

## QUARTERLY GLOBAL UPDATE

Q1 - 2018

### GLOBAL ALUMINIUM MARKET

Reading “Hamlet” we learn, “When sorrows come they come not single spies but in battalions”. Did Claudius have in mind the European aluminium industry when he said this?

Taking the IAI statistics for primary aluminium production, in the year 2000, the global total was 24.657 million tonnes of which Western Europe smelters produced 3.8 million tonnes and China produced 2.8 million tonnes. By 2017 the global total had increased by a factor of 2.5, up to 63.4 million tonnes. The production from Western Europe was virtually unchanged at 3.77 million tonnes and from China it was 35.9 million tonnes, a factor of 13 times more than in 2000.

The net result has been clear to all; at one point the UK had five primary aluminium smelters, now we have one, and that of a modest size when seen against smelters now producing one million tonnes plus each year. Across Europe primary smelters have closed or, at best, not increased their capacity, apart from using more new scrap in the holding furnace. But of course, added value is the name of the game and US and Europe, and the UK particularly, have been targeted with low price aluminum semi-fabricated products, particularly extrusions and foil, from China and other south east Asia countries.

Meetings have been held over the past few months between official representatives of the aluminium industry from Europe, USA and Japan to strengthen trilateral cooperation in WTO and other forums to battle unfair trade in aluminium products from China. It is worth recalling that not much more than a year ago the European Commission was prepared to give China “Market Economy Status” on a fast track, and was only prevented from doing so by the intervention of the European Parliament, the members of which recalled that their position is by election of the public. The result was that the rules on dumping were rewritten in the EU and the onus was no longer on industry sectors such as aluminium to prove the case. The USA was also opposed to Market Economy Status for China. Meanwhile the USA has previously acted unilaterally against cheap imports of semi-fabricated aluminium products from China.

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But suddenly we found that the European aluminium industry has been looking in the wrong direction, in the expectation that the weight of the USA in the WTO would fall only on China. The Trump administration in early March made the announcement of imminent tariffs against the imports into the USA of aluminium products, 10% tariff, and steel products, 25% tariff from all countries. It was a preliminary announcement, it would not be enacted until it appeared officially, signed by the President, two weeks later. At that point there was no indication that certain countries could be granted favourable status for whom these tariffs would not apply. Near neighbours Canada, the largest importer into the USA of steel, would have been badly hit but Canada and Mexico may not have the tariffs applied if negotiations on NAFTA with USA are concluded successfully. Canada is very uneasy about negotiations that are held with threats being enacted in the event of failure to agree. Australia has been given favourable status, they had announced straightaway that there would be no retaliation in a trade war with USA.

President Trump was elected to office on an “America First” ticket so the action on tariffs across the globe should have come as no surprise to the EU. The White House rhetoric about the EU has not been comfortable; the EU has a very favourable trade balance with USA and does not, with some exceptions, spend enough money on defence, according to the President. Both the European Commission and the European Parliament are now preparing a measured response on the US tariffs on aluminium and steel. They are also in discussions with US officials over a dispensation for Europe on these tariffs. Eventually the EU has been granted an exemption from the tariffs on both steel and aluminium on a temporary basis.

The Commission has drawn up a list of commodities to which imports into Europe from US could attract extra tariffs as a measure of retaliation. The list contains commodities to which tariffs could apply immediately and commodities to which tariffs could only apply after a three-year period. In this latter list are some aluminium products that are imported from US, most notably aluminium extrusions and plate, sheet, strip and foil, under Chapters 7604, 7606 and 7607. Several of these products are important in the aerospace sector. Using the Customs and Excise data for 2017 on imports into the UK of aluminium extrusions for example, those coming from China had an average value of £1,570 per tonne and those coming from US had an average value of £7,310 per tonne. Clearly the Chinese extrusion are for cheap window sections and the US extrusions are in the hard alloys for aerospace that the UK does not extrude. That would then mean that European companies relying on imported aluminium products from USA would be paying more and the end-user products in Europe will become more expensive as a result.

Looking also at the UK aluminium exports to US, we do not have large tonnages of aluminium products exported to US. There are tonnages of aluminium scrap, Chapter 7602, but if this material stayed in UK instead and was recycled by our own very efficient secondary aluminium refiners and wrought alloy remelters that would actually be a benefit. Other exports are extrusions, wire and plate, sheet and strip but the tonnages seen on a global scale are not large.

The UK government is now attempting to gain favourable status in its own right with US to achieve exemption from these tariffs. That might have seemed to be an unlikely objective but in the middle of March the EU announced that they would not raise objections to the UK arranging trading deals with third parties, even while the UK is still in the Single Market.

The end result is likely to be that almost everybody loses here, apart from the US aluminium primary and semi-fabricators, although they themselves may well lose the incentives to maintain their competitiveness. The US car industry, and many other similar industry sectors in US, rely on imported aluminium and steel products. The cost of these imports will rise and hence the cost of cars and other end products will rise. Those countries that produce low cost aluminium extrusions, and China is only one of several, will now target countries such as the UK, where they already have trading companies and a market share. The UK aluminium industry may find the USA a more difficult market to service economically with aluminium products. Other EU countries that presently export aluminium products to US will themselves be seeking new outlets within the EU itself. Sanctions against only China, which most people had been expecting, have not yet been effective. The Chinese can and do easily divert their production to other nearby countries and they have been known to export aluminium products to Mexico and hence on to USA, having on the way changed the country of origin from China to Mexico.

It remains to be seen what effect the new US tariffs will have on aluminium prices round the globe, on various exchanges and in premiums paid for ingot and billet. Logically the result of the tariff will lead to an excess of metal in Europe, with warehouse stocks rising and exchange prices falling, but restricted supplies in US with lower warehouse stocks and higher prices. On the LME during March aluminium lost \$150 per tonne and the three months aluminium contract price lost \$100 but these are very early days and only time will tell what the final results are.

### **EU WASTE PACKAGE**

The text of the EU Waste Package has been approved by the 28 Representatives of the EU Member States on 23 February and is a positive signal in favour of the Circular Economy. European Aluminium, on behalf of the EU aluminium industry, welcomed the text, noting particularly the phasing out of landfill and increasing the recycling targets for household and packaging waste. The target for aluminium packaging recycling is for 50% in 2025 and there is cap on waste landfill of 10% in 2035. Clearly there are differences in existing collection and recycling infrastructure between the well-established EU member countries and those that have recently joined. It is accepted that metals recovered from bottom ash after incineration play a part in the final recycling calculations. The measurement of the actual recycling against the agreed targets takes place after the final sorting phase, before final recycling, thus ensuring that all Member States report on the same basis.

It is also now recognised that the present target for the construction and demolition waste stream is not a recycling target, it is a recovery target. The Commission will consider setting re-use and recycling targets for construction and demolition waste by 2024. EA also recommends that the European authorities apply the same environmental, health and safety conditions for recycling waste outside Europe as applies inside Europe.

**EUROPEAN ALUMINIUM ENVIRONMENTAL PROFILE REPORT**

The EA Environmental Profile Report 2018 has been published. The report covers the entire aluminium value chain in Europe and is based on 2015 production data collected from Members. The data reveals that in primary aluminium production there has been a significant reduction in global warming potential and the environmental performance of primary aluminium consumed in Europe is stable. For the semi-fabricators and recyclers there has been a strong improvement in environmental performance in these processes.

The report is an update of the 2010 production data-sets, providing accurate Life Cycle Inventory data. An executive summary of the report can be found on the EA website. EA is holding an Environment Workshop on 29/30 May 2018 in Brussels.

**ALUMINIUM WASTE AND SCRAP CODES, CHAPTER 7602.**

European Aluminium has met with the Commission in discussions on reshaping the aluminium scrap codes, as in Chapter 7602. Proposals have been presented to the Tariff and Statistical Nomenclature Section of the Customs Code Committee. ALFED members who trade aluminium scrap internationally can find further details from the EA website.

**CONSTRUCTION PRODUCT REGULATION GUIDANCE FOR ALUMINIUM DOORS, WINDOWS AND CURTAIN WALLS**

EA has updated its guidelines, helping metal window manufacturers to comply with Construction Products Regulation EU No. 305/2011. The guidelines give information on Declaration of Performance and CE Marking, in line with the revised windows product standard EN 14351-1 that has recently been cited in the Official Journal of the EU.

**ALUMINIUM FEDERATION  
1 APRIL 2018**