

Increasing interest

Prices for aluminium have risen unabated during the pandemic causing price rises through the supply chain, but where will this end and will prices fall back in the future? asks CAB CEO Phil Slinger

At CAB's recent regional members' meeting in October, the first presentation was given by Uday Patel, senior research manager for aluminium at Wood Mackenzie. Patel is considered to be one of the most knowledgeable persons in his field. In his presentation he discussed the short to medium-term outlook for the aluminium market. Pre-pandemic on the London Metal Exchange (LME)



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Certainly with the drop back to \$2,700 the pressure on processors of finished products to review further price rises is significantly reduced. But it is too soon to tell if the fall will remain at this level. The question remains, will this dip be viewed as a further buying opportunity? This rapid drop could be due to investors turning their attention to 'green' stocks following COP 26.

Still, aluminium demand in the short term is outstripping supply and will do for the foreseeable few years so it is quite likely that prices will not fall back to pre-pandemic levels and will remain above \$2,500 a tonne.

China's huge appetite for aluminium plays a big part in consumption. It also exports aluminium products. In 2020 China's aluminium exports amounted to 11% of the rest of the world's part processed products such as extrusion. For flat-rolled products this rises to 23%. It is clear that tariffs and duties set by the USA and Europe are having little impact on total volumes exported. Low production costs in China continue to undercut production in the West. A proposed expansion could increase China's exports, although it is uncertain if several planned coal fired production plants will be built due to global pressure and the increased interest in 'low-carbon' aluminium production. Furthermore, the wider adoption of global

renewables, will in fact increase the demand for aluminium amongst other metals such as lithium. To keep to the 2°C warming proposed limit by 2050, aluminium supply will need to increase above the base growth, which in turn increases the need for further energy to extract and process the material. As Patel pointed out this new 'circularity' will likely increase carbon emissions in the shorter term by approximately 13%.

One way to offset the increased production of carbon is to increase the use of secondary or recycled aluminium. This, however, is in very short supply.

There is certainly not enough scrap available to meet current needs. This will also keep the cost of aluminium scrap at a premium. With better design of systems and quality of finishes, aluminium products will continue to increase their 'in-use' lifespan, further reducing the availability of scrap supply. However CAB's initiative of closing the loop of the recycling process increases the availability of quality scrap whilst ensuring a cost effective circular route for aluminium. The scheme also ensures that the UK will retain more of its scrap rather than exporting to countries such as China. □

CAB members can join the scheme and work together towards lowering carbon content of aluminium used in the UK. To join the scheme go to the CAB website: www.c-a-b.org.uk/closed-loop-recycling For association membership or to attend the next members meeting as a guest of CAB, please contact Jessica Dean at the CAB offices by email jessica.dean@c-a-b.org.uk