steel mills, estimated at 29-31 mt for fiscal 2024, it would nonetheless benefit the overall steel ecosystem and contribute to the steel circular economy," said Sehul Bhatt, director — research at CRISIL Market Intelligence and Analytics.

Steel companies believe that as the sector works to reduce its carbon footprint, improved scrap availability will benefit them. India does not have enough steep scrap and imported 11.2 metric tonne in FY24 to meet demand.

TV Narendran, chief executive officer (CEO) and managing director of Tata Steel, said the mandate for automakers will help formalise the steel scrap market. "Overall, this will have a positive cascading impact and support efforts to lower carbon emissions in the steel industry, thus contributing to a sustainable tomorrow," he said.

In steelmaking, scrap is a feed material in electric arc furnaces

TOWARDS DECARBONISATION

■ Govt may issue regulations to recycle or recover from FY26 at least 8% of the steel used in vehicles placed in market in 2005-06

■ CEO & MD of Tata Steel TV Narendran says the regulations will have a positive impact

■ Ranjan Dhar of AM/NS India says even a marginal rise in scrap availability will be a welcome event

■ JSW Steel's joint MD and CEO says it is imperative to set up domestic scrap supply chains faster to enable the move towards decarbonisation journey



(EAF) and induction furnaces (IF). In the blast furnace-basic oxygen furnace (BF-BOF), the process preferred by steel companies but one that is carbon-intensive, increasing the scrap rate potentially reduces emissions. As steel companies decarbonise, scrap-based

technologies will be key for reducing emissions. Ranjan Dhar, director and vice-president — sales & marketing at steel producer AM/NS India, said even a marginal improvement in the availability of steel scrap will be a welcome development.

"Seaborne trade is anticipated to

face heightened restrictions globally as the industry increasingly transitions towards low-carbon steel production," he said.

"Given the protectionist measures of various countries to retain their scrap for their own steel industry and decarbonisation pathways, scrap availability from imports is likely to be restricted," said Jayant Acharya, joint managing director and CEO at JSW Steel.

"Hence, it is imperative for us to set up domestic scrap supply chains faster to enable us to move towards India's decarbonisation journey," he said. Indians retain their vehicles for long and therefore, Dhar pointed out, to facilitate a change the country must develop a robust recycling ecosystem. "In India, automobiles have a longer life cycle. Our income levels are different. As a result, automakers will need to introduce compelling incentives to encourage the return of end-of-life vehicles into the recycling system."

CRISIL MI&A estimates that large steel players will by 2028 add 50 million tonnes per annum capacity (MTPA), with more than 90 per cent of the addition being BF-based.

In India, IF-based players are the largest consumers of steel scrap.