worldsteel ASSOCIATION

22.04.2016 News Brief

1. Production and Capacity
2. Markets, Trade and Price
3. Consolidation and Restructuring
4. Raw Materials
5. Financial and New Investments
6. Technology and Market Development
7. Climate Change and Sustainability
8. Safety and Health
9. Other

Report Overview

Total Clips (22)

1. Production and Capacity (2)
2. Markets, Trade and Price (5)
3. Consolidation and Restructuring (6)
4. Raw Materials (1)
5. Financial and New Investments (5)
6. Technology and Market Development (1)
7. Climate Change and Sustainability (2)

Headline	Date	Outlet	Link
1. Production and Capacity (2)			
China's Steel Industry Expected to Decline Despite Production Upsurge	21/04/2016	China Topix	Text
China's 'zombie' steel mills fire up furnaces	21/04/2016	Reuters	Text
2. Markets, Trade and Price (5)			
European consumption outlook 'dull': Eurofer	22/04/2016	Platts	Text
Steel Drops in China After Exchanges Move to Cool Speculation	22/04/2016	Bloomberg News Online	Text
China cheats on steel at the cost of U.S. jobs	22/04/2016	Pittsburgh Post-Gazette Online	Text
China's steel rally: False dawn or market shift?	22/04/2016	CNBC	Text
Japan Steel Chief Warns China's Record Exports Could Hit Rally	21/04/2016	Bloomberg News Online	Text
3. Consolidation and Restructuring (6)			
Rationalising of sites long overdue in Europe: Eder	22/04/2016	Platts	Text

It's time to re-embrace nationalisation, when it's appropriate	22/04/2016	Tax Research UK	Text
China Moves To Cut Steel Overcapacity Days After US, Other Countries Asked For Production Curbs	22/04/2016	International Business Times, The	Text
British government eyes equity stake in Tata Steel	22/04/2016	FT.com	Text
UK ready to take stake in Tata's steel plants in rescue deal	22/04/2016	Reuters Online	Text
On global steel overcapacity, is blaming China really fair?	21/04/2016	China Daily	Text

4. Raw Materials (1)

Vale churns out record first-quarter iron ore volume	21/04/2016	Sydney Morning Herald Online, The	Text

5. Financial and New Investments (5)

The good and bad at collapsed Arrium	22/04/2016	Sydney Morning Herald Online, The	Text
Posco profits beat forecasts as Asian steel shows signs of recovery	22/04/2016	FT.com	Text
Tata Steel Gains On British Government's Proposal	22/04/2016	NDTV Profit	Text
UPDATE 1-Russia's Severstal first-quarter core earnings fall 53 pct	21/04/2016	Reuters Online	Text
Nucor reports Q1 net profit of $71 million	21/04/2016	Platts	Text

6. Technology and Market Development (1)

NanoSteel Delivers Advanced Automotive Steel to General Motors	21/04/2016	CNBC Online	Text

7. Climate Change and Sustainability (2)

Anti-Carbon Tax Movement Gains Momentum Across the Globe	22/04/2016	Daily Caller, The	Text
Steel's battle to survive in the face of spiralling environmental costs	22/04/2016	Telegraph, The	Text | **View Clip**

China's Steel Industry Expected to Decline Despite Production Upsurge
21/04/2016
China Topix
China's steel production in March grew by three percent for the first time since January last year, the National Bureau of Statistics said.

Analysts said that the rise is perceived to be short-lived and may result in soaring expenses due to the expanding Australian dollar and increasing oil prices.
China's GDP grew by 1.1 percent in the first quarter of the year from 2015's October to December period. This

shows how the government managed to spur steel demand by boosting the manufacturing, housing, and construction sectors.

Fitch Ratings said that easing economic conditions in the country stimulated steel demand. Cumulative financing was 2.34 trillion yuan in March, indicating a stabilizing financial system. There was also a surge in home sales by 71 percent last month while investment in real-estate development rose to 602 percent in the first quarter of 2016.

The steel industry took advantage of the steel production's meager surge, but was impeded by the government prior to its initiative to cut excess capacity and reduce discharge, said Su Feng, general manager for sales in the Anyang Iron & Steel Co.

With that, the effort to boost steel supply and take advantage of the price surge may result in a plunge as production once again exceeds demand.

"Given time, output will be raised to a level that tips the market back into oversupply," said Xu Xiangchun, chief analyst at Mysteel Research. "China's steel industry remains in severe overcapacity, so a glut will return."

Return to Top

China's 'zombie' steel mills fire up furnaces
21/04/2016
Reuters
Despite a global glut Chinese steel prices have risen 77%

The rest of the world's steel producers may be pressuring Beijing to slash output and help reduce a global glut that is causing losses and costing jobs, but the opposite is happening in the steel towns of China.

While the Chinese government points to reductions in steel making capacity it has engineered, a rapid rise in local prices this year has seen mills ramp up output. Even “zombie” mills, which stopped production but were not closed down, have been resurrected.

Despite global overproduction, Chinese steel prices have risen by 77 per cent this year from last year's trough on some very specific local factors, including tighter supplies following plant shutdowns last year, restocking by consumers and a pick-up in seasonal demand following the Chinese New Year break.

Mandated cuts

Some mills also boosted output ahead of mandated cuts around a major horticultural show later this month in the Tangshan area. Local mills must at least halve their emissions on certain days during the exposition, due to run from April 29 to October.

China, which accounts for half the world's steel output and whose excess capacity is four times U.S. production levels, has said it has done more than enough to tackle overcapacity, and blames the glut on weak demand.

But a survey by Chinese consultancy Custeel showed 68 blast furnaces with an estimated 50 million tonnes of capacity have resumed production. The capacity utilization rate among small Chinese mills has increased to 58 per cent from 51 per cent in January. At large mills, it has risen to 87 per cent from 84 per cent, according to a separate survey by consultancy Mysteel.

The rise in prices has thrown a lifeline to 'zombie' mills, like Shanxi Wenshui Haiwei Steel, which produces 3 million tonnes a year but which halted nearly all production in August. It now plans to resume production soon, a company official said, declining to be named as he's not authorised to speak publicly. Another similar-sized company, Jiangsu Shente Steel, stopped production in December but then resumed in March as prices surged, a company official said.

More than 40 million tonnes of capacity out of the 50-60 million tonnes that were shut last year are now back on, said Macquarie analyst Ian Roper. “Capacity cuts are off the cards given the price and margin rebound,” he said. Profit margins have risen to 500-600 yuan a tonne ($77-$93) on average, the highest in at least two years, said Hu Yanping, senior analyst at Custeel.com.

Bloated sector

“The government wants to bolster the economy and boost demand for industrial sectors, but it is also resolute to push forward the supply-side reform, putting it in a dilemma,” said Hu. To show the world it is serious in slicing its bloated steel sector, China has said it cut 90 million tonnes of capacity and plans to cut another 100-150 million tonnes through 2020.

Yet China's crude steel output hit a record high of 70.65 million tonnes in March.

A surge in steel output should be driven by an increase in contracted purchases, otherwise mills are just betting on an improvement in demand that may not happen, Liu Zhenjiang, vice secretary general of the China Iron and Steel Association (CISA), told an industry conference in Beijing this month.

“Cutting steel capacity is important, but controlling steel output is more important,” he said.

CISA, which groups China's biggest steel firms including Baoshan Iron and Steel, has consistently urged its members to show “self-discipline” and not increase output at the first sign of rising prices, a plea that's usually gone unheeded.

Keywords: world's steel producers, Beijing, China steel towns

Return to Top

European consumption outlook 'dull': Eurofer
22/04/2016
Platts
European steelmakers association Eurofer reduced its expectations for real and apparent consumption growth this year, in its latest outlook released Thursday.

The association expects real steel demand to increase by 1.1% year-on-year, a less positive outlook than that issued in January, when Eurofer anticipated a recovery of 1.4% on-year.

Apparent consumption was the most affected by the revision, with Eurofer now expecting it to remain stable compared to last year -- in January Eurofer said apparent consumption would rise 1.1% y-o-y in 2015. One reason behind this drastic cut in its apparent steel consumption outlook was the upward revision of 2015 apparent demand growth, from 2.3% as stated in January to 3.5% calculated in the latest release.

"The outlook for the EU steel market in 2016 is dull," Eurofer said. "Muted real steel consumption growth and the stock overhang at the start of the year will result in apparent steel consumption stabilising around the year earlier level."

The association also remained concerned over imports. "Trade data for the first quarter of 2016 signal a further y-o-y rise in imports, stoking concern of another year of market distortions and EU producers losing market share", Eurofer stated.

-- Emanuele Norsa

Return to Top

Steel Drops in China After Exchanges Move to Cool Speculation
22/04/2016
Bloomberg News Online
Steel futures slumped in China as exchanges moved to cool speculation after prices surged to the highest level since 2014 in record volume on Thursday.

Reinforcement bar used in construction closed 4.8 percent lower at 2,619 yuan ($403) a metric ton in Shanghai, snapping a four-day rally. Prices climbed 14 percent this week, the most since the contract started in 2009, and are up 47 percent this year. Hot-rolled coil slid 4.6 percent to 2,817 yuan a ton.

The Shanghai Futures Exchange increased transaction fees while the Dalian Commodity Exchange raised iron ore margin requirements. The bourse in Dalian also tightened rules on what it called abnormal trading, which now includes frequent submission and withdrawal of orders and self-trading. Iron ore futures have climbed 16 percent this week, the most since trading started in 2013.

“Speculation had turned frothy with prices pulling new highs every day this week, so the exchanges rushed to raise trading costs and take measures to cool overheated sentiment,” said Gao Xuefeng, an analyst at Sinosteel Futures Co. in Beijing. “But there are still reported shortages in some areas, so the market remains very bullish,” Gao said in a note on Friday.
Inventories Slump

Steel stockpiles are dwindling in China as the property market recovers, the economy stabilizes and policy makers vow to bolster growth. Inventories of reinforcement bar contracted for a sixth week in the period to April 15, shrinking 6.8 percent, in the biggest drop since October 2014, according to Shanghai Steelhome Information Technology Co.

Mills in China are responding to the price rally by boosting production, churning out more metal in March than any month on record. The jump in prices in 2016 follows five years of declines and offers relief for the world's largest steel industry, which has been grappling with overcapacity, losses and forecasts for a long-term drop in China's demand.

“Volatility and trading volume jumped as the economic and financial situation at home and abroad led to uncertainty and complexity,” the Shanghai Futures Exchange said in statement Thursday, advising brokers to watch for risks and reminding “investors to cautiously judge the market and rationally invest.”

Volume in reinforcement-bar futures for October delivery was 21.9 million contracts on Friday, just short of the record 22.4 million contracts a day earlier. The size of each contract is 10 tons.

Return to Top

China cheats on steel at the cost of U.S. jobs
22/04/2016
Pittsburgh Post-Gazette Online
The U.S. steel industry is experiencing wrenching challenges. Across the country, and here in Pennsylvania, facilities are being idled, well-paying jobs decimated and communities shattered. At the heart of this problem is the continuing flood of illegally subsidized foreign steel imports, mostly from China.

In 2015, there were more than 12,000 steel-industry layoffs announced in the United States. Record levels of steel exports from China are on track to exceed 100 million metric tons this year — which is more steel than produced by the entire domestic industry.

China's government overtly manipulates its currency and subsidizes its steel industry in ways that violate international trade laws — doing everything to push the steel to market — even if that means dumping the products in the United States at less than fair market value.

Last year, China produced that 100 million tons of steel it didn't need for domestic consumption to keep its mills running, its workers employed and its domestic tranquility sustained. That would be fine if it kept that government-subsidized excess steel in warehouses in China. Instead, it shipped that overproduction overseas, flooding international markets with unneeded steel, depressing international prices and forcing mill closures in the United States and Europe. China is exporting unemployment.

America cannot afford to allow our domestic steel industry to be undermined by subsidized and dumped steel flooding the U.S. market. As presidential candidates visit Pennsylvania for the upcoming primary election and we look toward electing a new leader for our country, we cannot emphasize enough the importance of enforcing our nation's trade laws and imposing strong penalties on countries that refuse to follow the rule of law.

The Alliance for American Manufacturing has issued a new report, “Steel Import Surge Threatens U.S. National Security.” The study examines how China, Russia and other potentially hostile trading partners are flooding the domestic market with heavily subsidized, underpriced steel products. The study concludes that the United States must act quickly and take decisive actions to preserve a strong domestic steel industry. The study also confirms that our leaders in Washington, D.C., should use all available legal and legislative tools to safeguard American-made steel, ensuring that the industry will remain a strong and ready foundation for our national security.

Domestic steel producers and steelworkers work tirelessly and invest millions to meet the highest safety and environmental standards as they manufacture steel in the most efficient mills in the world. We cannot allow this investment and this work to be destroyed by unfair and illegal subsidized steel imports. To put China's excessive production in perspective, the 100 million tons it overproduced in 2015 is more than all of the steel forged in the United States that year, and America is the world's third-largest steel producer.

To address the severity of this threat to our country's economic and national security, the Pennsylvania General Assembly has introduced House Resolution 811, calling on Congress and the president to support the domestic steel industry and enforce our nation's trade laws. The resolution has received broad bipartisan support.

We commend the General Assembly and support its efforts on behalf of the steel industry and Pennsylvania steelworkers. As national candidates continue to formulate their policy positions in this election year, we urge them to make a commitment to enforce our nation's trade laws. The future of the domestic steel industry, our national security and hard-working Pennsylvania steelworkers depends on it.

Christopher Masciantonio, government affairs manager for U.S. Steel, and Robert McAuliffe, Pennsylvania director for the United Steelworkers, co-chair the Pennsylvania Steel Alliance of steel companies and labor unions.

Return to Top

China's steel rally: False dawn or market shift?
22/04/2016
CNBC

Chinese steel prices are enjoying a powerful rally, but the gains may just be a false dawn as the issue of excess capacity remains unresolved.

Rebar futures in Shanghai soared 6 percent on Wednesday, extending a three-day winning streak to close at a 14-month high.

Prices are more than 40 percent higher year-to-date thanks to a period of tightened supply and healthy demand from the real-estate market, which accounts for 50 percent of Chinese steel consumption. The rally represents a turnaround from a more somber mood last year as concerns over China's economic health caused prices to tank.

Mainland steel companies were making huge losses last year so they cut back production quite sharply, resulting in mills, traders and end users in the manufacturing sector rapidly using up existing stocks towards the end of 2015 and early this year, explained Paul Bartholomew, senior managing editor at Platts.

That led to stronger-than-usual seasonal restocking typically seen over the Lunar New Year period, reflected in March data showing the world's biggest steel producer churning out a record 70.65 million tonnes of output.

Iron ore, a key ingredient in steel-making, has latched onto the momentum. On Wednesday, ore delivered to Qingdao rose to a 10-month high of $64.77 a tonne, according to the Metal Bulletin benchmark.

Bartholomew questioned the extent to which the rally was being driven by demand as opposed to sentiment.

Speculation has always been a key feature of the steel market, with retail investors often responding to government policy announcements related to fiscal stimulus or structural reforms, he said.

The fact that manufacturing Purchasing Managers' index (PMI) improved in March indicates steel's gains aren't entirely sentiment driven, but a look at the metal's fundamentals still suggests downside ahead, he added.

The property market is still plagued by a massive overhang from all the stimulus brought on by the global financial crisis, he noted. In the first quarter, land leased for building new apartments fell 11 percent, indicating a lack of land for new construction, he continued.

A train loader fills train carriages with lump iron ore at Rio Tinto Group's West Angelas iron ore mine in Pilbara. The miner's plans to replace trains with driverless ones hit a delay in Q1.
Bad weather is good news for iron ore

Global credit insurer Coface shared the same dim outlook.

"The market is not expected to regain equilibrium before 2018," analysts said in a Wednesday report.

"While global production is weakening (down 3.1 percent at end-February) and one-third of steel production lines are at a standstill, supply is still abundant," they continued, citing China's growing production capacity.

Only in 2018 will the market witness re-balancing of supply and demand as China's first capacity reductions begin to materialize, the report said, with the automotive, machinery and construction industries leading overall demand.

Return to Top

Japan Steel Chief Warns China's Record Exports Could Hit Rally
21/04/2016
Bloomberg News Online

Japan's steel industry is concerned that rising exports from China, the world's top supplier, will nip an Asian steel rally in the bud, just as mills had begun to benefit from the gains in price.

China's March steel exports surged 30 percent to their highest level for the year, having already hit a record in 2015, as mills expanded output to all-time highs to take advantage of a more-than 50 percent surge in domestic steel prices in 2016. China is forced to export its surplus as its economy slows, hurting competitors and raising trade tensions.

Those exports are now “a concern,” Japan Iron and Steel Federation Chairman Koji Kakigi told reporters on Thursday in Tokyo. “At issue is how long the current price increase will last. We are unable to predict how long it will be.”

Kakigi is also president of Japan's No. 2 steel mill, a unit of JFE Holdings Inc., which rallied along with other Japanese steelmakers last week after Credit Suisse Group AG upgraded the company due to its exposure to a resurgent Asian market. Kakigi told the briefing that steel suppliers in Japan, the world's second-biggest producer, had started to see a pickup in export inquiries spurred by earlier output cuts in China.

JFE and larger rival Nippon Steel & Sumitomo Metal Corp. report full-year earnings next week, having both slashed their forecasts earlier in the year due to competition from China.

Return to Top

Rationalising of sites long overdue in Europe: Eder
22/04/2016
Platts

Operational streamlining of the European steel industry is long overdue, Voestalpine CEO Wolfgang Eder said in a press call Thursday. While ruling out consolidation for Voest, he said there is a need for consolidation within the commodity steel sector, which has been missed over the past 15 years.

"1994, there were 26 steel companies in Europe, now we have around six to seven major firms. We had massive consolidation, but only legal streamlining and not [of] sites. If you accept that sites will also have to be streamlined and that this is overdue, then you can only welcome that," he said, regarding the recent speculations of the consolidation plans of major steel companies in Europe.

Voestalpine has moved more and more away from the commodity steel markets in recent years and does not "see itself as classic steelmaker anymore," according to the CEO. "The speculation around consolidations will therefore run without us," he said.

As reported, speculation mounted last week that Thyssenkrupp's steel division and Tata's IJmuiden site are getting closer to entering a joint venture, with Salzgitter as a possible partner. However, a Salzgitter spokesperson confirmed to Platts there are no talks taking place about a consolidation. Tata and Thyssenkrupp preferred not to comment, but a Thyssenkrupp spokesperson told Platts the steelmaker is positioning itself "in order to be in a strong position if a consolidation does take place."

-- Laura Varriale

Return to Top

It's time to re-embrace nationalisation, when it's appropriate
22/04/2016
Tax Research UK

In all but name the government is going to nationalise parts of the steel industry.

Three thoughts. First, it should admit it. But it isn't. It claims it will only take a 25% stake, albeit one linked to hundreds of million so funding which would in any serious analysis indicate control and a desire to, at least in some circumstances, exercise it. This denial of what is really happening is dogmatic. That is deeply unattractive and untruthful. Worse, it is indication of a lack of self confidence and a maybe, even, a lack of competence. Both are more worrying than the dogma. We really do have the cowardly politicians I described in The Courageous State.

Second, the action proves the need for an industrial strategy. Scattering money here and there to all and sundry via tax reliefs has been no substitute for this. Now is the time to prepare a strategy for the future.

And third? It is that there is no one answer as to ideal ownership structures. In the real world we need a mixed economy. Some things (natural monopolies like health and education if the benefit is to be universal) have to be state run. Others, such as coffee shops and a vast array of small businesses need no state involvement at all: the only job of the state is to encourage such enterprises. But in between we need to be fluid. Circumstances dictate change over time and we should be honest about that, what is being done, when and why. Doing so would be the sign of a mature government willing to embrace reality. We are not enjoying such a government now, and to be candid we did not in 2008 either.

Dogma has no role in this. Theory has. But so too has understanding. Right now we're only getting the first. That's the biggest impediment to this deal. If only we could have a government of people willing to embrace the real world that exists rather than the fantasy of dogmatists.

Return to Top

China Moves To Cut Steel Overcapacity Days After US, Other Countries Asked For Production Curbs
22/04/2016
International Business Times, The

Days after a meeting of over 30 countries, including China, to discuss the crisis afflicting the global steel industry, following which the United States pointedly accused China for overproduction and failure of the talks earlier in the week, China announced Thursday indirect measures to curb overcapacity in its oversized steel sector. It has asked banks to tighten lending to steel companies, and to stop lending to companies that do not perform.

The new banking guidelines, also applicable to the country's bloated coal industry, were jointly issued by the People's Bank of China, the China Securities Regulatory Commission, China Banking Regulatory Commission and China Insurance Regulatory Commission.

“Steel and coal industries are the main area where China is trying to slash capacity and the circular underlines the financial regulators' role in pushing forward the move,” said Lu Zhengwei, chief economist of Industrial Bank.

The circular containing the guidelines asked banks to continue lending to companies that were competitive or could stage a turnaround, and also help with deleveraging, according to South China Morning Post. It also asked financial service companies to assist healthy companies expand globally, helping them with raising capital in overseas markets.

The circular added that banks played a key role in removing poor performers from the system, and asked banks not to extend credit to new projects not encouraged by current policy.

And current policy is clearly geared toward cutting capacity in the steel and coal industries. About 1.8 million jobs were expected to be cut in the two sectors, according to the China's ministry of human resources and social security. Hebei province in northern China is the hub of the country's steel production and according to Hebei Governor Zhang Qingwei, 60 percent of steel companies there “would be closed or merged by 2020.”

However, some of the shuttered mills in Hebei are resuming production, after being closed as part of the provincial government's efforts to cut capacity.

“Some of the ‘overcapacity' that was eliminated has found its way back after mills resumed production following a marginal recovery in steel prices during the first quarter of this year,” said Laura Zhai, an analyst with global ratings agency Fitch Ratings.

The country is the world's largest producer of steel and contributes over half of the global production. It has already cut its steel output by about 90 million tons in the last few years and plans to reduce it by another 100 million to 150 million tons in the next five years. It has recently been accused of dumping its steel in other countries, and its steel exports have come under harsh scrutiny since Tata Steel's decision to sell its U.K. operations.

Return to Top

British government eyes equity stake in Tata Steel
22/04/2016
FT.com

The government is prepared to re-nationalise up to a quarter of Tata Steel and to provide “hundreds of millions of pounds” in debt financing for someone to buy its UK plants, Sajid Javid has said.

The business secretary said the government is prepared to take a minority equity stake of less than 25 per cent in the hope of saving steel plants such as Port Talbot, which is heavily lossmaking and could close if no buyer is found in the next few weeks.

The last Conservative government to authorise such a move, representing a part-nationalisation, served under Ted Heath in the 1970s.

“This government is committed to supporting the steel industry to secure a long-term viable future and we are working closely with Tata Steel UK on its process to find a credible buyer. The detail of our commercial funding offer is clear evidence of the extent of that commitment,” Mr Javid said on Thursday

The FT recently revealed that the government was offering debt of up to £200m at an annual interest rate expected to be about 3 per cent.

Mr Javid said last week that the government could “co-invest” with a private partner in a rescue bid for the plants.

On Thursday, the business department said the government “has been clear that since Tata announced its intention to divest its UK operations, it is ready to support a credible private buyer of Tata Steel UK”.

It added that the financial support package would be “tailored to the purchaser's strategy and financing needs. However, it is expected that all, or the large majority, will be through the provision of debt financing”.

An attempt by the state to buy a stake in Port Talbot would almost certainly clash with EU state aid rules.

A spokeswoman for David Cameron, prime minister, said on Thursday that any equity stake would be a minority one to support the purchaser. “We are not seeking control of the company. We will be investing on a commercial basis,” she said.

Whether that would fall foul of EU rules would depend on the identity of the private sector partner, she said.

Tata Steel has privately set a date of May 28 to negotiate a viable sale or it will close down its UK arm.

The Indian steel group announced in March that it would sell its British division, either as a whole or in parts, after making substantial losses for several years. Mr Javid has since visited Tata in Mumbai twice to discuss how the government might help the process.

The business secretary has resisted calls by the Labour party for a full nationalisation of the steel industry to save the estimated 40,000 jobs that it supports directly and indirectly.

Senior figures inside Tata are not optimistic that a credible industry bid will be made for the business, which is losing about £1m a day.

So far, the only corporate approach for the business is from Liberty House, a commodities trading company that recently took on two small steelworks in Scotland from Tata Steel. Industry figures are privately sceptical that Liberty has the appetite and the financial clout to take on such a large, lossmaking business.

Senior executives are trying to piece together a management buyout — with guidance from Sir Terry Matthews, a Welsh-born technology billionaire — but they only have weeks to raise the finance needed. They are also hoping for a tax break from ministers involving changes to the Enterprise Investment Scheme for small investors.

Mr Javid last week privately met Sir Vince Cable and Lord Mandelson, his Lib Dem and Labour predecessors, as he tries to grapple with one of the biggest crises faced by the government.

One of Britain's leading business groups spoke against the government's proposal, arguing that a similar move for MG Rover in 2005 “proved fruitless” and left the taxpayer with millions of pounds of losses.

“Taking an equity stake in the steel plants would be particularly risky, giving the government the lowest chance of getting its money back,” said Simon Walker, director general of the Institute of Directors.

“We urge the business department to think long and hard about the precedent it would set if it part-nationalised the steel industry. The question is not whether the plants can be kept running for a little longer, but whether there can be any certainty that their long-term viability justifies such a rare and uncertain move.”

Additional reporting by Michael Pooler

Return to Top

UK ready to take stake in Tata's steel plants in rescue deal
22/04/2016
Reuters Online

Britain could part-nationalise Tata's (TISC.NS) UK steel plants by taking a 25 percent equity stake, as part of a support package worth hundreds of millions of pounds designed to attract a buyer and save at least 10,000 jobs.

The Conservative government, which privatized the steel and other industries under former Prime Minister Margaret Thatcher, is seen as being anxious to avoid an imminent closure of Britain's biggest steel works just before a referendum on European Union membership in case of a protest vote.

India's Tata group announced plans to quit its entire British steel operation last month, leaving the government battling to save a once mighty industry that has been hammered by cheap Chinese imports, soaring costs and weak demand.

The government said exactly what support it provided would depend on the purchaser, but that it would be on commercial terms and was most likely to be debt financing. Taking an equity stake was also an option, it said.

"If we were to take an equity stake it would be a minority one with the aim of supporting the purchaser in delivering long term future for the business. We are certainly not seeking to be controlling the company," Prime Minister David Cameron's spokeswoman said.

The Business Ministry said in a statement the government could take a stake of up to 25 percent in the assets.

HEIRS TO THATCHER

Both Cameron and Business Secretary Sajid Javid have pitched themselves as heirs to Thatcher, who during her time in office in 1979-1990 privatized British Steel, acquired in 2007 by Tata, and sold off government stakes in other national champions.

But Cameron, under pressure from trade unions and the opposition Labour Party, fears the prospect of more than 10,000 jobs being lost in the run-up to a June 23 EU referendum.

Eurosceptics have seized on the crisis, saying the EU has not done enough to stop Chinese imports and blaming the bloc's rules on state aid for preventing government intervention.

Labour welcomed the government's announcement as "a step forward" but said more needed to be done.

"This alone will not be enough to save the steel industry. The government must ensure Tata allow enough time for a suitable buyer to be found and they must reassure the customer base and supply chain," said Labour's business spokeswoman Angela Eagle.

"Crucially, they need to address the underlying challenges facing the industry; energy costs, business rates, procurement, and most of all, the illegal dumping of Chinese steel."

The government also said it was working with the pension scheme trustees of Tata Steel and British Steel to reduce the impact on any purchaser, including whether it could separate the scheme from the business.

Greybull Capital, which earlier this month bought Tata's Long Products Europe division in Scunthorpe, northern England, has been reported to be considering making a bid for Tata's specialty steels arm.

Sanjeev Gupta, the boss of metals trader Liberty House Group, has also expressed an interest in Tata's UK assets, while senior staff at Tata's loss-making Port Talbot site in Wales, Britain's biggest steel works, are seeking to launch a management buyout plan.

(Additional reporting by Costas Pitas and William Schomberg, editing by Stephen Addison and Elaine Hardcastle)

Return to Top

On global steel overcapacity, is blaming China really fair?
21/04/2016
China Daily
BEIJING - Before high-level government officials from nearly 30 countries and international associations of the steel industry gathered in Brussels for a three-day meeting on Monday, China was set to be blamed for the sector's grave ills.

Last week saw tens of thousands of German steel workers go on strike over steel products from China, and Indian giant Tata's closing of mills in Britain also drew a media flurry against so-called dumping from China.

Analysts said it's convenient for the West to point the finger at China and indulge in domestic populism for its own good. But such a poorly thought out strategy won't help lift the world out of its steel woes and serve instead to strengthen the protectionist bent of some developed economies.

China: culprit or scapegoat?

The fact that China is the world's largest steel producer and consumer has made it vulnerable to Western critics. But Zhang Ji, assistant minister of China's Ministry of Commerce (MOC), blamed "the slow recovery of the world economy" and "sluggish demand" for the current steel glut.

"In recent years, 85-95 percent of steel produced by China has been for domestic consumption. China's annual steel consumption accounts for 45 percent of the global in total," he said Monday in an interview with Xinhua.

In order to rein in production, China has stopped issuing new licenses for steel projects and begun shutting down outdated facilities.

China also announced earlier this year that it will continue to reduce crude steel capacity by 100 million to 150 million tons in the next five years. Doing so would cost China 100 billion yuan in re-employing over 500,000 laid-off steel workers.

"None of the money will subsidize steel exports," said Zhang. "China has no subsidy policies to stimulate steel exports; instead, it has leveraged export tariffs on some steel products ... The export tariff for billet is 20 percent and for hot-rolled wire rod 15 percent."

In this context, China's crude steel production in 2015 has decreased 1.92 percent year on year, the first annual decline since 1981, with the capacity utilization rate souring to 71.2 percent, higher than the global average of 69.7 percent.

To boost domestic demand, Zhang revealed that China has began large-scale infrastructure projects like the rebuilding of dilapidated houses. The automobile, machinery equipment, power and shipping sectors will see their consumption of steel rise as well. Expect demand for steel to soar to ensure China's Belt and Road Initiative becomes a reality.

Westerm solution: protectionism, period

Analysts said the West's solution to the current steel issue is riddled in protectionism and China bashing.

At the Brussels gathering, Secretary of Commerce Penny Pritzker and Trade Representative Michael Froman attributed the "fundamental structural problems" in the global steel industry to China, threatening "trade action" by "affected governments including the United States," if Beijing does not take actions "timely and concrete" enough to satisfy Washington's demands.

The situation on the other side of the Atlantic hasn't been much better. The European Commission issued a policy paper in March, vowing to implement trade remedies and proactive regulation regarding steel imports.

In an overt gesture to single out China, the agency has 16 protective measures aimed directly at China; six of ten steel products under its investigation are related to China; the organization is investigating three Chinese mills and inflicting punitive tariffs on two steel imports.

Moreover, China's exports to European nations, such as Britain and Germany, account for a small fraction of their imports both in volume and sales, not to mention that its exports are mostly of the low value-added variety, such as ordinary steel rods and plates, which many European countries no longer make and have to import anyway.

Furthermore, Europe's accusations are ignorant of the fact that the fundamental reason for its undynamic steel companies and low profits lies in high costs including labor.

Experts say that the United States and Europe should be more constructive in solving the industry's problems rather than engaging in a war of words with China.

Excess capacity is a "shared problem" that "needs to be tackled through joint efforts," said a position paper disseminated by the Chinese delegation during the Brussels meeting.

"Frequent use of trade remedy measures and other import-restrictive measures does not address the root cause of global steel overcapacity, and is detrimental to the division of labor and cooperation," noted the paper, adding that China champions free and open international trade for the steel industry.

Return to Top

Vale churns out record first-quarter iron ore volume
21/04/2016
Sydney Morning Herald Online, The

Vale, the biggest iron-ore miner, reported record first-quarter production, boosting its earnings outlook as prices of the steel-making ingredient rally.

The Rio de Janeiro-based miner churned out 77.5 million tonnes in the quarter, it said in a statement. Excluding third-party purchases, Vale was expected to produce 78.4 million tonnes, according to the average estimate of six analysts surveyed.

Iron-ore output rose slightly from 77.4 million tonnes a year earlier, although it was down from 88.4 million tonnes in the fourth quarter. Those figures include third-party purchases but strip out production from its Samarco joint venture. Production tends to be lower in the first three months of the year.

Vale and its two major rivals, Rio Tinto Group and BHP Billiton, are sticking with a strategy of expanding into a supply glut to grab market share from higher-cost producers. While Vale lowered its annual production forecast in December amid efforts to limit low-margin operations after prices plunged, its expansion is set to accelerate later this year as it begins mining at S11D in Carajas, the industry's biggest development project.

"We are still seeing ramp-up in production around the world," Andreas Bokkenheuser, an analyst at UBS Securities in New York, said before the release of production. "A lot of the major producers have been able to lower their cash cost in line with lower fuel costs and weaker currencies. That has lowered the break-even price in China."

After producing record levels of industrial metals last year, Vale reported nickel output of 73,500 tonnes in the first quarter, up from 69,200 tonnes a year ago. Copper production rose 4.4 per cent over the same period.

While Vale is also the world's biggest nickel producer, iron ore is its biggest money earner.

Higher production, lower costs and a surge in iron-ore prices this year to more than $US60 a tonne have prompted analysts to increase their annual earnings estimates by an average of 103 per cent in the past three months, according to data compiled by Bloomberg. That's the most among major Brazilian companies in the same span.

While iron-ore prices are recovering as Chinese slowdown concerns ease, they are still well below the $US100-plus levels of two years ago. Analysts from Goldman Sachs Group and Citigroup have remained bearish on the commodity. Citigroup expects prices to average $US45 this year and $US39 in 2017.

"This is definitely early days to have an expectation of a higher price outlook on iron ore," said Tim O'Brien, a DBRS credit analyst. "I wouldn't expect this to be a sustained pricing rally."

For now, the rebound is offering Vale some more breathing room as it seeks to reduce a $US25 billion debt burden that has Standard & Poor's questioning the company's investment grade credit rating.

Vale is scheduled to release earnings before the start of regular trading on April 28.

Read more: http://www.smh.com.au/business/markets/vale-churns-out-record-firstquarter-iron-ore-volume-20160420-gobfv4.html#ixzz46Yak7Y00
Follow us: @smh on Twitter | sydneymorningherald on Facebook

Return to Top

The good and bad at collapsed Arrium
22/04/2016
Sydney Morning Herald Online, The

The good and the bad businesses inside collapsed steelmaker Arrium were in the spotlight on Friday in two states, as administrators KordaMentha race against the clock to come up with a package to entice future buyers and save thousands of jobs.

Mark Korda, one of the "Marks" whom the restructuring and insolvency firm is named after, says the east coast steel business which includes an electric arc furnace and mini steel mill at Laverton, near Melbourne, is profitable and a going concern that will power on under any new owner.

Mark Mentha, the other Mark, has a much more difficult problem. He held meetings on Friday in Whyalla with the South Australian Treasurer Tom Koutsantonis and other key officials, with heavy cost-cutting planned at the loss-making steelworks in South Australia to try to stem the red ink in the short-term and preserve enough cash to allow for an orderly sale process.

KordaMentha has become one of Australia's biggest insolvency and restructuring firms after the two Marks hit the spotlight in 2001 when they took on the wind-up of Ansett, which was then Australia's second-largest airline behind Qantas.

Mr Korda says the profitable east coast steel business run by Arrium has been overshadowed by the woes at Whyalla. He says the east coast business has a long history and it is 95 per cent "non-dependent" on the Whyalla business.

"This is a profitable, viable going concern. It's been a long-term very good business," Mr Korda told Fairfax Media. He visited the Laverton mini-mill with Victorian Industry Minister Lily D'Ambrosio on Friday who promised there would be projects announced in the Victorian state budget on April 27 that would accelerate orders for local steel.

Mr Korda says Arrium operates from more than 30 sites across Melbourne and country Victoria and employs more than 1000 people in the state. He says the east coast steel business has a viable future no matter what structure the other Arrium assets eventually find themselves in.

A number of options are being pursued for the Whyalla steelworks. "It is the head company that requires recapitalisation," Mr Korda says. Mr Koutsantonis told reporters the main focus was on making sure capital investment in the steelworks was a long-term fix. "We need to see the cost structure improve," Mr Koutsantonis said.

Australian Workers Union national secretary Scott McDine said on Friday the commitment by the Victorian government led by Premier Daniel Andrews to use Australian steel in infrastructure projects needed to be replicated in other states and at a federal level. "The first priority is to get this company back on its feet and continuing on as a national steel champion," Mr McDine said.

The AWU and the big four Australian banks were instrumental in installing KordaMentha as the new administrator of the collapsed Arrium on April 12, tipping the original administrator Grant Thornton out of the job after just six days.

Arrium's creditors are owed $4 billion, with the banking syndicate owed $2.8 billion. There are 35 banks and financiers from around the globe who will all ultimately need to agree on a course of action under KordaMentha's future restructuring options. The banks include ANZ, Commonwealth Bank, NAB and Westpac, along with Morgan Stanley, and more obscure banks such as the Mutual of Omaha, Bank of Nova Scotia, Taiwan Co-Operative Bank and the Banque Cantonale de Geneve from Switzerland.

Return to Top

Posco profits beat forecasts as Asian steel shows signs of recovery
22/04/2016
FT.com
South Korean group beats forecast while European mills struggle

Posco, the world's fifth-largest steelmaker by production, has reported stronger than expected profits for the first quarter, after a recovery in Chinese prices — adding to signs of an upturn in the Asian steel sector.

While European steelmakers have been hit hard by global oversupply, the South Korean group posted a Won352.5bn ($310m) net profit for the January-March period. It marks a return to the black for the company, which last year reported its first ever loss as a flood of cheap Chinese exports drove steel prices to their lowest level in more than a decade.

Posco's operating profit of Won659.8bn was better than an average forecast of Won611bn by analysts polled by Thomson Reuters. It was still 10 per cent lower than in the same period a year ago, but nearly double the Won340.5bn achieved in the previous quarter.

Its strong performance has fuelled hopes of a recovery in the steel industry following moves by China, the world's biggest steel consumer and producer, to cut steelmaking capacity by 100m-150m tonnes in the next five years.

Steel prices in China have risen 42 per cent so far this year thanks to inventory restocking and stronger demand, on the back of improving economic data. This has prompted Posco to raise its steel product prices several times this year.

But Posco officials were unsure that the recent rally in Chinese steel prices could last because rising prices have encouraged Chinese mills to increase production.

“Steel prices in China surged recently for various reasons but the problem of overcapacity still persists,” said Son Chang-hwan, vice-president in charge of business strategy. “If they keep increasing supply, market conditions would inevitably worsen, but prices are unlikely to slump to the levels below production costs.”

Although Posco has been faring better — achieving an operating margin of 10 per cent — most of its global rivals remain in the red.

Tata Steel recently decided to pull out of its British operations, while Australian steelmaker Arrium has fallen into voluntary administration. ArcelorMittal, the industry leader, has posted a net loss for four straight years and China's major steel mills reported combined losses of Rmb11.4bn ($1.76bn) for the first two months of this year.

Analysts now expect Chinese steel prices to continue rising until May or June but have warned that the problem of overcapacity in the industry will not be resolved any time soon.

Despite growing international pressure to cut overcapacity, China's output hit a record high last month with its steel exports surging 30 per cent in March from a year ago.

“Although Beijing is talking about restructuring, its action has not been so strong,” said Byun Jong-man, an analyst at NH Investment & Securities.

“A sustainable recovery in steel prices is not just about the steel industry cycle but about demand from steel-intensive industries such as shipbuilding, automobiles and chemicals. So it is hard to expect an earnest turnaround without a recovery in the Chinese and global economy.”

Posco's share price jumped 3.8 per cent on Thursday before the earnings announcement, closing at Won 248,500 — its highest closing level in 11 months. It is now 50 per cent up in the year to date, on strong foreign buying.

Return to Top

Tata Steel Gains On British Government's Proposal
22/04/2016
NDTV Profit

Tata Steel shares gained as much as 3 per cent on Friday to touch day's high of Rs 364 after the British government announced that it could take an equity stake of up to 25 per cent in the company's UK steel assets. The announcement follows Tata Steel's decision to exit its loss-making British business.

A quick disposal of Tata Steel's UK assets would help the company reduce debt and pension liabilities, which will be a big positive, analysts say.

"The stock looks fairly priced in the short term. However, it may touch levels of Rs 450 by end of the year if the sale of its UK units goes through. Its return on equity will improve over next six months, post the UK unit sale," said Sanjeev Bhasin, executive vice president (markets & corporate affairs) at IIFL.

T S Anantakrishnan, managing director, Religare Portfolio Managers & Advisors, told NDTV Profit that he is bullish on steel sector.

"EBIDTA per tonne has started to improve across the board... The minimum support price introduced on steel imports and fall in gas prices is also a big positive," he said..

"Given the valuation hits taken in the last 6-8 months steel sector companies are a good bet," he added.

Shares of Tata Steel ended 0.17 per cent lower at Rs 354 while the broad market indicator, Sensex, ended flat.

Return to Top

UPDATE 1-Russia's Severstal first-quarter core earnings fall 53 pct
21/04/2016
Reuters Online

Severstal, one of Russia's biggest steel producers, said on Thursday its first-quarter core earnings fell 53.2 percent year-on-year, showing the impact of a steep drop in world steel prices.

Steel prices reached their lowest level in the last ten years at the end of 2015 and the beginning of 2016, Severstal, controlled by billionaire Alexei Mordashov, said in a statement.

The decline in prices was only partially offset by a positive effect from a depreciation in the rouble, which decreases producer's costs in dollar terms.

Severstal's earnings before interest, taxation, depreciation and amortisation (EBITDA) fell to $273 million. Analysts, polled by Reuters, expected earnings of $279 million.

Its net profit fell 19.6 percent to $270 million, which took into account a foreign exchange gain of $175 million. Adjusting for non-cash items, Severstal's underlying net profit totalled $99 million.

Two-thirds of Severstal's revenue, which fell 28.3 percent to $1.1 billion, came from Russia, hit by low oil prices and Western sanctions.

Russian steel demand could fall almost 10 percent this year due to lower construction activity, Severstal said, citing the World Steel Association's forecast. It also said increasing protectionist trends globally would continue to put pressure on export deliveries and margins.

Severstal's shares were up 1.2 percent by 0747 GMT in Moscow on Thursday, compared with a 0.5 percent rise in MICEX metals and mining index.

($1 = 64.7895 roubles) (Reporting by Polina Devitt; editing by Maria Kiselyova and Jane Merriman)

Return to Top

Nucor reports Q1 net profit of $71 million
21/04/2016
Platts

Nucor posted first quarter net earnings of $70.8 million, slightly above net earnings of $67.8 million in Q1 2015 and a turnaround from its fourth quarter 2015 net loss of $62 million, which included impairment charges.

“As expected, operating performance at the steel mills segment for the first quarter of 2016 increased compared to the fourth quarter of 2015. First quarter performance benefited from a lower average cost of inventory at the beginning of the quarter and improved market conditions,” the company said.

Nucor cited positive market factors in Q1, including a small decline in import volumes and more balanced inventory levels at service center customers. In addition, the automotive market remained strong. However, energy, heavy equipment and agricultural markets were weak, Nucor said.

Overall operating rates at Nucor's steel mills increased to 74% in Q1, compared with 65% in Q1 2015 and 63% in Q4 2015.

Imports continued to pressure the US mills, Nucor said. “Several important trade cases are in progress, and the Department of Commerce has announced preliminary duties. We are confident that once all the facts are known, final determinations by the Department of Commerce will fully address all dumping and subsidies associated with these cases,” the company stated.

The operating performance of the company's downstream products segment decreased sequentially in Q1 due to seasonality in the nonresidential construction market. However, it was up year on year. Nucor said it expects nonresidential construction activity to outpace 2015 levels for the balance of the year.

Nucor's average sales price per short ton for Q1 was down 23% from Q1 2015 and decreased 11% from Q4 2015. Shipments to outside customers totaled 6.15 million st in Q1, a 9% increase from Q1 2015 and a 20% jump from Q4 2015. Total Q1 steel mill shipments increased 16%% from Q1 2015 but decreased 6% from Q4 2015.

The average scrap and scrap substitute cost per ton used during Q1 was $193, a decrease of 40% from $324 in the Q1 2015 and a decrease of 12% compared to $219 in Q4 2015, Nucor said.

The steelmaker expects current quarter earnings to be significantly improved from Q1 due to recently announced price increases being accepted in the market for a wide range of Nucor products. However, the improved performance will be tempered by rising scrap prices.

Nucor also expects increased profitability for its downstream products segment compared to Q1 due to seasonal factors. Improved pricing at both Nucor's scrap processing businesses and DRI facilities is expected to improve the performance of its raw materials segment in the current quarter, compared to Q1.

-- Michael Fitzgerald

Return to Top

NanoSteel Delivers Advanced Automotive Steel to General Motors
21/04/2016
CNBC Online
Offers step-change improvement in steel lightweighting capability

Produced in collaboration with launch partner AK Steel Corporation

PROVIDENCE, R.I.--(BUSINESS WIRE)-- NanoSteel®, a leader in nanostructured steel materials, today announced the delivery of its first advanced high strength steel (AHSS) to General Motors for initial testing. Designed to provide automakers with a new standard in material performance, the sheet steel is poised to accelerate vehicle lightweighting initiatives focused on affordably meeting rising global fuel-economy regulations. Production of the material, targeted to the $100 billion-plus automotive steel market, is the result of a multi-year joint development program between NanoSteel and AK Steel Corporation—an industry-leading innovator in steel product development.

This Smart News Release features multimedia. View the full release here: http://www.businesswire.com/news/home/20160421005452/en/

NanoSteel Automotive Sheet (Photo: Business Wire)

NanoSteel's commercially produced automotive sheet steel overcomes the historical tradeoff between strength and formability by delivering exceptional levels of both properties at the same time (approximately 1200 MPa tensile strength and 50 percent elongation). The high strength allows designers to create parts utilizing thinner-gauge material (less weight) while the high elongation allows manufacturers to produce the newly designed parts without expensive processing techniques, employee retraining or additional capital costs. The unique combination of properties also allows engineers the design freedom to create novel part shapes, which further reduces weight.

“Many advanced materials with outstanding properties end up abandoned because they are too hard to use or too expensive to make,” said NanoSteel CEO and president David Paratore. “NanoSteel's advanced high strength steel is designed to be both easy to produce—using conventional alloying elements with standard slab casting equipment; and easy to use—enabling the stamping and forming of parts at room temperature without additional manufacturing infrastructure or investment, such as that required for 'hot' stamped parts."

AK Steel Corporation, CEO Roger Newport commented, "We are pleased to partner with Nanosteel to bring this exciting new product to the market. As the first steel producer to manufacture this unique product using traditional slab casting, we are proud to add this accomplishment to our long and successful track record of innovation."

Paratore added, "We are confident that the exceptional properties of NanoSteel's sheet will enable automakers to affordably meet the ever-changing requirements of vehicle design and foster a new era of steel competitiveness in the battle of material choice."

About NanoSteel

NanoSteel is an advanced materials company specializing in the design and commercialization of patented steels with exceptional mechanical properties derived from their nano-scale microstructure. The Company's primary focus is proprietary alloys for use as sheet steel in automotive lightweighting applications. Founded as a spinoff of the U.S. Department of Energy's Idaho National Laboratory in 2002, NanoSteel has developed multiple generations of ferrous materials innovations including metallic coatings, additive manufacturing powders, and sheet steel protected by over 300 patents filed and granted worldwide. NanoSteel is a privately held company funded by lead shareholders EnerTech, Fairhaven Capital, and GM Ventures. For more information, visit www.nanosteelco.com or follow us on Twitter @NanoSteelCo.

About AK Steel

AK Steel is a world leader in the production of flat-rolled carbon, stainless and electrical steel products, primarily for automotive, infrastructure and manufacturing, construction and electrical power generation and distribution markets. Headquartered in West Chester, Ohio (Greater Cincinnati), the company employs approximately 8,500 men and women at eight steel plants, two coke plants and two tube manufacturing plants across six states: Indiana, Kentucky, Michigan, Ohio, Pennsylvania and West Virginia. Additional information about AK Steel is available at www.aksteel.com.

View source version on businesswire.com: http://www.businesswire.com/news/home/20160421005452/en/

Return to Top

Anti-Carbon Tax Movement Gains Momentum Across the Globe
22/04/2016
Daily Caller, The
Coalitions are rising up in the U.S. and Europe to oppose taxes on carbon dioxide emissions to keep industries from fleeing high energy prices.

In The U.S., conservative groups have joined together to oppose attempts by federal lawmakers to impose a CO2 tax, and in Europe, steel companies are fighting for their lives as high energy taxes and competition from cheap Chinese steel threatens their economic prospects.

In the United Kingdom the plight of the steel industry has moved at least one Conservative Party member to propose abolishing the country's minimum carbon tax that's hampering businesses.

"The carbon floor price must go," said Scottish Conservative Ian Duncan, who promised to write to British Business Secretary Sajid Javid to end the country's carbon tax floor. Duncan and other conservatives are scrambling to stave off job losses from Tata Steel's sell-off of U.K. plants.

British manufacturers have joined Duncan's calls to scrap the U.K.'s carbon tax scheme, especially those in energy-intensive industries like steel producers. The steel industry is under intense competition from Chinese producers and high energy taxes are cramping their business models.

India-based Tata Steel recently sold one of its British plants, and the one company interested in buying the plant will only do so if the U.K. reforms its carbon tax system.

"German and Italian producers are not subject to the same carbon tax giving them an unfair advantage and that discussion will need to be had," the company Liberty House told the U.K. paper City AM.

In Germany, steel companies are railing against proposed reforms to the European Union's cap-and-trade system to boost the price of emitting carbon dioxide.

EU policymakers are proposing to raise the price of CO2 permits and reduce the number available in the government-mandated trading market. The EU wants to raise prices to make green energy more economical after the price of CO2 permits fell over the last few years — the price collapse made coal competitive with wind and solar.

"The industrial business model of the German economy is at stake," Hans Jürgen Kerkhoff, president of the German Steel Association, said of the EU proposal. "The consequences for the German economy would be grave."

Germany is already saddled with some of the highest energy prices in Europe, largely thanks to taxes slapped on electricity bills to pay for green energy production. Industry, however, gets compensation from the government to offset the higher energy costs, but companies are still required to comply with the EU's cap-and-trade system.

Proposed EU reforms could cost Germany 380,000 jobs economy-wide, according to a steel industry-backed study, and as much as 30 billion euros in lost economic output.

Across the pond, some 21 U.S. conservative groups signed a petition opposed to a carbon tax. The anti-carbon tax petition, sent out by the American Energy Alliance (AEA), has even caught the attention of Republican presidential candidates who oppose President Barack Obama's regulatory push to fight global warming.

Republican candidates Donald Trump and Texas Sen. Ted Cruz signed AEA's petition opposing a carbon tax. The petition also included questions on whether the candidates opposed the federal ethanol mandate, energy subsidies and more restrictions for energy production on federal lands.

The U.S. currently has no federal tax on CO2 emissions, but there have been efforts by Democratic lawmakers to impose such a tax in recent years. Also, many conservatives see the Environmental Protection Agency's so-called Clean Power Plan as a "backdoor" tax on carbon dioxide.

"The next president's approach to energy will not only shape our nation's policies, but will also determine the direction of our economy," Tom Pyle, AEA's president, said in a statement. "The responses to our questionnaire provide the American voters with useful insight into how some of the candidates will handle the most pressing energy issues if elected."

Trump and Cruz aren't the only Republicans to oppose taxing carbon dioxide emissions. The Republican National Committee recently passed a resolution opposed to a carbon tax.

"That the Republican National Committee hereby resolves that we should protect American families and businesses by not imposing a carbon tax but by opposing a carbon tax and federal and state regulations that create or lead to a carbon tax," according to the resolution.

The political fights brewing in the U.S. and Europe come after Australia voted in a conservative governing coalition in 2013 on the promise of repealing a carbon tax put in place by the country's former Labor Prime Minister Julia Gillard. The conservative coalition, led by former Prime Minister Tony Abbott, ran on a low-tax, pro-energy platform promising to eliminate the carbon tax and lower people's energy bills.

Aussie lawmakers officially repealed the carbon tax in 2014. The tax cost Australians an estimates $8.5 billion a year during its two years of life.

"I should say that at the election, we said to the Australian people, we said to you, that we wanted to build a strong and prosperous economy for a safe and secure Australia, and every day that is what we have been working to bring about," Abbott said in a press conference following the repeal vote.

Follow Michael on Facebook and Twitter

that can provide a large audience. For licensing opportunities of our original content, please contact licensing@dailycallernewsfoundation.org.

Return to Top

Steel's battle to survive in the face of spiralling environmental costs | View Clip
22/04/2016
Telegraph, The

At first glance, they are two apparently unconnected stories – the Paris agreement to cut global emissions on the one hand, and the current steel crisis with potentially devastating consequences for the UK's industrial sector on the other.

Both have been given great prominence by the media and international opinion leaders in recent months. But, as leading nations of the world gather in New York today to sign the Paris deal from last December, we should remember that climate and industrial policy are in fact two sides of the same coin. The future of the steel industry in Europe and the global framework for emissions control are inextricably linked.
“There's little future in exporting raw or simply processed commodities from a region with the highest overall cost in the world”

At the moment, the EU is in fact an isolated pioneer when it comes to CO2 reduction measures. EU steel producers are among the global leaders not only in steel-making technology, but also in climate protection. For instance, we at voestalpine, a steel-based technology and capital goods group headquartered in Austria with global operations, are running two of the most efficient steel plants in the world.

None the less, steel producers in Europe face environmental costs that make it almost impossible for them to compete in the global market – even for the most efficient ones. According to the European Commission, just “regulatory costs” for the steel industry in the EU amount to almost a third of the sector's operating profit. Production is becoming utterly unsustainable – even for the best performing and environmentally aware companies.

The result? Production of steel is on the verge of moving outside the EU, with no benefits at all for the world's climate. Without consistent global standards, the production of steel will follow the path of least resistance. It will go to the parts of the world with lowest costs, meaning lowest environmental standards, an increasing problem that has been labelled “carbon leakage”. In fact, this is no obscure academic theory, but a disaster for the future of industrial sites – not just steel – across Europe and the communities that depend on them.

The deal that was agreed in Paris last December (and will be signed in New York today) is a first step – or more precisely a first attempt – in creating a global level playing field. Almost 200 countries have demonstrated a commitment to ambitious climate measures. This is to be welcomed. But the key question that remains for European energy-intensive industries is whether the
smoke stacks
The world has struck an agreement on climate change

EU will take the result of the Paris summit as a cue to tighten further its climate targets or will it wait to see if other regions actually take part in global climate protection. If the EU continues to intensify its climate goals in a one-sided manner, further collateral damage is unavoidable. In that case, the action against “global warming” will gloss over the potential social and economic consequences in Europe.

I doubt that anyone at the UN ceremony in New York today will dwell on these arguments. All the attention is about the commitments – or at least indications – that have been made rather than their actual implementation. But the case should be made. A compulsory global system for climate regulations will be needed to secure the competitiveness of European industry on the one hand and tackle global warming on the other. Instead of one-sided, ideologically motivated goals, we need fair play and intelligent global solutions.
“Let's not pretend that every time a plant closes and workers face redundancy that there is something 'inevitable' about manufacturing decline”

Let's not pretend that every time a plant closes and workers face redundancy that there is something “inevitable” or “irreversible” about manufacturing decline. It would be stupid to neglect that every operation, every plant has a birth date and passes away at some point of time. But that does not at all mean that manufacturing dies. With the right policies, we can not only prevent further erosion of our industrial base but actually lead a renaissance of manufacturing excellence. We have the know-how and the capabilities, and 38 years in the steel business convince me that it's achievable.

There are still some aces we can play in the UK and across Europe to keep what remains of our industrial strength. Technological leadership is the most effective card we have. Let's not throw it away. We should not aim at low-cost or low-regulation manufacturing, but instead compete on a more promising level by producing higher-tech, higher-quality products.

There's little future in exporting raw or simply processed commodities from a region with the highest overall cost in the world. Instead Europe's industrial companies need to offer new solutions, more sophisticated products for long-term growth industries such as transport, mechanical engineering and consumer goods. That's the route to long-term sustainability and profitability.

There is no doubt: high climate costs in the EU without the investment in innovation will certainly result in a further decline in manufacturing. Therefore, what is needed instead of the highest possible carbon prices, is capital to develop new technologies and more advanced products in order to remain competitive as well as protect the climate.

We require a plan for establishing an efficient, forward-oriented and state-of-the-art production in the UK and across Europe – within a fair system of global climate regulations and not protection for uncompetitive assets in a completely unbalanced world-climate scenario.

That's an industrial and an environmental policy we should all support.

Wolfgang Eder is chairman of the management board of Voestalpine. He is also chairman of Worldsteel, the second largest industry association in the world, representing 85pc of global steel production

Return to Top