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METALS INSIGHT
Volume 10 / Issue 13 / July 9, 2015

Algeria: en route to steel self-sufficiency

New steelmaking capacity to be brought on stream in Algeria should substitute the lion's share of steel imports, sparking shock waves among southern European long products exporters who are testing alternative markets

Algeria, Africa's largest country, has become a coveted steel market. A relatively stable economy and strong economic growth – reaching 4% last year - are boosting steel demand. In 2014 its imports of all steel products, including tubes, forgings and castings, reached 5.55 million metric tons, up from 5.13 million mt in 2013, according to the International Steel Statistics Bureau (ISSB), and far outstripping its local output of 1.8 million mt.

Long products for construction form the bulk of imports: Algeria was the main export destination for long products from the European Union last year, taking as much as 40% of the EU's total long products exports of 10.63 million mt, up from an average of 32% in 2009-2013, according to steel industry association Eurofer. Italian and Spanish mills in particular are enjoying the advantages of a healthy trade in this market, where they have benefited from an Algeria-EU free trade accord: imports from most other areas are subject to 15% import tax. Neighboring Libya has also benefitted from a free-trade deal with Algeria to export its surplus steel.

The reopening of some idled long products rolling mill capacity in Algeria over the past year has also attracted imports of Chinese billets, whose prices were quoted in June at $30/mt cheaper than competing product from the EU or Ukraine, potentially pressurizing Algerian domestic rebar price levels.

But change is on the horizon. The fight for market share in this attractive market is stepping up as the international steel investment community wakes up to the

(continued on page 2)

Local car production develops in Africa's second largest market

While Algeria's construction sector has been the main consumer of steel products in recent years, since 2014 the country has also seen important developments in the automotive manufacturing sector.

Carmakers see potential in the Algerian market, the second largest in Africa, after South Africa, in numbers of vehicles sold. In 2012 and 2013 it surpassed the 400,000 vehicles/year mark; since then sales of new cars have come down significantly but have remained at levels well above 300,000 vehicles/year.

In 2014 a Renault executive was quoted as saying the market has the potential to exceed 500,000 vehicles/year in the medium term: a view shared by a number of other automakers globally.

France's Renault was the first multinational carmaker to invest in production in Algeria with the start-up in November 2014 in Oran in the country's northeast of a manufacturing plant with a capacity of 25,000 vehicles/year and the potential for expansion to 75,000 vehicles/year.

Lately other carmakers have looked into investing in Algeria. In June Algerian officials confirmed that the country is in advanced discussions with PSA Peugeot Citroen regarding the installation of a manufacturing plant in the same area where Renault started in 2014.

The interest showed by the two French car brands clearly highlights the potential of the automotive sector in the country, the eighth largest in Africa in terms of population.

Further expansion of Algeria's automotive sector is likely to benefit the country's expanding steel sector, opening up opportunities for production units and service centers dedicated to supplying this sector. In recent years Morocco has seen similar developments in its car sector, which have been followed by investments from European steel service centers and local steelmakers interested in supplying steel to the growing auto industry. — *Emanuele Norsa*

Editor's comment

Welcome to Metals Insight

One of Algeria's current leitmotivs is self-sufficiency. This oil-rich nation is taking steps to cope with the recent fall in oil prices by giving infrastructure a push, to facilitate growth in other industries and make the country less dependent on manufactured imports. Local banks are being encouraged to invest in new projects, for which substantial tax incentives and exemption of import duties on equipment are sometimes available. Steel and cement have been singled out as two immediate target areas for self-sufficiency: according to Minister of Industry and Mines, Abdeslam Bouchouareb, new cement plants now starting up will make Algeria self-sufficient in cement by 2016, substituting imports of more than 3 million metric tons/year.

Steel may take a little longer. However, steel demand in Algeria is rising fast – around 5% annually on economic growth that's expected to hover around 4% a year for the next two years - and this has attracted new investors, now with plans to build some 6 million mt/year of new steelmaking capacity within the next three years, mainly in partnership with the state. This could result in substantial displacement of the country's usual steel import tonnages.

But it's not only within Algeria that Algerian steelmakers are developing. In early July, Algeria's Cevital group purchased Italian steelmaker Lucchini Piombino, previously in administration, now to be called Aferpi, Acciaierie e Ferriere Piombino. Cevital will environmentally rehabilitate the Tuscany-based works, installing electric arc furnace steelmaking to replace the existing blast furnace. It will also rehire all former workers and develop ancillary businesses in a total EUR700 million investment. — *Diana Kinch*

Algeria: en route to steel self-sufficiency

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advantages of setting up shop in Algeria itself. Nearly 6 million mt of new steelmaking capacity is to be set up in Algeria by late 2017: this will boost local production to some 8 million mt/year and cover 80% of domestic consumption, according to estimates from the Algiers-based Arab Iron and Steel Union.

Major players emerge in growth market

Algeria's crude steel output has been inching up at its two existing mills: ArcelorMittal's Annaba joint venture with the Algerian state, and Turkey's Tosyali. AISU data shows the country's output has more than tripled from 650,000 mt/year in 2012 to an expected 2 million mt/this year. New growth will be fostered by local availability of oil, natural gas and iron ore, not to mention investment incentives from the National Agency for Investment Development (ANDI), which offers 10 years of tax exemptions for certain industrial projects.

Turkey's Tosyali is one of the main players in the local capacity drive, set to become Algeria's largest producer with a steelmaking capacity of around 4 million mt/year in 2018, more than triple its current 1.2 million mt/year. ArcelorMittal's joint venture will also double capacity to 2.2 million mt/year, while newcomer Qatar Steel has plans for a 2 million joint venture works together with Algeria's state-owned Sider. Both the new Tosyali and Qatar projects will be based on direct reduced iron (DRI), taking advantage of abundant and competitively-priced natural gas supplies. Algeria was recently classed as having the world's tenth biggest natural gas reserves, in addition to its substantial oil reserves, and largely unexploited mineral reserves, including iron ore.

"Long products steel demand in Algeria in 2014 was around 4 million tons. Demand is increasing between 4.5% and 5% yearly and construction and infrastructure projects

What is... *an electric arc furnace (EAF)?*

Electric arc furnaces produce steel directly from scrap. This can be supplemented by other inputs like direct reduced iron and pig iron. They account for about one third of global steel output. Basic oxygen furnace (converter) steelmaking accounts for the rest.

The EAF is a refractory-lined vessel with a retractable cover through which large graphite electrodes are lowered once the scrap has been charged and the furnace top closed. EAFs are usually of 60-150t capacity per melt, but occasionally larger. However, they are usually much smaller than BOFs.

Melting occurs due to the energy released by arcing between electrode and scrap. There are normally three electrodes, but only one with direct current furnaces.

Much effort has been directed at minimising the time from scrap charging to steel pouring (tap-to-tap time). It is now standard practice to transfer steel to a separate furnace for alloying modifications (secondary metallurgy) to free-up the EAF for the next charge. Scrap pre-heating and oxygen injection also raise productivity and reduce energy use.

Selected Algerian steel imports 2013-2014 (mt)

Country of origin	2013	2014
Blooms/Billets:c<0.25%		
France	4,774	4,978
Germany	15,149	16,217
Italy	21	10
Spain	19,099	10,171
Turkey		44,351
Slovakia	10,165	
Ukraine	10,042	14,536
Russia	5,000	73,319
Croatia		9,907
Bosnia-Herzegovina		35,258
China		9,983
Deformed Reinforcing Rod		
France	9	15
Germany		1,991
Italy	200	18,225
Portugal		1,759
China		1
Deformed Reinforcing Bars		
France	20,303	14,872
Italy	1,166,098	1,165,974
Greece	84,584	57,711
Portugal	312,543	375,390
Spain	1,020,441	1,115,167
Turkey		5,235
Latvia	122,634	
Lithuania	40,812	
Slovakia	12,891	
Romania		6,996
Bulgaria	10,906	29,815
Ukraine		17,924
Croatia		11,246
Morocco	6,814	
China	51	778

Note: C<0.25% = contains less than 0.25% chromium.

Source: International Steel Statistics Bureau (ISSB)

PLATTS
McGRAW HILL FINANCIAL

METALS INSIGHT

Volume 10 / Issue 13 / July 9, 2015

ISSN: 2058-749X

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Metals Insight is published fortnightly by Platts, a division of McGraw Hill Financial. Registered office: 20 Canada Square, Canary Wharf, London, UK, E14 5LH.

Officers of the Corporation: Harold McGraw III, Chairman; Doug Peterson, President and Chief Executive Officer; Lucy Fato, Executive Vice President and General Counsel; Jack F. Callahan Jr., Executive Vice President and Chief Financial Officer; Elizabeth O'Melia, Senior Vice President, Treasury Operations.

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are the main consumer sectors for steel products," said AISU's secretary general M.L. Lachgar.

"It is expected that domestic production of rebar from Tosyali and ArcelorMittal in Algeria will cover nearly 40-50% of domestic consumption within the next two years," Lachgar continued. "With the joint venture project with Algeria and Qatar International, which is expected on stream in the second half of 2017 with annual capacity of 2 million mt of rebar, then the yearly domestic production of rebar will cover 80% of domestic consumption: 20% will be covered by importing."

The push to self-sufficiency in steel has the potential to boost industrial development overall: both the ArcelorMittal and Qatar Steel developments form part of broader development "pacts" being promoted by the state via the Algerian National Agency of Investment Development (ANDI).

State-owned Qatar Steel's investment in a new steel mill is essentially a joint venture between Algeria and Qatar to promote regional industrial development, which means that rebars and wire rod production from the 2 million mt/year plant in Jijel may be used not only in Algeria but also exported. Total investment in the plant is put at $2 billion, including a DRI plant and equipment from Italian plantmaker Danieli including an electric arc furnace. A foundation stone for the works was laid at the site at Bellara in Jijel province, 375 kilometers east of Algiers, in March.

Algeria's state-owned steel holding company Sider Co., together with the National Investment Fund, will hold 51% of the venture, while Qatar Steel International will hold the remaining 49% (represented by Qatar Steel 24.5%, and Qatar Mining 24.5%).

Flat products opportunities

ArcelorMittal, which operates a joint venture integrated works supplied by iron ore from its own 1.5 million mt/year mine, plans to double its steelmaking capacity to 2.2 million mt/year by 2017. The works is held 49% by ArcelorMittal and 51% by Algeria's Sider. The company currently produces long, flat and tubular products and sees that market opportunities exist for it to expand further into flat products.

"The ArcelorMittal Algerian steel plant has designed a development plan aiming at developing both flat and long products, according to market needs and taking into consideration competition," a company spokesperson said. "The ArcelorMittal iron ore mine facilities in Algeria (also) have a development plan and will invest to continue

Total Algerian steel imports 2013-2014 (mt)

	2013	2014
Ingots	31	2,107
Semis	64,781	228,702
Ingots and semis	64,812	230,809
Bars and rod in coils	619,690	761,141
Deformed reinforcing bars	2,798,076	2,801,107
Hot rolled bars and flats	60,617	57,221
Cold finished bars and flats	4,358	4,378
Hot rolled light sections	115,763	154,815
Hot rolled heavy sections	237,128	237,713
Rails and rolled accessories	66,181	21,890
Wire	30,251	32,214
Forged bars	183	3,330
Long products	3,932,247	4,073,809
Hot rolled wide strip	310,412	426,213
Hot rolled plates	88,904	70,578
Hot rolled sheets	7,053	1,863
Cr plate/sheet:coils/lengths	118,960	110,721
Hot rolled strip	27,587	40,316
Cold rolled strip	10,743	12,368
Tinplate and tfs	11,623	28,977
Zinc coated sheet and strip	35,613	64,066
Other coated sheet and strip	96,155	111,337
Electrical sheet	1,666	926
Electrical strip	431	257
Flat products	709,147	867,622
Steel tubes, seamless	78,625	238,632
Steel tubes, welded	308,913	98,109
Steel tube fittings	10,377	11,906
Tubes and pipes	397,915	348,647
Forgings	1,549	2,022
Points/switches/crossings	12,616	19,227
Forged/cold finish sections	2,641	1,393
Cold formed sections	1,562	4,291
Welded structural sections	78	74
Steel castings	3,874	3,920
Other steel products		
Grand total	5,126,443	5,551,815

Source: International Steel Statistics Bureau (ISSB)

Platts Podcast

What's driving Asia's met coal price rebound?

In this podcast, Platts editors Edwin Yeo and Kenneth Foo analyze the factors that have contributed to the recent rebound in metallurgical coal spot prices, its impact on quarterly negotiations between Japanese steel mills and large mining companies, as well as China's gradual acceptance of seaborne Australian coal.

http://plts.co/OLIos

Turkey's Tosyali: racing to become top dog

Tosyali officially inaugurated its new wire rod mill in Algeria on June 17 with the participation of Algeria's prime minister Abdelmalek Sellal and Tosyali CEO Fuat Tosyali. They also held a ground breaking ceremony for Tosyali's new DRI based plant in Algeria. Photos courtesy of Tosyali.

Major Turkish producer of flat and long steel products and pipes, Tosyali Holding, is in pole position in the race to set up steelmaking capacity in Algeria, where it should become the country's largest steel producer within three years.

The company held a ground breaking ceremony on June 17 for its new direct reduced iron (DRI)-based integrated steelworks project at Bethioua industrial region in Algeria, scheduled to start production at the end of 2017.

The new 2.5 million metric tons/year works will include a DRI plant, an electric arc furnace, a continuous casting machine and rolling mills for rebar, wire rod and merchant bars. The construction period will last around 30 months.

This will be the world's biggest "combination" DR plant – capable of producing different forms of DRI simultaneously, according to DRI technologist Midrex. The plant will have the capability to vary its production to produce hot direct reduced iron (HDRI) and/or cold direct reduced iron (CDRI) simultaneously without stoppages.

Charging HDRI into an electric arc furnace increases productivity while reducing specific energy consumption, Midrex said.

Tosyali Algeria's DRI plant will provide the steelworks with flexibility to produce high supplying the needs of the ArcelorMittal Algeria steel plant."

ArcelorMittal Annaba has secured a credit line of almost $1 billion to move forward its expansion, Platts learned from the national Banque Extérieure d'Algérie in December, complementing around EUR120 million being invested directly in the expansion by the shareholders.

According to an official from the Algerian authorities quoted by the local press, the investment in ArcelorMittal is set to boost the company's share in the longs market to 34% by 2017 (from 11% in 2012) and in the flats market to 80% by 2017 (from 40% in 2012). Late last year the works was reported to be working considerably under its capacity levels after a series of prolonged stoppages. ArcelorMittal recently put the Algerian works' production volumes at 800,000 mt/year.

The country's expanding car industry would appear to support the opportunities for flat product demand growth in Algeria (see box).

Concern among South Europeans, Latvians

Both the Italian and Spanish steelmakers' associations have voiced their members' concern over the emergence of significant new steelmaking capacity in Algeria.

According to Spanish steelmakers' association UNESID, Spanish steelmakers had long expected a competitor to expand in the growing Algerian market. The Spanish hadn't themselves invested in steelmaking in Algeria mainly because of geographic proximity: shipments from major Spanish steelmakers can reach the Algerian market in just one day. "It's been easier to ship than to operate locally," said Alfonso Hidalgo de Calcerrada Garcia, UNESID's economic studies director.

One of the difficulties regarding local operation relates to scrap availability, he said. Algeria is understood not to have particularly strong scrap generation and to import ferrous scrap from Germany, the UK or even farther origins. One German scrap merchant source told Platts that a joint venture between Turkish and Algerian interests now exists to import scrap into Algeria: this is currently not active but is expected to be back in the market later this year. Scrap sourcing difficulties are doubtless behind the decision by Tosyali, Qatar Steel and the Algerian state to set up new steelmaking facilities using the DRI route.

Tosyali's planned major steelmaking expansion in Algeria is a "concern" for Spanish and Italian steelmakers, according to Hidalgo.

"Algeria has been a big market," he said. "Although it's not the case now, in some years it's been the biggest destination for Spanish long steel exports."

"There will be more competition (in the Algerian market) but the market won't disappear completely: normal commercial relationships will continue: they have been going on for so long," Hidalgo said. "Spanish long products markets are very well diversified and very competitive and producers have developed markets all over the world."

Spanish steelmaker Celsa, a major exporter to Algeria, declined to comment on the steelmaking developments in Algeria. One market source affirmed that the company is "testing markets all over the world."

Italian steelmakers continue to see opportunities in the Algerian market because

Italy's Feralpi: set to name local rolling mill partner

Feralpi, one of the largest Italian rebar producers and exporters of rebar to Algeria, is planning to have its own rolling mill in Algeria.

The project will have a capacity of 300-400,000 metric tons/year of rebar for an investment of €30-35 million, and is expected to begin production in 2016. The company is looking at two possible locations: Oran and Algiers.

Feralpi at present is looking for an Algerian partner because Algerian law puts a ceiling of 49% for foreign investor holdings. It is rumored that Feralpi is likely to have finalized its partnership quite soon.

Feralpi already has a presence in Algeria through Feralpi Algerie, a commercial company started in 2013, located in Oran and owned by 70% by a Feralpi holding (Fer-Par) and 30% by an Algerian partner. It is noted that Algerian law allows for 70% foreign ownership in the case of commercial ventures. The company can also now count on the logistical support of a warehouse that will become operative in the coming days.

The Feralpi group's long products exports to Algeria reached 400,000 mt in 2013 and 430,000 mt in 2014.

Last year the Feralpi group produced 2 million of steel: output is expected to be close to this level in 2015. — *Annalisa Villa*

Turkey's Tosyali: racing to become top dog (continued)

quality, low impurity steels as well as decrease its demand for imported scrap, Platts learned.

Fuat Tosyali, the CEO of Tosyali Holding said at the plant's ground breaking ceremony: "We will reach 4 million metric tons/year steelmaking capacity in Algeria with this investment. We are aiming to meet 40% of Algeria's predicted steel requirement of 10 million mt/y in 2020."

The new works follows hot on the heels of Tosyali's start up in June 2013 of a 1.2 million mt/year steelmaking capacity at Oran, Algeria. This represents a $750 million investment, the largest foreign investment by a Turkish steel producer and includes a caster of 1.2 million mt/y that can produce billet 130-160mm square, and a rebar rolling mill with a design capacity of 800,000 mt/y.

Tosyali also officially started production at its new wire rod rolling mill in Bethioua on June 17, with the participation of Algeria's prime minister Abdelmalek Sellal.

The new wire rod mill has a capacity of 500,000 metric tons/year of low, medium and high carbon rod, as well as welding wire and spring steel. Product diameters are 5.5-25mm. The mill is expected to replace most of Algeria's wire rod imports and will also target export markets. The company doesn't plan to import any billets for its operations in Algeria, according to CEO Tosyali.

The CEO added that Tosyali's investments in Algeria belongs 100% to Tosyali. They don't have any joint venture partners, he told Platts. — *Cenk Can* the new steelmaking capacity won't come on stream overnight, the market will continue to grow, as in other developing countries, and new investment opportunities may arise (see Feralpi's Algerian investment plans, in box)."Algeria is a great nation that is growing. As expected and as we see in other countries such as Egypt they are becoming more and more autonomous and this is inevitable," said Antonio Gozzi, chairman of Italian steel federation Federacciai. "Italians are exporting, helped also with a custom agreement (free trade agreement) and with this in place they can continue to do that. It will still take a while for Algeria to become a relevant steel producer player. I don't think it will be the end of Italian exports."

As the economy grows, Algerians will in future be able to produce and source more scrap internally, though it is more likely that their new mills will be more DRI-based due to Algeria's abundance of gas, Gozzi said. However, "DRI investments are expensive...... so I don't think it will be a quick process for Algeria to become self-sufficient. We've seen some Italians ready to invest (in Algeria) and maybe others can follow," Gozzi said.

Igor Kovalenko, former member of the board and managing director of Latvian rebar mill Liepajas meanwhile said that Tosyali's new Algerian mill is "a very serious threat" to Liepajas as it has been selling most of its rebar to Algeria. He added that the Tosyali mill has very good and modern production facilities and can easily compete with imports. He agreed that it will be difficult for Liepajas to continue to supply rebar to Algeria given the distance from Latvia to Algeria and noted that Liepajas' future presence in Algeria will depend on logistics.

So far Liepajas has produced 115 000 tons of rebar since its restart under new ownership in March, most of this was shipped to Algeria. The Latvian mill, with a full capacity of 75,000 mt/month rebars, had been idle since May 2013 amid slack demand and debt problems. — *Diana Kinch, Annalisa Villa, Emanuele Norsa and Cenk Can, with Wojtek Laskowski, Peter Brennan and Simon Price*