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Ministries Mulling New Rules to Avoid Scrap Metal Deficit

By The Moscow Times

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The government has asked several ministries to consider a set of measures to satisfy the metal industry's growing demand for scrap metal, Vedomosti reported Monday.

The Industry and Trade, Economic Development, Natural Resources and Finance Ministries are weighing up the pros and cons of introducing an ecological duty for scrap metal exports and lowering VAT for imports.

The ministries will respond by Sept. 24.

The idea to lower VAT on scrap metal imports came from Severstal's CEO Alexei Mordashov. He said that the metal industry has seen a "boom in the construction of small smelters working exclusively on scrap metal."

Severstal, NMLK and TMK have all commissioned mini-smelting plants this year.

If the development of small-scale smelters continues the sector may experience a shortage of scrap metal in 2014, Mordashev said.

To avoid that, he proposed waving the 18-percent VAT tax on scrap metal imported from Kazakhstan to increase shipments.

Kazakhstan exports about 100,000 tons of scrap metal — a tenth of its overall production — to Russia every year.

Furthermore, the Industry and Trade Ministry proposed introducing an ecological duty on scrap metal exports in an attempt to keep more of it in Russia.

Ilya Rachkov, a partner at law firm King & Spalding, says an ecological duty would restrict free trade and contradict the World Trade Organization's rules.

In 2012 the government tried to lower scrap metal exports by limiting its shipments to a few designated ports.

As a result, exports dropped by 17.3 percent to 1.9 million tons in the first half of 2012, which proved popular with the domestic metallurgical industry.

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