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## Commodities

# German zinc recycler Befesa expands in China

By Pratima Desai

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**Befesa to build more recycling plants in China**

**Expects 30% of China's steel to come from scrap in 5 yrs**

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LONDON, Dec 21 (Reuters) - Befesa is expanding its footprint in China, where steel recycling is expected to rise to help meet national carbon emissions targets, creating an opportunity for the German recycler to recover zinc from steel waste.

Zinc is used to galvanise steel, now mostly produced in China using blast furnaces, though the government is asking mills to make greater use of electric arc furnaces (EAFs), which typically use scrap steel.

Electric arc furnaces produce a dust classified as hazardous waste that cannot be disposed of in landfills, but which Befesa collects for a fee and recycles to recover zinc in France, Germany, Spain, South Korea, Turkey and the United States.

"Our first plant in China started operating in November, the second will be in operation in three to four months," Befesa Chief Executive Javier Molina told Reuters.

"Today only 10% of the steel produced in China comes from scrap processed in EAFs. In five years, we expect 30% of China's steel will come from scrap. We will build more plants in China over the next four to five years."

China plans to boost its use of steel scrap by 23% to 320 million tonnes by 2025, to help meet its target of reaching a peak in greenhouse gas emissions before 2030 and becoming "carbon neutral" by 2060.

Molina said 70% of steel produced in the United States comes from scrap processed in EAFs, while in Europe the figure is more than 40%.

Befesa produces about 300,000 tonnes of zinc a year at a cost below \$1,000 a tonne, to bring in 80% of its earnings.

"We hedge 70% of our zinc production, usually three years ahead," Molina said, adding that Europe's power crisis had added to its costs. "But higher commodity prices this year have helped offset energy cost inflation."

Benchmark zinc prices of about \$3,400 a tonne on the London Metal Exchange are up about 23% this year after climbing 21% last year.

Befesa also produces aluminium from aluminium salt slag for less than \$1,000 a tonne.

Aluminium prices are trading at about \$2,700 a tonne, off their 13-year high of \$3,229 a tonne in October.

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