Supply difficulties caused by extremely low water levels

Scrap Metal Market Report – July 2026
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General Developments

German industry is facing one of the greatest challenges in its history: making production climate-neutral, securing investment and, at the same time, holding its own against international competition. With the European Emissions Trading Scheme (ETS 1), the European Union sought in 2005 to make precisely this balancing act possible. Between 2012 and 2018, an allowance usually cost less than ten euros; today, the price stands at around 80 EUR per tonne of CO_2. A gradual reduction in the availability of allowances and rising CO_2 prices are creating incentives to reduce emissions more quickly. Since its introduction in 2005, greenhouse gas emissions in the European sector have fallen by around 50 per cent.

The EU has put forward reform proposals for emissions trading for the years 2031 to 2040. According to these proposals, the total volume of CO_2 allowances remaining on the market from 2031 onwards will decline at a slower rate in the forthcoming trading period. However, it remains crucial to monitor whether this increased supply of allowances will result in the CO_2 price not rising quickly enough, thereby complicating business models for industrial transformation and placing so-called 'frontrunners' at a significant disadvantage. These frontrunners receive free allocations, as it were, as compensation for the efforts they have made.

It remains a balancing act between the predictable economic viability of green technologies and short-term relief for sectors and companies under pressure, as Dr Katharina Schubert, Managing Director of NRW.Energy4Climate, noted.

One positive aspect is that revenue is to be channelled back to industry in a more targeted manner to finance the transition. Nevertheless, the change to the linear reduction pathway will result in additional emissions totalling almost two giga tonnes of CO_2. This must be kept in mind and offset by other means, as the climate does not negotiate, Schubert noted.

The EU Commission's proposal is a draft that has been submitted to the EU Member States and the European Parliament. Changes can therefore be made until the end of 2026 with a view to reaching a decision.

Scrap Market

In July, the domestic market followed the trend of the export market, which had been steadily weakening. Combined with reduced domestic demand – largely due to the annual summer shutdowns, during which maintenance and upkeep work is carried out, as well as inspection work – demand for scrap fell significantly this month.

The massive low water levels in numerous rivers, including the heavily trafficked Rhine, were a talking point. Some vessels were only able to carry half or a third of their normal cargo; in some cases, shipping traffic even came to a complete standstill. Other modes of transport, such as rail – which has long been plagued by problems – or road transport, are unable to alleviate the situation and take on the additional transport volumes. Added to the low water levels are the recent rises in oil prices, triggered by the renewed flare-up of the Middle East conflict. As a result, freight rates on some routes have risen three- to four-fold.

Container freight rates have also risen sharply again in a very short space of time, making export routes significantly more expensive.

Unpredictable logistics costs are, on the one hand, hampering the inflow of scrap to storage facilities, whilst on the other hand also preventing stock levels from being moved to consumers, particularly where volumes are usually shipped by sea. In July, price reductions for scrap generally ranged between € 20 to € 25/t.

Regional Developments

Price discounts in the **northern** German region were predominantly around € 20 per tonne. Demand volumes were subdued due to summer shutdowns. In the **east**, price discounts ranged from € 14 per tonne to € 30 per tonne, depending on consumer demand. In the **west**, mill contracts were concluded early in a price range of -€ 5 per tonne to -€ 7.50 per tonne. As the market softened over the course of the month, a price catch-up effect emerged, which the mills will capitalise on at the end of the month. Consumers reported an adequate supply of scrap alongside reduced mill demand. One steelworks is currently carrying out a blast furnace overhaul. Ore supply is proving problematic due to low water levels in the Rhine, which has led to a reduction in production volumes. In the **South-West**, scrap prices fell by € 20 to € 25 per tonne. Along the **Saar**, price reductions were in the same range, between € 20 to € 25 per tonne. Low water levels in the Rhine will continue to cause difficulties with scrap supply via waterways to the connected steelworks for at least the next month. In the **South**, price reductions ahead of the upcoming plant shutdowns were **somewhat** more moderate, at € 20 per tonne.

Neighbouring Foreign Markets

The **French** scrap market closed slightly higher, with one scrap consumer reducing prices by up to € 30 per tonne. Some consumers are withdrawing from the market in August to take advantage of their summer shutdowns for maintenance and upkeep. In **Luxembourg**, price reductions negotiated at an early stage stood at € 25 per tonne. This price settlement sent an early signal to the European scrap market. In **Austria**, scrap prices across all grades fell by € 10 per tonne, with demand remaining steady, as market participants noted. The **Italian** scrap market is on the eve of the consumers' summer shutdowns. Price reductions stood at € 25 per tonne, slightly lower than previously indicated by consumers. **Polish** steel mill buyers reduced scrap prices by the equivalent of between € 20 per tonne and € 30 per tonne. On the **Czech** scrap market, price reductions averaged € 22 per tonne.

Global Scrap Market

The international scrap market initially showed signs of weakening. At the start of the second week of July, HMS 1/2 (80:20) transactions fell by US-$ 13 per tonne week-on-week. A US-sale of a corresponding scrap grade stood at US-$ 373 per tonne CFR Turkey, whilst a Dutch consignment for a Turkish mill in the Izmir region was priced at US-$ 368 per tonne CFR Turkey.

European exporters were pushing for lower port prices due to weak demand for steel. Although the smelting margin stood at US-$ 200 per tonne – higher than at the start of the year – higher energy and financing costs, combined with low capacity utilisation, generally pushed the break-even point up to US-$ 215 to US-$ 220 per tonne. Towards the end of the month, deep-sea prices rebounded following several deals. Turkish steel mills continued to push for higher steel prices, particularly for reinforcing bars.

In the middle of the month, freight costs from the US East Coast to Turkey approached the US-$ 50 border, compared with US-$ 44 to US-$ 47 per tonne the previous week. This was due to rising oil prices following the renewed flare-up of the Middle East conflict.

Outlook

Industry experts describe expectations for August as subdued. No major price changes are anticipated. Market analysts are closely monitoring the export market, with some assuming that a bottom has already been reached. The question remains as to how export demand will develop, what constraints low water levels will impose on the scrap market, and how plant shutdowns will affect demand.