



Avoiding the Next Steel Excess Capacity Crisis and Policy Lessons Learned: Experience in the United States

Kevin M. Dempsey, President & CEO
American Iron and Steel Institute

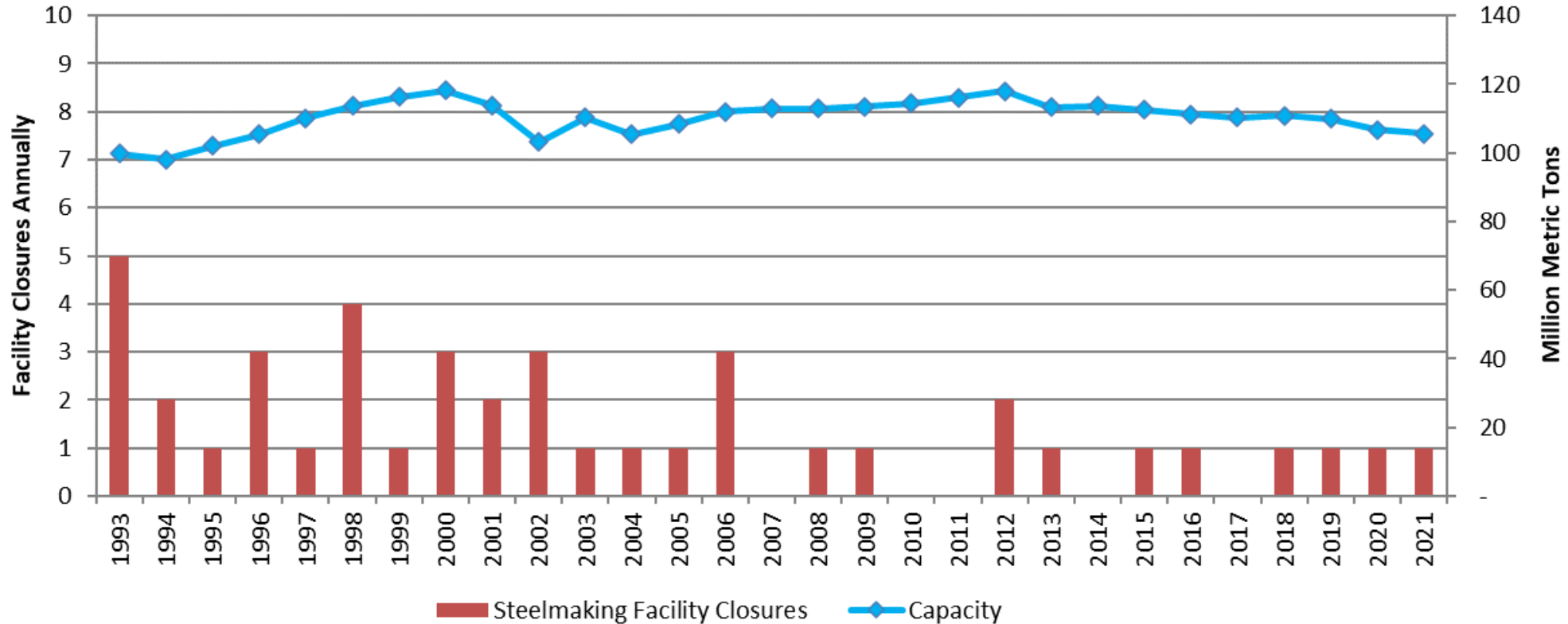
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The American Steel Industry's Experience

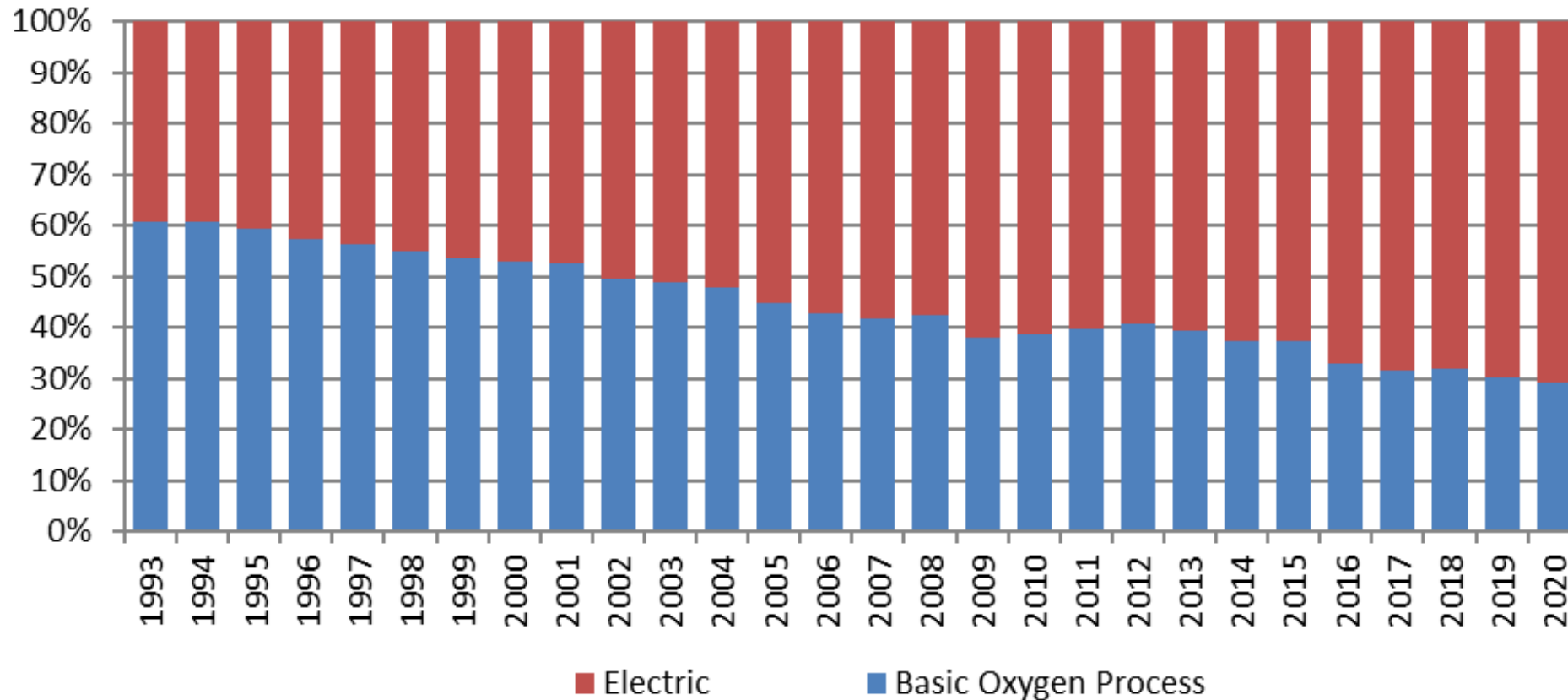
- In response to market forces, new capacity has entered the U.S. market over recent decades while older capacity has been retired
 - Market-based infusions of investment, ideas and technologies by private entities have bolstered the competitiveness of the American steel industry
 - Firms that did not perform well have been allowed to exit the market without government intervention
 - Allowing market forces to operate results in capacity changes in line with market demand
- Market forces have driven major technological changes in the U.S.
 - Innovation was driven by competitive pressure to reduce costs and improve both efficiency and quality in order to secure chosen markets

Steelmaking Facility Closures in the United States Since 1993 Have Offset New Capacity



Source: AISI

U.S. Raw Steel Production By Furnace Type

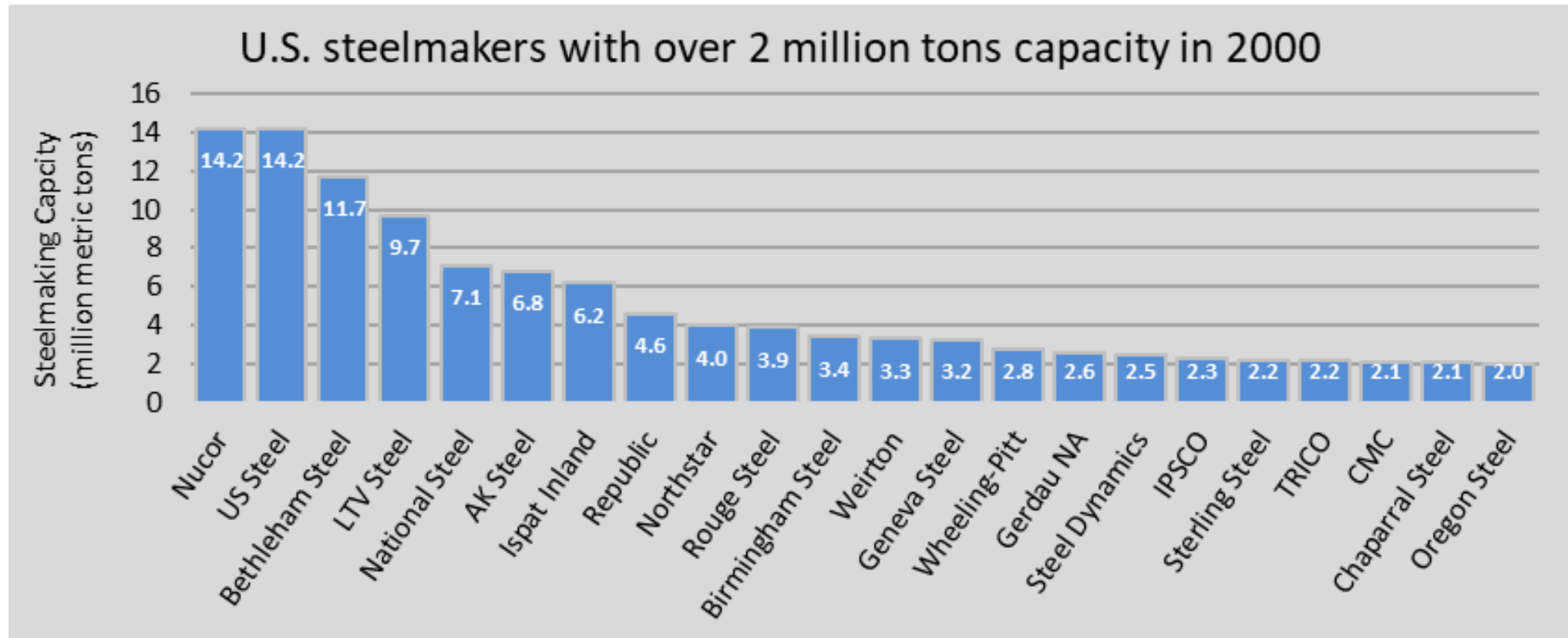


Source: AISI

Consolidation Via Market Mechanisms

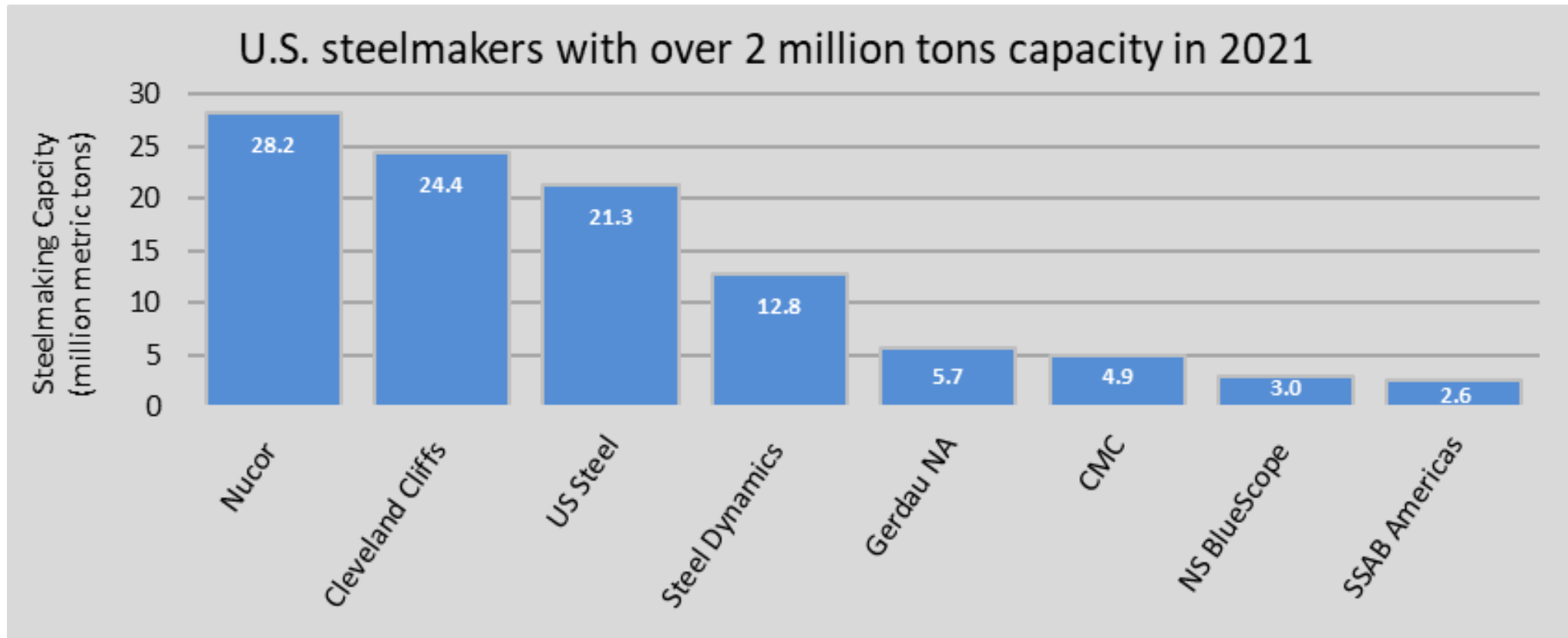
- The steel industry in the United States has been characterized by dynamic consolidation via market-driven mergers and acquisitions
- Productive assets of exiting or downsizing firms are often sold to other companies that have the investment capital and expertise to restructure or operate them more efficiently
- Recent acquisitions in the American steel industry include:
 - Cleveland Cliffs acquired AK Steel and most U.S. assets of ArcelorMittal in 2020
 - U. S. Steel acquired Big River Steel in 2021
 - Nucor acquired majority ownership of California Steel in 2022

Industry Consolidation in the United States



Source: World Steel Dynamics,
SMA

Industry Consolidation in the United States



Source: AIST

Allowing Market Forces to Drive New Investment and Closure Decisions is Critical

- Investments in new capacity should be made by the private sector based on an evaluation of market demand
 - Increases in capacity should be driven by market needs, not as the result of government policy direction or financing by state-owned entities
- Governments should not intervene to provide financial support to prop up otherwise failing firms
 - Nor should governments seek to maintain capacity through government-directed mergers of inefficient enterprises with more efficient companies
 - Well-functioning bankruptcy laws and appropriate worker adjustment policies can play an important role in facilitating industry adjustment
- Competitive pressure to reduce costs and improve efficiency and quality promotes innovation and technological change

Thank You / For More Information

CONTACT:

Kevin M. Dempsey

President and CEO

American Iron and Steel
Institute

202.452.7118

kdempsey@steel.org