

Unclassified

DSTI/SU/SC(2007)32

Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

25-May-2007

English text only

DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
STEEL COMMITTEE

DSTI/SU/SC(2007)32
Unclassified

STEELMAKING RAW MATERIALS: SUPPLY STILL STRUGGLING TO MEET DEMAND

17 May 2007

Presentation by Mr. Anthony de Carvalho, OECD. Steel Committee meeting, Istanbul, Turkey.

Anthony de Carvalho, Administrator, Structural Policy Division
Tel: +(33-1) 45 24 93 77, Fax: +(33-1) 44 30 62 63, E-mail: Anthony.decarvalho@oecd.org

JT03227792

Document complet disponible sur OLIS dans son format d'origine
Complete document available on OLIS in its original format

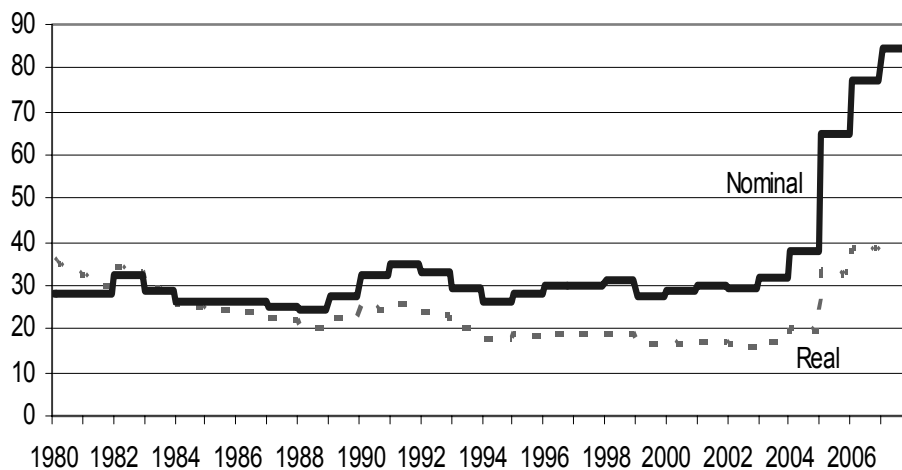
English text only

Steelmaking Raw Materials: Supply Still Struggling to Meet Demand

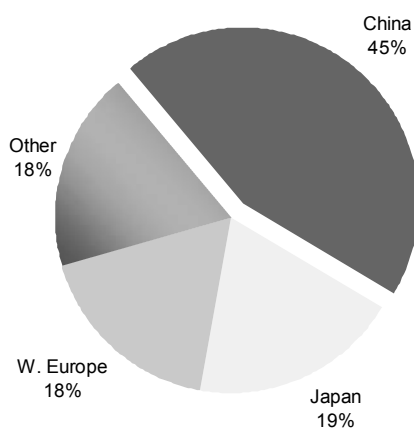
Steel Committee Meeting
Istanbul, Turkey
17 May 2007

Anthony de Carvalho

Price of Iron Ore: Historical Perspective (U.S. cents/dmtu)

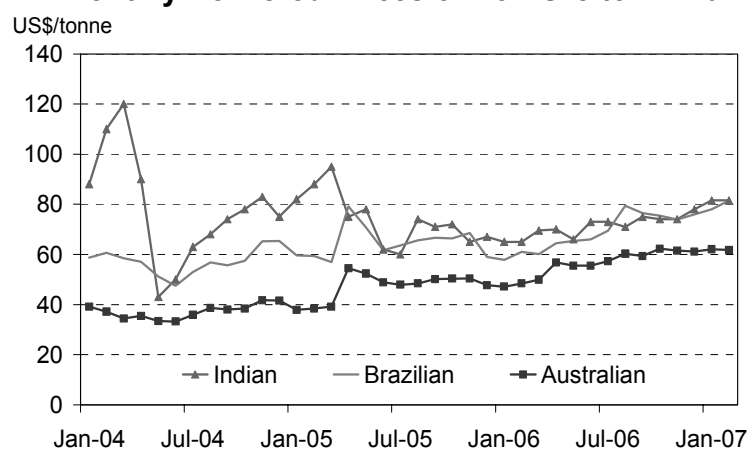


Share of World Iron Ore Imports in 2006



Source: CRU Analysis

Monthly Delivered Prices of Iron Ore to China



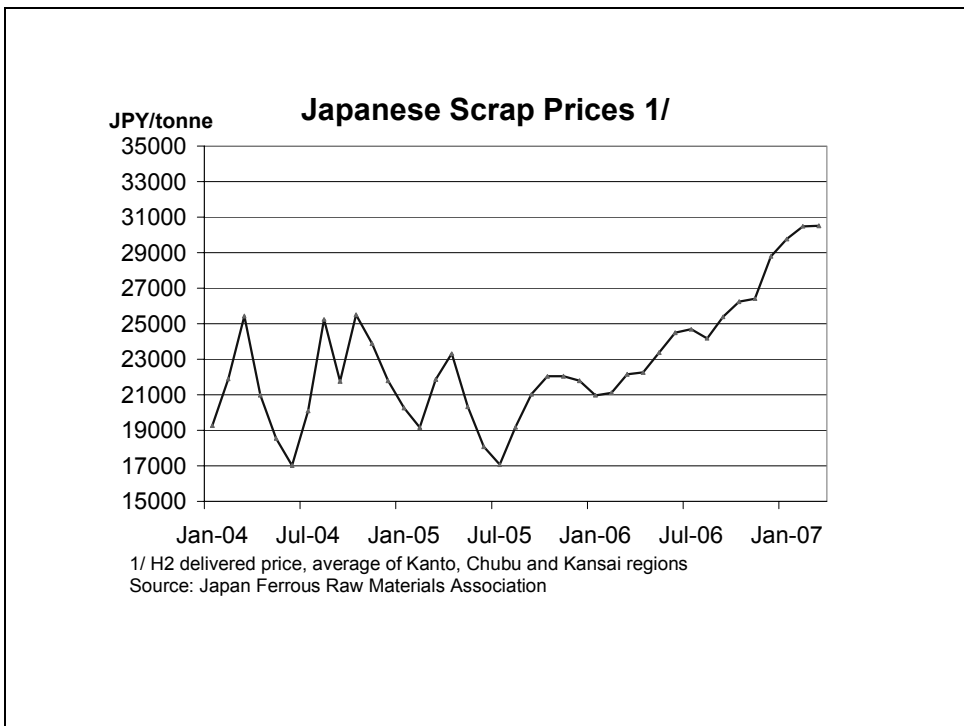
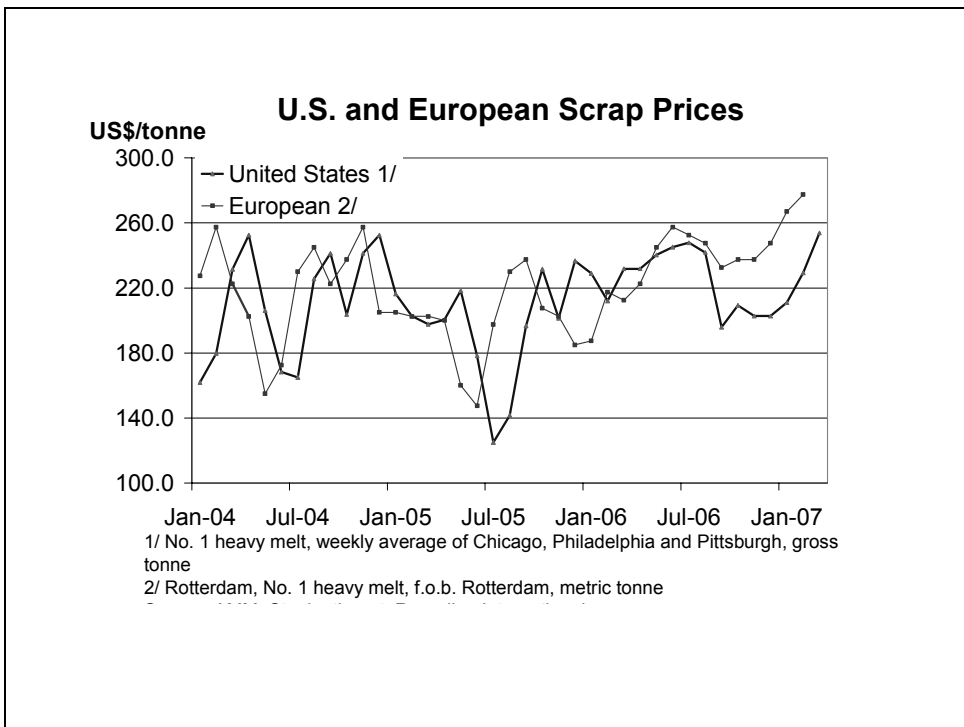
Source: CRU Analysis

Iron Ore Supply

- Australia:
 - BHP investing USD 5 billion in the Pilbara region to raise capacity by 152 MT/year over next 5 years
 - Rio Tinto investing heavily to bring total capacity to 220 MT/year
 - New smaller entrants in market
- Brazil:
 - CVRD has completed projects in northern range of Carajás mineral province boost capacity to 100 MT/year and a doubling of capacity at Brucutu mine
 - In 2007, capacity to rise in Fazendao and Fabrica mines
 - More CVRD investment in Carajás to boost capacity to 130 MT/year by 2009
 - CSN and MBR also raising capacities

Market Balance To Remain Tight

- India: exports of iron ore to China and other markets will slow as domestic steel capacity and production increase sharply
- Brazil: steel sector expansion to limit growth in iron ore exports?
- Shortages of miners' production inputs may delay completion of the expansion projects?
- Rollover in iron ore price in 2008?

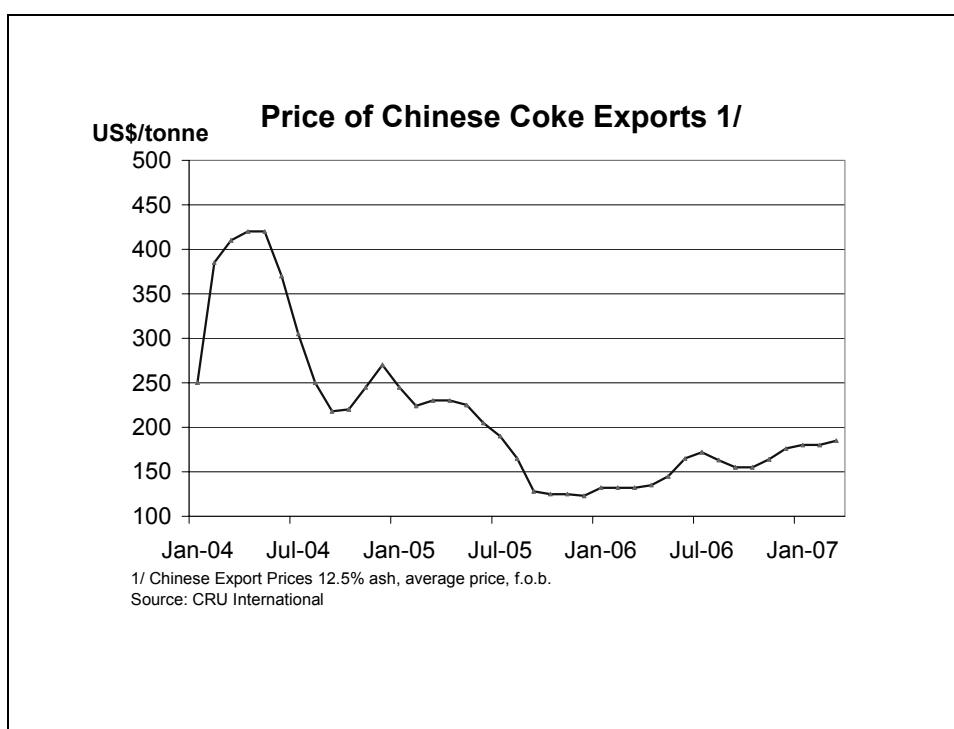


Scrap Demand to Remain Strong

- Russia: electric arc furnace steelmaking to replace the outdated open hearth process
- Turkey: scrap-intensive EAF accounts for 75% of steel output, production to increase by 13% over next years
- Vietnam: imports to rise from 0.8 MT to 2 MT in 2008?
- Iran facing scrap shortage
- Prices to remain above USD 200 even in 2008?

Coking Coal and Coke Markets Have Tightened

- Resurgent steel market
 - Blast furnace output up by 10-11 percent year to date
- Restocking of coking coal in some economies
 - Indian imports of coking coal very strong as coke plants are being restarted
 - Japanese and European imports up significantly
- Limited export supply of coke



Barriers Impeding Raw Material Supplies

- **Export restrictions**
- **Regulatory burdens**
- **Transportation bottlenecks**
- **Lack of scrap collection**

Summary

- **Further tightening in raw material markets seen recently.**
- **Demand for raw materials expected to stay strong.**
- **The supply of raw materials will struggle to cope.**
- **Market distortions, investment barriers, and infrastructure problems in some raw material markets will continue to hamper supply.**