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## New steel policy pushing for 100 million tonne mills in China

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China Business News quoted an official involved in the revision of the industry policy said "By 2015 there will be one or two 100 million tonne grade king size steel groups in China and also several 50 million tonne plus competitive groups."

Released in 2005, the existing steel industry policy is no longer in line with current development due to earth shaking changes in the industry. Ministry of Industry and Information Technology has basically shaped the new policy and is soliciting for public opinions.

The revision includes 10 major aspects such as the position of China steel industry, adjustment of industry concentration and orientation of industry layout optimization and introduces two fresh aspects, ie circular economy and foreign trade policy. The new policy is set to be published in this year and come into effect since 2010 after some amendments.

The official said "Some targets and measures raised in previous policy do not coincide with current situation. Although the 2005 policy has promoted the development of steel industry, it is still somewhat unsatisfying."

Insufficient implementation resulted by poor operability and changing situation amid economic development are considered the major problems. Steel output reached 350 million tonnes in 2005 when the policy took effect and the figure surged to 500 million in 2008. Annual output growths of 50 million tonnes to 60 million tonnes have embarrassed the fact of overcapacity.

An official from China Iron & Steel Association said "This indicates a shallow understanding of national economy development."

The 2005 policy has vowed to adjust steel industry layout, balance capacity expansion and obsolete capacity elimination and in principle no longer ramp up steel capacity significantly. A senior official from Anshan Steel complained that "This finally restricts major steelmakers yet medium and small steelmakers win rocketing development."

Rapid development of medium and small steelmakers in turn brings a series of problems such as environment pollution and falling industry concentration which have put China at a disadvantage during contracts with upstream suppliers and pressed China to lay emphasis on M&As.

2005 policy has encouraged large scale steel groups to initiate cross region combinations, aiming to forge two 30 million tonne and several 10 million tonne grade groups with strong competitiveness by 2010. Top ten steelmakers are expected to produce over 50% of China's total outputs and the proportion is projected to rise to 70% by 2020.

(Sourced from MySteel.net)

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