

China will cancel export tax rebates on aluminum, copper, UCO and reduce rebates for some refined oil products from 13% to 9%, effective Dec. 1.

What's the impact?

Metal response: Aluminum

A SHORT-TERM DECLINE IN EXPORT ORDERS IS TO BE EXPECTED

It's unlikely to see a sharp rise in exports before the policy takes effect, as there is only half a month left. However, some exporters have rushed to export since the middle of this year, when the rumours about the policy have swirled in the market. That was one of the reasons for high semis exports in Q3. It is inevitable that we'll see a decline in export orders in the short term.

A RECOVERY OF CHINA'S ALUMINUM SEMIS EXPORTS AND MARGINS IN THE LONG RUN

On the supply side, China's primary aluminum supply remains constrained by the ceiling. This combines with limited and slow growth of supply outside of China, leading to a decline in supply growth worldwide. On the demand side, however, as a crucial product in the lightweight path, the demand for aluminum products will

continue to maintain considerable growth in the future. With the gap in demand widening, ex-China market has to import from China to fill the gap, and then we'll see a rebalance of the global market.

THE POLICY EXCLUDES HIGHER VALUE-ADDED PRODUCTS

We expect the policy will guide China's aluminum processing companies to develop towards refinement and high added value, which will help optimize and upgrade the overall industrial structure, and strengthen competitiveness.

Click to read: [Mysteel: The impact of China's new tax rebate policy on global aluminum market](#)

Metal response: Copper

521,200 TONNES OF COPPER PRODUCTS AFFECTED

According to data released by the General Administration of Customs, from January to September 2024, the export volume of copper products affected by this tax rebate cancellation was 521,200 tonnes, an increase of 23.16% compared to the same period in 2023. Copper exports have maintained a high growth rate this year, **particularly for copper rods and wires**, which have seen the highest export volumes.

FUTURE EXPORT ARRANGEMENTS

The cancellation of the tax rebate is expected to impact future export arrangements, and there may be **a surge in export activity before the end of November** as exporters rush to complete shipments.

SECONDARY AND FINISHED COPPER PRODUCTS MOST AFFECTED

Additionally, the cancellation of the copper export tax rebate will likely affect the export of more secondary and finished copper products, potentially stimulating or encouraging exports of higher-value-added copper industry products in the future. Attention should also be given to the export situation of other related products, especially those involving further processing.

Impact on used cooking oil (UCO)

PRICE: UNVIABLE EXPORT WITHOUT REBATES

The profit margins for UCO exporters have vanished. The domestic market average price for UCO now exceeds the export price by roughly 500 yuan/tonne. Previously, a rebate amount between 750 and 850 yuan allowed domestic UCO exporters to at least break even. However, without these rebates, current price levels do not make UCO exports viable.

INDUSTRY: BIODIESEL AND SAF FACE NEW PROSPECTS

In the short term, UCO producers are grappling with profit pressures amid constrained domestic demand, potentially leading to a reduction in operating rates. However, in the medium to long term, government support for biodiesel and sustainable aviation fuel (SAF) initiatives may prompt a strategic pivot from exports to domestic sales. This shift is expected to ease access to raw materials and lower costs for downstream enterprises.

TAX: TO CONSTRAIN UCO EXPORT GROWTH AND REVENUE

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From Jan-Sep 2024, national exports of UCO reached approximately 13.5 billion yuan. The removal of rebates will slash value-added tax rebates by 1.76 billion yuan. With the new rebate policy taking effect on December 1, 2024, domestic UCO manufacturers are anticipated to face challenges in obtaining new export orders beyond their current contracts. As exporting UCO becomes unprofitable without these rebates, export volumes are projected to drop sharply in 2025, constraining the potential for increased tax revenue within the industry.

The rebate cut may not affect refined oil exports or crude throughput.

REFINERY EXPORT STRATEGIES

Profits from general trade exports are decreasing for refineries. As a result, major refineries may actively seek to **increase export quotas for processing trade methods** (such as processing with imported materials or processing with supplied materials), which are exempt from value-added tax (VAT). They may also reduce export quotas for general trade.

CHINA'S OIL PRODUCT EXPORT MOTIVATIONS

China's refined oil product exports are primarily aimed at **balancing domestic supply and demand, rather than maximizing export profits**. The export volumes will largely depend on the attitudes of the Ministry of Commerce and NDRC regarding export quotas. These authorities will consider adjustments in both quantity and export methods (general trade vs. processing trade).

POTENTIAL SCENARIOS AND IMPACTS

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If the Ministry of Commerce/NDRC significantly reduce overall export quotas:

Given the weak domestic demand for oil products and chemicals expected in 2025, this could force Chinese refineries to lower their operating rates and reduce crude oil imports. **If export quotas increase:** Despite reduced export profits, exports may still yield positive margins. Refineries are likely to maintain export levels and, consequently, maintain crude oil throughput volumes.

CONCLUSION

The reduction in export tax rebates for general trade may not necessarily lead to a decrease in China's refined oil product exports or affect crude oil throughput volumes. **The key factor to monitor is the export quota allocation** by the Ministry of Commerce and NDRC. Their decisions on quota allocation amounts by export methods will have a more significant impact on export volumes and, by extension, on crude oil throughput quantities in China.

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