

Challenges face scrap suppliers and consumers

By Beate Kummer

'One of the greatest challenges for European industry over the next few years will be the supply of raw materials,' declared Rolf Willeke, Executive Board Member of the German steel recycling body BDSV, in his speech at the 'Stahlmarkt 2008' conference held last month in Düsseldorf, Germany. The following article reflects the main points of a presentation covering, among other topics, the relationship between scrap suppliers and consumers.

The worldwide shortage of raw materials has already led to massive price increases for energy and metal resources over the last few years. Steel scrap, the most important raw material for the European steel industry, has also increased in price (see Figure 1). But steel scrap prices are set to remain volatile.

Figures for 2007 highlighted that European steel recycling companies are key suppliers of raw materials to the European steel industry, with Europe's steelworks receiving approximately 88 million tonnes of steel scrap last year. Taking into account supply of raw materials in the form of waste metal from steelworks, 118 million tonnes of steel scrap was used in total last year. With 210 million tonnes of steel being produced in Europe, this means

that 56.2% of steel scrap is reused.

Changes to the volume of steel scrap produced in the EU, with the trend towards a higher proportion of old steel scrap, has presented steel recycling companies with challenges in terms of logistics, quality improvements and quality assurance. This calls for further debate on an equal footing at customer-supplier level.

Working group

A BDSV working group has put forward proposals with this in mind, according to which quality issues can be tackled and resolved only in partnership with the steelworks. Greater costs must be assumed for the sorting and processing that will be necessary for reasons of quality. Essentially, delivery conditions must be created in Europe that will

lead the purchaser to make rational decisions in response to questions concerning freezing allowances for possible pollution and rejections. In cases of doubt, a neutral expert would need to be involved.

The increasing demands of the steelworks will be accompanied by requirements arising from environmental and industrial safety legislation, and possibly from the EU REACH Directive. In the steel recycling sector, this will lead to further cost increases. Increasing demands imposed by legislators and customers also contribute to the on-going consolidation of the steel scrap recycling sector (see Figure 2).

The steel recycling sector is watching with concern the consolidation trend in the European steel industry, which increases dependen-



Rolf Willeke, Executive Board Member of the German steel recycling body BDSV.

cies in relation to the steel scrap industry and may possibly lead to price fixing. The recycling sector relies upon a healthy customer-supplier relationship and continues to trust its sound partnership with the steel industry that has existed over the last few decades.

The significance of steel scrap as a secondary raw material and the most important steel raw material in Europe emphasises the necessity that secondary raw materials should be exempt from REACH and must represent a major part of any political raw materials strategy. □

Figure 1
Evolution of steel scrap prices 2004-2008

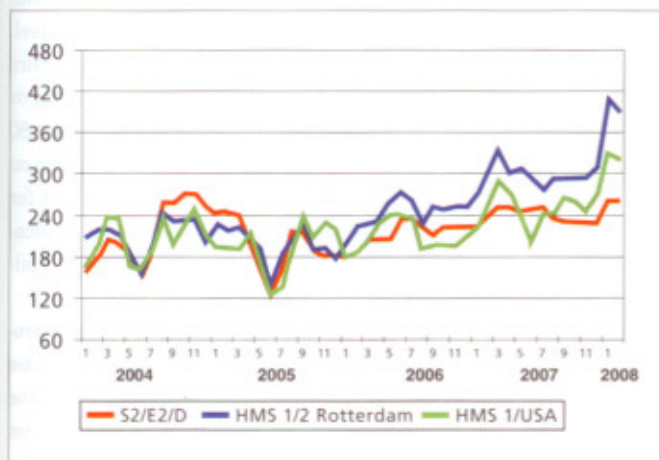


Figure 2
The eight largest steel recycling companies in Europe

Company	Presence in	Scrap processed (x million tonnes)
TSR	(Germany, Netherlands, Czech Republic)	> 10 m/t
Scholz	(Germany, Poland, Romania, former Yugoslavia, Czech Republic)	8 m/t
EMR	(UK, Netherlands, Germany)	7 m/t
Derichebourg	(France, Germany, Spain, Italy)	5 m/t
Interseroh	(Germany, Poland)	4 m/t
Stena	(Sweden, Poland, Finland, Denmark)	3,5 m/t
Kuusakoski	(Finland, Russia, Poland, Baltic States)	2,6 m/t
Sims	(UK, Germany, Netherlands)	2,5 m/t

Combined, these eight companies deliver around 40% of all steel scrap to EU steel mills.