

 This week:

Decarbonisation disconnects scrap from raw materials, outlook uncertain

The push to reduce carbon emissions will create “a large opportunity” to grow scrap’s share in current steelmaking beyond its current average of 30%, said McKinsey & Company’s Dr Steven Vercammen in a Bureau of International Recycling (BIR) webinar this week.

The key challenges are to extract more scrap from the system and to enhance quality, adds Vercammen, senior knowledge expert at the consultancy.

Having traditionally followed iron ore and coking coal trends, scrap prices are likely to “disconnect” as a result of “this whole decarbonisation pressure and the importance of using more scrap to be able to reduce CO2 emissions,” said Vercammen.

Prices of value-added scrap will increase, agreed Dr Benedikt Zeumer, McKinsey partner.

“Recycled materials will be much more favourable in terms of CO2 emissions and probably also energy intensity,” he contends.

“A few years ago, there was concern that China might become a huge scrap exporting country, with the effect that it would hurt scrap prices around the world,” observes Scott Newell, chairman of US-based Newell Recycling Equipment and vice chairman of China Recycling Newell Equipment.

“The opposite is what is happening. China will need to import scrap rather than iron ore and coal in order to reach the goals of a cleaner environment and more cost-effective steel production,” he adds.

Around 630 million tonnes of steel scrap are recycled worldwide every year, preventing nearly 950mt of CO2 emissions and making “a decisive contribution to climate protection,” confirms BIR Ferrous Division statistics advisor Rolf Willeke. Adding in scrap usage within the foundry sector, annual CO2 emission savings amount to over 1 billion tonnes.

Willeke highlighted a 47.1% surge in China’s steel scrap consumption to a world-topping 137.95mt in the first six months of 2021. This reflects the objective announced in China’s latest Five-Year Plan to reduce CO2 emissions in crude steel production through increased steel scrap usage.

George Adams of SA Recycling said mills in the US “continue to make record profits on wide margins between scrap and new steel prices.” Barring unforeseen events, he added, “the US scrap market can be expected to remain steady and range-bound through to the end of 2021 on continued logistical delays and steady new steel demand,” with any bias towards “a slight upside, especially for shredded.”

Scrap prices in Japan have remained “in a rather high range” over recent months whereas exports have been on a downtrend, according to Ted Taya of Shinsei Scrap Co.

Denis Reuter of TSR Recycling in Germany says the outlook appears “difficult” for the remainder of the year, not least because steel production cuts of 15-20% are projected for this period in response to soaring energy prices.

In this weeks Issue:

► PAGE 3

Will iron ore drop further?

► PAGE 4

Can European rebar price return to record levels?

► PAGE 5

Will a decline in skelp pricing impact US tube/pipe prices?

► PAGE 6

Will Turkish HRC prices drop?

► PAGE 9

Are European scrap prices preparing for a new rally?

KORE INDEX

| Index | 58% | 62% | 65% |
|----------------|--------|---------|---------|
| W-o-w % Change | -2.74% | -12.90% | -12.74% |

| | | | |
|----------------|--------------|---------------|---------------|
| 5 Nov | 74.53 | 97.62 | 115.90 |
| 4 Nov | 76.83 | 100.61 | 119.52 |
| 3 Nov | 75.60 | 102.21 | 120.48 |
| 2 Nov | 81.30 | 102.75 | 122.09 |
| 1 Nov | 83.95 | 105.90 | 125.22 |
| Average | 78.44 | 101.82 | 120.64 |

| | | | |
|----------------|--------------|---------------|---------------|
| 29 Oct | 85.24 | 109.10 | 129.20 |
| 28 Oct | 86.69 | 112.80 | 132.13 |
| 27 Oct | 92.02 | 120.48 | 142.32 |
| 26 Oct | 92.76 | 121.24 | 143.74 |
| 25 Oct | 92.33 | 120.85 | 143.90 |
| Average | 89.81 | 116.90 | 138.26 |

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Global Overview

North America:

- US hot-rolled pricing falls by \$10/st
- Flats, longs markets expect infrastructure demand boost in US
- Shredded scrap prices expected to rise in November

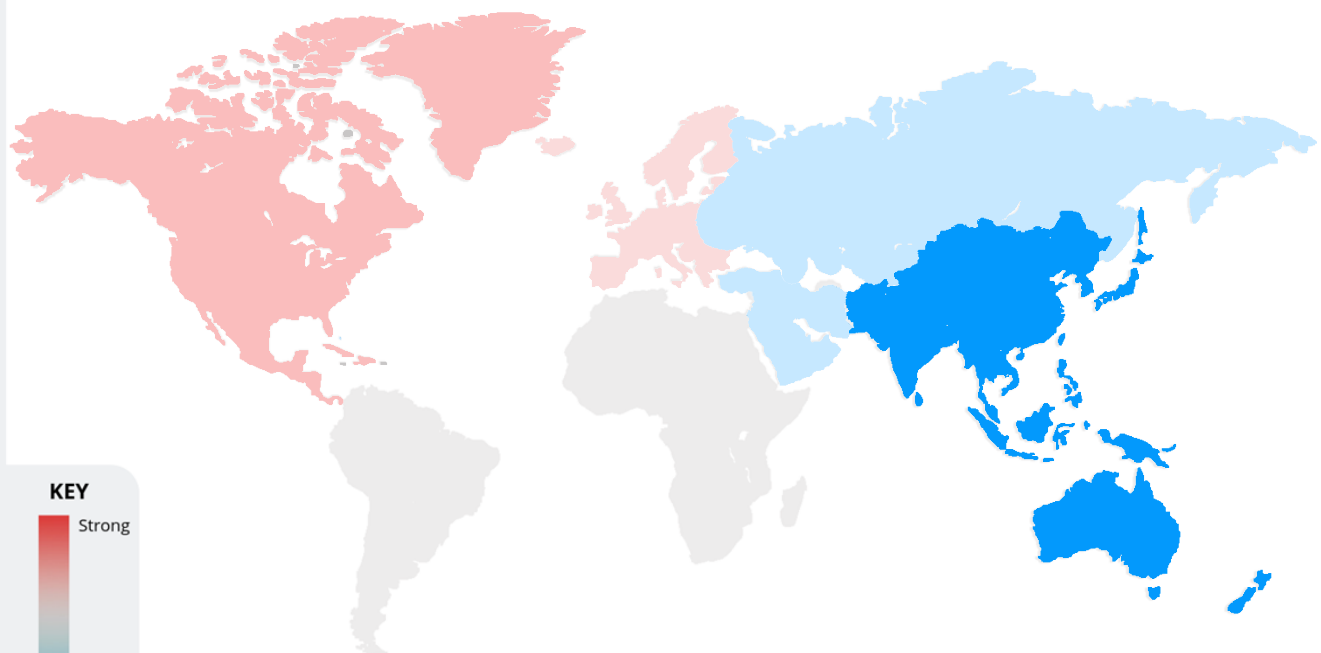
Europe:

- German rebar prices supported by input costs
- US allows EU to import 3.3mt
- Plate prices could turn upwards

Asia:

- Chinese prices drop
- Iron ore falls below \$100/t
- Indian net-zero target challenges steel sector

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



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CIS:

- CIS billet market still lagging
- CIS pig iron prices hold

Middle East:

- Turkish coils mills hold HRC offers despite uncertainties
- Turkish scrap down
- Iranian billet prices down

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Word of the week

Limestone



Along with iron ore and coke, limestone is an important ingredient in blast furnace ironmaking. The function of limestone is to react with impurities introduced by the other two ingredients to form a slag which can be removed from the furnace without contaminating the iron. The heat inside the blast furnace converts limestone into calcium oxide and CO₂ gas. Calcium oxide readily reacts with impurities like silica, sulphur, alumina and magnesia to form a slag. This gradually filters down through the furnace to settle on top of the liquid iron where it can be tapped off.

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