



June 23, 2017

Mr. Brad Botwin
Director, Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230
Via Email: Aluminum232@bis.doc.gov

Re: Response to Section 232 National Security Investigation of Imports of Aluminum

Dear Mr. Botwin:

The Institute of Scrap Recycling Industries, Inc. (ISRI)¹, is pleased to submit these comments on behalf of the U.S.-based scrap recycling industry in response to the Department of Commerce’s Notice for Public Comments on Section 232 National Security Investigation of Imports of Aluminum. The recycling industry appreciates the opportunity to offer its support of efforts to ensure a strong and vibrant domestic aluminum industry.

ISRI and the U.S.-Based Scrap Recycling Industry

As the Voice of the Recycling Industry™, ISRI represents 1,300 processors, brokers and consumers of scrap materials, including ferrous and non-ferrous metals, paper, plastic, tire and rubber, glass, textiles and electronics. While our membership includes companies from 35 different countries, North America – and especially the United States – makes up the vast majority of our membership. The scrap recycling industry’s total economic impact in the United States is nearly \$117 billion, generating \$13.2 billion in federal, state and local tax revenue while supporting more 530,000 jobs.

In 2016, the U.S. recycling industry processed more than 130 million metric tons of recyclables, including 4.9 million metric tons of aluminum scrap valued at nearly \$7 billion. As such, the U.S. scrap recycling industry is an environmental steward and an economic driver, and is vital to the health of both domestic and global manufacturing. In fact, the scrap recycling industry is often

¹ ISRI is the “Voice of the Recycling Industry,” promoting safe, economically sustainable and environmentally responsible recycling through networking, advocacy, and education.

referred to as the first link in the manufacturing supply chain, making our industry dependent on a healthy domestic manufacturing base and access to global markets.

Background of Aluminum Scrap Recycling

Aluminum is inherently recyclable and is highly valued as a raw material input for aluminum production. Aluminum scrap comes from end of life products (old or obsolete scrap) as well as scrap generated from the manufacturing process (new, prime or prompt scrap). Obsolete aluminum scrap is recovered from used beverage containers, siding from demolished homes and buildings, old radiators, used wire and cable, wheels from passenger cars, and end-of-life vehicles such as boats and airplanes. Scrapyards use a variety of processes including sorting, media separation, shearing, baling, and shredding to sort and prepare aluminum scrap to commodity-grade specifications. Making aluminum products from recycled aluminum saves up to 95 percent of the energy required to make aluminum from primary material. Recycled aluminum scrap contributes to over 50 percent of the U.S. total aluminum consumption. Therefore, the success of U.S. aluminum scrap processors, aluminum producers and consumers are closely and inextricably interconnected.

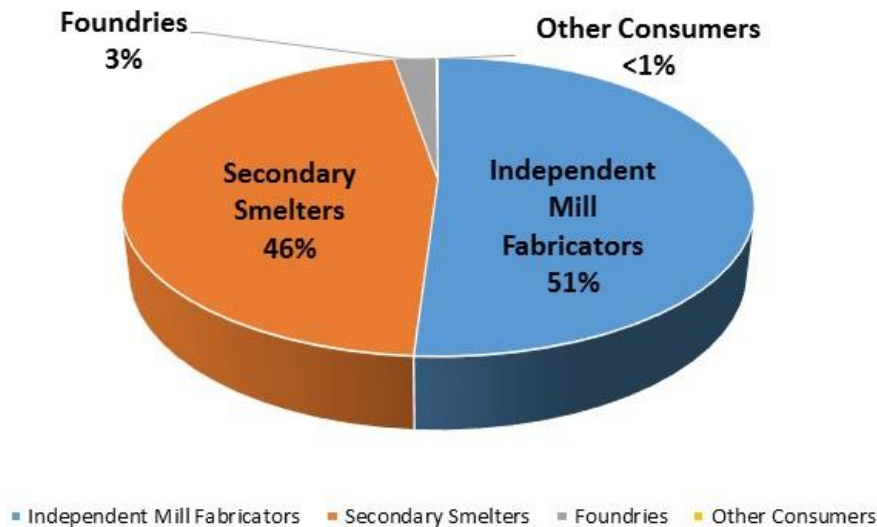


Demand for Aluminum Scrap

The U.S. Geological Survey reports that in 2016, aluminum recovered from purchased scrap in the United States was more than 3.5 million tons, of which about 58% came from new (manufacturing) scrap and 42% from old scrap (discarded aluminum products). In addition, U.S. exports of aluminum scrap – including used beverage containers and RSI (an aluminum alloy), totaled 1.35 million metric tons last year. And while overseas markets have been a growing source of demand for U.S. scrap, **approximately 70% of the aluminum scrap that gets processed in the United States is also consumed domestically.** In the United States, independent mill fabricators are the largest consumers of aluminum scrap, followed by secondary smelters, foundries, and other consumers, according to U.S. Geological Survey data.

Metallic Recovery of Purchased New and Old Aluminum Scrap in the United States in 2016

(Source: U.S. Geological Survey)



Scrap material moves to where demand directs it regardless of its original location. But there is a critical difference between how primary commodity and scrap commodity prices are determined. Unlike primary commodities that can have large inventory swings, the scrap trade is also a volume business. Scrap recyclers do not buy scrap inherently expecting to hold it until prices increase. They buy scrap to meet their customers' monthly requirements.

Prices are based on a marketplace made up of consumers who use these recycled materials to manufacture aluminum. Scrap processors purchase scrap from thousands of sources each day to keep up with expected consumer demand. After acquiring and then processing scrap into specification grade material, scrap processors deliver the material based on current market conditions dictated by the customer. Customers have orders to fill and thus, they buy scrap. Consequently scrap processors are viewed as the price taker, not the price setter, hence the phrase, "Scrap is bought, not sold."

To assist the buying and selling of recyclables, ISRI has developed standard specifications for scrap commodities, including approximately 50 aluminum scrap specifications. ISRI's "specs" are regularly updated and published in the *ISRI Scrap Specifications Circular* found at www.isri.org/specs.

Benefits from Using Aluminum Scrap

Manufacturers prize scrap as a raw material input due in part to the cost and energy savings associated with using scrap. For example, recycled aluminum scrap contributes to over 50 percent of the U.S. total aluminum consumption. Aluminum scrap can be melted and re-melted an infinite number of times to make products and parts for everything from cell phones to automobiles, bridges, and buildings. In addition to generating significant economic benefits, the scrap recycling industry is a pivotal player in environmental protection, resource conservation, and sustainable development. Aluminum, in particular, is one of the most durable and sustainable metals, with two-thirds the amount of aluminum ever produced still in use today. Recycling one ton of aluminum conserves up to eight tons of bauxite ore and 14 megawatt hours of electricity. In fact, the use of aluminum scrap produces significant energy savings of 95% as compared to using virgin materials, thereby reducing greenhouse gas emissions. And the use of recycled aluminum reduces the amount of material being sent to landfills, saving the land for better uses.

While market forces provide the incentives to recycle and consume scrap material, scrap recycling offers real sustainable solutions for balancing economic growth and environmental stewardship. Not only does recycling conserve our limited natural resources, it also reduces greenhouse gas emissions by significantly saving the amount of energy needed to manufacture the products that we buy, build, and use every day. The energy saved by recycling may then be used for other purposes, such as heating our homes and powering our automobiles.

Global Marketplace for Aluminum Scrap

Akin to other commodities, the market for scrap materials is increasingly global. Scrap has become a key feedstock utilized in manufacturing new products worldwide and supplies a significant amount of global raw material needs. As a globally-traded commodity, scrap becomes less dependent on local supplies and markets every day. Rising global demand for scrap is not only good for the environment, it also provides a useful outlet for our excess scrap supply. As a result of our nation's large industrial base and existing supply of obsolete scrap, the United States is the world's leading aluminum scrap exporting country. U.S. aluminum scrap exports to the world were valued at \$1.8 billion in 2016:

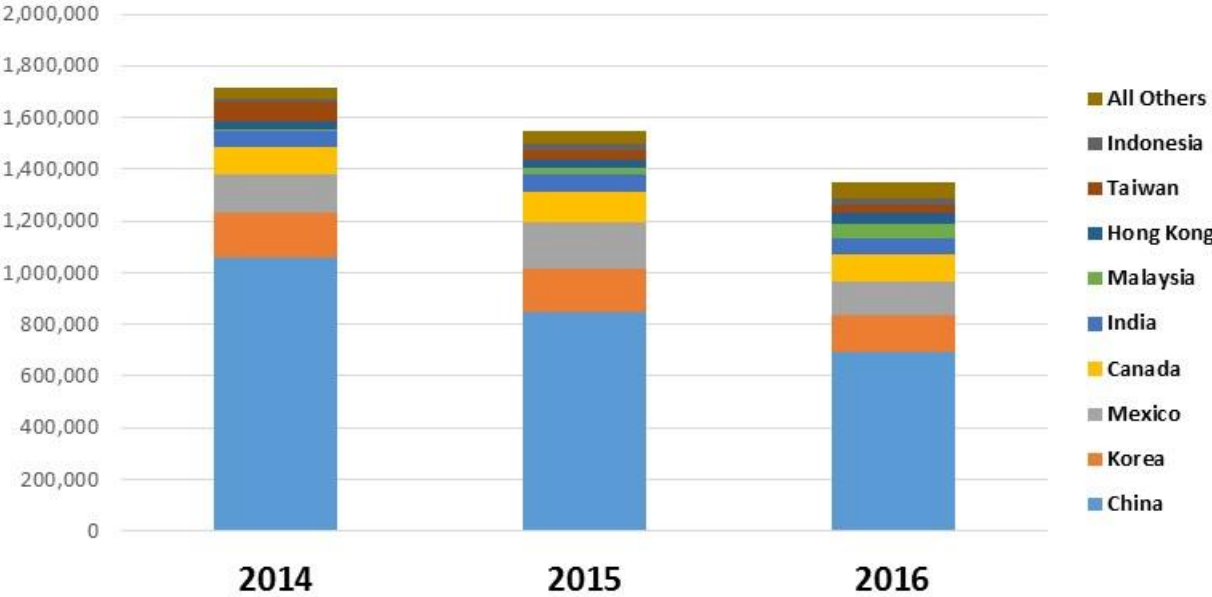
Top 10 Aluminum Scrap Exporting Economies				
	2013	2014	2015	2016
USA	\$3,161,127,949	\$2,768,994,493	\$2,345,777,306	\$1,810,140,182
Germany	\$1,529,935,297	\$1,713,855,842	\$1,520,533,328	\$1,321,913,481
Canada	\$702,909,154	\$825,924,356	\$740,439,482	\$664,816,708
UK	\$734,879,856	\$796,732,273	\$619,848,875	\$583,207,561
France	\$621,438,831	\$655,747,750	\$531,361,483	\$473,884,135
Australia	\$355,184,408	\$369,980,897	\$373,133,095	\$338,090,811
Belgium	\$462,665,952	\$403,456,926	\$346,509,256	\$305,779,392
Poland	\$245,692,776	\$269,350,162	\$248,062,175	\$260,489,117
Mexico	\$258,349,750	\$230,360,198	\$202,544,140	\$224,303,846
Japan	\$212,373,486	\$198,803,621	\$173,317,649	\$184,368,763

Source: UN Comtrade Database

U.S. export sales of scrap also significantly benefit the U.S. trade balance. Since the year 2000, net U.S. exports of aluminum scrap have made a positive contribution to our balance of trade amounting to more than \$24 billion. In 2016 alone, the United States exported 1.35 million metric tons of aluminum scrap to more than 45 countries around the world. Key export markets for aluminum scrap in recent years have included China, Korea, Mexico, Canada, India, Malaysia, and Taiwan:

U.S. Aluminum Scrap Exports by Major Destination, 2014-2016 (metric tons)

Sources: U.S. Census Bureau/U.S. International Trade Commission



Comments on 232 Investigation

The recycling industry understands the challenges facing the primary aluminum industry and, as such, supports efforts to strengthen the aluminum industry and identify through the Section 232 investigation unfair trade practices, including dumping, illegal subsidies, and other practices that threaten national security. As demonstrated above, a healthy aluminum industry means a healthy circular economy, an unfettered supply chain, job creation, and overall stable economic activity for both the U.S. aluminum industry and for the U.S. scrap recycling industry. Accordingly, the recycling industry appreciates and supports the Trump Administration's efforts in conducting this important 232 investigation and review process.

The scrap recycling industry is a strong proponent of free and fair trade. The important enforcement of U.S. trade laws is critical to the sustainability of the U.S. aluminum industry and we applaud the successful enforcement actions taken by the U.S. government to protect against unfair trading practices. For recyclers, it is critical that the economic viability of U.S. aluminum producers is strong and remains as stable as possible. The U.S. aluminum industry is not only our largest customer for aluminum scrap, but also generates significant volumes of scrap through the manufacturing process. Stable and highly functional markets for U.S. aluminum and aluminum scrap should result in an unbreakable supply chain of specification grade commodities that flow seamlessly back into the aluminum supply stream, and thus, new American-made aluminum is readily available.

Trade Restrictions on Scrap Commodities Harm Consumers

The global aluminum scrap market is one of the purest examples of supply and demand economics. Scrap is a globally-traded commodity that is less dependent on local supplies and local markets every day. The movement of material responds directly to market forces regardless of location. And the long-term cyclical nature of the scrap economy makes it clear that the market is adept at correcting irregularities in price or supply quite naturally. Any attempt to artificially alter that cycle will distort markets and prices.

For this reason, ISRI cautions the Administration against looking towards any form of export controls on processed aluminum scrap as part of the solution to the challenges facing the U.S. aluminum industry. While we do not believe that export controls are on the agenda, we raise the issue as an opportunity to highlight the problems that have occurred in the past when scrap is artificially removed as an important raw material supply source from the global marketplace. Should the scrap supply become constrained, history tells us that global scrap prices would increase significantly. Manufacturers would likely see price increases for finished products as a result.

Conclusion

Once again, we express our appreciation to the Administration for reviewing this very important issue affecting the manufacturing supply chain, and we hope ISRI's input provides a clear picture of what is at stake for downstream industries and will be given careful consideration as you decide the next course of action in support of the primary aluminum sector. If there is any additional information or clarification to these arguments we can provide, please reach out to me directly at rwienner@isri.org.

Sincerely,

Robin Wiener
President