

UK scrap metal industry's fuel costs triple under premature EV push - BMRA

Published by: Julian Luk

30 May 2022 @ 15:48 UTC

The bulk of scrap metal recyclers in the United Kingdom have seen their fuel costs triple in less than two months since the sector was banned from using red diesel (RD) which costs only half of normal diesel, an industry body said.

The £7 billion (\$8.84 billion) sector is still filtering through the impact of losing the entitlement to use RD, president of the British Metals Recycling Association (BMRA) Susie Burrage told Fastmarkets.

"Over 75% of BMRA members are small-to-medium (SME) companies, and the estimated increase in fuel costs could be up to half a million British pounds a year - that's very substantial," Burrage said on the side lines of the Bureau of International Recycling convention (BIR) in Barcelona last week.

"Immediately our fuel costs shot up. Take my company as example, costs tripled from before. The increment is similar across companies of our size, while fuel costs comprise a major part of the total," added Burrage, who is also managing director of Chesham-based Recycled Products, which collects scrap metal across UK.

The RD ban took effect on April 1, 2022. The UK government aimed to urge industries, including construction and recycling, to use more electric equipment and vehicles (EV) in daily operations to cut carbon emissions and reduce their reliance on diesel.

"The policy makers just [didn't] think [it] through. They're not even aware that there [are] not many electricity-driven heavy-goods vehicles (HGV) in [the] UK. There is no scrap metal shredder in [the] UK yet," the chief executive officer of BMRA James Kelly said at the same convention.

The two said that one electricity-driven vehicle commonly found across UK metal scrapyards is a material handler with an overhead wire nicknamed 'umbilical cord' that largely confines the mobility of the vehicle.

The use of RD has a long history in UK. It first appeared in the 1940s, with military and government authority adding a red dye to diesel to prevent theft and resale during World War II, according to research by the University of York.

RD was later used in off-road agricultural and commercial machines, including in scrapyards, as a lower-taxed fuel compared with the normal 'white' or 'clear' diesel used by road vehicles.

According to the UK government, the effective duty rate of 'white diesel' is 57.95 pence per litre (ppl), while that of RD is only 11.14 ppl.

Despite the financial motivation of soaring fuel costs following the ban of RD, the two recycling sector representatives still consider a shift to electricity in UK scrap sites unlikely.

Challenges have extended beyond a lack of electricity-powered HGV to a more fundamental issue - lack of electricity itself.

Many UK scrap metal recycling facilities are in locations that have little access to stable electricity from the Grid, Kelly said. Even if infrastructure construction kicks off now, it could take five to six years for a meaningful transition to happen, she added.

On top of climbing energy costs, softer commodity prices and a slow down in the auto sector have also dampened the prospects of certain scrap products.

Ferrous scrap prices have dramatically declined, with Russian steel products sold to Turkey at steep discounts since the Russian invasion of Ukraine.

Fastmarkets' assessment of the price of [steel scrap HMS 1&2 \(80:20 mix\) North Europe origin, cfr Turkey](#) has fallen by 30% in the past two months to reach \$444.56 per tonne on Friday May 27.

Stainless steel scrap has also declined since the beginning of May. Fastmarkets' assessment of [stainless steel scrap 18/8 turnings import, cif Main European port](#) lost 29.7% in the past four weeks, dropping to €1,440.00-1,595.00 per tonne on Friday May 27.

Fastmarkets' assessment of the price of [aluminium scrap cast wheels, delivered consumer UK](#) has dropped by 20% to £1,950-2,000 per tonne over the past two months due to less export demand.

The operational environment has become more hostile, with some small aluminium recyclers like Norton Aluminium in the UK winding up last month, according to the UK government's companies house service.

"We have not seen too many closures and consolidations among BMRA members yet. But even if the big guys are buying up small businesses, they would still pass on the rising costs to consumers," Burrage said.

Mergers and acquisitions (M&A) have become exceptionally active in the scrap recycling sector, especially in the secondary aluminium space, with more producers aiming to go 'green'.

In less than two months, [Hydro has offered to buy Alumetal in Poland, Metal Source has](#)

bought Huntington in the US, MetalX has acquired SRT and Anamera has acquired Arsham Aluminum Alloys.

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