New Voice for a Unified Aluminum Recycling Industry

Interview with Luke Palen, Aluminum Recyclers Council

The Aluminum Recyclers Council (ARC) was recently formed to promote and protect the domestic aluminum recycling industry, while also improving recycling operations in North America through business excellence programs. The ARC named Luke Palen as chairman. He is also the president of Spectro Alloys Corp., an aluminum recycling company operating in Minnesota for over 40 years. In this interview, Palen lays out ARC's objectives against the backdrop of an industry undergoing rapid change due to trade issues as America works to recycle greater amounts of scrap. Heading this new industry organization, Palen sees a positive trajectory for building greater domestic demand and improving technical advancements in scrap processing.

Luke Palen.

What was the impetus for forming ARC? What has changed in the recycling industry such that the timing was right to come together now?

ARC has been in the works since last year, but the recent aluminum trade, tariff, and sanction issues have highlighted the importance of having a unified voice for our industry. The initial impetus for ARC came from seeing what the Aluminum Extruders Council (AEC) has accomplished, and knowing that we could create similar benefits in our segment of the industry. We worked with our president, Jeff Henderson (who also leads the AEC), to come up with a game plan that will make a difference for the entire recycled aluminum supply chain.

What are the objectives of ARC? What does the group intend to do and why?

Our mission is to promote, defend, and improve the aluminum recycling industry in North America. Our website (www.recyclealuminum.org) outlines a comprehensive list of short-term and long-term objectives.

What is the organizational structure for ARC and how many members does it have? Who can become a member? How often will ARC meet?

ARC was formed by a core group of specification alloy producers serving die casters and foundries, but will be expanding to include remelters and recycled sheet and billet producers as well. ARC currently has eight members. We started with producer members, but we just opened up membership classes for suppliers, die casters, and individual professionals as well. We plan to meet twice per year. Meetings are open only to members and approved member candidates.

What will ARC do to support the use of domestic scrap? How do the changes in China regarding tariffs and new regulations for imported scrap affect the U.S. industry?

ARC's main focus is building domestic demand for recycled aluminum. For decades, America has been exporting an enormous amount of scrap—along with its inherent energy savings and downstream manufacturing jobs. In the long run, we believe that China's scrap import restrictions will result in more positives than negatives for the entire domestic aluminum recycling supply chain. In the short term, there is definitely some nervousness and uncertainty especially for our suppliers. Anecdotally, we are already seeing increased domestic casting demand. Of course, being able to document and track the industry wide stats would be helpful.

Does ARC have any statistics about the current status of recycled aluminum?

One of ARC's objectives is to institute a robust statistical program that will allow members to better understand the state of the industry. As our industry faces shifting demand, understanding the opportunities will improve capital allocation and overall industry health.

What is the current status of the recycling industry and what changes do you expect to see in the future?

There are many opportunities for demand driven growth. Recycled aluminum currently provides a large cost savings over primary aluminum, and I believe that trend will continue. Additionally, domestic recycled aluminum alloys have been sheltered from the recent volatility in the primary aluminum markets for one simple reason: about 90% of primary aluminum is imported and about 90% of recycled aluminum is sourced domestically. So while trade actions have spurred extreme volatility in primary aluminum, recycled aluminum pricing has stayed relatively stable.

Primary aluminum producers would love for every OEM to believe that recycled aluminum specifications are too unreliable to be used in new applications, but that is just not true. In almost every "mature" aluminum application, recycled aluminum takes over because it provides a more stable, cost effective solution with the same or even better mechanical properties. The most complex and critical parts in an engine or transmission are reliably made from recycled aluminum. Smart OEMs will be the first to take advantage of recycled aluminum in new applications. They will enjoy large cost savings and more stability. This is true for structural die cast alloys, and even sheet and extrusion applications.

What are the kinds of manufacturing technologies that have been or are currently being developed that will have an impact on the recycling industry?

Technological advancements in scrap processing, melting, casting, pollution control, and waste management will continue to accelerate. Technology will fuel the expansion of recycled aluminum into areas currently dominated by other materials and primary aluminum alloys.

How will ARC be an advocate for trade, energy, the environment, and worker safety?

We intend to take a proactive approach with lawmakers to ensure that our industry is not overlooked. They need to know that when it comes to trade, policies that support domestic aluminum recycling will have the largest impact on job creation. Our entire value chain supports domestic jobs and the dollars flow regionally and locally to support the efforts of those who are collecting, sorting, and recycling aluminum.

ARC will also focus on establishing EHS industry best practices, working proactively with regulators on improving worker safety, increasing recycling rates and long term sustainability, and making an even larger positive environmental impact. ■