
MEP calls off Rizhao Steel project

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Ministry of Environment Protection announced June 11th to call off Rizhao Steel's core capacity the CNY 7.8 billion invested HR plates & strips project, possibly because the steelmaker started production without authorization. Experts noted MEP's order put Rizhao Steel into disadvantageous side while Shandong Steel's trying to merge it.

A market source in local steel industry told to Economic Herald, the to-be-stopped project contains six 180 square meters sintering machines, two 360 square meters sintering machines, eight 1080 cubic meters furnaces and a 2150 mm HR strip production line, which are the core producing facilities of Rizhao Steel equal to 7 million tonnes per year capacity.

As learned, Rizhao steel once invited China Jingye Engineering Corp Ltd and Shandong Academy of Environmental Science to deal with the environment assessment of its project in April 2007 and finished the report last October but the report hasn't yet been approved by the ministry."

Before the construction of the project, Rizhao Steel owned five small sintering machines, six small furnaces and three 60 tonne oxygen top-blow converters all of which provided the mill with 3.8 million tonnes per year capacity.

In fact, Rizhao Steel's present facilities all fall short of national standards, which might be the real reason why the mill couldn't win the approval of MEP. According to Policies on Steel Industrial Development released in 2005, only over 3000 cubic meters furnaces and over 200 tonnes converters could be set up around coastal area and deepwater ports. In addition, the steelmaker hasn't fulfilled its previous plan to eliminate the old capacity, after its newly-built project put into operations. Mr Wang Lifei vice GM of the company said "We need time to do with it."

How Rizhao Steel to manager the future production after the mill was ordered to stop its core capacity become the first shot of the media, but, leaders of the mill hid from public declaration.

Experts noted MEP prohibit would helps Shandong Steel Group's acquisition of Rizhao Steel since the steelmaker fell into a dilemma. On one hand, Rizhao Steel will face huge losses caused by the shut-down of its major mills on the other hand the company is likely to encounter queries from securities supervisors and Kaiyuan Holdings Ltd in Hong Kong, which was kept from the truth that Rizhao Steel's quality capacity hadn't passed the check of MEP.

Kaiyuan Holdings Ltd planed to buy in part of the assets possessed by Rizhao Steel this March including 30% of Rizhao Section Steel, 30% of Rizhao Steel and 25% of Rizhao Steel-Rolling and just finished the buying on June 11th when MEP released the prohibit.

Experts said "Besides being regrouped by Shandong, there're fewer ways for Rizhao Steel to go."

Rizhao Steel initiated steel production since 2003 and realized profit of 0.2 billion in 2004 then the mill eyed the profit skyrocket to CNY 2.1 billion in 2006. Just in end 2006, the HR plates and strips project was put into production, boosting the mill's capacity closely to 10 million tonnes per year and pushing up its profit to CNY 5.8 billion in 2007.

(Source: Economic Herald of www.dzwww.com/shandong)

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