

Steelmaking Raw Materials in Russia

Availability, challenges, policy

OECD Steel Committee
Steelmaking Raw Materials Workshop

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1. Mineral Resources

- Coking Coal
- Iron Ore
- Challenges
- Policy

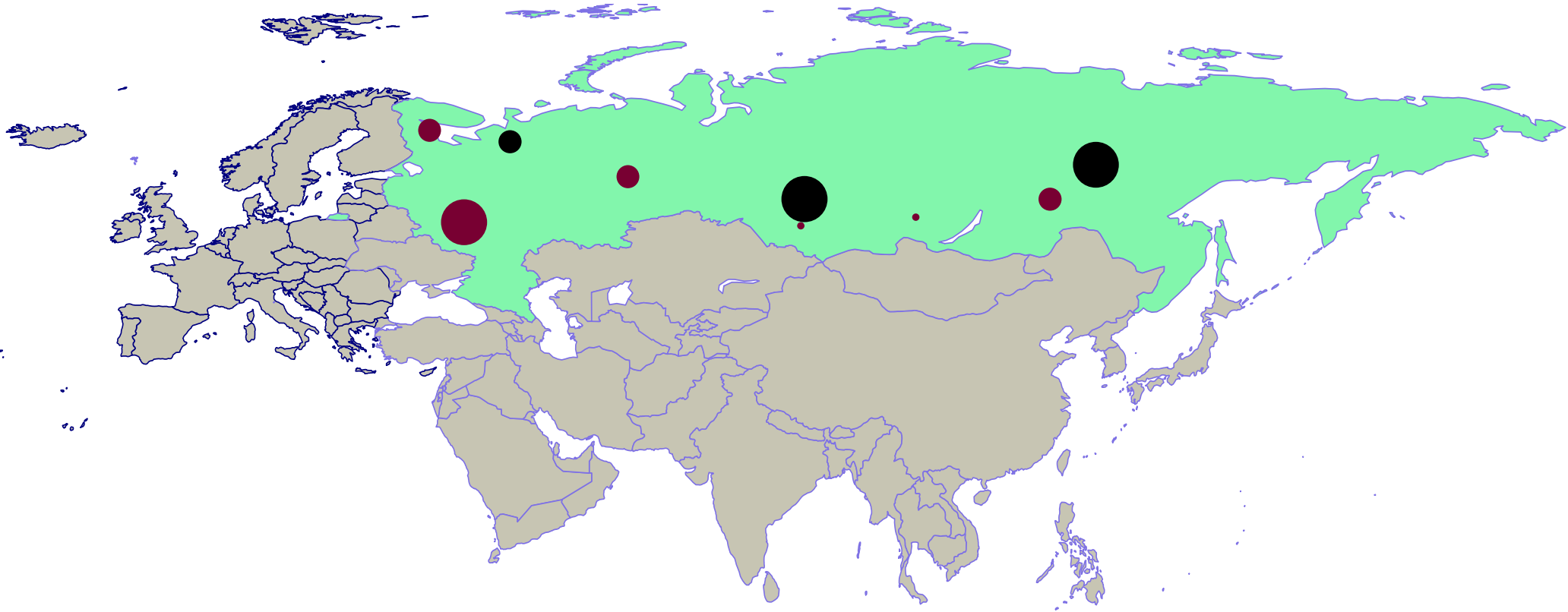
2. Metallics

- Scrap
- Pig Iron
- DRI/HBI
- Challenges
- Policy

3. Summary

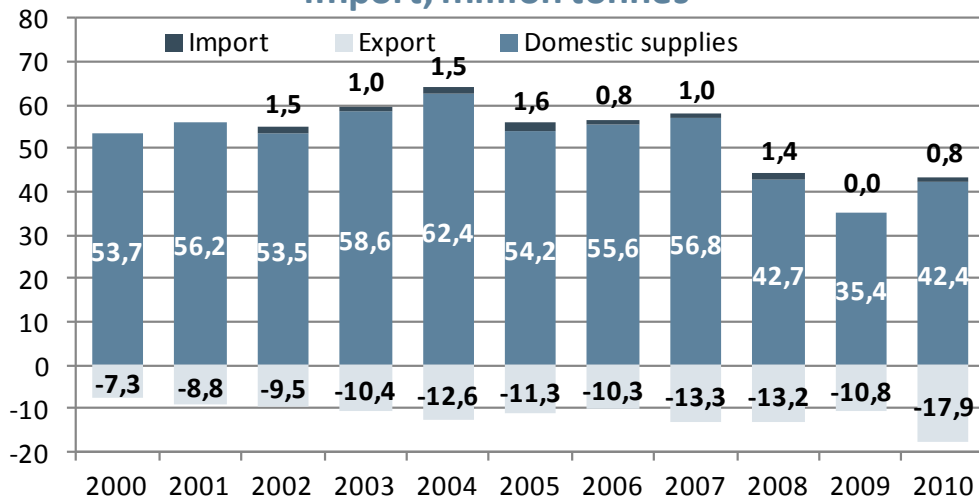
1. Mineral Resources

The main iron ore and coking coal deposits



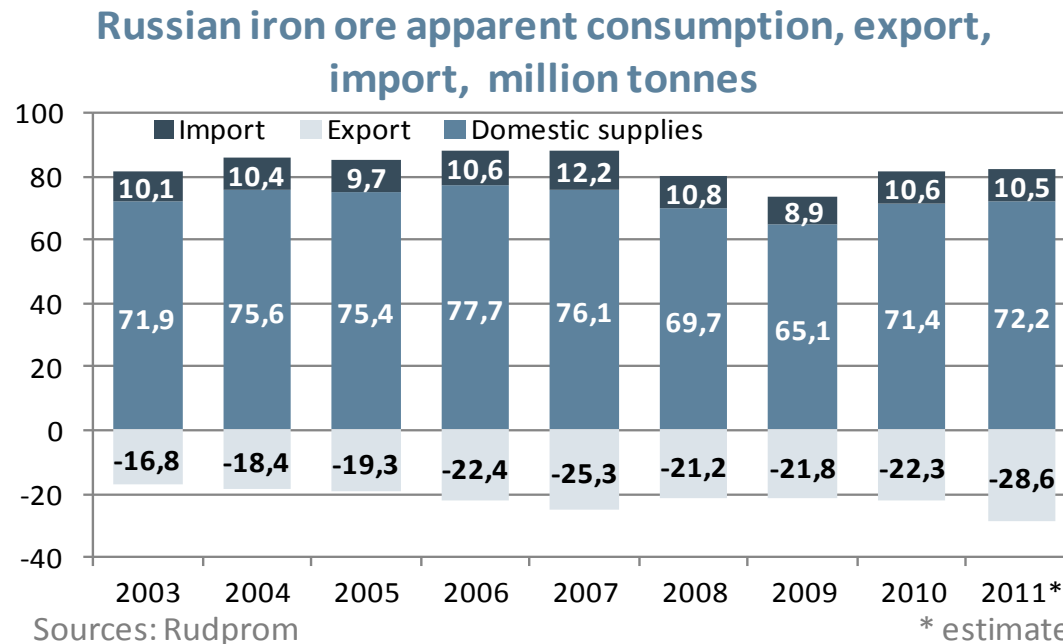
- Iron ore: reserves – 99,5 billion mt.
- Coking coal: reserves 447 billion mt

Russian coking coal apparent consumption, export, import, million tonnes



Sources: Railway statistics, MetalCourier, IMH estimates

- In 2010 export went up by 65% yoy exciding pre-crisis levels and is expected to grow further. Russian share in the international sea borne trade (2010) is about 6.7%.
- Main export destinations: EU, Ukraine, India, China, Japan, South Korea
- Import is provided by technological reasons and shortage of fat coals.



Russia is a net exporter of iron ore. Import from Kazakhstan to Russia is determined by logistics.

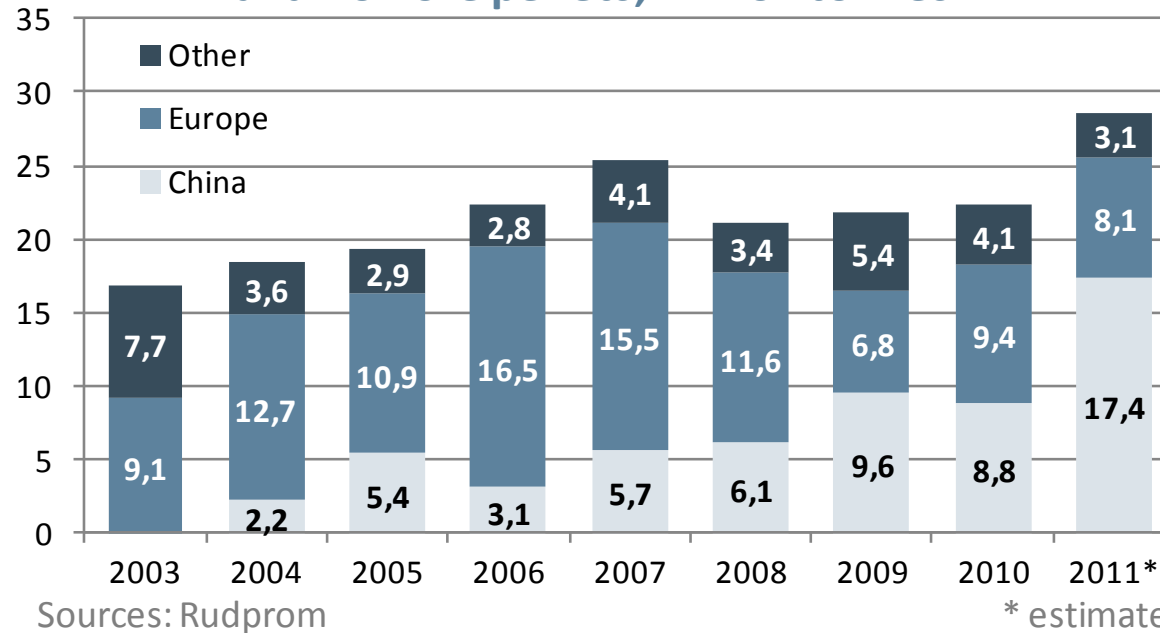
Russian share in international iron ore trade is only 2.2% (2010)

In 2011 export shipments are expected to increase by 28%

Iron ore production in 2011 is expected to reach pre-crisis level.



Russian exports of iron ore concentrate and iron ore pellets, million tonnes



Europe is a traditional destination for Russian iron ore exports.

Share of exports to Europe dropped from 60 – 70% before 2008 to 28% in 2011.

Shipments to China are expected to reach 60% of total export sales in 2011.



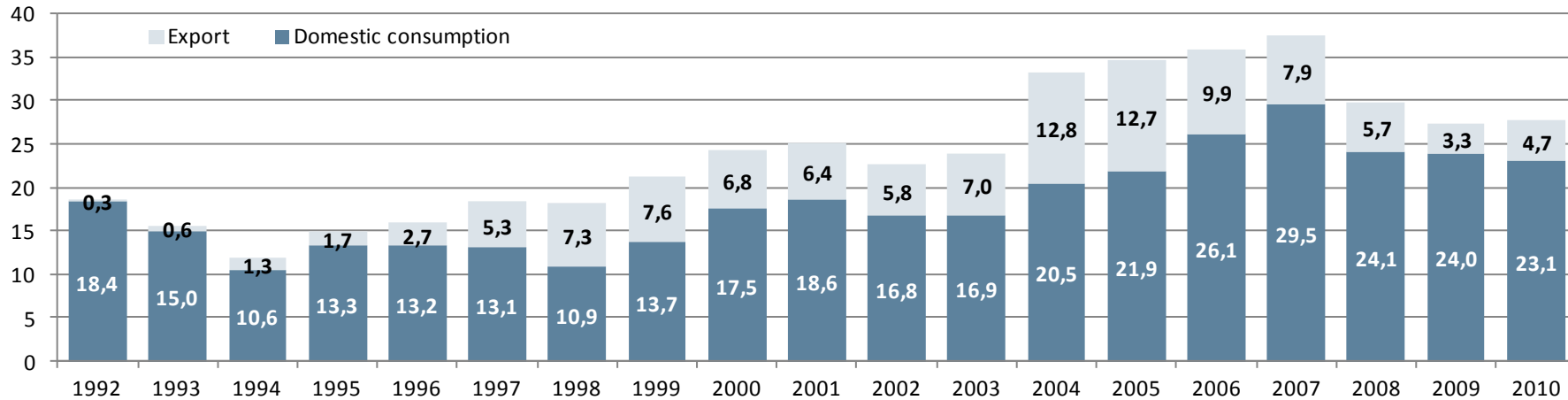
- **Transport logistics for both existing mines and new projects**
- **Geographical location of new iron ore and coking coal deposits in remote areas**
- **Lack of industrial, energy, social and transport Infrastructure for new projects**
- **High investments for new projects with long payback periods**
- **Dependence on export markets – price volatility risks**
- **Development of technology for iron ore treatment/processing**



- There are no export and import restrictions for iron ore and coking coal
- Reasonable and stable natural resources tax on iron ore and coal mining
- No limitations on foreign investments into iron ore and coking coal mining projects
- Government support for new mining and infrastructure projects of national significance (State guarantees on bank loans, co-financing of infrastructure projects).
- Mechanism for granting mining licenses to companies who conducted exploration of a new deposit at their own expense
- Duty and tax free import of industrial equipment (not produced in Russia) for new projects.

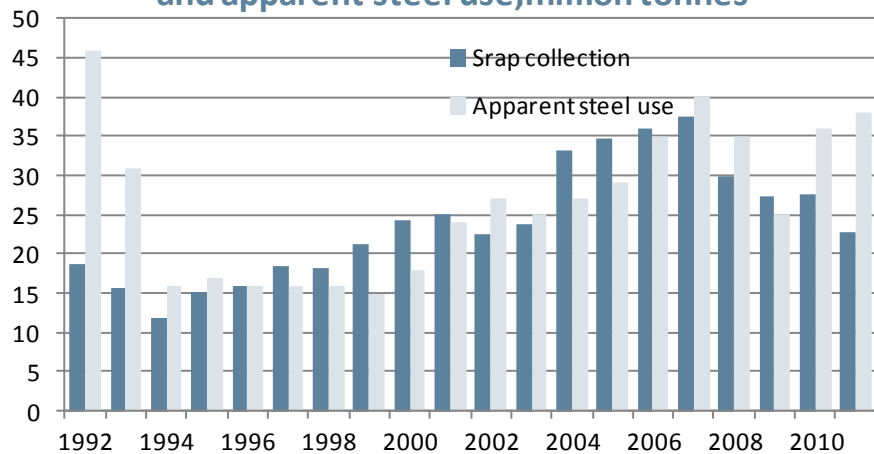
2. Metallics

Russian steel scrap apparent consumption, export, million tonnes



Sources: UN Comtrade, Metal Courier, Worldsteel

Russian steel scrap collection and apparent steel use, million tonnes



Sources: Rosstat, Metal Courier, Worldsteel

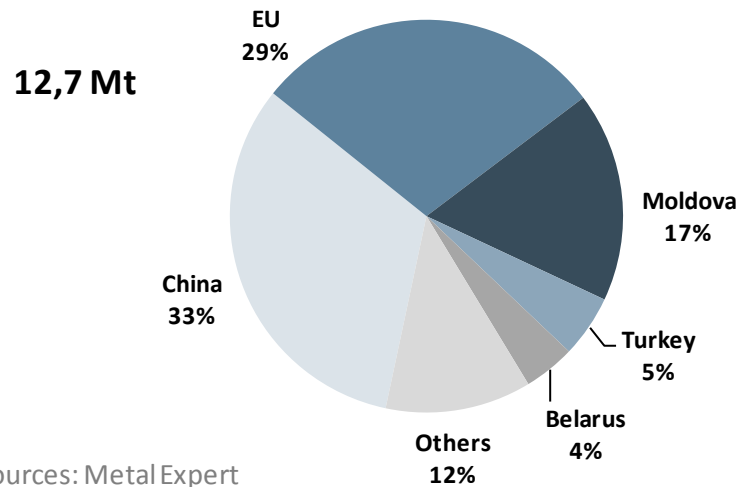
* estimate

Scrap exports started in mid 90-s and reached its peak in 2004-2005. Decline of export shipments in spite of growing prices in 2006-2008.

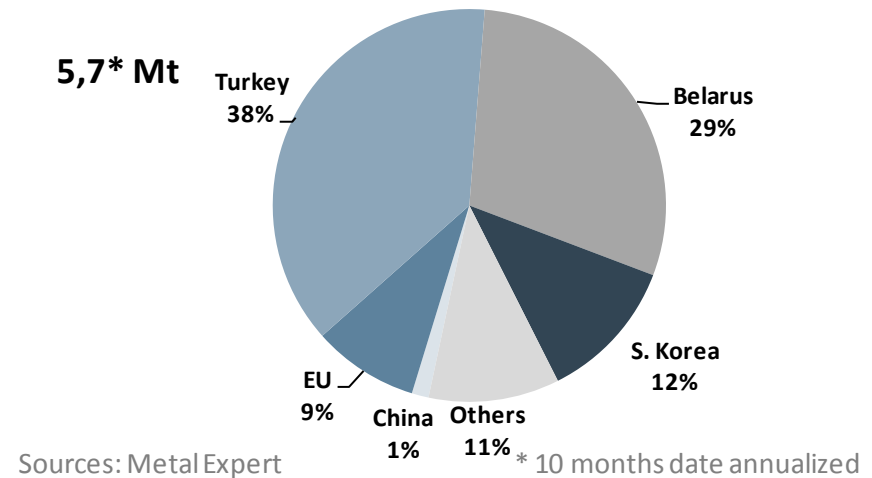
Scrap reserves: for 15 years scrap collection excided consumption of finished steel products.

Raise of domestic demand: EAF projects, extension of steel continuous casting

Russian scrap export market, 2005

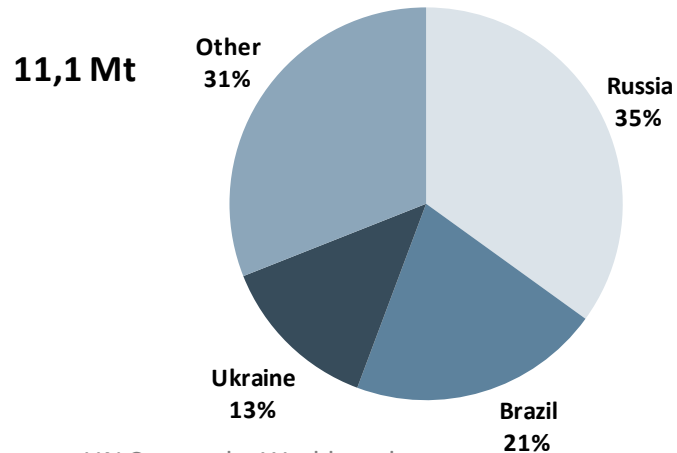


Russian scrap export market, 2011



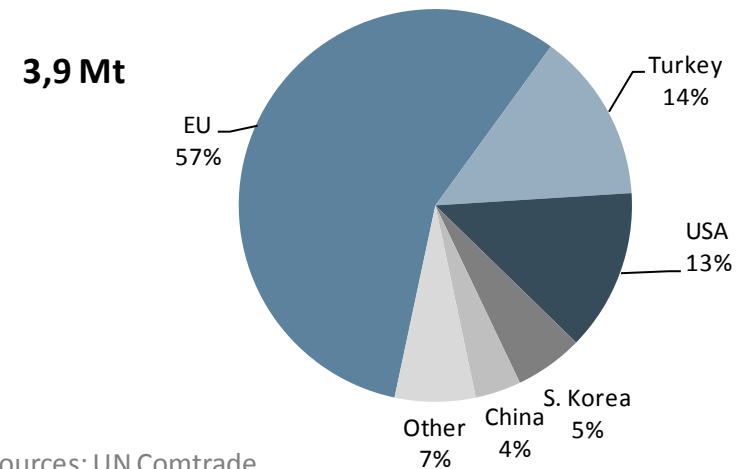
Russian scrap export destinations are changing significantly. In 2005 China and EU were the main buyers. Since 2009 Turkey and Belarus have taken top positions.

World export of pig iron, 2010



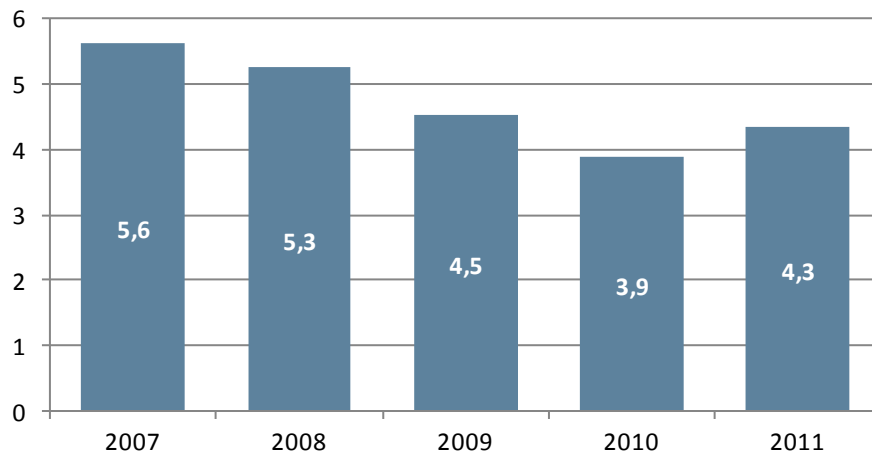
Sources: UN Comtrade, Worldsteel

Russian pig iron export market, 2010



Sources: UN Comtrade

Russian exports of pig iron, million tonnes



Sources: UN Comtrade, Metal Expert

* estimate

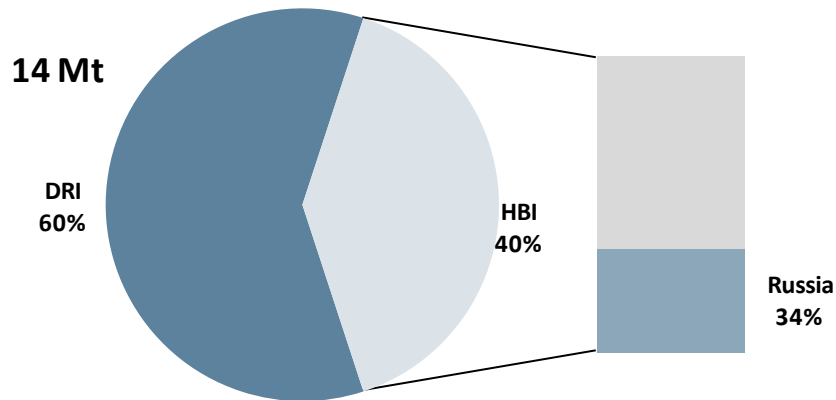
Russia is the main supplier of the international merchant pig iron market.

The main destinations of Russian MPI are EU, Turkey, USA.

The share of Russian MPI in the EU market is about 60% .



World DRI/HBI shipments, 2010

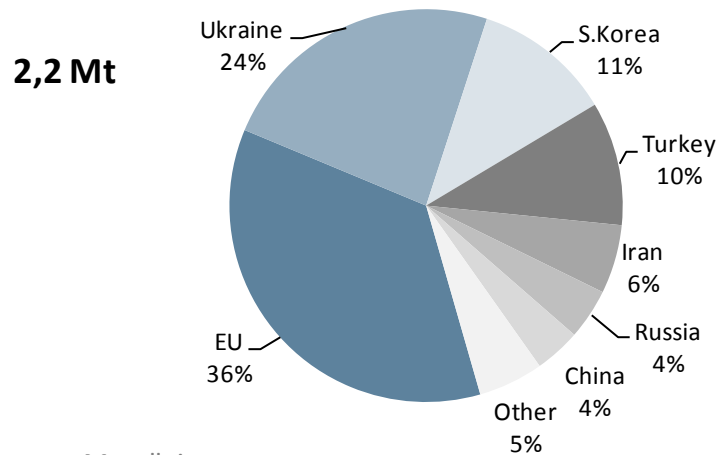


With 2.5 Mty of HBI shipments Russia is one of the major players in the global market.

Further development of HBI production: construction of new 1.8 mln. tpy HBI plant at Lebedinsky mine (Metalloinvest).

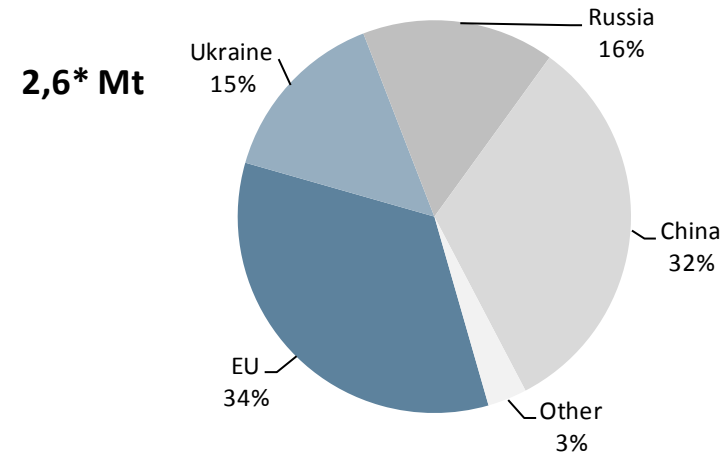
Sources: Midrex, Metalloinvest

Russian DRI shipments, 2008



Sources: Metalloinvest

Russian DRI shipments, 2011



Sources: Metalloinvest

* 10 months date annualized



- **Increase of steel EAF production is pushing worldwide demand for iron and steel metallics.**
- **Raising domestic demand and limited availability are creating conditions for scrap shortages in Russia in the near future.**
- **Development of new projects for HBI production in Russia.**



- **Export duty on steel scrap will be reduced according to WTO Accession Protocol.**
- **No export and import tariffs or quotas on pig iron and DRI/HBI trade.**
- **No import duties on DRI/HBI production equipment.**
- **Existing merchant pig iron and HBI capacities, new DRI/HBI production projects will help to satisfy demand for iron and steel metallics.**

3. SUMMARY

- **Russia has no trade restrictions for the main Steelmaking Raw Materials.**
- **Russia has no restrictions for foreign investments in SRM projects and in Iron & Steel sectors.**
- **Russia will further develop its position as the leading global supplier of primary steelmaking metallics.**
- **Government support for development of mining and infrastructure projects of national significance (co-financing from the RF Investment Fund, granting of state guaranties for bank loans)**
- **Availability of steelmaking raw materials and energy provide favorable conditions for further development of competitive Iron and Steel production in Russia.**



THANK YOU!