

QUARTERLY GLOBAL UPDATE

Q3 - 2017

GLOBAL PRIMARY ALUMINIUM PRODUCTION

The IAI has just released the global data for primary aluminium production up to the end of Q3 2017 in the major geographic areas of the world. For 2017 from January to September, the total tonnage of production was 45.838 million tonnes. This should equate to an annual tonnage this year of 61.117 million tonnes, another record high. Up-to-date China has produced 55.4% of this global total. Looking at the last three years, the total production in 2016 was 59.890 million tonnes of which China produced 54.5%, in 2015 the total production was 57.736 million tonnes of which China produced 54.6% and in 2014 the total production was 53.927 million tonnes of which China produced 52.5%.

There have been various statements from China and from analysts that China is cutting back on primary aluminium production as older smelters are withdrawn, the rate at which new smelters are coming on line has reduced and there are Government restrictions on emissions and there are shortages of energy. One such statement was quite categorical in stating that during this year one tenth of China's primary aluminium capacity would be taken out. The numbers thus far do not bear this out. Furthermore, of the other areas of the world, primary aluminium production has stayed at much the same rate as last year and the Gulf States, the only other area other than China showing recent expansion, saw a fall in the rate of primary production so far this year. Hopefully the information below on anti-dumping measures and market economy status are steps in the right direction in keeping the primary aluminium industry viable in areas of the world other than China.

EUROPEAN ALUMINIUM (EA) ACTIVITIES

Anti-Dumping Methodology

EA has been working within a multi-metals organization, Aegis, to support the European Parliament position on anti-dumping, particularly with regard to China. The European Commission has taken a different and conflicting position. A final agreement has been reached, subject to confirmation in the plenary session of the European Parliament, with the following results, which are those supported by EA.

1. China was not granted Market Economy status. The new legislation focusses on the existence of significant market distortions.
2. There will be an exclusive chapter for aluminium products that triggers the use of non-Chinese costs and prices for dumping calculations.

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3. The burden of proof will not fall on the industry, but the European Commission will be the investigating authority and exporters allegedly dumping will have to produce counter-proof.

4. The new legislation reinforces the aluminium industry position against excess capacity.

Use of Lead in Aluminium Alloys.

Lead is used in small amounts in a few aluminium alloys as a deliberate alloying addition to improve machinability. An original request to the EU from Sweden was lodged many years ago, without supporting evidence, to strictly limit the lead content in aluminium alloys to 0.05%, beyond which the Restriction of Hazardous Substances Directive (RoHS) would apply. At a stroke this would have destroyed the aluminium recycling industry. After presentations from industry and from EA, the European Commission has issued draft Directives giving exemption from RoHS to several materials, including aluminium alloys, for the next five years.

Aluminium Packaging Recycling Targets.

Discussions are now underway between the European Parliament, the Council of Ministers and the European Commission on recycling targets for aluminium packaging. The targets proposed by the European Commission have been supported by EA, through the EA Packaging Group. This means that most countries have to meet a separate aluminium packaging recycling target of 75% by the year 2025. The EA Packaging Group is confident that the industry can meet this target, providing that Member States make the necessary investments in innovative collection and sorting methods and that all available recycling options are taken into account. This includes recovering metal from incinerator bottom ash as well as through modern recycling processes such as pyrolysis.

Aluminium Packaging in the Circular Economy

EA has published the second edition of Storytime “Beyond Brussels” focusing on aluminium packaging and its critical role in establishing a truly circular economy. It covers re-use of aluminium packaging and new applications. Copies are available from EA.

Monitoring and Reporting of Greenhouse Gases.

ISO has started on the development of a global standard for the monitoring and reporting of greenhouse gases in energy intensive industries, including primary aluminium production. The basis of the new standard will be the European Standard EN 19694, Parts 1-6, of which Part 4 relates to aluminium. EA coordinated the development of the EN standard and was in attendance at the first ISO meeting in Florence.

Fire Safety in Buildings

In September the European Parliament debated fire safety in buildings following the Grenfell Tower fire in London. EA provided MEPs with factual information about aluminium-based products used in facades, fire safety aspects, current legislative framework and potential next steps to improve the present situation. Copies are available from EA.

Aluminium in Contact with Food.

The Council of Europe is working on a revision and an update of its resolution on metals and alloys intended to come into contact with food, which includes a Specific Release Limit for aluminium and labelling provisions for uncoated aluminium in contact with acidic/salty foodstuffs. EA has represented the sector in a meeting of the Working Group and has submitted a proposal drawn up by experts from member companies to harmonise labelling across Europe.

ESTAL Congress

EA provided two speakers at the ESTAL Congress in Spain in September. One presentation was on “World Trade Impact on the European Aluminium Markets” and the other on the impact of the EU agenda on aluminium surface finishing.

KOBE STEEL PRODUCTS

When we set off on a journey by any mode of transport, plane, boat, car, train, we trust implicitly that the manufacturer has built the vehicle to the best standard of safety and efficiency and used components that have been manufactured from materials that comply with the relevant standard, governing the chemical composition and the guaranteed mechanical and physical properties. This trust is held even deeper with planes since the price of failure of components, and indeed failure of the vehicle itself, is likely to be even more grave when the plane is already several thousand feet from the ground. It is for exactly that reason why national and international standards for materials used in aerospace are more demanding than for materials used in General Engineering applications. When aluminium semi-fabrications for example are sent to the aircraft constructors, every piece should be identified in a way that is traceable back to a cast number in the remelt or cast house and the delivered material has been tested for mechanical and physical properties that ensure that they comply with the requirements in the relevant standard. If more than one batch of the material has been solution heat-treated for example, then a sample should have been tested from each batch. Who otherwise could be sure that the second solution heat-treatment batch was not over-heated, or that second ageing oven batch wasn't given the correct time at the correct temperature. Signed and dated certificates covering the material delivered and guaranteeing its compliance with the standard are the only sure way.

And now, in the case of Kobe Steel aluminium products, that trust has been shattered with the announcement this month that the company had falsified release data on delivered

products going back possibly over ten years. If we thought that things could not get worse they promptly did get worse, when it was reported that data on released copper products, some steel products and some special materials used in electronics, had also been falsified. Within a week shares in Kobe Steel, Japan's third largest steel company, fell by 40% in value, knocking \$1.6 billion off the valuation of the company.

We now know that the products in question have been used not just in Japan but globally. They have been used in aerospace, automotive, trains and even in rockets launching satellites. Boeing has admitted that such aluminium material from Kobe Steel has been used in their Dreamliner to join wings to fuselage. Honda, Toyota, Mazda and Subaru have used it in car doors and bonnets. Over the last year alone 38,700 tonnes of aluminium sheet, plate and extruded products and 2,200 tonnes of copper products have been released with false documentation. No-one yet has actually pinpointed any failure due to the use of the materials in question and several companies have checked their stocks and found compliance with the standards involved. Several Japanese car companies for example have checked components made from the materials from Kobe Steel and claimed that there were no safety issues. But what else could they say, they are selling cars with which the buying public need reassurances. But nobody can now go back and check every piece now in use from original suspect batches, in vehicles spread across the world. And, as ever, when you hear the 13th chime of the cuckoo clock you wonder about the validity of the previous 12.

It is worth remembering that when an order is placed for an aluminium product to a particular standard, whether it is to an EN standard, an American standard or a Japanese standard, or a standard from an individual company, failure to comply with the requirements of the standard demanded is a breach of the contract. Companies taking orders for semi-fabrication aluminium products for example, where the customer has not specified the standard to which the material is required to conform, can only assume in the EU for example that the current EN standard should apply and then produce the material to the current issue date of the standard. If the producer is not comfortable with the standard requested it is under no obligation to produce the material to that standard. A willing buyer and a willing seller are what is required. Will Kobe Steel recover from systematic falsification? It will be difficult in a very competitive global market to regain such lost ground.

DIARY DATES

Metal Bulletin 25th International Recycled Aluminium Conference.
13-15 November 2017, Warsaw, Poland.

Aluminium Federation
"Advanced Aluminium Engineering in the Automotive Industry"
21-22 November 2017. Birmingham.

**ALUMINIUM FEDERATION
OCTOBER 2017**