ALFED GLOBAL UPDATE

QUARTERLY GLOBAL UPDATE

Q1 - 2017

GLOBAL PRIMARY ALUMINIUM PRODUCTION

The global primary aluminium production sector has started 2017 in an interesting position that could have widespread repercussions. In 2016 the primary production in China was largely unchanged from 2015 and the total world production, 58.9 million tonnes in 2016, was only marginally increased from the 57.7 million tonnes in 2015. In Q1 2017 a coalition of aluminium trade associations covering USA, Canada and Europe, with representation also covering Russia, has called for a global forum to be created ahead of the G20 meeting in Hamburg in the summer to tackle the problem of soaring output from China of primary aluminium. The subject was covered in an interesting article in the Financial Times on 19 March 2017. In a letter to the G20 leaders the trade associations report that international flows in aluminium are affecting many countries and undermining global stability.

Although aluminium prices have started to show some recovery following a five year slump, the pledge from China to reduced primary capacity has had very little effect. Any planned closures have been more than exceeded by opening of new capacity. The USA is now taking the position of the aluminium industry sector more seriously and has filed a case with the WTO against China and how their financial sector subsidises the aluminium industry in China. The subsidies particularly listed are for the supply of low cost coal, electricity and alumina. The EU has now officially requested to join the US complaint, after lobbying from European Aluminium.

Russia has suggested the formation of an aluminium cartel similar to OPEC which covers much but not all of the global oil industry. Such a move would not sit easily with the North American and European aluminium companies for which very strict legislation covers any anti-competitive behaviour.

In the meanwhile in China an “Air Pollution Control” regulation was published in February and became law in March. The primary target for the new regulation is coal being used to fire power stations. In four provinces around Beijing primary aluminium smelters are being ordered to cut production by 30% over the winter season. These smelters take power from coal-fired stations. This covers 40% of China’s aluminium production capacity and potentially could take 1.3 million tonnes out of production. This could well affect both supply and price.

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The formation of an aluminium consortium is not new for the global aluminium industry. In 1994 the USSR was breaking up into independent states and the USSR was then producing about 4 million tonnes of aluminium, a significant tonnage when the global total production of primary aluminium was 19 million tonnes. Much of the USSR aluminium was being used in military hardware and that industry was being run down. The tonnage not used by the military was placed on the world markets and the price of aluminium on exchanges such as LME fell like a stone. With the agreement of legislators in North America and Europe the global aluminium industry signed a Memorandum of Understanding (MoU) that allowed the industry to act collectively within the law and 1.5 million tonnes of primary capacity were taken out of production, a significant tonnage in relation to the global total. There was then a sharp increase in aluminium price; within a short period of time the price on the LME moved from $1100 per tonne to $2100 and then fell back. Primary producers were happy but extruders and rollers, who were at the interface between smelters and end users, were less so. At that time the aluminium industry was beginning to make inroads into the use of aluminium in the automotive sector, with rolled and extruded products beyond just aluminium castings. For the automotive sector the time between new designs and the actual production of a car to sell to the public could be three years or more. Car designers then needed to be confident about the price of materials into the future in their designs and suddenly the price of aluminium was on a see-saw. The price of steel was changing only by modest increments due to inflation. The instability in pricing of aluminium was a great concern at that time, particularly with the automotive industry, and the aluminium industry had to work very hard to overcome that concern. Sometimes the old adage "Be careful of what you wish for" has a ring of truth.

USA ACTIONS ON EXTRUSIONS AND FOIL

In 2011 the US Department of Commerce imposed anti-dumping orders on imported aluminium extrusions from China, with anti-dumping margins of the order of 30% for a five year period. In March this year the US International Trade Commission reviewed the position and has decided to continue the duties earlier imposed.

Also in March the Aluminum Association in USA filed an application for anti-dumping and countervailing duties on aluminium foil imports from China, in the customs classification Chapter 7607. China exported 1.1 million tonnes of aluminium foil under 7607 in 2016, 13% more than in 2015. The China Nonferrous Metals Industry Association, (CNIA) is encouraging its members to respond actively to the petition, believing that the access to cost-effective products is expanding the market for foil in USA and that the imported and home produced foils are complementary.

PRESIDENCY OF THE COUNCIL OF THE EU

For the first half of 2017 Malta will take the Presidency of the Council of the EU for the first time since their accession in 2004. This means that the Prime Minister of Malta chairs the Council of the EU and the committees of the EU, for environment, energy, etc., will be chaired by the equivalent minister from the government of Malta. This system of each Member State of the EU taking a turn at chairing committees will be replaced soon, because a six month period of directing activities is hardly ideal for long term objectives. The number of EU member states is also now too large to make this system effective.

A L F E D G L O B A L U P D A T E

EU CIRCULAR ECONOMY

The European Parliament has voted in favour of the Circular Economy Package that was endorsed at the previous vote of the Environment Committee and discussed at the EA Recycling Congress in UK. The EA are content with the issues of the single measurement point, references to multiple recycling, split targets for metal packaging recycling and consideration of a recycling target for construction and demolition waste.

EU ANTI-DUMPING DUTY ON ALUMINIUM WHEELS

The Commission has extended the anti-dumping duty of a 22.3% levy on the imports of aluminium wheels from China, for a further five years. The measure was challenged by the European Automobile Manufacturers Association.

THE ALUMINIUM MARKET IN EUROPE 2017

European Aluminium report that the aluminium industry in Europe has made a positive start to 2017, the production data so far for this year shows a growth year-on-year for rolled products of 5.7%, for extruded products of 7% and for primary production of 0.2%. The EA Short Term Trends Panel met at the end of March to discuss the extrusion market and predicted a slightly positive trend for extrusions in Europe in 2017 and 2018. A full report will be given at the EA meeting on 26-27 April and ALFED extruder members are welcome to attend.

ENERGY PERFORMANCE OF WINDOWS AND CURTAINWALL

EA report that both CEN and ISO have approved revisions of all standards relating to energy performance of windows and curtainwall. The new version of EN ISO 10077-2 will allow the industry to claim up to 7% better performance figures with regard to window sections thermal transmission than are now being declared.

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ALUMINIUM FEDERATION