
China shuts some nickel pig iron plants

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It is reported that low refined nickel prices and stricter government enforcement of environmental standards have cut into profits for Chinese nickel pig iron producers, forcing some to suspend production.

National Development & Reform Commission had issued a circular forbidding small blast furnace from being used for nickel pig iron in August 2007. Many small Chinese steel producers had switched to nickel pig iron following government regulations cracking down on small blast furnaces in steelmaking. The current campaign, spearheaded by the State Environmental Protection Agency, is targeting blast furnaces with a volume of between 128 cubic meters and 380 cubic meters.

Traders said that stocks of laterite ore, which generally contains low grades of nickel and significant amounts of iron, are building at Chinese ports as nickel pig iron producers reduce purchases. The report cited a local trader as saying that "Plants around Linyi in Shandong have all been shut down. In other places, the government is shutting down plants too. The government intervention is too powerful."

Many nickel pig iron producers can only break even when refined nickel prices are over USD 20,000 a tonne. Nickel pig iron can be used to make low quality stainless steel more cheaply than by using refined nickel. But although prices of nickel in London have fallen by 55% to USD 23,325 a tonne from the record high of USD 51,800 per tonne in May 2007.

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