

## **BIS Quality Standards needed for Aluminium Scrap Imports into India**

*Quality control of input Aluminium is essential for production of high-quality finished goods.*

For a developing country like India, the dynamics of earmarked industries play an important role in showcasing the trajectory of the economy. The Aluminium industry is one such strategic sector whose growth is immensely crucial for creating a thrust for the development of other diversified sectors to meet the demand for other national sectors such as defence, aerospace, automobile, manufacturing, building & construction, electrical, packaging etc. The role of Aluminium is also vital in generating thousands of livelihood opportunities and the metal will play an instrumental role in helping India achieve the coveted V-shaped recovery by next year.

With one of the largest reserves of coal and bauxite in the world and a strategic geographical location, one can easily say that the potential of India's Aluminium potential is largely under-leveraged. According to a FICCI Report, as we pursue the goal of becoming a USD 5 trillion economy, the domestic demand for Aluminium is likely to grow from current 3.7 MT in 2020 to 6.0 MT by 2025. This calls for the large-scale development of the Indian Aluminium industry to be able to provide support to the growing economy to make the PM's vision of an AatmaNirbhar Bharat a reality.

India's domestic Aluminium production capacity of 4.1 million tons per annum (mtpa) can sufficiently cater to its domestic demand of 3.7 mtpa (in FY20). However, over 60% of the country's Aluminium demand is still met by imports majorly in the form of Aluminium scrap. China's National Sword Policy and other measures to restrict scrap import has resulted in the diversion of entire global scrap chain towards India. This is further fueled by the lack of sufficient tariff and non-tariff barriers to check the increasing Scrap imports in India, majorly due to low import duties on scrap coupled with the absence of BIS quality standards for scrap recycling, usage and imports. As a result, India has overtaken China as the largest importer of Aluminium scrap in the world.

This has not only adversely impacted the domestic industry but also leading to high consumption of unchecked, sub-standard scrap due to lack of any quality checks rendering a huge risk of inferior quality of end-products being used in critical applications across the nation.

The absence of any quality standards and import monitoring for scrap has rendered India a dumping ground for scrap from other countries. Despite the significant presence of primary Aluminium production capacity and potential to generate enough domestic scrap, India's consumption of scrap is almost 100% import dependent. The primary Aluminium industry is facing a severe threat from the **increasing import of Aluminium scrap, as its share in total imports increased from 52% in FY-16 to 63% in FY-20 resulting in Forex outgo- of \$2 billion (Rs 14,000 Crore)**. This is posing a large threat to the survival of the capital intensive primary domestic Aluminium producing industry. Unfortunately, India does not have adequate institutional mechanisms to check proper collection, sorting, and processing of domestic or imported scrap. Also, there are no benchmarks in place to check the quality of the final products produced from such scrap. **Institution of proper standards for Aluminium scraps needs to be the first step to developing a nurturing ecosystem for the metal in the country. Post which, measures can be implemented to promote the circular economy and domestic recycling industry, and the utilization of indigenous scrap which will go a long way in reducing import dependency.**

Countries with high Aluminium consumption like China and other countries of the European Union have laid down strict standards and guidelines for scrap imports and processing & pre-processing of scrap. These countries have mandated stringent standards for Aluminium scrap as they follow ISRI (Institute of Scrap Recycling Industry) guidelines along with hazardous waste management practices. For international trade, the Indian recyclers are also extensively using ISRI classification. Most scrap recyclers consider ISRI as the globally accepted classification because it provides global guidelines for classification of scrap into different types for commercial purpose only and facilitates the trade. However, **ISRI is merely a classification and not a standard. If global countries would have felt the**

**same, countries like the EU and China would not have developed separate quality standards for scrap recycling, usage, and imports.**

Most of the Aluminium scrap finding its way into India is from the USA, which is diverting large volumes of scrap into our country, as China, EU and other developed countries have stringent standards. In FY20, India witnessed the highest ever scrap imports from the US, an increase of 327% over FY-16. The share of scrap imports from the US to India increased from 8% in FY16 to 24% in FY20.

Particulars (in kt)	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	% Growth (FY20/FY15)
Total Aluminium Imports	1670	1751	1958	2318	2151	29%
Scrap Imports	867	931	1121	1349	1348	55%
% of Scrap in Total Imports	52%	53%	57%	58%	63%	
Scrap Import from US	77	74	104	259	329	327%

Source: MoCI, DGCI&S, Industry Data

China, a leading consumer of Aluminium, has taken various measures to restrict scrap imports through its National Sword Policy. It has imposed 25% duty on Aluminium scrap imports from the USA. It has further included Aluminium scrap into its list of restricted import items since July 2019 with a plan to completely ban all the scrap and waste imports. Post these measures, the share of scrap imports from the US declined from 53% in 2017 to just 16% in 2019 for China's total Aluminium scrap imports.

In India, the Import of scrap Aluminium is further encouraged due insufficient import duty on scrap as compared to primary Aluminium and discount on scrap over LME price - accounting for a total differential of \$ 400 - 500/ MT. The duty on primary Aluminium is 7.5% plus premium over LME price, while Aluminium scrap is imported at 2.5% duty and zero premium, with an average 12% discount on LME by Bombay Metal Exchange. This is in sharp contrast to other non-ferrous metals like Copper, Zinc, Nickel, Lead, Tin etc. that have the same duty for both primary metal and scrap.

We also cannot ignore the environment and health hazards associated with the increased usage of Aluminium scrap (with high lead content and traces of radioactive elements) in sensitive applications like consumer durables, utensils etc. Currently, in the absence of any import monitoring system and lack of institutional standards, we do not have any data for the quality and type of scrap currently being imported. Use of scrap Aluminium in applications related to power transmission and electrical appliances leads to higher conductivity and electricity losses. This proves to be an extremely high cost for a developing country like India.

The country's environment custodian, the National Green Tribunal (NGT) has stressed and highlighted multiple times, the concerns related to environmental pollution and activities by the scrap recycling industry in Delhi NCR and various other locations, due to illegal and unauthorized scrap recycling and scrapping units. The NGT has also directed the formulation of a standard operating procedure (SOP) for setting up authorised recycling centres to scrap them scientifically.

**There is an urgent need for BIS standards for Aluminium Scrap to address quality, environment & safety concerns, as per global benchmarks and check the recycling, usage, and imports of sub-standard scrap.** This will help facilitate fair trade of scrap and will enable the availability of the right quality of scrap at the right price and ensure quality end products with zero harmful effects on the environment.

Quality standards for both primary metal and scrap must be backed by strong and dependable testing infrastructure, along with end-use / quality certificates with proper details with regard to metal content and contaminations, to maintain the quality of end products and only metal passing the basic

standards in quality, grade impurity, and alloy mix should be allowed. A system should be put in place to trace the sourcing and usage of scrap in critical applications. Equally essential is the need to address the import duty differential between primary Aluminium and scrap imports along with quantitative restrictions on import of scrap Aluminium. The biggest beneficiary of a robust Aluminium industry would be the economy and the government itself. Thus, the government should think progressively and look to institute the right checks to ensure the growth of the sector at large and therefore the economy. A good starting point for the same will be the announcement of a National Aluminium Policy focusing on putting in place a strategy for the optimum usage of scrap Aluminium.

It is important to note that the domestic scrap generation is sufficient to meet domestic demand. Hence, it might be prudent to facilitate the development of the domestic eco-system for scrap recycling to encourage efficient utilization and recycling of indigenous scrap and promote a domestic circular economy. Further, there should be complete clarity with regard to which applications can use the recycled Aluminium products like auto components, utensils, etc., and the industries where only primary Aluminium are to be used like electrical transmission/ distribution, aerospace, defence etc. Additionally, the right processing technologies along with the implementation of a stringent quality management system would help to determine the quality of the recycled metal which will result in increased consumer confidence in the quality of the product.