
MIIT to specify detailed list for inefficient capacity closure

Friday, 15 May, 2009

It is reported that Chinese government is planning to further specify the detailed list of mills and equipments that should be closed after lifting up the threshold for capacity closures.

The Ministry of Industry and Information Technology put forward in the urgent circular issued to local governments lately to specify the detailed list of those steel mills and equipments that need to be dismantled, trying to fulfill the elimination target signed between local authority and Beijing in advance. Those inefficient capacities not included in the list like iron making, steel-making and steel-rolling are also required to be washed out on schedule.

An authority from China's top planning body said "Beijing is launching a survey for all obsolete production capacity in the country at the moment, and will specify the detailed list for closure after the result comes out. Local government will be punished if those local inefficient capacities involved in the list have not been weeded out in time."

According to the steel industrial adjustment & revitalization plan issued by the State Council, China need to scrap 53.4 million tonnes of inefficient iron-making capacity and 3.2 million tonnes of steel making capacity by the end of 2010 and to further remove 72 million tonnes and 25 million tonnes of capacity respectively by the end of 2011. And China's top planning body also specified the elimination target for this year to squeeze out 10 million tonnes of outdated iron capacity and 6mln tons of steel capacity.

In fact, China has been trying to weed out backward iron and steel capacity over the years however the campaign has failed to attain the kind of progress expected by the authority in the absence of detailed compensating system for market quitting. However, this time, the state revenue will set up a fund for obsolete capacity cut, and reward those places outperforming the target, the above mentioned authority unveiled. Meanwhile, local governments will also contribute a part of the premium to help solve the leftover problems after old capacity being washed out.

The authority said "Detailed amount of the premium have yet to be fixed on and will allocate according to the number of plants and equipments that have been squeezed out."

MIIT also asked local commercial banks to restrict or stop lending for those inefficient steel producers and those rampantly expanding capacity in the face of the market oversupply.

(Sourced from.Mysteel.net)

Visit www.Mysteel.net for real time access to China steel

For more news visit at www.steelguru.com