The Global Steel Industry Challenge

Opening address at the China Automotive Conference – Chongqing 17 November 2015

It is indeed a great pleasure for me to be here today, at the second China automotive conference, sponsored by worldsteel and CISA.

The World Steel Association represents steelmakers around the world, and today we represent more than 75% of steelmaking capacity globally. In China, our membership comprises the largest SOEs. China, as a steelmaking location is of global importance and the long term sustainability of the Chinese steel industry and of the downstream steel using value chain is important to the health of the global steel industry.

The current state of our industry

It is by now clear that the steel industry has reached the end of a rare growth cycle. China has completed a phase of fast economic growth and is now locked in transition from an investment to a consumer driven economy. The changes in the Chinese economy have had a significant follow-on impact in the rest of the world, largely as a result of changes in imports and exports from and to China.

Adding to the challenge is the impact of the reversal of the monetary support by way of Quantitative Easing, in an effort to keep major economies afloat after the 2008 financial crises. As these QE excesses are beginning to be rolled back, the impact on exchange rates around the world will initiate numerous adjustments in developing economies that may well have a substantial impact on the size and direction of future trade flows.

Additionally, a substantial imbalance between supply and demand exists in our industry globally; with many regions having steelmaking capability that is surplus to requirement.

The impact of these developments will challenge the steel industry for a number of years ahead and will certainly force restructuring and adjustment in many countries.

The attractiveness of steel

Our world has to deal also with another, more longterm challenge – that of using resources as economically and efficiently as possible. The metrics to decide on efficiency are many, but include carbon emissions during manufacturing, energy consumption, re-use and recycling opportunity as well as for the chosen material to be fit for purpose for the final product application.

Steel as a material provides a large number of very attractive qualities. Apart from strength, durability, formability and ease of use, it also is very attractive when compared to alternative materials in terms of carbon emissions through the value
chain and recyclability. The future will certainly drive qualities such as the length of use in application and re-usability to become more important.

Today, more than 85% of steel is recycled at end of lifetime. Furthermore, the product remains virtually unchanged during recycling, with no loss of quality. The same cannot be said for many competitive materials.

In the automotive industry, key issues are more than just weight saving - the environmental performance is key. On both aspects steel performs extremely well. Depending on which components are considered, steel is capable to close the weight gap with for example Aluminium significantly. Based on Life Cycle Assessment (LCA) evaluation, steel is produced with only 25% of the carbon emissions of Aluminium. Additionally, automotive steel can be recycled as is, because it is not an alloy and thus pure, with no downgrading of the recovered material. Steel deserves an important place as automotive material. Our discussion at this conference will hopefully help to maintain steel as a material of choice in the automotive sector.

Lastly, it remains for me to welcome you again at this conference. At this stage I would also like to thank our co-hosts, CISA, for their participation in this conference, and to thank all our speakers in advance for their contribution.

I wish you all a good and informative conference.

Edwin Basson

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