Steelmaking Raw Materials in Russia
Availability, challenges, policy

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1. Mineral Resources
   • Iron Ore
   • Coking Coal
   • Coke
   • Challenges
   • Policy
2. Metallics
   • Scrap
   • Pig Iron
   • DRI/HBI
   • Challenges
   • Policy
3. Summary
1. Mineral Resources
The main iron ore and coking coal deposits

- **Iron ore**: reserves – 99.5 billion mt.
- **Coking coal**: reserves 447 billion mt
Russia is a net exporter of iron ore. Import from Kazakhstan to Russia is determined by logistics.

Russian share in international iron ore trade is only 2.2% (2010)

In 2011 export shipments are expected to increase by 28%

Iron ore production in 2011 is expected to reach pre-crisis level.
Europe is a traditional destination for Russian iron ore exports.

Share of exports to Europe dropped from 60 – 70% before 2008 to 28% in 2011.

Shipments to China are expected to reach 60% of total export sales in 2011.
In 2010 export went up by 65% yoy exciding pre-crisis levels and is expected to grow further. Russian share in the international sea borne trade (2010) is about 6.7%.

- Main export destinations: Ukraine, China, Japan, South Korea
- Import is provided by technological reasons and shortage of fat coals.

Sources: Railway statistics, Metal Courier, IMH estimates
• Russia exports about 10% of coke production.
• Exports of coke grew by 19% in 2010, but is still below pre-crisis level.
• Transport logistics for both existing mines and new projects
• Geography of new iron ore and coking coal deposits which are located in remote areas
• Lack of industrial, energy, social and transport Infrastructure for some of new projects
• High investments for new projects with long payback periods
• Dependence on export markets – price volatility risks
• Development of technology for iron ore treatment/processing
Iron ore and coking coal - policy measures

- There are no export and import restrictions for iron ore, coking coal and coke
- Reasonable and stable natural resources tax on iron ore and coal mining
- No limitations on foreign investments into iron ore and coking coal mining projects
- Possibility of Government support for infrastructure projects of nationwide significance (State guarantees on bank loans, co-financing of infrastructure projects).
- Mechanism for granting mining licenses to companies who conducted exploration of a new deposit at their own expense
- Duty and tax free import of industrial equipment (not produced in Russia) for new projects.
2. Metallics

Scrap reserves: for 15 years scrap collection excided consumption of finished steel products.

Raise of domestic demand: EAF projects, extension of steel continuous casting
Russian scrap export destinations are changing significantly. In 2005 China and EU were the main buyers. Since 2009 Turkey and Belarus have taken top positions.
Russia is the main supplier of the international merchant pig iron market.

The main destinations of Russian MPI are EU, Turkey, USA.

The share of Russian MPI in the EU market is about 60%.
With 2.5 Mty of HBI shipments Russia is one of the major players in the global market.

Further development of HBI production: construction of new 1.8 miln. tpy HBI plant at Lebedinsky mine (Metalloinvest).
Metallics challenges

- Increase of steel EAF production is pushing worldwide demand for iron and steel metallics.
- Raising domestic demand and limited availability are creating conditions for scrap shortages in Russia in the near future.
- Development of new projects for HBI production in Russia.
• Export duty on steel scrap (15% or 15 Euro) will be reduced according to WTO Accession Protocol.

• No export and import tariffs or quotas on pig iron and DRI/HBI trade.

• No import duties on DRI/HBI production equipment.

• Existing merchant pig iron and HBI capacities, new DRI/HBI production projects will help to satisfy demand for iron and steel metallics.
3. SUMMARY

- Russia has no trade restrictions for the main Steelmaking Raw Materials.
- Russia has no restrictions for foreign investments in SRM projects and in Iron & Steel sectors.
- Russia will further develop its position as the leading global supplier of primary steelmaking metallics.
- Government support for infrastructure projects (co-financing from the RF Investment Fund, granting of state guaranties for bank loans)
- Availability of steelmaking raw materials and energy provide favorable conditions for further development of competitive Iron and Steel production in Russia.
THANK YOU!