

China's new rules may be altering global scrap metal trade

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London — With China shaking up the way the world ships its scrap metal by limiting the amount it will take, concerns have emerged in the market about how the industry's dynamics may have changed for good.

China started to look at bans on imports of waste in July 2017, and from January this year it banned mixed metal scrap imports in a move to promote the conversion of local waste and scrap into recycled materials.

At the start of 2019, China banned imports of lower-grade Category 7 copper and aluminum scrap and, at the start of July, high-grade Category 6 copper scrap was switched to restricted import status, which will require licenses, according to the country's Ministry of Ecology and Environment.

"Scrap sellers around the world are looking for new markets for their material but finding prices paid in other parts of the world are significantly lower than China pays," one senior trader said in an email to S&P Global Platts.

The scrap business now operates on a quota basis, with the Chinese government allocating specific amounts of metal per importer. Once these are used up, there is a wait for the next round of quotas.

According to BMO, China issued a fifth batch (57,000 mt) of Category 6 copper scrap import quotas last week spread across 71 companies, taking total quotas to 541,000 mt, or about 430,000 mt copper-contained, since the new legislation was put into effect July 1.

At the recent Bureau of International Recycling annual conference in Budapest, traders were complaining of dire conditions brought about by the strict, and somewhat perplexing, Chinese rules.

Almost all agreed that the changes implemented globally to counter the new legislation are likely to stay long term.

One scrap trader called current market conditions "awful." He added: "There's no auto industry to speak of. There are small pockets of business, but few and far between."

Others said it was simply the evolution of global trade whereby products need to be recycled closer to the source rather than shipped across the world, deepening the CO2 footprint.

Murat Bayram of European Metal Recycling said: "There is no way back. We have seen huge investments in the Western world. We need to fasten our seat belts. Quality, service and reliability are the most important things to focus on to help our industry overcome the turbulence."

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