

Share of Russian metal grows in LME warehouses

The London Metal Exchange (LME) has published its first report breaking down inventories by country of origin, showing a large increase in the proportion of Russian metal sitting in the exchange's warehouses. The bourse said the increase was in line with its expectations



First LME report to provide more transparency

After a market consultation late last year, the [LME decided to continue to allow Russian metal](#) to be delivered into its warehouses as a significant portion of the market was still planning to buy it next year.

The LME was looking at potentially banning the delivery of Russian metal into its warehouses, limiting Russian flows or taking no action.

Instead, the exchange said it will publish regular reports from January 2023 detailing the percentage of Russian metal stored under warrant in LME warehouses to provide more transparency.

There have been concerns that LME warehouses could be used as a dumping ground for unwanted

Russian metals, leading to a disconnect between LME and actual traded prices.

Russia is a major producer of metals, including nickel, aluminium and copper.

The proportion of Russian metal in LME warehouses has increased significantly, unsurprisingly, given the self-sanctioning that we have seen when it comes to Russian metal.

While metals have been mostly spared in the rounds of sanctions imposed on Russia that followed its invasion of Ukraine in February last year, some metal consumers have been self-sanctioning and shunning Russian metal.

Last year, Novelis, a division of Hindalco Industries and Norsk Hydro's extrusions unit said they would not enter into new Russian purchase contracts for 2023.

Russian copper share near highest in a decade

As of 31 January, Russian copper made up 94.2% of total LME copper inventories. This is up from 63% in early October 2022, and just shy of a historical high of 95% seen in September 2021. However, the LME noted that market participants do continue to withdraw Russian copper from its warehouses, indicating continued demand for the material.

For nickel, Russian material made up 15.8% of total inventories, up from 1.4% in early October, but still well below the highs of 64.8% seen in January 2013.

Finally, Russian aluminium accounted for 40.6% of total LME aluminium inventories, up from 14.9% in early October, but still some distance from the highs of 73.7% seen back in November 2014.

However, given the increase in aluminium inventories this week, it is likely that the proportion of Russian material is currently higher than the report suggests.

LME aluminium inventories jumped by more than 100,000 tonnes on 7 February, in the largest increase in nearly a year, with metal going into South Korea's Gwangyang port. This followed a 40,200 tonnes inflow on 25 January.

There is speculation that recent LME inventory increases in aluminium are being driven by Russian metal. The South Korean exchange warehouses are viewed as an attractive storage hub for Russian metal due to its proximity to Vladivostok, which is the main regional export hub for Russia's aluminium.

The LME said higher Russian stocks of aluminium in Asian warehouses were expected by the exchange as during the consultation period Asian-based respondents tended towards not supporting a ban on the warranting of Russian metal, because Russian brands are broadly acceptable to many Asia-based consumers.

If we continue to see an increasing amount of self-sanctioning of Russian metals, the risk is that we see more Russian metal being delivered into LME warehouses and staying there, which could potentially mean that LME prices trade at discounted levels to actual traded prices.

The LME said the rising levels of Russian metal had not yet reached a point where the bourse needed to take action.

US plans 200% tariff on Russian aluminium

Meanwhile, the US is reportedly preparing to impose a 200% tariff on Russian-made aluminium. If the US goes ahead and imposes the tariff on Russian material, it will likely have a limited impact on the global market.

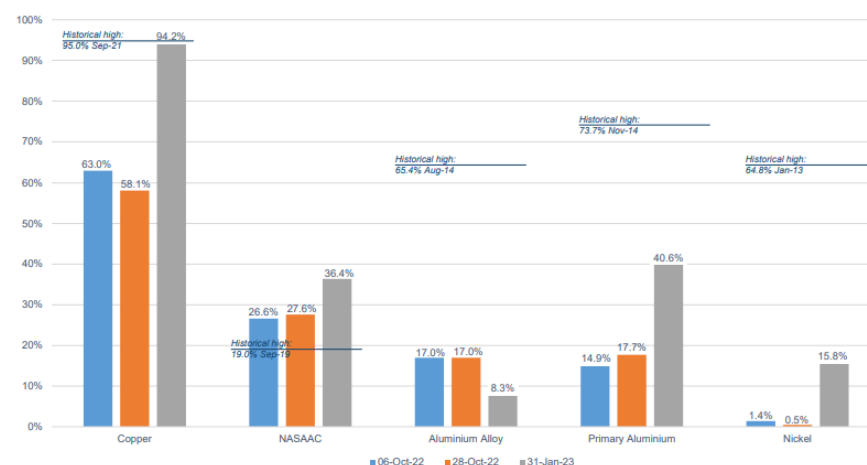
The US is not a significant buyer of Russian aluminium, which usually accounts for about 10% of total US imports, though this share has been even smaller recently. US purchases of aluminium products from Russia fell to about 200,000 tonnes last year, just 3% of total US imports – a small fraction of the global market of around 90 million tonnes. Russia was the sixth largest importer of aluminium into the US in 2022, behind Canada with the biggest share, then UAE, Bahrain, China and Australia.

These reports shouldn't come as too much of a surprise given that last year it was reported that the White House was considering either an outright ban of the metal, sanctions on Russian aluminium producer, Rusal, or imposing prohibitively high tariffs. If the US were to go the sanctions route, it would have a more severe impact on the market.

The LME said there was no Russian aluminium in its warehouses in the US “in the context of market speculation around potential US tariffs on Russian aluminium.”

The LME said it intends to continue to publish country of origin stock reports on the LME website – the next report is due to be published on 10 March 2023 and provide country of origin stock data as of 28 February 2023.

Percentage of live tonnage of Russian brands



Source: LME

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