A L F E D G L O B A L U P D A T E

QUARTERLY GLOBAL UPDATE

Q2 - 2018

GLOBAL PRIMARY ALUMINIUM PRODUCTION

The IAI has now published the data on global primary aluminium production for Q2 2018. The total tonnage for Q2 is 16,066,000 tonnes, which, coupled with the Q1 figure of 15,690.000 tonnes, predicts an annual tonnage for 2018 of 63,512,000 tonnes. That being so, the 2018 figure will be almost the same as the 2017 total of 63,404,000 tonnes. This is one more piece of evidence that the global economy is now slowing down. In millions of tonnes the figures from 2010 to 2018 for global primary production are:

42.4, 46.3, 49.2, 52.3, 53.9, 57.7, 59.9, 63.4, 63.5.

The increases each year have been taken mostly by China and to a lesser extent by the Gulf States. Most other areas of the world are now showing lower levels of primary production than they did in 2010.

This quarter, Q2 2018, has been without precedent as the USA had decided to apply tariffs of 10% on aluminium products imported into USA and 25% on steel imports. Perhaps unexpectedly, this level of tariff would be applied universally. There followed appeals from various interested parties, who regarded the USA as allies and friends, including the EU and near neighbours to USA, Canada and Mexico, resulting in temporary exemptions and then the final decision to apply the tariffs world-wide. The EU announced retaliatory measures, with additional duties on a number of imports from USA, an appeal to WTO and the reservation of the ability to protect the EU from trade diversions caused by the tariffs. The aluminium supply chain position was further complicated by specific USA action against Rusal on the grounds that its senior officers were close to the Russian President.

It is premature to draw conclusions about the supply chain as a result of these trade disputes. The LME primary aluminium price started the quarter on $1,967 per tonne and ended the quarter on $2,170, and that looks flat, but there was a flurry in mid-April when the price hit $2,602 but fell away quickly. But with Rusal out of the market for a brief period the premium on ingot and billet was hitting the high spots.

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G7 AND GLOBAL OVERCAPACITY IN ALUMINIUM

At the G7 meeting in Q2 in Quebec, the Members recognised the negative impact of market-distorting subsidies and trade-distorting actions. The leaders stated the urgent need to avoid excess capacity in other sectors, such as aluminium and high technology. So which countries were present within the G7 group who were recognizing the negative impacts of subsidies and trade distortions? USA, UK, Japan, Germany, France, Italy and Canada. Until such time that China joins G7 it is merely a pious hope to recognise the problem of over-capacity, with no clear way in which the problem can be alleviated as far as aluminium is concerned. We could also be forgiven for thinking that there is some hypocrisy in the G7 members, recognizing trade-distorting actions when USA sits round the table distorting trade.

PRESIDENCY OF THE COUNCIL OF THE EUROPEAN UNION

For the first half of 2018 the Presidency has been in the hands of Bulgaria. Bulgaria works closely with Estonia, who held the Presidency in the second half of 2017, and with Austria, who take on the Presidency on 1 July 2018 for six months. The Presidency of Austria will be interesting since they have recently elected a right-wing government and President with hardline views on finance and immigration. The motto for their Presidency will be “A Europe that protects” and indeed one of the issues listed for protection is the external borders of the EU. Immigration is one of the issues that separates Western Europe from Eastern Europe.

In the past Austria has always taken a hard line on environmental issues. More recently Austria filed a legal challenge to the financial arrangements agreed for the Hinkley Point C nuclear installation in Somerset, on the grounds that the backing of the UK government with subsidies amounts to illegal state aid. The General Court of the European Union has rejected the claim in June 2018. Why would Austria be worried about what happens in Somerset? The problem here is that actually Austria is concerned because neighbouring Czech Republic are planning a nuclear station that will be 20 miles from the Austrian border. Austria has argued that the promotion of nuclear energy is not an objective of common interest. The court found that Britain was entitled to deem it as a public interest objective even if it was not shared by all member states.

ENERGY PERFORMANCE OF BUILDINGS

A new EU Directive, 2018/844, has been published on the energy performance of buildings and it will enter into force on 9 July 2018. As a Directive, all member states must introduce this into their own national legislation with 20 months. It amends an earlier Directive 2010/31/EU.

ALFED GLOBAL UPDATE

SUSTAINABLE DEVELOPMENT INDICATORS

During Q2 2018 European Aluminium started the collection of data of Sustainable Development Indicators for the year 2017 from Member Companies. It is only by regularly measuring the same indicators that the industry can judge that it is moving ever forwards in sustainability. It would be presumptuous for the industry to claim that we have already reach sustainability, the goal posts are always moving. Please support the data collection by EUROPEAN ALUMINIUM no matter which sector your company is in. And equally important, sustainability covers not just the environmental but also the social and economic indicators.

TRADE CODE FOR ALUMINIUM CANSTOCK

In May 2018 representatives from EUROPEAN ALUMINIUM met with the Tariff and Statistical Nomenclature Section of the Customs Code Committee to debate a new trade code for aluminium canstock in Chapter 76. EUROPEAN ALUMINIUM hopes that this new code will be in place by January 2019. The aluminium beverage can has probably the largest tonnage associated with it for any specific end use, remembering that canstock and can-end stock are different alloys and tempers. Within Chapter 7606, covering aluminium plate, sheet and strip, the specific end uses are not specified, therefore this would be a first. The data would be of great interest to several parties but, as the end use becomes narrowly defined, it also opens up the possibility of identifying the exports of particular producers.

ALUMINIUM BEVERAGE CAN RECYCLING REACHES 74%

The EUROPEAN ALUMINIUM announced that in 2015 the overall recycling rate for the aluminium beverage can in the EU, Switzerland, Norway and Iceland increased by 0.7% to a record level of 73.6%.

ALUMINIUM FEDERATION
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