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15.04.2016 News Brief

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China's Giant Steel Industry Just Churned Out Record Supply | View Clip
15/04/2016
Bloomberg News
The world's biggest steel producer pushed output to a record in March as mills in China fired up plants to take advantage of a price surge since the start of the year that's bolstered profit margins.

Output rose 2.9 percent to 70.65 million metric tons from a year earlier, the National Bureau of Statistics said on Friday. That's the highest ever, according to data from state-owned researcher Beijing Antaike Information Development Co. Still, for the first quarter, supply fell 3.2 percent to 192 million tons.

The country's steelmakers are ramping up output after cuts at the end of 2015 fueled a major price surge that has rippled out to world markets. The mills' busiest-ever month came as figures showed that China's economy stabilized, aided by a rebound in the property market. Last year, the country's steel output shrank for the first time since 1981 as demand contracted and mills battled surging losses and too much capacity, and forecasters including Australia's government expect a further decline in 2016.

“It's normal to see higher output in March but this is a significant increase,” said Kevin Bai, a Beijing-based researcher at consultancy CRU Group. “Right now, the mills are making money. The market is still relatively tight and this has encouraged some producers to return.”

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Surging Prices

The domestic price of benchmark hot-rolled sheet has surged 45 percent this year, while rebar futures on the Shanghai Futures Exchange advanced 30 percent. The increase has aided mills' profitability even as iron ore prices rallied 36 percent in 2016.

The steel rally will soon end as Chinese mills lift output and traders end a flurry of restocking, HSBC Holdings Plc analysts said in a note on Thursday. China accounts for about half of global supply, with output used in everything from cars to skyscrapers.

The rise in Chinese output in March, coupled with figures earlier this week that showed a 30 percent increase in export volumes, will be a further concern to a beleaguered global steel industry. China exported a record amount last year, triggering a rise in trade tensions, battering profits at world producers and forcing India's Tata Steel Ltd. to offload its ailing U.K. business.

Floor Space

The gross domestic product figures showed Asia's top economy grew 6.7 percent in the first quarter, in line with expectations. Major steel-using sectors showed improvement as new floor space under construction expanded 19.2 percent in the quarter on-year while automobile output rose 8.9 percent in March.

Most observers still expect China's steel production and demand to drop this year as policy makers pivot away from heavy industry. Output will probably decline to 781 million tons this year from 806 million in 2015, according a projection from Australia, the world's largest shipper of iron ore.

China's aluminum industry, also the world's biggest and facing overcapacity, followed a similar dynamic to steel in the first quarter. Production of primary aluminum rose 2.7 percent to 2.62 million tons in March from a year earlier, while output was 2 percent lower at 7.34 million tons for the three months.

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China stimulus drives up steel production in March | View Clip
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Australian Financial Review

China's steel production ramped up in March to near record-highs, which is good for the country's growth outlook this year but worrying for global producers amid concern Beijing is opting to prop up the economy rather than introduce much-needed sector reform.

Crude steel production rose almost 3 per cent in March, the first increase since January last year, according to figures released by the National Bureau of Statistics on Friday. Last year, crude steel production fell 2.3 per cent.

"This is an extraordinary figure," said Xu Xiangchun, chief information officer of Mysteel.

"Last year, all the traders and steel mills had low inventory and this year, the economy has improved and everyone is jumping in to increase inventory."

The pick-up in Chinese manufacturing, housing sales and construction is good news for Australian resources companies. China's iron ore imports rose by 6.5 per cent over the first quarter, according to trade data released earlier in the week and this increased demand has pushed the price up around $US60 a tonne, an increase of more than 50 per cent since mid-December.

There is also increasing evidence of government stimulus spending driving the pick-up in activity, with credit and budget numbers released on Friday both much bigger than expected. This follows Premier Li Keqiang's declaration in March, the government would maintain economic growth of 6.5 per cent for the next five years.

Another analyst, Li Xinchuang, from China Metallurgical Research Institute, said daily production of crude steel in March was close to a record-high level.

The increase in production comes as old mills are reopening and existing plants are restocking to take advantage of rising prices and construction activity.

One of China's largest private steel mills, Haixin Iron and Steel Group, which shut down in early 2014 under a mountain of debt, is set to reopen as soon as this month. During its heyday, it produced around 5 million tonnes of steel -- more than the total annual output from Australia. Haixin declared bankruptcy in November 2014 with 10.5 billion yuan ($2.1 billion) in debt

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and at the time, was seen as an inevitable casualty of China's moves to reform its steel sector and address massive overcapacity.

However, local media reported this week the plant is set to reopen late this month or early next month under its new owner, private company Jianlong Group.

This comes as China is facing growing pressure from the global steel industry to rein in production.

China is producing more steel than its domestic market can consume and selling the excess on world markets.

This excess production has been a factor for much of the last five years, but it only hit home for many Australians last Thursday with the collapse of steelmaker Arrium, triggering the potential loss of about 5,500 jobs.

While British Prime Minister David Cameron recently raised his concerns with Chinese President Xi Jinping following Tata Steel's decision to offload its UK operation, Australia is in a more difficult position. It sells a lot of iron ore to China that goes into making steel, which is why Prime Minister Malcolm Turnbull is unlikely to make it a big issue in his talks with Chinese President Xi Jinping on Friday.

The People's Bank of China released new credit figures on Friday, which showed new yuan-denominated loans in March rose 89 per cent from February to 1.37 trillion yuan. Total financing also had a big increase in the first quarter.

Meanwhile, the Ministry of Finance said government spending in March rose 20.1 per cent to 1.68 trillion yuan.

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Not just China: Japan, South Korea push cheap steel as world reels | View Clip
15/04/2016
Reuters

As the world reels from a flood of cheap Chinese steel, other countries including Japan and South Korea are selling products overseas at prices as much as a third lower than in their home markets, according to industry data and officials.

The underpricing by the world's second and third biggest steel exporting countries underscores the pressure facing steelmakers around the globe as the industry grapples with chronic oversupply and sluggish demand.

India's Tata Steel has blamed a flood of cheap steel imports for a decision to pull out of Britain, putting 15,000 jobs at risk, while one of Australia's only two steelmakers, Arrium Ltd, has been placed in administration, a form of bankruptcy.

Top producer China has taken much of the blame for plant closures, but other steelmakers are similarly fighting to stay in business.

Japanese companies are selling steel overseas cheaper than in the domestic market partly to compete with China, said an official at a Japanese steel producer, declining to be named because he didn't want to discuss pricing strategies publicly.

The price is also higher locally to cover the "extras" that steelmakers provide clients such as specific delivery times and services including product quality that make it easier for customers to process them, the producer said.

"That's something many foreign makers cannot offer," he said.

MARGINAL COSTING

H-beam, used in construction, is sold in Tokyo at 69,000 yen ($629) a tonne and is exported at $470 a tonne, free-on-board, according to data from Japanese and Chinese agencies that track the prices.

South Korean hot-rolled steel plate was exported at $522 a tonne on average last year, less than the domestic price of $581 a tonne, according to Korea Iron & Steel Association data.

"As far as the importing country is concerned, it is nothing but dumping from these countries," said Seshagiri Rao, joint managing director at India's JSW Steel Ltd.

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Japan and South Korea export steel at prices that are 35 percent lower than their domestic prices, said Rao.

"If they are making money in the domestic market, by exporting, as long as they're able to recover some contribution towards their fixed cost, they're pushing volume," he said.

Countries, responding to rising imports and complaints from local producers, are imposing protections and raising objections through international channels.

India in February set a floor price for imports of steel products to deter exporters from undercutting domestic mills, having seen imports from Japan and South Korea jump by almost half in April-February.

Japan has told India it will object to India's minimum import price and a safeguard duty on imports of some steel products at a World Trade Organisation council meeting on Friday, according to an Indian government letter seen by Reuters.

"By doing so, we want to prevent other countries from following India's step," which violates WTO rules, a Japanese government source told Reuters.

Tokyo is asking the United States, the European Union and Taiwan to support its proposal, he added.

India has also started investigations into possible dumping of cheap steel products into the country by six nations including China, Japan and South Korea following complaints from companies such as JSW.

In Australia, Federal Industry Minister Christopher Pyne said the government had applied 41 anti-dumping measures to imported steel products in recent times, including 13 for China and eight for South Korea.

On Thursday, China scrapped some export subsidies on a range of products, including some specialty steel goods, in an effort to reduce trade frictions with the United States.

POLITICAL, EMOTIONAL INDUSTRY

Japan and South Korea sell more than 40 percent of their steel output overseas, most of it to Asia. Last year, the two countries shipped a combined 75 million tonnes versus 112 million tonnes from China.

Top Korean steelmaker POSCO, the world's fifth-largest, declined to comment on pricing of exports.

"It is true that Japanese and South Korean steel companies are underpricing some of their steel exports," said Li Xinchuang, vice-secretary general of the China Iron and Steel Association.

Li dismissed claims Chinese steel companies were doing the same.

But critics say China's tax rebate system which allows steel exporters to claim refunds by adding even minute amounts of alloys has enabled China, already ahead of competition with cheap labour, to undercut rivals overseas.

"We've been forced to be in an unfair competition," said the Japanese steel producer.

"Steel is such a political and emotional industry all around the world and as such I think that there will always be instances at the margin where various forms of assistance or incentive become available to it, whether short or long term, explicit or implicit," said Matthew Watkins, principal consultant at CRU in London.

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Chinese dumping could spread to downstream products, Nucor says | View Clip
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Steel First
Chinese exports pose a threat not just to the steel sector but to the entire metals supply chain, an executive with steelmaker Nucor has told an industry conference in the USA.

The steel industry is currently playing a game of "whack-a-mole" with Chinese steel exports, Joseph Stratman, Nucor's executive vp for raw materials, said during a keynote address at the Critical Commodities Conference in New Orleans on

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Wednesday April 13.

The event is hosted jointly by the American Institute for International Steel and the Port of New Orleans.

Trade cases are not often up to the task of stemming the flow of Chinese steel, because they typically target one product from one country, Stratman explained.

Chinese suppliers can find their way around duties, he explained, by sending steel through another country, such as South Korea, where it is transformed into another product that eventually makes its way to the USA.

"It becomes a different product category, a different trade flow, and we have to go out and whack the next mole that pops up. We are always playing catch-up," Stratman said.

"They may be dumping steel in the USA today, but no product category is immune," he said. "Tomorrow it could be appliances, the next day it could be heavy machinery."

Stratman also accused Chinese manufacturers of misrepresenting the quality of products as diverse as dog food and drywall board.

"They are cutting corners and, quite frankly, have come to be what I believe is a cancer on the global economy, particularly here in the USA," he said.

Chinese companies also benefit from export subsidies and loans at low or zero-rate interest from the state, as well as a manipulated currency, Stratman alleged. For example, he said, when the US dollar is weak, China pegs its currency to the dollar, but when the dollar is strong, Beijing lets the yuan float.

Chinese state-owned or -supported enterprises are less concerned with profits than with keeping people employed, Stratman said. The result is that private companies in other countries are effectively competing with the central government in Beijing.

However, it was announced on April 14 that China has agreed to remove export subsidies on a range of products including steel. The USA and China have signed a memorandum of understanding to terminate export-contingent subsidies, the US Trade Representative said.

Stratman's comments came before the news on removal of subsidies was announced, but at the same time as US mills were ratcheting up calls for politicians in Washington to do more to stem the tide of imports.

With the US presidential election campaign in full swing, the time was ripe for the country's manufacturers to push their agendas on trade, Stratman said, noting that both the Republican and Democratic presidential hopefuls have generally expressed similar views on trade during debates and in their campaign messages.

"We believe very firmly that manufacturing, trade and infrastructure will be at the forefront of the 2016 [US presidential] campaign," he said. "And it will be addressed by whomever becomes the next president and by whichever party controls the next [US] Congress."

Still, thanks largely to strong demand from the automotive sector, the news was not all gloom and doom in the US steel industry, despite pressure from imports and a big drop in demand for oil and gas, Stratman said.

The USA broke an all-time record with 17.5 million light cars and trucks sold in 2015, Stratman said. Last year also marked the first time since the 1920s that US vehicle sales had increased for six years in a row, he said, which sets the industry up for a possible new record.

"If 2016 goes as projected and we sell more than in 2015," Stratman said, "it will be the first time in US history that we have had seven years of increasing automotive sales."

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US Steel Caucus: China not fit for market economy status | View Clip
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The Congressional Steel Caucus is sending a letter to the Obama Administration and Ambassador David O'Sullivan of the EU voicing its concerns over granting China market economy status with the World Trade Organization, according to caucus chairman Tim Murphy of Pennsylvania.

The Congressional Steel Caucus will take action to ensure China's status as a non-market economy remains in full effect, so long as they "remain a government-subsidized non-market economy," Murphy said Thursday, speaking at the caucus' 2016 State of Steel Hearing, held in Washington.

"It's simple: China's actions have not changed; therefore their status should not either," he said, adding that the US steel industry is at a tipping point with US mills averaging only 70% of capability utilization.

American steel industry executives testifying Thursday also spoke against granting market economy status. Members of the hearing panel included US Steel CEO Mario Longhi; Leo Gerard, international president of the United Steelworkers union; Chad Utermark, executive VP of Nucor; James Baske, CEO ArcelorMittal North America; Charles Schmitt, president of SSAB Americas; Tracy Porter, president of CMC Americas; Roger Newport, CEO of AK Steel; Robert Mandel, president of Welded Tube USA and vice chairman of the Committee on Pipe and Tube Imports, and Dennis Oates, CEO of Universal Stainless and Alloy Products and chairman of the Specialty Steel Industry of North America.

Granting China market economy status could lead to a quick annihilation of the US steel industry, according to Longhi.

"Basically, the Chinese government is a company disguised as a country engaged in economic warfare," said Utermark.

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Longhi urges US to ensure new trade laws are enforced | View Clip
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Platts

Legislation passed in the last year gives the US Department of Commerce stronger tools to protect the domestic steel industry, but it is up to Congress to ensure these new tools are being used to their fullest capabilities, US Steel CEO Mario Longhi said Thursday.

"How these new laws are interpreted and implemented in the pending dumping and countervailing duty cases is pivotal in our efforts to bring our trade laws into conformity with the intent of Congress and the American people," Longhi said, testifying in front of the Congressional Steel Caucus in Washington.

New tools such as the Leveling the Playing Field Act are only effective if they are enforced properly, he said. Approved last June, the provision says that material injury to the domestic industry must not be determined based on profits/losses alone. Longhi urged members of the Steel Caucus to carefully monitor and scrutinize how the law is being enforced and "ensure that its application aligns with congressional intent."

The International Trade Commission, which makes injury determinations that effectively affirm or reject the application of duties, needs to be fully aware of its new responsibilities under the law, he said.

Three major sheet steel trade cases will be decided between May and August - corrosion-resistant sheet, cold-rolled coil and hot-rolled coil - and Longhi urged the Steel Caucus, comprised of steel-state legislators, to ask Commerce for frequent updates on the progress. "Intense pressure from Congress to see how things are going will go a long way," he said.

With the new tools at its disposal, Longhi said it's crucial that Commerce act quickly to address import issues. "An American company should not be required to experience grievous and continued harm before becoming entitled to the full protection of our nation's laws," he said. "... A fireman should not wait until the house is burned down before turning on the water."

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Markets inflate, many expect them to burst: analysis | View Clip
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Platts

International steel prices continued their full scale recovery last week with all of the major markets monitored by Platts increasing strongly. However, in some markets the whispers that this is all a bubble are rising in volume.

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The domestic Chinese prices maintained their charge with the Platts assessments for the Beijing rebar and Shanghai HRC markets gaining Yuan 200/metric ton and Yuan 120/mt respectively. This fed into higher East Asian export levels and bolstered the gains registered in the US, Europe, Black Sea and other regions.

Yet this still appears to have been not enough for some with Australia's Arrium entering administration, while Tata Steel confirmed it is looking to offload its UK assets as the company edges closer to the European exit door. The message appears to be that while the market has turned, some financial backers maintain that there are certain countries where steel making is not a long term option.

The employers at Tata Steel's UK assets will have some hope following the sale of its longs division to a private investment firm, while Chinese steelmaking giant Hebei I&S appears set to complete the purchase of Serbia's Smederevo group. But there appears to be little interest from fellow European mills who could be interested in consolidating the region's fragmented market.

There is talk of a potential joint venture between Tata Steel's Ijmuiden works and ThyssenKrupp which would likely see some sites closed. However, these rumoured talks are at an early stage and instead mills were focussing on just how they can get the hot rolled coil price back to €400/mt on an ex-works Ruhr basis.

Last week the north European HRC price gained a further €17.50/mt according to Platts, but increasingly this appears to be sentiment driven and now mills are openly talking about the potential of overheating. The biggest issue for buyers is the lack of galvanized sheet availability with some mills said to have lead times stretched to 14 weeks and buyers noting the lack of any spot availability.

In the US mills there was also speculation regarding how quickly the market should be pushed despite NLMK pushing for another $40/short ton for sheet products and the expectation that others will follow. The outlook for the 2016 steel market remains mostly positive in the US, according to Morgan Stanley analyst Evan Kurtz, speaking at the Association of Steel Distributors annual spring conference last week. However, he did note that while pricing and conditions have improved in 2016 it has been predominantly a supply-driven development, projecting that demand is expected to be off 0.2% for the year.

The typical indicator for steel price direction, iron ore, remains strangely disconnected with the Platts and TSI benchmark indices both declining last week. It appears that for the near term at least this dislocation does not matter.

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China agrees to remove export subsidies for steel | View Clip
14/04/2016
Steel First
China has agreed to scrap controversial subsidies on a range of products for export, including steel, the US Trade Representative Michael Froman said on Thursday April 14.

The USA and China have signed an memorandum of understanding (MoU) terminating the export-contingent subsidies China has provided through its Demonstration Bases-Common Service Platform programme.

The deal follows a complaint first brought forward by the USA to the World Trade Organisation (WTO) in February 2015.

The Chinese programme "created an unfair advantage for a vast array of Chinese exporters [that] are expressly prohibited under WTO rules", Froman said.

China's Demonstration Bases-Common Service Platform channelled export-contingent subsidies, including cash grants and free or discounted services, to Chinese enterprises across seven economic sectors, and dozens of sub-sectors, located in more than 179 industrial clusters across China.

One of the seven economic sectors, labelled 'advanced materials and metals', included speciality steel, titanium and aluminium products, while other sectors covered include light industry, textiles, speciality chemicals, medical products, building materials and agriculture.

"China has now issued and provided more than 130 directives, instructions, and notices to address concerns raised by the USA," Froman said.

"The transparency provisions of the agreement give us a solid basis to monitor closely and confirm whether the terms of the

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agreement are being met," he added.

The agreement to end Chinese export subsidies comes as steelmakers in both the USA and the European Union (EU) are lobbying their governments against China being granted market economy status (MES) at the WTO.

When China joined the World Trade Organisation (WTO) in 2001, its accession protocol included a clause saying importers did not have to use Chinese prices if they could show China was not a market economy.

The clause expires on December 11, 2016, with the understanding that China will from that date automatically be given MES, although this has been strongly opposed by the steel industry.

This week, US steel industry representatives told the US government that all available means should be used to support it – including blanket trade embargoes.

WTO spokesman Keith Rockwell told Steel First: "We are always pleased when two parties in a dispute can resolve their differences, and we're supportive of efforts to resolve this in the most efficient way possible."

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Steel Gloom Deepens for EU Mills That Reacted Too Slowly to Glut | View Clip
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Bloomberg News

The fate of some huge blast-furnaces in the Belgian city of Liege a few years ago may offer clues to where the rest of Europe's beleaguered steel-making industry is headed -- more doom and gloom.

Known for its bike race and meatballs, Liege was home to a steel mill owned by ArcelorMittal, the world's top producer. While the city had been a metal-making hub since the end of Napoleonic Wars, the aging plant was too far from raw materials and spread out along miles of the Meuse River, making it uncompetitive after the global financial crisis sapped demand. In 2013, ArcelorMittal tired of losses and shut much of the facility.

Since then, things have gotten worse. China, which accounts for half the globe's output, is exporting the most ever as its own demand slows. That means more supply to compete with European producers who can't make money at current prices and already aren't using about 30 percent of their capacity. Since the 2008 financial crisis, more than 75,000 steel jobs were lost, or 20 percent of the industry's workforce in Europe. More will probably follow.

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“The European steel industry has never stopped restructuring,” said Edwin Basson, director-general of the Brussels-based World Steel Association, which represents more than 150 producers. “I don't for a moment think we are at the end of this.”

Overcapacity

Even after eight years of cutbacks and plant closings, Europe is still making more steel than it needs. Between 2007 and 2013, when demand plunged by 30 percent, companies reduced capacity by just 4 percent, according to Jefferies International Ltd. The continent produced 166 million tons last year, well below its capability of 230 million tons.

“Nobody should really be surprised,” said Wolfgang Eder, chief executive officer of Voestalpine AG, a producer in Austria. “We have to reduce European steel-making capacity because we are oversupplying the market.”

ArcelorMittal, which produced a combined 92.5 million tons of steel from mills in the Americas, Europe, Africa and Asia last year, has posted a net loss for four straight years, including a $7.9 billion in 2015. The Luxembourg-based company tapped shareholders for $3 billion this month to help pare its debt.

Few Buyers

Tata Steel Ltd., part of India's largest conglomerate, says the assets of its U.K. business have almost no value, and the company wants out. It reached an agreement last week to sell blast furnaces in Scunthorpe, England, to a private-equity firm and is looking to unload its remaining plants in Britain.

That's riled officials in the U.K., where Prime Minister David Cameron is caught up in a political crisis and is concerned about the prospect of job losses. At Tata's 4,000-worker plant in Port Talbot, Wales, where steel has been forged for more than a century, the government has pledged to do all it can to keep the furnaces open, including offering to co-invest with potential buyers

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Such interventions haven't always worked. France threatened to nationalize all of ArcelorMittal's plants in the country when the company sought in 2012 to shut blast furnaces in Florange. ArcelorMittal, which shed almost 100,000 workers over five years, agreed with the government's demand to look for a buyer. But no one wanted the mill, and Florange was closed in 2013.

In Belgium, steelworkers held ArcelorMittal executives hostage for 48 hours in 2013, hoping to stop the shutdown in Liege. It didn't. In northern England last year, Tata Steel closed its Redcar blast furnace after no buyers were found.

“If you're not one of the most-efficient producers, it's very hard to be sustainable in the long term,” the World Steel Association's Basson said. “The restructuring event in Europe will continue.”

China exported a record 112 million tons last year, more than the combined output of Japan and the U.S. That's led to a global price slump. European hot-rolled coil, a regional benchmark, plunged 44 percent last year and touched $272 a ton in February, down from $1,113 in July 2008, according to Metal Bulletin data. Having moderated at the beginning of 2016, steel exports from China rebounded in March to their highest level for the year.

The global market is so weak, China is vowing to close 150 million tons of steel-production capacity in the next five years, which would eliminate 1.8 million jobs, including at the mines that supply blast furnaces with coal.

“We have to undergo this painful restructuring process,” Voestalpine's Eder said. “If we don't do it, the future will be even more painful. We have to do it, and the quicker we do it, the better for everybody. ”

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Bankers steer clear of Tata Steel's UK sale | View Clip
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Reuters

Britain's biggest steel business is such an unattractive prize that most major investment banks are not even angling for the opportunity to advise potential buyers on one of the year's highest profile deals.

The fate of Tata Steel's lossmaking UK division, including its flagship Port Talbot plant in South Wales, has dominated headlines since the Indian company announced on March 30 that it would seek a buyer.

Normally a deal of that prominence and complexity would have bankers salivating at the prospect of fees.

But out of 10 major investment banks contacted by Reuters, bankers at only two said they were sounding out potential buyers. Five said they were not seeking any role and three said they had not made a decision.

Even the two bankers who were looking for a role said they were approaching entrepreneurs and family offices, rather than major steelmakers, who were unlikely to be tempted because of the protracted slump in prices.

"This business burns cash. Would you pay money for that?" said one of the two, who spoke about prospects for future business on condition of anonymity.

Not only would potential bidders be hard to find, but the likely need for a role for the British government in helping any deal could mean a political squeeze on potential fees, bankers said.

Restructuring specialists said privately that they are not seeking mandates either, as the situation is currently a distressed sale rather than a debt restructuring.

Tata Steel did not immediately respond to a request for comment.

Even the seller hasn't hired a bank, although sources earlier had told Reuters that Tata would name one. Instead, Tata has appointed accounting and professional services company KPMG and law firm Slaughter and May as advisors on the deal.

KPMG and Slaughter and May already worked on Tata's sale of its Long Products Europe division in northern England to family office Greybull Capital for 1 pound ($1.42), announced this week, with no investment bank advising either side.

Greybull, which rescued struggling Monarch Airlines in 2014, was advised by consulting firm Alix Partners. The deal included a

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400 million pound investment and financing package and saved 4,400 jobs. Greybull has so far not ruled out a bid for Tata's other British assets.

UNUSUAL

While a deal for the rest of Tata's British business could in theory be done without any investment bank hired to give advice, it would be unusual for the sale of such a major asset.

Tata's UK operations employ 10,000 workers and require large funding capabilities, as well as complex negotiations over everything from pension liabilities to energy subsidies.

Bankers usually try to find a role on deals early on. They argue that their relationships providing corporate clients with other financial services make them ideally suited to advising buyers and sellers alike. They can also provide access to financing where needed.

Apart from Greybull, the only other would-be buyer to have publicly emerged is metals firm Liberty House. Its boss, Sanjeev Gupta, has approached banks to advise on a potential deal, several sources said, but has yet to appoint anyone.

"We, as well as other interested parties, will need to analyze carefully the information received in order to seek an economical and sustainable future for the business," a spokesman for Liberty House said in an emailed statement.

"Liberty will be appointing a strong and reputable team to carry out that analysis and in the days and weeks ahead."

Gupta said on Wednesday that he expected Tata to set a deadline for bids on its UK assets at the end of May and believed there would be other bidders involved.

Even then, bankers said the politics of the sale and the loss-making nature of the assets meant fees were likely to be small.

"When the UK government are involved, fees tend to dwindle. Some bank could do it for a million pounds, maybe. But you're going lower down the totem pole in terms of fees," one said, discussing prospective business on condition of anonymity.

British business secretary Sajid Javid has hinted that the government could take a stake in the assets to help save jobs. The government has also said it could offer state loans to tempt private bidders.

The ranks of experienced steel bankers have also been thinned by a dearth of activity in the sector. Some have left banks, while others have shifted to cover other areas.

Banking fees for the steel industry have been in steady decline, reaching just $688.3 million last year, according to data from Thomson Reuters and Freeman Consulting, the lowest since 2005. The overall value of steel M&A activity in 2015 was $14.1 billion, the lowest since 2009.

"We're not following up. There have been very few steel deals," said one banker at a major European institution who said nobody was covering the sector at his bank.

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Steel jobs 'can be saved by tech', says energy researcher | View Clip
15/04/2016
BBC News
The UK steel industry is doomed unless it embraces cutting-edge technology, a Cambridge professor has warned.

Prof Julian Allwood said the only way to save steel jobs was to make high-value products for industries in which the UK leads the world.

New methods could scrub impurities from recycled steel to make products for the aerospace and car industries, he said.
It comes as efforts are being made to save thousands of jobs at Tata Steel's Port Talbot steel plant in south Wales.

The announcement by the Indian company that it is to sell its UK business is the latest blow to an industry which has seen a succession of job cuts

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New steel

Prof Allwood said current plans for the steel industry did not go far enough, because they did not utilise the latest technology.

In his six-year study on the steel sector, the predicament of the industry appears stark.

"The global steel industry today has more capacity for making steel from iron ore than it will ever need again," he said.
"On average, products made with steel last 35 to 40 years, and around 90% of all used steel is collected. This is easy because it's magnetic.

"The supply of steel collected from goods at the end of their life therefore lags the supply of new steel by about 40 years."

UK steel crisis

Prof Allwood said the steel market would continue to grow - but all future demand growth could be met by recycling the existing stock of steel.

And it was, therefore, futile for the UK to attempt to compete against low-wage economies for mass market steel.

Reducing industrial electricity costs in Britain would help, but only a little, he said, and the UK should instead concentrate on recycled steel.

That is what is proposed by Sanjeev Gupta, the entrepreneur who has expressed interest in turning the Port Talbot works into a recycling plant.

But Prof Allwood said that plan did not go far enough, because most scrap metal contained impurities that made it suitable for only low-value products, such as steel reinforcing bars, which were subject to heavy international competition.

It would be far better, he said, to harness science to make pure hi-tech steel that met the needs of the UK's leading industries.

"UK taxpayers will have to bear costs of Tata Steel's decision to close the Port Talbot plant," he said.

"If the existing operations are to be sold, taxpayers must subsidise the purchase without the guarantee of a long-term national gain.

"If the plants are closed, the loss of jobs, income and livelihoods will reverberate throughout the UK steel supply chain.
"Instead, the strategy presented here enables taxpayers to invest in a long-term structural transformation.

"This would allow UK innovation ahead of any other large player."

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'Common sense'

While many will applaud his analysis, some will ask how this theoretical model can be translated into real equipment and jobs - especially as the UK does not have an industrial strategy that would encourage this sort of thing.

Prof Allwood pointed towards the Danish wind industry as an example of successful government strategy to create jobs with a new product.

The steel transformation in the UK could be funded by a long-term loan from the government, which will have to bear the costs one way or another.

It would involve many of the current jobs being saved, but workers would need to retrain.

Prof Allwood said the hi-tech transformation had not happened yet because low margins in the European steel industry had squeezed investment - and China did not have the stock of old steel to make it relevant yet.

He said it might take three to five years to develop the technologies needed to transform the industry.

It would be estimated to cost £1-2bn, which he said was good value compared with the social costs of shutting the industry.

Dr Sarah Green, a metallurgist from Lancaster University, said: "It's common sense to maximise recycling efficacy in the UK

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steel materials cycle.

"Whether this alone will generate sufficient economic activity on a suitable timescale to offer a substitute for the current steelmaking sector is something that I am less certain of."

Gareth Stace, of UK Steel, told BBC News: "We don't agree that there won't be a new need for virgin steel - we think we need more capacity.

"But we welcome this report - especially the recognition that the steel sector has been starved of investment in technology because of the crisis we have been in for years.

"There are steelmakers in the UK that make world class steel, but we are desperate for more investment."
Another expert also called for more research.

"The task is getting harder at the moment because impurities from copper get greater the more wiring there is in cars," said Prof Sridhar Seetharaman, chair in low carbon materials technology at the University of Warwick.

"Britain could lead the way by government supporting funding in this."

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Tata Steel's pension scheme is a 'noose around its neck' | View Clip
15/04/2016
Financial Times
Tata Steel's pension scheme is a “noose round its neck” that will tip the company into administration and put off buyers, a leading City adviser has said.

The company, which was put up for sale at the end of last month, has a £15bn commitment to 135,000 current and former steelworkers that no prospective buyer wants to take on, said Cardano, a pensions consultancy.

Kerrin Rosenberg, chief executive, said: “The pensions system puts British companies at a competitive disadvantage. There is a noose round the neck of corporates. If we follow the rules the only route is to put Tata Steel into insolvency and the fund into the Pension Protection Fund.”

The PPF takes on defined benefit schemes that sponsor companies can no longer afford but pensioners suffer an average 20 per cent cut in benefits.

That could cause hardship for the 85,000 retired steelworkers and 45,000 still working. Just 15,000 still contribute; the other 30,000 are deferred members until they retire.

The government could nationalise the scheme, as it did with Royal Mail, but that could cost the taxpayer billions and breach state aid rules.

Companies that have bought assets from Tata have not taken on pension liabilities. Liberty House, the commodities broker that is the only declared bidder for the sprawling Port Talbot plant, has said it would not sponsor the pension scheme. Greybull, which is close to buying the Scunthorpe-based long products division for £1, set up another, less generous scheme. That deal has carved out around a quarter of Tata's revenues and a third of its workforce.

Other pensions experts agreed. John Ralfe, an independent consultant, said: “No buyer of the individual Tata Steel plants will take on any pension liabilities, which will remain with Tata Steel UK. Once all the plants are sold or mothballed, there will be no underlying business to support the £15bn British Steel pension scheme and it looks certain to end up in the Pension Protection Fund.”

Tata Steel UK said it was “premature” to talk about the future of the scheme. It declined to confirm whether it would pay in a promised £125m over the next two years to help plug a £485m deficit.

Koushik Chatterjee, group executive director, said this week the UK company would continue to be responsible for the scheme.

The Pensions Regulator has the power to pursue Tata Steel Europe, which owns a plant in the Netherlands, or even in India if

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it believes it underfunded pensions. But it would have to prove a connection between the entities and that they had extracted assets from the UK.

The regulator is already scrutinising the sale by Sir Philip Green, the retailer of BHS, for £1. Sir Philip has reportedly offered £40m cash towards plugging an estimated £475m pension deficit. It said it could not comment on specific cases.

Alan Rubenstein, chief executive of the PPF, said: “We are aware of the situation and if Tata is no longer able to fund the British Steel pension scheme we will work with them and the Pensions Regulator to find a solution that is in the best interest of our levy payers and . . . members of the British Steel pension scheme.”

Community, the steelworkers' trade union, said it would fight to ensure members did not lose out. “We have fought tirelessly for this pension for decades and will continue to do so to get the best deal for our members.”

Mr Rosenberg said the system should be reformed to allow more flexibility. Options could include allowing companies to reduce benefits slightly or treating pension fund members as senior creditors in an administration. Cardano advises pension funds with assets of more than £120bn and 1.3m members.

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Construction giants promise to buy more steel from Arrium | View Clip
15/04/2016
Sydney Morning Herald, The
Some of Australia's construction heavyweights including John Holland, Lendlease and billionaire Harry Triguboff's Meriton Apartments have all pledged to buy more structural steel from Arrium to help the collapsed steelmaker.

The administrator of Arrium, Mark Mentha, said on Friday that he had been overwhelmed with the phone calls and offers of support as he sets about trying to restructure the company, with BlueScope Steel chief executive Paul O'Malley also offering his expertise and advice after spearheading a solid turnaround at the Port Kembla steelworks in NSW following difficult times.

Pressure has been mounting on governments to mandate the use of Australian steel on government projects. Opposition Leader Bill Shorten on Thursday outlined plans to "maximise" the use of locally made steel as part of a six-point plan to support the Australian metals industry.

Fabricators that import steel and fashion it into finished products in Australia could be squeezed if governments and private sector operators such as John Holland and Lendlease favour local steel.

Mr Mentha said there were no extra job cuts planned at the Whyalla steelworks in the short term.

"We have nothing planned at this stage," Mr Mentha said in Adelaide. He held meetings on Friday with the South Australian Premier Jay Weatherill, Treasurer Tom Koutsantonis and the head of the state's Steel Task Force, Bruce Carter, who was hand-picked for the role in November 2015 after decades as an insolvency expert with Ferrier Hodgson.

Mr Mentha's firm, KordaMentha, took over as administrator of Arrium on Tuesday night after unions and big banks pushed for his firm to replace Grant Thornton, which had been appointed six days earlier by the Arrium board as it finally surrendered under a mountain of $2.8 billion in debt.

The unions and banks believe KordaMentha will be able to achieve a better outcome and is a "cleanskin" after much animosity between the former Arrium board and the big banks over the previous few months.

Grant Thornton had outlined that its review of the Arrium operations could take up to two months. Mr Mentha said the work done by the SA Steel Task Force already would be used, and had "sped up the process".

But he declined to say how long it might take for an overarching review of Arrium by his firm.

"I don't have a time frame in mind," he said.

Mr Mentha said the pledges of support from the big construction players was heartening and it was gratifying that Paul O'Malley, the BlueScope chief executive, "had expressed his desire to help".

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Mr Triguboff is No. 3 on the BRW Rich List with a personal wealth of $10.2 billion through his Meriton apartment building empire.

The offers of support came as the Reserve Bank of Australia warned on Friday of looming challenges in the apartment construction market.

Mr Mentha said substantial numbers of potential buyers of Arrium assets had contacted KordaMentha, but it was too early to say how any sale process might work.

He said the South Australian government was working on a package designed to make it attractive for "new capital" to flow into the business, which also includes the profitable Moly-Cop mining consumables operations offshore.

Mr Koutsantonis said a potential option was for the state government to act as a guarantor for any outside party making a large capital investment in the Whyalla plant to make it more efficient. "It's an option, but not necessarily the final option," Mr Koutsantonis said.

The South Australian government undertook a similar move for European metals firm Nyrstar by offering a guarantee of $385 million to allow a capital spending upgrade for a lead smelter at Port Pirie, which is also in the Iron Triangle region in northern South Australia.

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Why Arrium's banks lost patience | View Clip
15/04/2016
Australian Financial Review
Arrium's wrathful lenders are working to convince the steelmaker's latest administrator to bring forward a forensic investigation of the company's accounts to assess whether or not there are grounds to pursue its past management or board of directors.

The agreement between "incandescently furious" debt and bond holders and The Australian Workers' Union that resulted in Monday's change in administrators is said to include a concession that will bring forward a forensic assessment of the Arrium accounts.

The deal, which was thrashed out by banks and the union over the weekend and sealed early on Tuesday morning, confirmed KordaMentha as a replacement for Arrium's first choice of administrator, Grant Thornton.

A lending group made up of Australian and international banks and investors had been urging McGrathNicol on this process, but are said to be quite content with an outcome that saw them concede to the union's preference.

Arrium's Australian lenders were left "incandescent" when they learned that GSO and Arrium management planned to close the Whyalla steelworks.

To digress momentarily, these negotiations were described by one player as "strange", but not to the point that prevented agreement.

Apparently the AWU was determined to have its way on KordaMentha because its leadership had already unwisely condemned the bankers' preference as a danger to the workers' interests.

While that condemnation was utterly ill-founded (it was claimed the bankers would be gifted better treatment if they were allowed to appoint the administrator), the union leadership argued it would be "political suicide" for them to emerge with anyone but KordaMentha running Arrium.

TELLING REQUEST

The bank's pragmatic concession, though, arrived with a telling request. The lending group, which is owed $2.8 billion in exclusively unsecured debt and bonds, has asked that McGrathNicol be allowed to continue and expand a deep dive into the Arrium accounts to identify the potential for irregularities.

In more normal work-out situations, this sort of deeply focused analysis and the recommendations that might flow from it would sit relatively low on an administrator's totem pole of things to do. But the banks are not prepared to wait the two years or so it

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might take KordaMentha to get around to offering an opinion on the faults of this situation.

There are two more reasons why the banks continue to push McGrathNicol on to the Arrium case.

First, the firm has been working with the banks since Arrium stunned its lenders with public confirmation of a $US927 million ($1.2 billion) recapitalisation deal funded by Blackstone's vulture fund, GSO Capital. So McGrathNicol is already four weeks and more down the runway of understanding Arrium's strengths and flaws.

Secondly, the banks have lost utterly any confidence in the information offered to them by past management and board at Arrium.

The banks are keen to develop a numerically informed understanding of exactly when Arrium's cash flow problems became critical enough to inspire a recapitalisation proposal that required the lending group to take a 40¢-in-the-dollar haircut.

They want McGrathNicol to assess whether Arrium had knowingly crossed the threshold of its cash flow crisis ahead of drawing down the $500 million of liquidity headroom available in existing lending lines. And they want a firm understanding of the timelines of the GSO Capital deal with an eye to clarifying whether its seeds were sown ahead of liquidity drawdowns that they say occurred through January and February.

The milestones of frustration that ended with the total collapse of trust between the lending group and Arrium are many and varied. After last week's failed effort to renew commercial confidence, one of Arrium's advisers observed that the relationship between lenders and customer was "toxic". As it turns out, that was an understatement.

LENDERS 'INCENSED'

So what went wrong?

Well, Arrium's lending group appear to have spent the last month expressing ever-increasing levels of disbelief, anger and rejection at the management and chairman of the business now entering its second administration in a week.

The lenders were "incensed" by Arrium's decision to shop for a recapitalisation without the lenders' knowledge or consent. They were then left dumbfounded when Arrium went to market with a proposal that the company insisted had arrived only hours before it was introduced to the world on the ASX platform.

And then the Australian banks, in particular, were left "incandescent" when McGrathNicol's appraisal of the confronting proposal identified that GSO and Arrium management planned to close the Whyalla steelworks.

This potential fits comfortably with Arrium's public and private presentation of its crisis. The Arrium narrative is that it is a company of good and bad.

The good is a mining materials business called Moly-Cop that generates strong free cash flows and an east coast steel business built around two relatively modern electric-arc furnaces and steel-forming mills that make good money selling a variety of steel products to the construction industry.

Bad Arrium is also a character of two parts. There is the Whyalla steelworks and a South Australian iron ore mining operation. Arrium's people insist both are burning cash faster than Good Arrium can generate it.

But Arrium's lenders have become deeply sceptical of a narrative that would sustain the closure of Whyalla and the iron ore mines. That scepticism is apparently informed by a collection of expressions of interests in acquiring Arrium Steel that have been lobbed at the banks over recent weeks.

Apparently, the indicative numbers suggest Whyalla should be throwing off an EBITDA of $150 million instead of churning through cash it doesn't have.

For reasons that are pretty obvious, the banks view Whyalla as a non-negotiable in any Arrium work-out. The steelworks directly supports more than 2000 families in Whyalla. Each of them is a customer of an Australian bank. Most of those families would have mortgages, car loans and credit cards. The banks are keen that their lending continues to be secured by jobs.

EARLY SIGNS OF STRAIN

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So the steelworks must be kept open while its ability to earn itself a future is clarified. To that end, the banks are working with KordaMentha to deliver the liquidity necessary to sustain Whyalla through the opening stanza of administration and beyond.

Of course, the clarity of retrospection has identified earlier signs of strain between Arrium and its banks. As far back as June last year, the steelmakers' trade financiers began winding back on routine short-term liquidity.

But relationships soured further in August when Arrium, to amend and extend its existing covenant light, unsecured bank facilities. Arrium has lines of liquidity with 23 banks that are delivered through three individual syndicates. It is understood six banks, at least one of them Australian, returned the term sheets offered with a request to secure existing and future lending.

Arrium closed the negotiations.

One of the more obvious puzzles in the Arrium situation is how a routinely troubled business came to assemble such a substantial portfolio of unsecured debt. From the banks' perspective, the answer is simple. The Arrium that borrowed the cash boasted an investment-grade rating and borrowers with that standing can easily secure loans on unsecured terms.

As it turns out, the security boot was on the other foot just seven months later. We understand that within the last three weeks, with the banks making it plain they saw no value in the GSO deal, Arrium arrived with a request for up to $500 million in new funding and certainty against foreclosure for something more than three years. The terms offered included a proposal that would have secured past and future bank lending.

This time it was the banks that said "get lost". They felt they would be throwing good money after demonstrably failed management, and they assessed the offer of security over past lending would be rendered worthless if Arrium ended up in administration. And, by then, administration was exactly where the lenders wanted Arrium to be.

This point about layers of credit security in administration is yet another lesson we have learned through these early stages of Arrium's administration. While customer and banks might agree on terms that deliver security to existing streams of lending, the law simply does not recognise risk reassignment in situations like administration.

So Arrium was free to secure new credit by offering security. But changes to the standing of existing credit lines would just not cut the mustard in administration.

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Rio Tinto signs new iron ore deals with China's Sinosteel | View Clip
15/04/2016
Australian Business Review

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Rio Tinto says it has inked new agreements with China's Sinosteel to sell the state-owned steel company iron ore from Australia's Pilbara region until the end of the decade.

The Anglo-Australian miner (RIO) said it and Sinosteel have agreed to extend their Channar Mining joint venture--which is 60 per cent owned by Rio Tinto and 40 per cent by Sinosteel, and was first formed in 1987 for the joint development of the Channar mine in northwest Australia. Under that extension, Rio Tinto will supply the joint venture with 30 million tonnes of iron ore over the next five years, in exchange for a one-off payment by Sinosteel of $US45 million and production royalties linked to the iron ore price.

Rio Tinto iron ore chief executive Andrew Harding said the Channar agreement is “one of the most important deals not only for our business, but for Australia's economic ties with China.”

The mining company said a separate deal has also been signed, under which it will sell up to 40 million tonnes of iron ore to Sinosteel between 2016 and 2021.

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Coal not the cause of Peabody's problems | View Clip
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Australian Business Review
Does yesterday's Chapter 11 filing of the world's largest private-sector coal company presage, as a number of environmental

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groups have claimed, the end of Big Coal? No, at least not yet.

Peabody Energy Corp, the biggest coal producer in the US, filed for bankruptcy yesterday, making it the fifth major US coal producer to enter Chapter 11 in the past year. Those companies represent more than 40 per cent of US coal volumes.

While environmental activists might like to see Peabody's filing as the dawn of a post-coal future, the core of the group's problems is it balance sheet, not its mines.

At a mine level, most of its operations are low-cost and profitable, producing coal at an average of about $US15 a tonne, or less than half the (admittedly depressed) price at which coal has been trading.

Its balance sheet, however, is massively over-leveraged, with about $US6.3 billion of debt and more than $US10bn of liabilities and only $US870 million of equity. Chapter 11 will enable its balance sheet to be recapitalised, debt to be swapped for equity and liabilities to be shed and it will re-emerge.

In the meantime, it will continue to mine and trade. Its extensive Australian operations — which have played a major role in its descent into bankruptcy — aren't included in the Chapter 11 filings.

It was the $5bn acquisition of Macarthur Coal in 2011 at the peak of metallurgical coal prices that overstretched the Peabody balance sheet. At the time, metallurgical coal prices were above $US120 a tonne.

Last year, Peabody averaged $US75 a tonne, with its December quarter average of $US64.63 a tonne reflecting the general downturn in commodity prices as the year progressed and more particularly in that final quarter of 2015. It is a similar story for thermal coal.

While it is inevitable that Peabody (with its balance sheet and perhaps its administration and administrative cost base restricted) will re-emerge from Chapter 11, that's not to say that its future is particularly bright and prosperous.

US coal prices are nearly two-thirds off their 2011 peaks and the environment for coal miners in the US is particularly difficult.

The shale gas boom in the US has both enabled and coincided with the Obama administration's imposition of tough environmental requirements on the sector and on power generators, resulting in a massive shift in generation capacity from coal to gas.

As oil prices have plunged over the past 18 months or so, US domestic gas prices have also tumbled. They are now well below $US2 per MMbtu, so the economic incentive to make that switch is itself powerful.

As China's overcapacity undermines steelmakers worldwide, the decline of the US steel industry is another contributing factor. The demand for Australian metallurgical coal has also been impacted by the flat lining of China's steel production at uneconomic levels.

There has been pressure within China to remove some capacity from a sector where 90 per cent of the production is thought to be unprofitable, although the impact on the sector of the current investment-focused stimulus has removed some of the urgency from that discussion.

Over time, of course, the concerns about the use of fossil fuels and the global interest in reducing carbon emissions will continue to be a significant and potentially terminal constraint, but that's a relatively long-term influence rather than an immediate threat to Peabody's operations.

Coal might be a much smaller part of the energy mix in the US (where it has fallen from more than 50 per cent to about a third) and elsewhere but the US Environmental Protection Authority's projections are for coal use to remain at roughly current levels, or slightly lower, through to 2040 — albeit that would represent a significantly lower proportion of US energy sources.

In the developed economies, there is a lot of pressure on banks and other financiers from environmental activists to stop lending to the sector, which could exacerbate the extent and rate at which demand for coal falls away.

Outside the US, of course, demand for coal continues to rise in China and India and other developing economies despite the growth in renewables in China's energy mix. Peabody's coal is consumed in 25 different countries today.

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With nearly $US6bn a year of revenue and operations that can generate earnings at the mine level even in today's difficult pricing environment, Peabody will be recapitalised and will continue to produce coal for years to come.

Longer term, of course, the prospects for coal are bleak which is why companies that don't rely on it for their earnings and value are looking to gradually reduce their exposures.

Rio Tinto, for instance, has quietly but significantly shrunk its thermal coal business, exiting without much fanfare at unexpectedly attractive values in an environment that one would have expected to be a buyers' market — which says very clearly that the buyers believe coal has a solid future.

One suspects Rio would like to exit the business completely if it could manage to attract decent prices for its remaining and still substantial thermal coal assets. Metallurgical coal for steel making is seen to have a different and less-threatened future, hence the reported interest by the big diversified miners in Anglo-American's Australian coal assets.

Significant downsizing is not a viable option for either Peabody or those of its peers in bankruptcy, let alone an exit from the sector.

A restructured balance sheet could make Peabody solidly profitable, even at current coal prices.

Peabody has been mining coal since 1883 and will continue to produce coal for as long as there is demand, which there will be for quite some time, despite the best efforts of environmentalists to drive it and the industry out of business.

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Anshan Iron & Steel warns of $95 million loss for Q1 | View Clip
15/04/2016
Steel First
North China's Anshan Iron & Steel (Angang) is expecting losses of 615 million yuan ($95 million) for the first quarter, amid tighter margins and lower steel prices.

This compares with a net profit of 19 million yuan ($2.9 million) a year earlier, the Liaoning-based steel major said on Friday April 15.

While spot steel prices have risen to a 2016-high this week, levels are still down from a year ago, the mill said.

Meanwhile, the steelmaker also suffered contracting margins as the year-on-year fall in steel prices have outpaced those of raw material, it said.

The mill reported a loss of nearly 4.6 billion yuan ($711 million) for 2015 last month, compared with a net profit of 928 million yuan ($143 million) in 2014.

Angang will release its official results for the first quarter at the end of the month.

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Iran in €6.2 billion joint venture investment with Danieli | View Clip
15/04/2016
Platts
Following Italian prime minister Matteo Renzi's visit to Iran, Tehran has announced a €6.2 billion joint venture between the two countries to expand Iran's direct reduced iron (DRI) and steel making capacity, Platts learnt from a statement by the Iranian state mine and metal holding company Imidro which cited one of its executives.

According to Imidro, after Iranian president Hassan Rouhani's visit to Italy in January and the signing of an MoU, a new joint venture, the Iran & Italy Mineral & Metal Company, was registered in Iran, 60% owned by Italian plant engineering group Danieli and 40%-owned by Imidro. The new company plans to set up several projects in Chabahar, southeast Iran, including an iron ore concentration plant, a pelletizing plant and a DRI plant with capacity of 6.5 million metric tons/year.

The two countries are also now considering development of Mobarakeh Steel Co's (MSC) hot strip mill, the expansion of Hormozgan Steel (a 1.6 million mt/y slab caster), Sepid Dash Steel (an auto sheet project belonging to MSC) and also a

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seamless pipe mill with total value of about €1 billion. The financing of MSC and the project to expand Hormozgan Steel, are being covered by Italian export credit agency SACE, according to Imidro.

Prior to sanctions, Danieli and a number of other Italian companies were the main engineering contractors in the Iranian steel industry, for both greenfield projects such as MSC and also on expansion and renovation projects in Esfahan Steel, KSC and other mills, a local steel specialist noted. However, it is the first time that an Italian company is investing in directly the Iranian steel industry.

The specialist added that Danieli is also going to establish a plant to manufacture steelmaking machinery and equipment in Eshtehard in central Iran. This project is expected to be fully funded by the company, he said.

Danieli did not respond to an emailed request for comment, but it previous told Platts that the Persian Metallics iron ore pelletizing and direct reduction project was being established as a joint venture, and is part of a $5.7 billion package of commercial agreements which the plantmaker has signed with Iranian companies.

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Posco abandons troubled Indian project, reports say | View Clip
15/04/2016
Platts

Korean steelmaker Posco has finally abandoned its long-delayed plans to build a large integrated steelworks in eastern India, according to local media reports. The company had not confirmed the reports by Platts deadline Thursday.

The project was launched in 2005 when Posco signed a memorandum of understanding with the government of Odisha state to build a plant with an initial capacity of 6 million metric tons/year, rising to 12 million mt/y in a second phase. But it has made no progress because of regulatory and bureaucratic delays, and opposition from local residents, as Platts has reported.

Indian press reported this week that Posco decided to withdraw because its current environmental permit expires in July 2017 and that does not give sufficient time for construction of the plant, especially as the land required has not been handed over to the company by the Odisha government. Similar problems led ArcelorMittal to drop its separate project to construct an integrated steelworks in the same state in 2013.

Local farmers have now demanded the return of their land which was commandeered to provide a site for Posco's steelworks, the reports said.

Posco has other ventures in India, including a project to build a Finex ironmaking plant for local producer Mesco Steel, and an operational works in the western state of Maharashtra producing cold rolled and hot-dip galvanized automotive sheet.

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ArcelorMittal, Voestalpine launch lighter, stronger auto steel | View Clip
15/04/2016
Steel First

ArcelorMittal and Voestalpine have signed a deal to globally market ‘phs-directform', a galvanized, press-hardened steel for hot-formed auto components, ArcelorMittal said on Thursday April 14.

Voestalpine's phs-directform is a lower-weight, high-strength steel. specially developed as the automotive industry required highly formable, corrosion-resistant and lightweight steel.

"With this agreement with Voestalpine, [we now] have the widest range of hot stamped steels in the world," said Philippe Aubron, chief marketing officer at ArcelorMittal Automotive Europe.

"[We now have] products accommodating any kind of hot stamping process, with Usibor, Ductibor and phs-directform for direct stamping, as well as galvanized press-hardened steels for indirect stamping," he added.

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