

# 92<sup>nd</sup> Session OECD Steel Committee

**European Steel Market Situation and Outlook**

**Recent Evolutions and Challenges**

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**EUROFER**  
THE EUROPEAN STEEL ASSOCIATION

# Content

## **EU Steel Market Situation:**

- Production
- Consumption
- Imports

## **Recent Evolutions:**

- EU Sanctions Russian Steel
- Russian Invasion Of Ukraine: Metallurgic Raw Materials Dependency

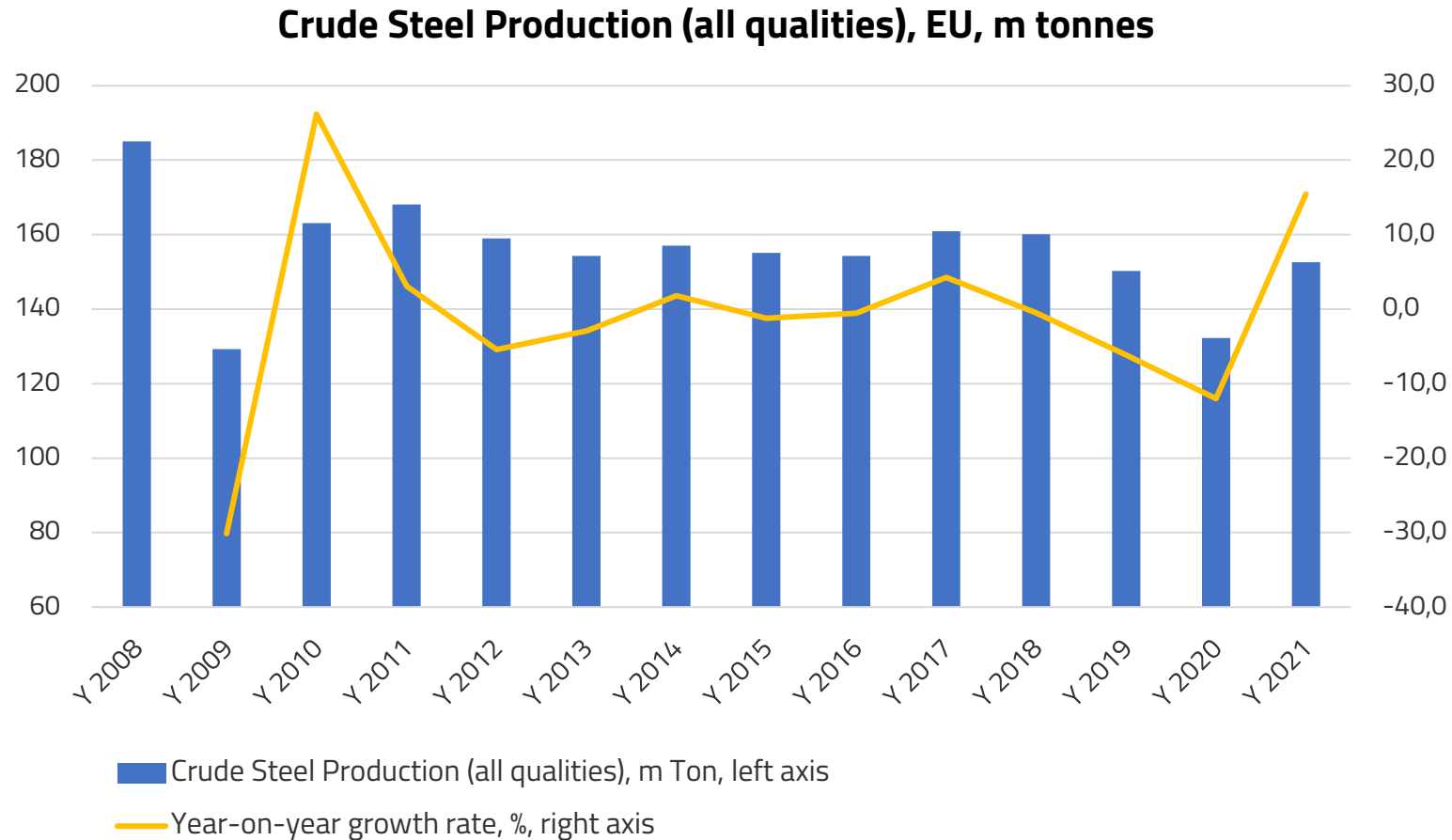
## **Challenges:**

- Steel Trade Balance
- Import Market Share
- EU Steelmaking Cost

## **Conclusions & Messages**

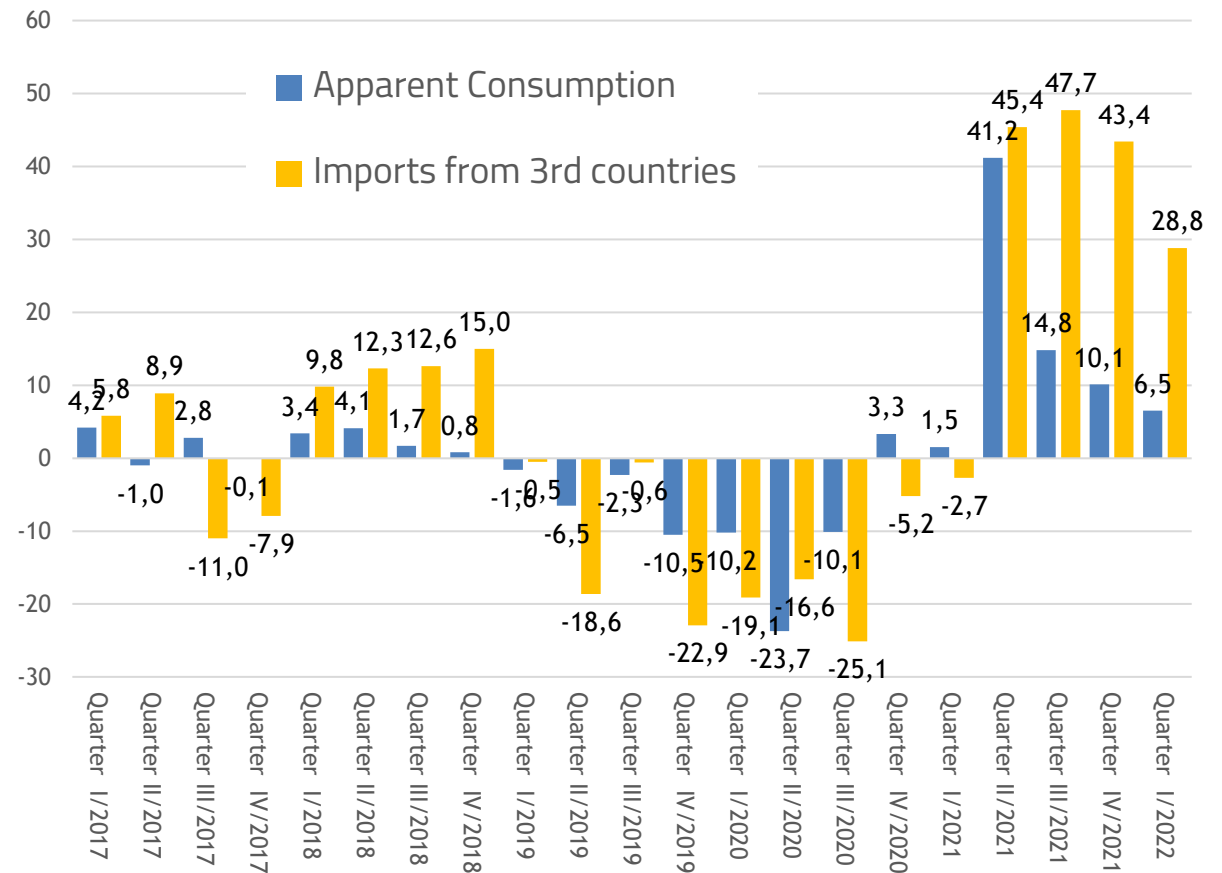
# EU Steel Production: Capacity Idling and Production Cuts

- Rebound of 15% in 2021 (-12% 2020)
- Recession is expected in 2022 due to weakened demand; Jan-Jul 2022 -6% y-o-y; capacity idling and production cuts ongoing in response to weak demand and energy cost explosion



# EU Steel Consumption: Recession

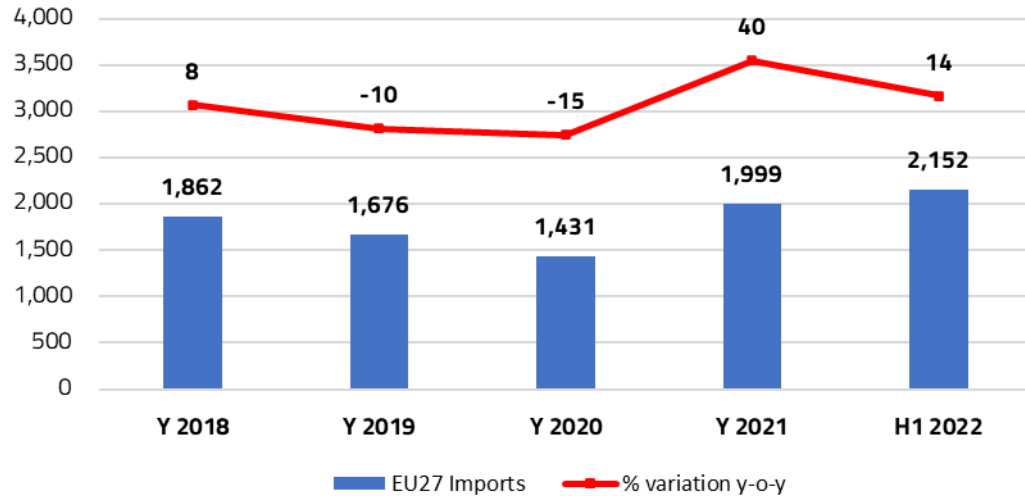
- Slowdown from Q2 '21 to Q1 '22 (+6.5% y-o-y)
- Downturn expected in Q3 and Q4 '22
- **Apparent consumption:**
  - 5.2% (2019)
  - 10.7% (2020)
  - rebound by +15.7% (2021)
  - but recession in 2022 (-1.7%), the third out of the last four years



# EU Steel Imports: Record High

First half of 2022 record high level of imports (flat and long)

**Flat Steel Products - Imports from Third Out EU countries**  
All qualities, in 000 monthly metric tonnes

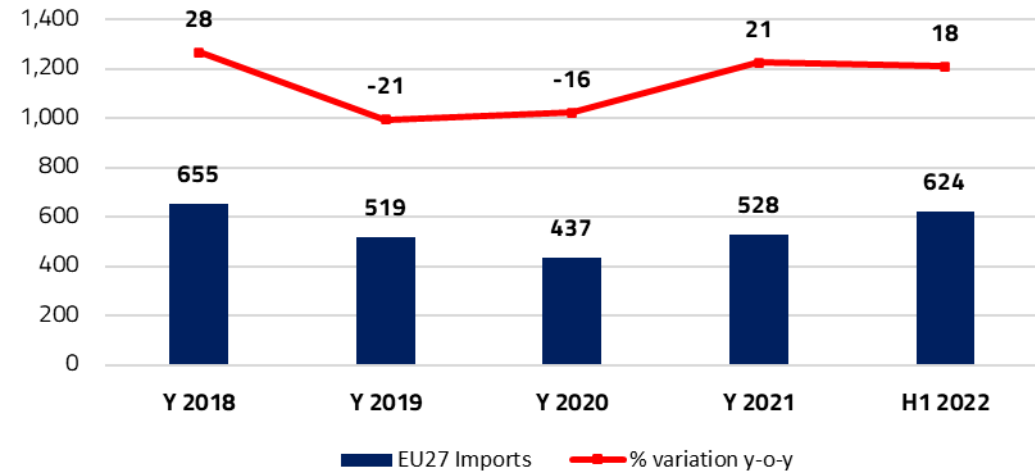


**Flat products (all qualities):** YTD 2022: **12.9 million tonnes** (+14% y-o-y)

**Main exporting countries in 2022:**

Turkey (14% import share), India (12%), South Korea (12%), Taiwan (9%), Vietnam (8%), China (8%), Russia (5%)

**Long Steel Products - Imports from Third Out EU countries**  
All qualities, in 000 monthly metric tonnes



**Long products (all qualities):** YTD 2022: **3,7 million tonnes** (+18% y-o-y)

**Main exporting countries in 2022:**

Turkey (18% import share), Russia (13%), UK (8%), Switzerland (7%), China (7%), Ukraine (6%)

# EU Sanctions against Russian Steel

## Russia

**February:** sanctions on Severstal's majority owner, no transition period + exclusion of certain banks from SWIFT

**March:** import prohibition Russian **finished steel products** (grace period ended on 17th June)

**April:** import ban **coal** including anthracite, coking coal and PCI (contracts concluded before 9 April 2022 may still be executed until 10 August 2022)

## Belarus

**March:** import prohibition **finished steel** from Belarus (grace period ended on 4 June)

## Ukraine

**February:** imports and exports from and to the occupied areas of the Donetsk and Luhansk are prohibited

**June:** suspension of all EU trade measures on Ukrainian goods including steel for 1 year (antidumping/antisubsidy measures and safeguard quotas)



# Russian invasion of Ukraine: metallurgic raw materials dependency

## Most impacted input materials



Coal (anthracite, PCI, coking coal)



Ferro-chromium



HBI



Ferro-silicon manganese

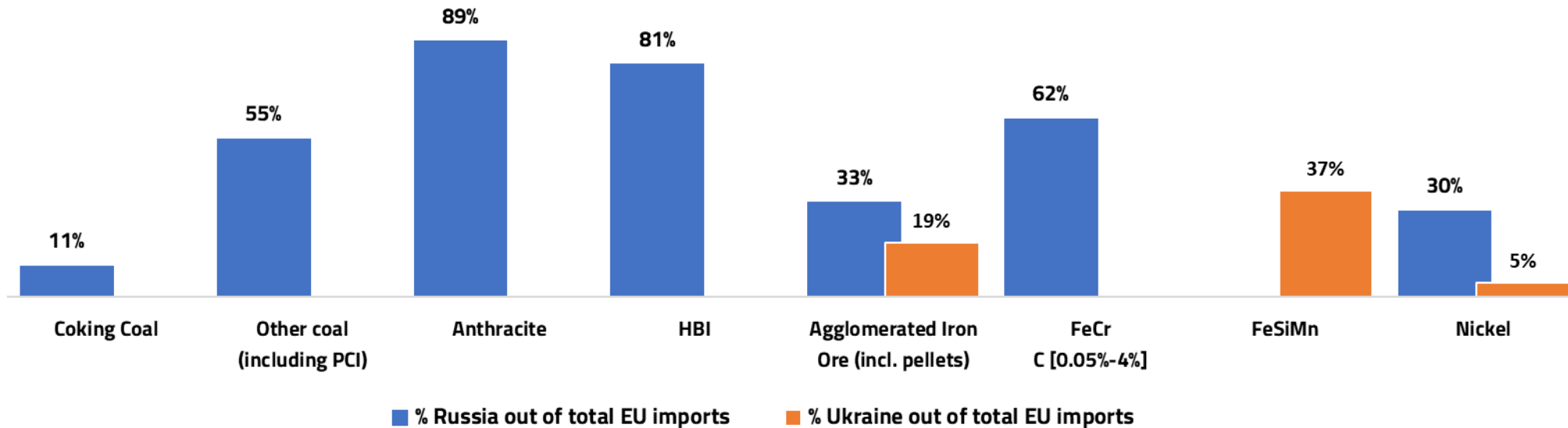


Agglomerated iron ore



Nickel

## % share of Russia/Ukraine imports for the most affected input materials - Y 2021



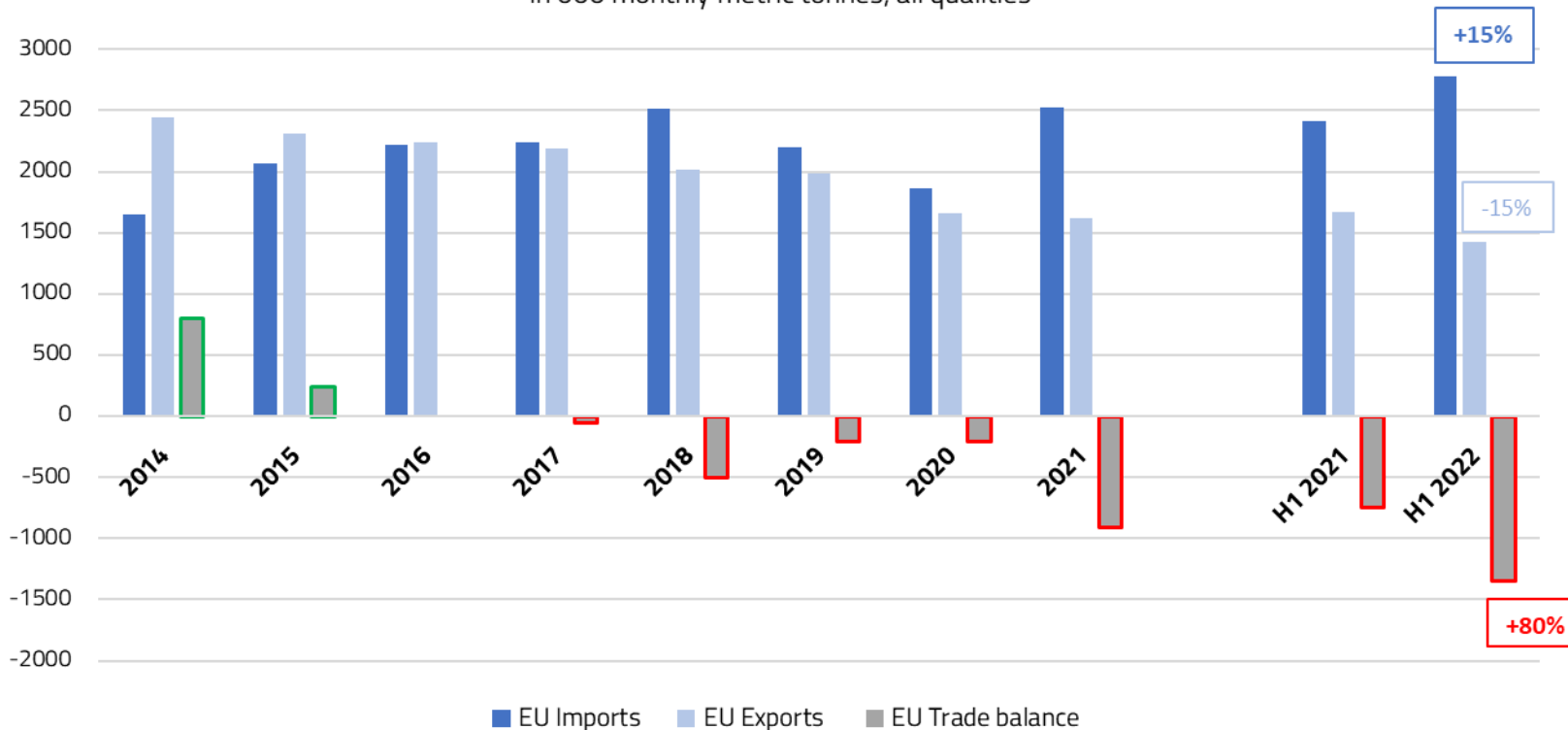
# Challenges

## EU Steel Trade Balance: Trade Deficit Almost Doubled

- EU structural steel trade deficit since 2017
- Unprecedented increase of trade deficit in H1 2022 (+80% y-o-y)
- Reallocated Russian safeguard quota among other third countries allowing for continuation of import pressure

### EU27 Trade Balance Finished Steel Products

in 000 monthly metric tonnes, all qualities



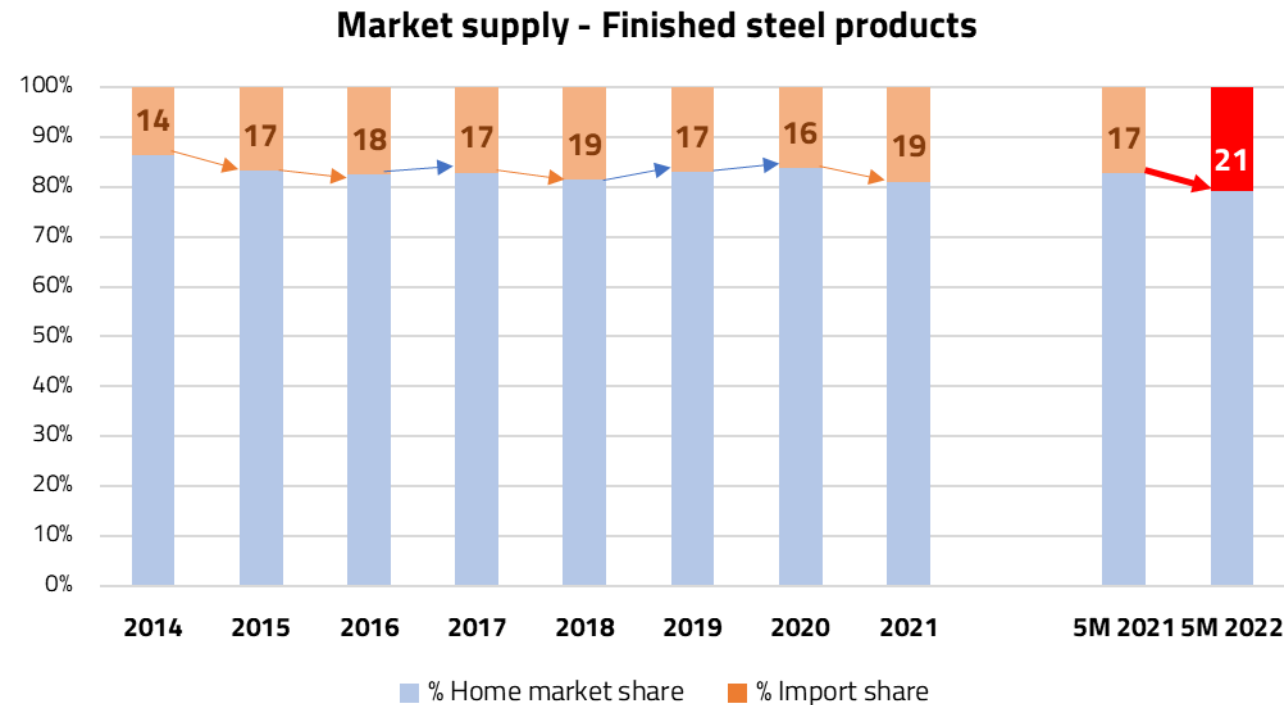
H1 2022:  
imports + 15% y-o-y  
exports - 15% y-o-y  
trade deficit +80% y-o-y



# Challenges

## EU Import Market Share: Historically High

- EU import share at unprecedented level: from 17% in H1 2021 up to 21% in H1 2022
- Energy cost explosion forcing capacity idling and production cuts: risk further erosion of EU producers' market share



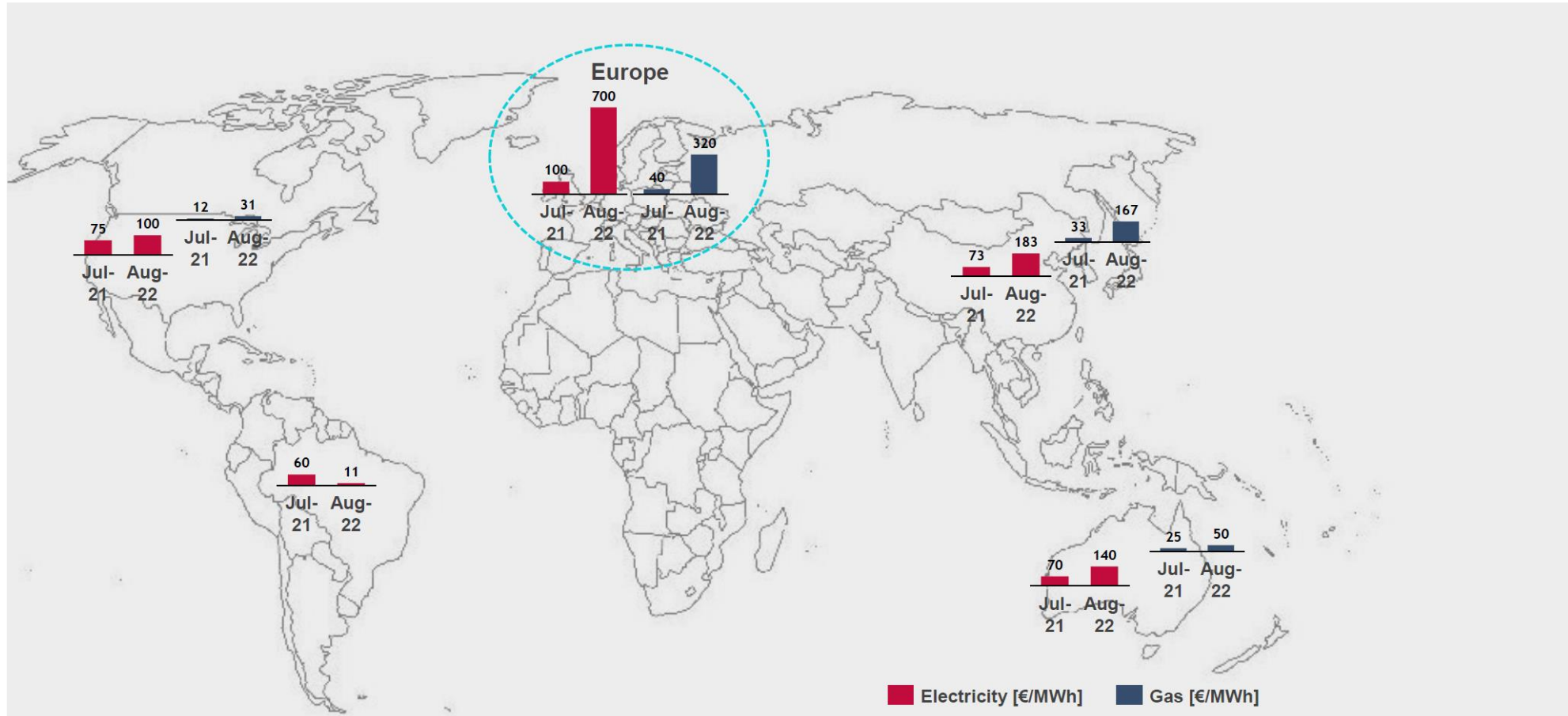
Source: COMEXT, EUROFER

Market supply: EU deliveries on the EU market + Imports from third countries - Receipts from third countries

# Challenges

## Evolution Of Electricity And Gas Prices – European problem

... Europe is also disadvantaged by the high CO<sub>2</sub> price (of almost 100 €/t of CO<sub>2</sub> )

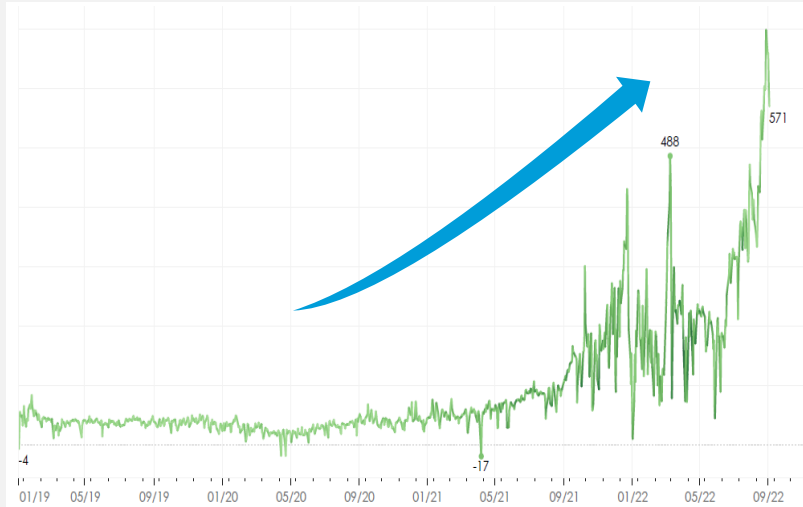


# Challenges

## High Raw Material/Energy Prices, Increasing CO2 Costs And Price Volatility

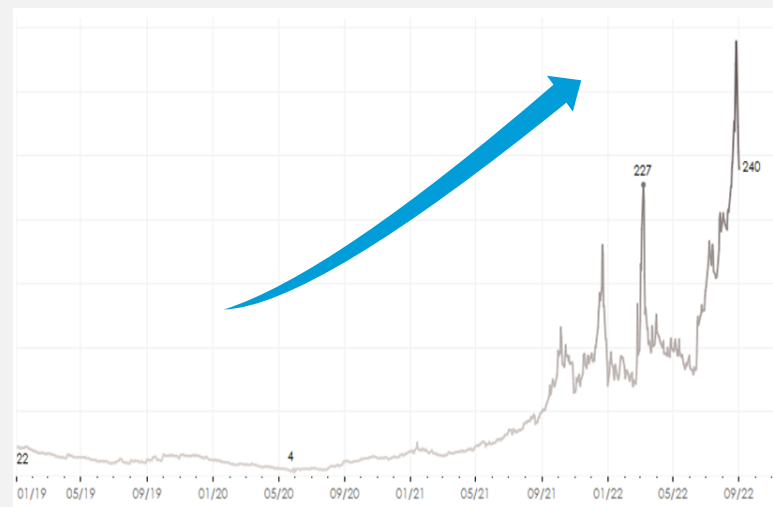
Electricity price

Energy EPEX Germany evolution €



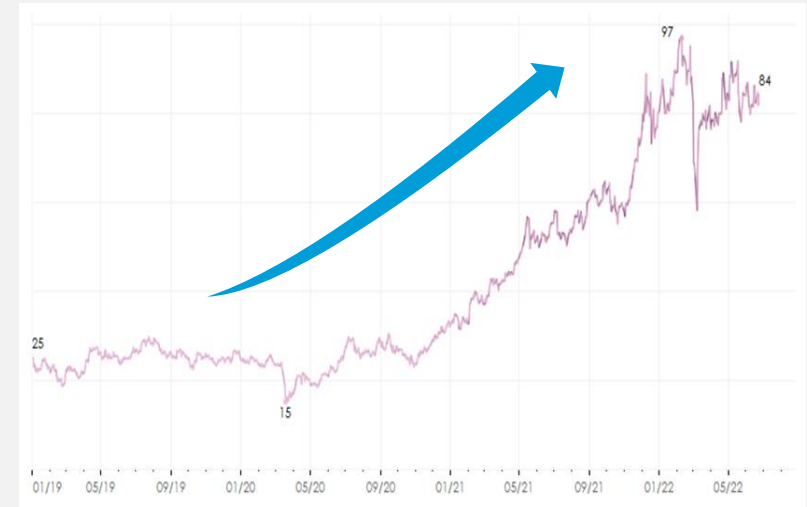
Natural gas price

Natural gas Dutch TTF evolution €



CO2 price

CO2 evolution €



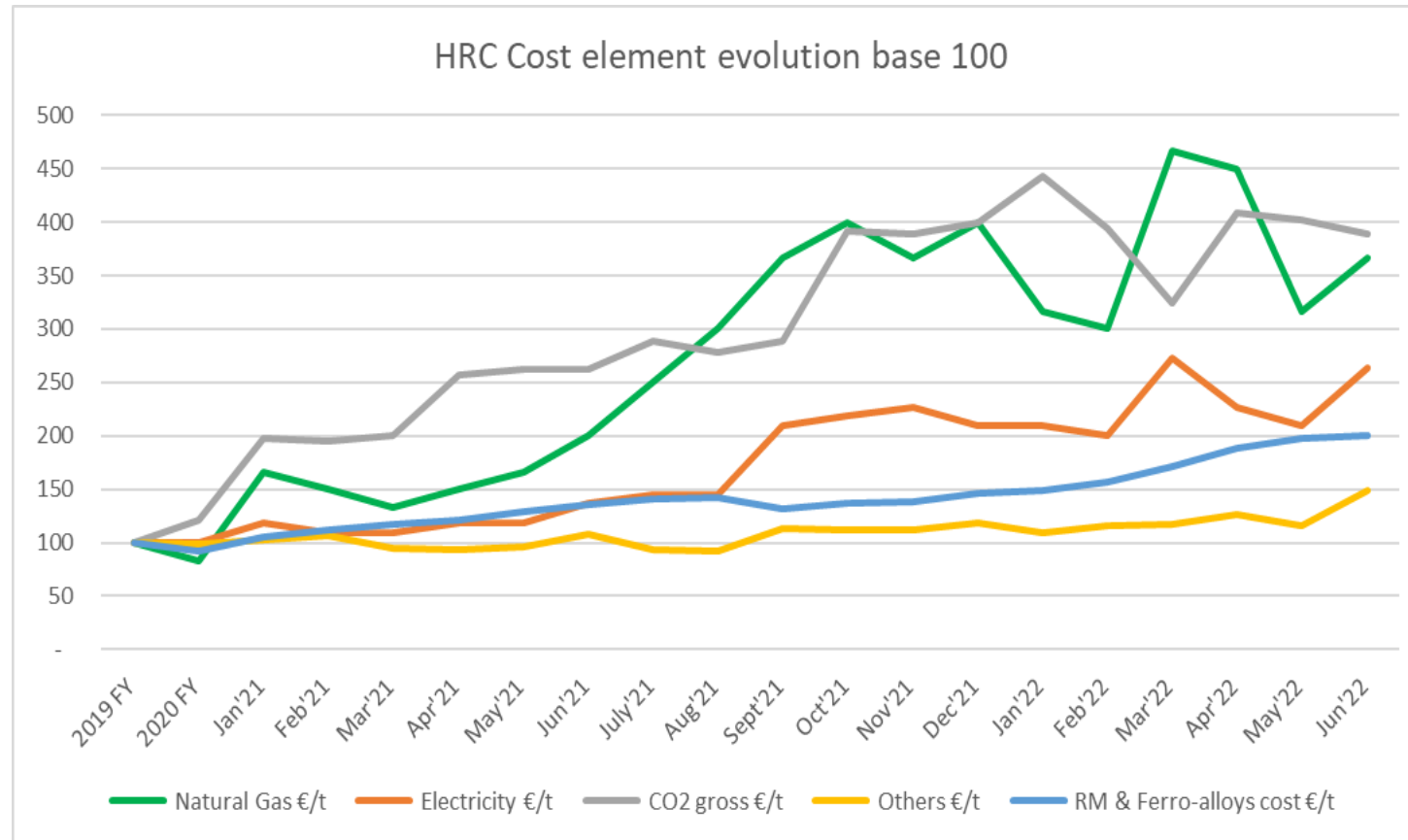
- Raw material and energy prices soared since Russia invaded Ukraine (from already high levels)
- EU steel industry facing added pressure from CO2 costs under the EU ETS
- Significant impact on steel-making costs and the competitiveness of the EU steel industry in the international market

# Challenges

## High Raw Material/Energy Prices, Increasing CO2 Costs and Price Volatility

Significant increase in steel-making costs:

- HRC cost has doubled in 2.5 years: raw material costs x 2; electricity x 2.5; natural gas x 3.5 ; CO2 x 4
- Increasing shares of CO2 in HRC costs (now accounts for 14%)



# Conclusions and Messages

- EU steel production decreased in first half this year (-6%); now in crisis because absent demand combined with energy cost explosion (capacity idling and production cuts)
- EU steel consumption will be in recession this year, the third out of the last four years
- Unhampered by generous EU steel quota, EU steel imports reached historically high levels in first half this year
- Russian invasion of Ukraine has disrupted traditional supply of some metallurgic raw materials (coal, HBI, pellets, alloys) forcing EU steelmakers to develop alternative supplies at higher costs
- Challenges:
  - Worsening of EU steel trade deficit (increases by 80% in first half this year y-o-y)
  - Significant loss of domestic EU market share (-4% in first five months this year y-o-y)
  - Forced to idle capacity and cut production, EU steel producers risk experiencing irreversible losses in market share in the upcoming months and quarters