



9th Harnessing the Chaos: 2012 and Beyond
Strategies; Technologies; Logistics; Raw Materials; Hedging the Steel Price Risk

Steel Success Strategies London

17-18 October 2011 • The Waldorf Hilton, London



Gilles Calis, SteelConsult International

MENA Steel after the sandstorm? - Short term
impact and long term opportunities

SteelConsult
— International —



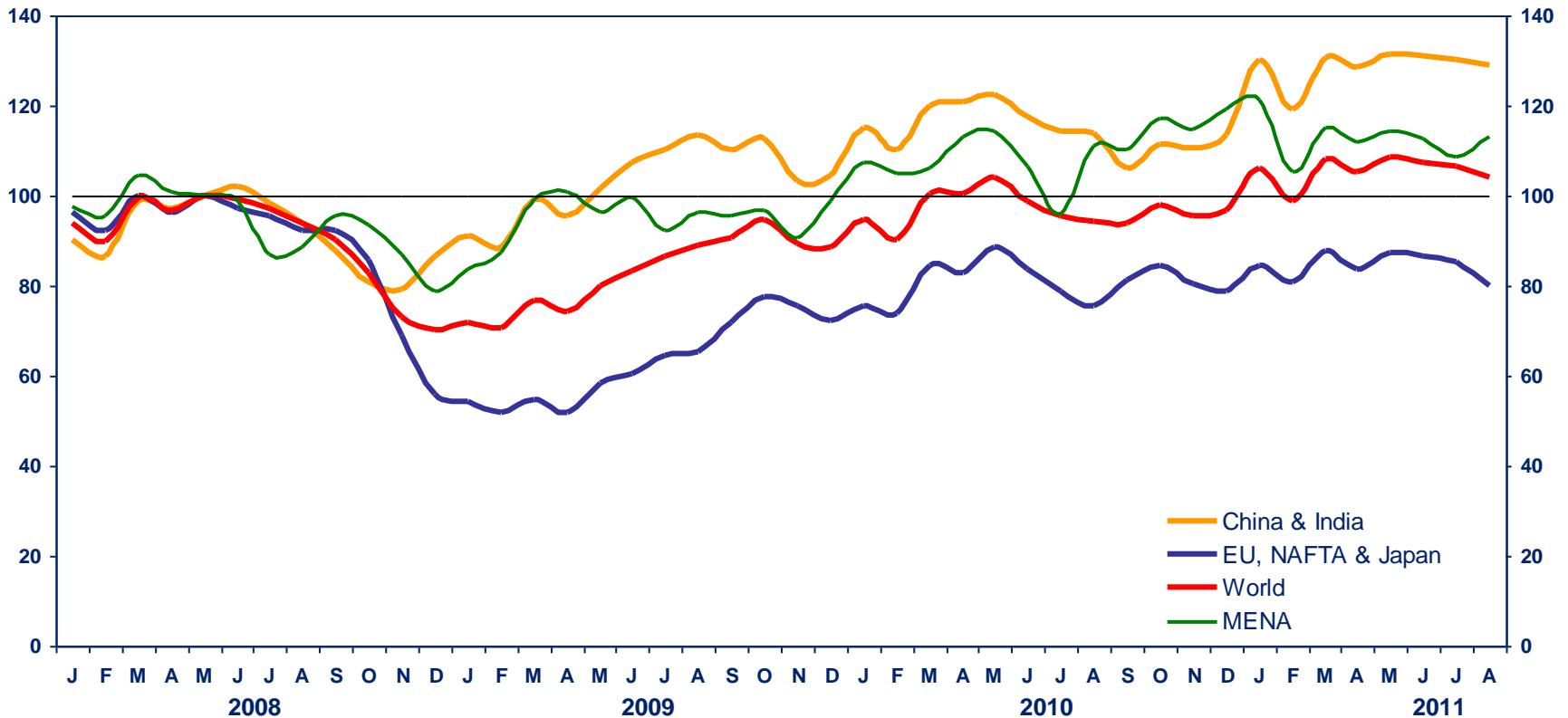
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The MENA steel industry has held up well, despite the turmoil in the region

Crude steel output, index (May 2008 = 100)



Source: WSA, SteelConsult



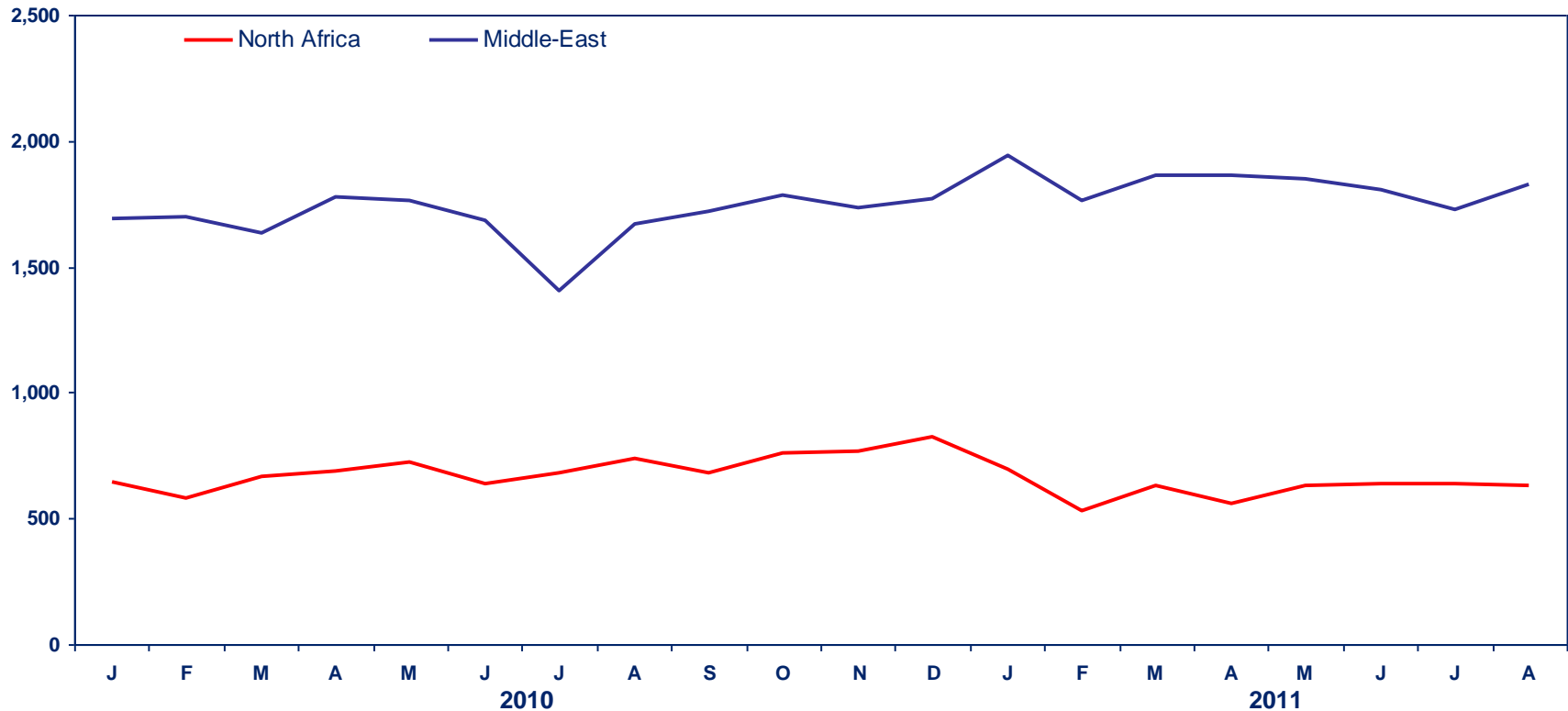
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North African steel output has been affected somewhat more than the ME region...

Crude steel output (k tonnes)



Source: WSA, SteelConsult



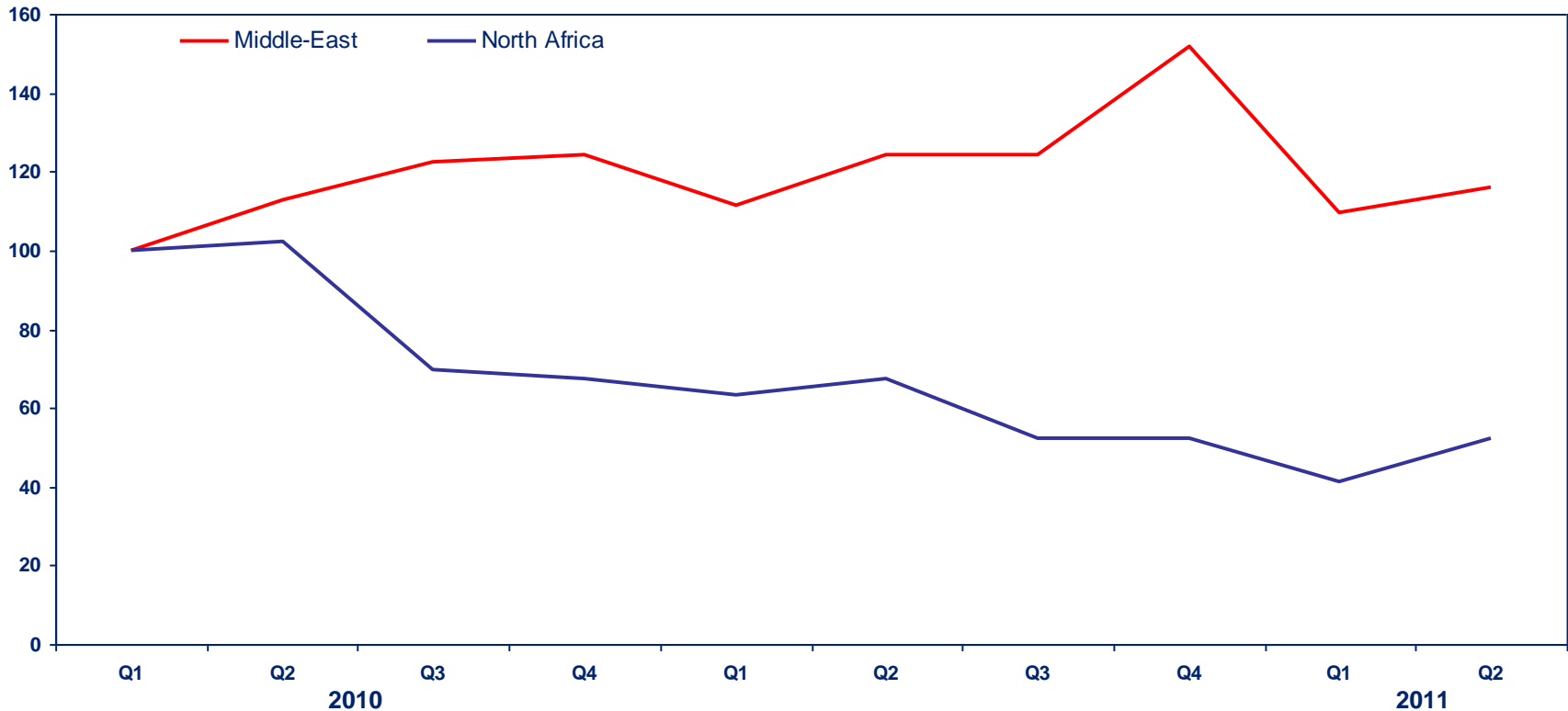
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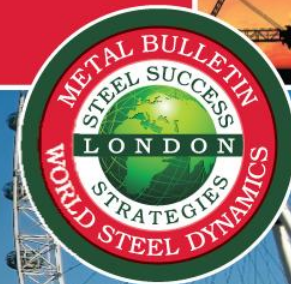
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But it is especially steel exports that have taken a hit ...

Steel exports to MENA (Index, Q1 2009=100)



Source: ISSB, SteelConsult
Note: Data includes tubes



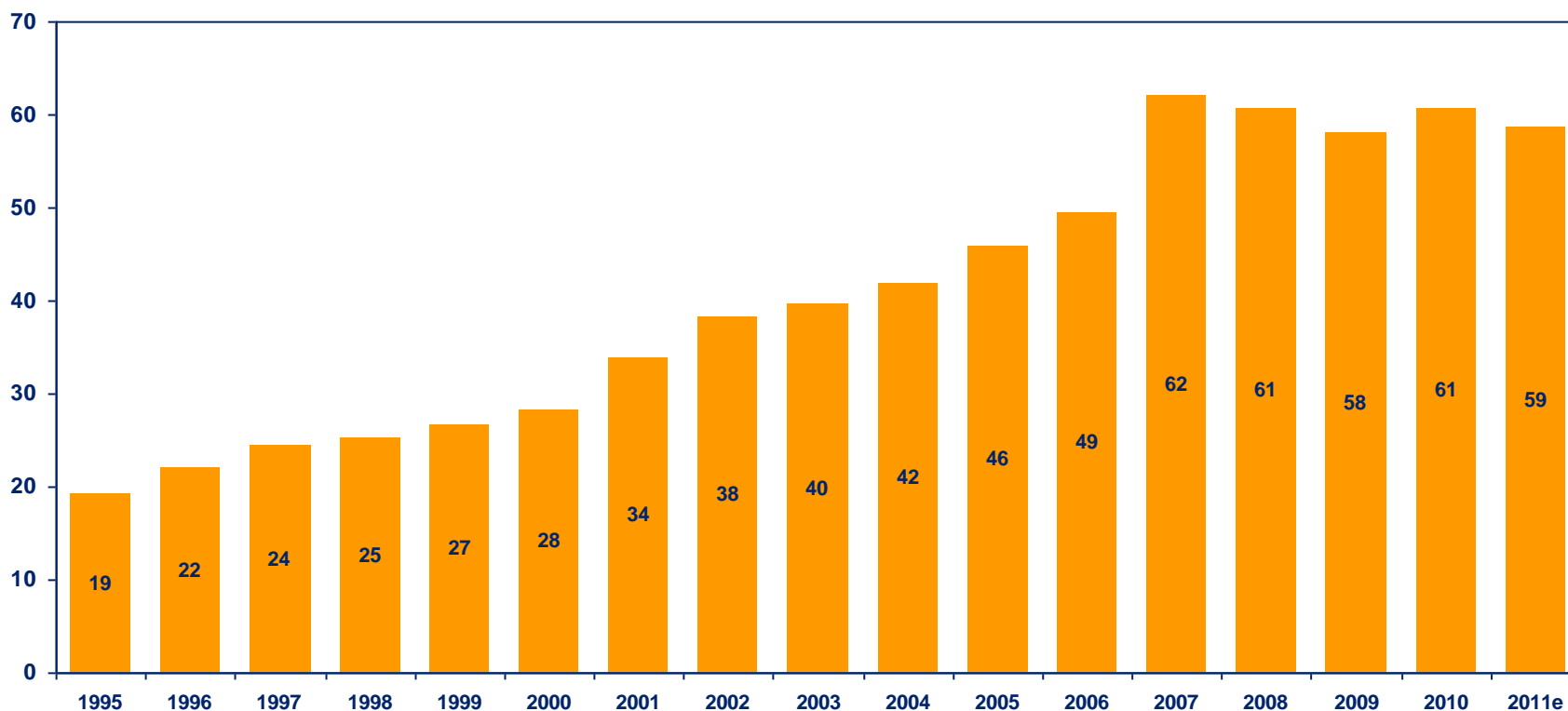
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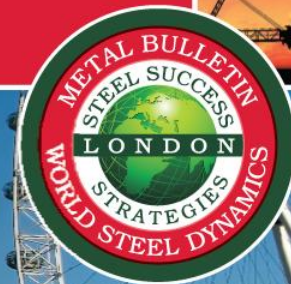
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Consumption in the region is expected to turn down in 2011...

Steel consumption MENA region (ktonnes)



Source: SteelConsult, WSA, ISSB



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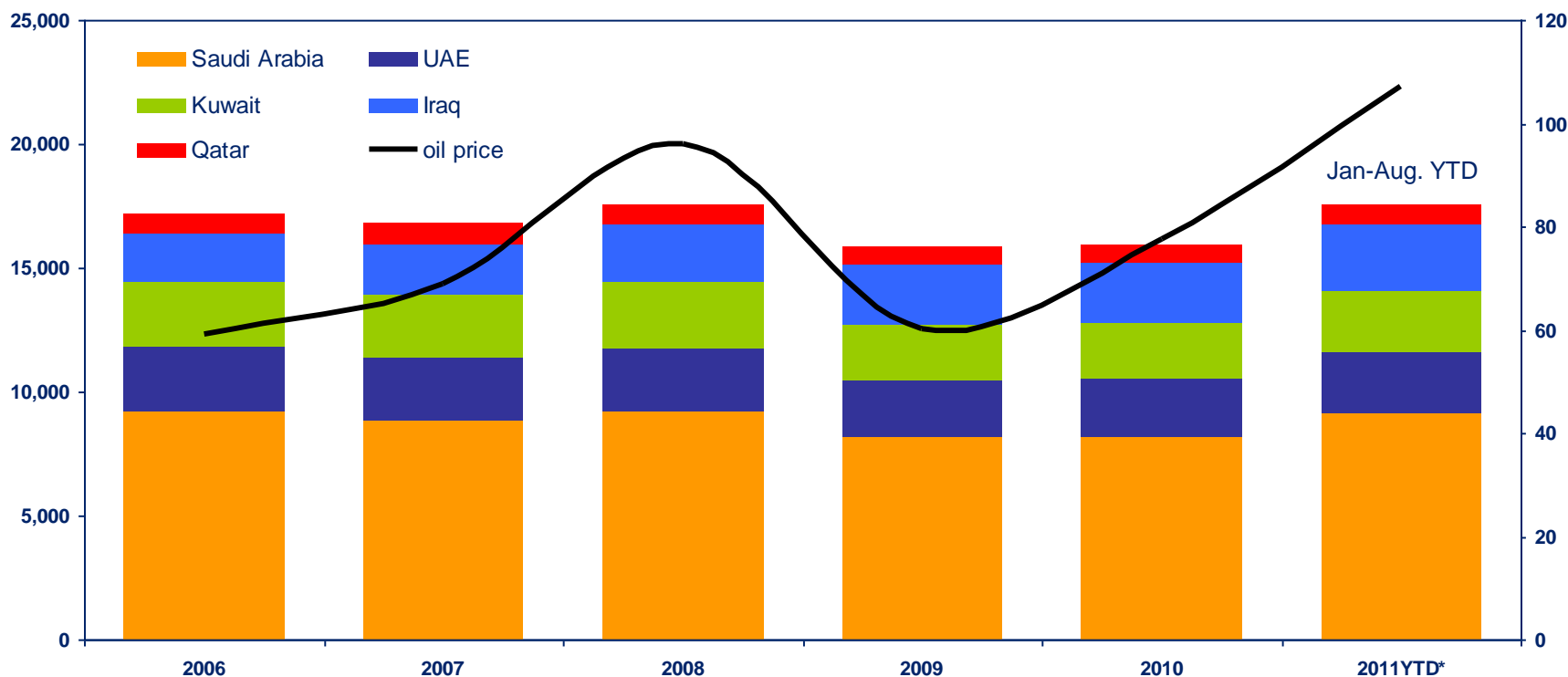
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YTD oil production of the major producers in the Gulf is back at the 2008 peak level, whilst the price of oil is up 10% in the same comparison...

Oil production ('000 barrels per day)

Oil price (US\$/barrel)



Source: EIA, OPEC, SteelConsult

Note: 2011 YTD annualized



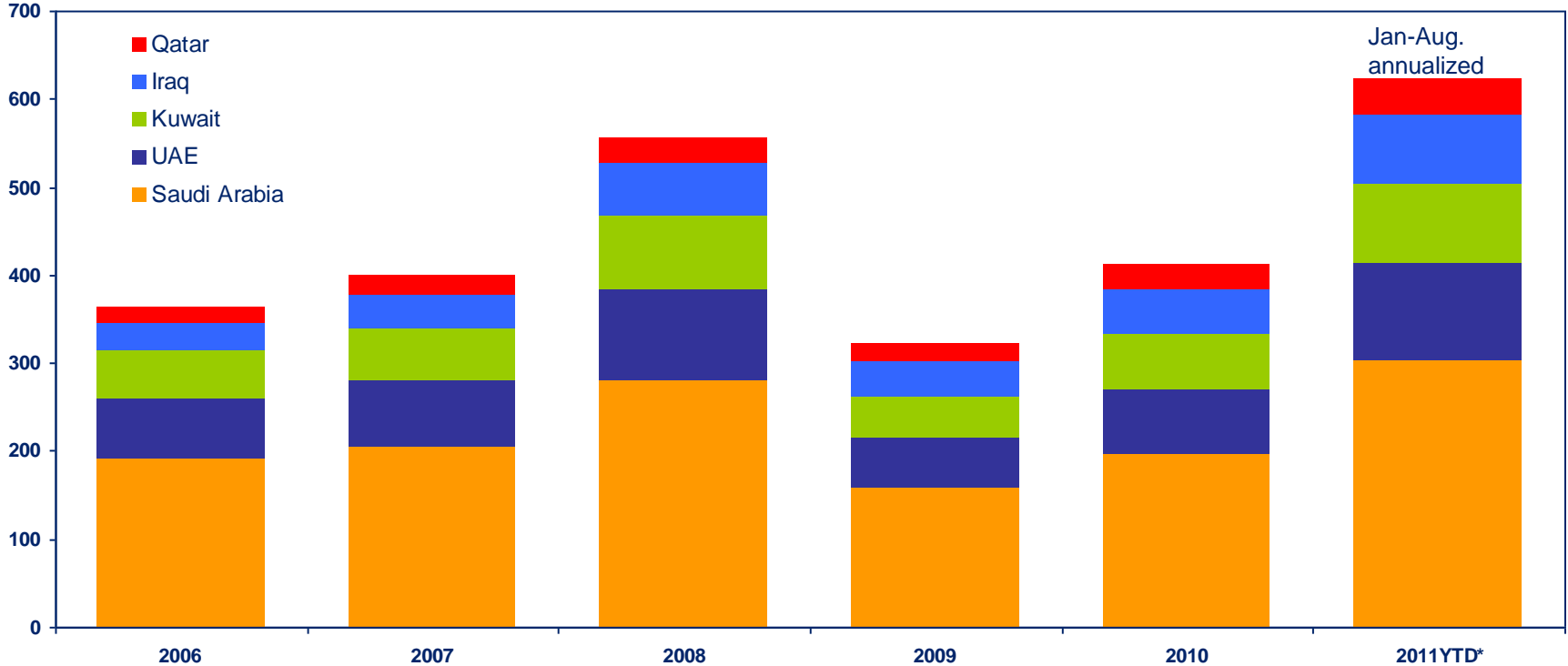
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As a result, oil based revenues of the Gulf countries have reached record ever levels in 2011 YTD...

Petroleum exports (bn US\$)



Source: OPEC, SteelConsult

Note: 2011 YTD annualized, SteelConsult estimate



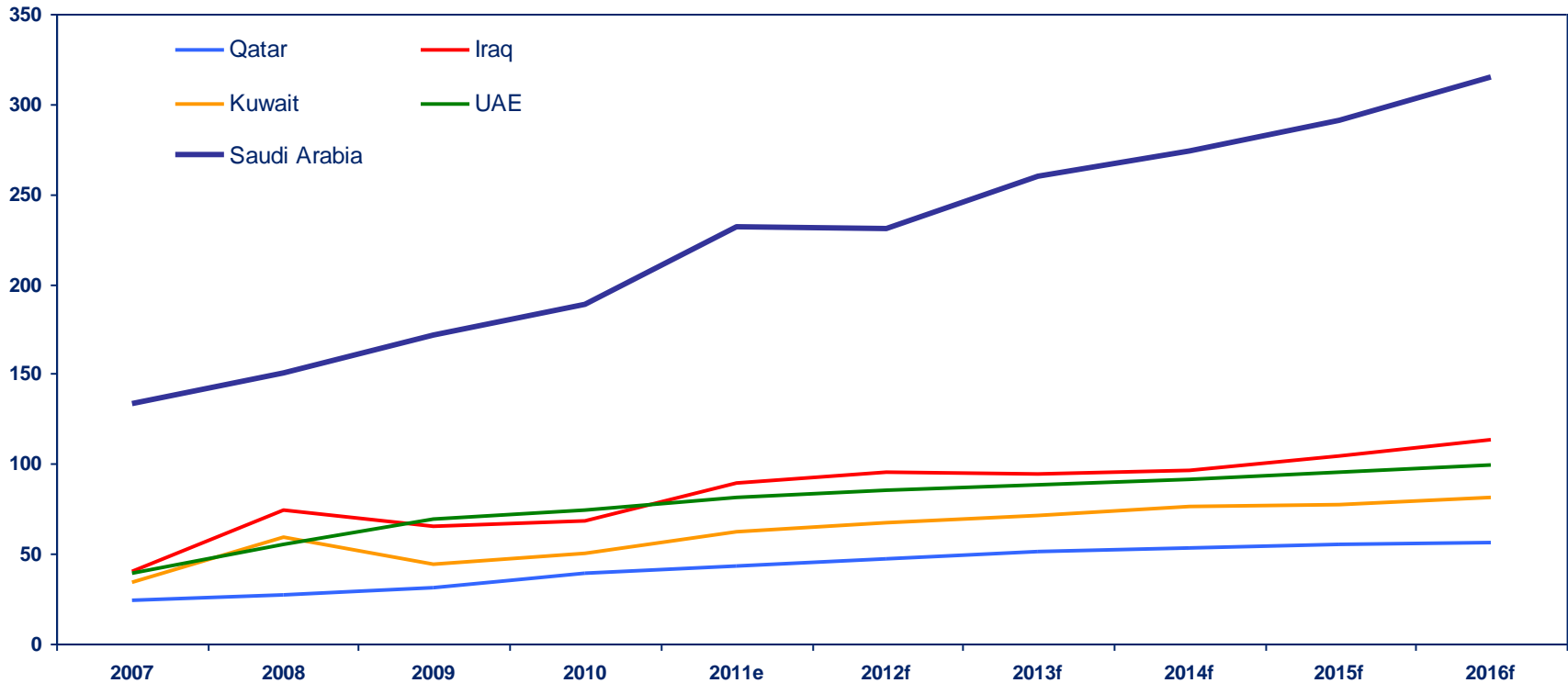
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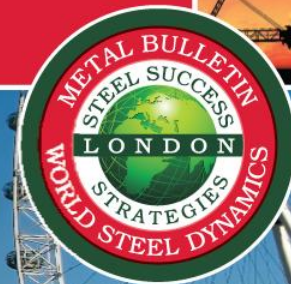
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Increased government expenditure, including on public utilities and affordable housing, will lead to more demand for steel...

Government expenditure (bn US\$)



Source: IMF, SteelConsult

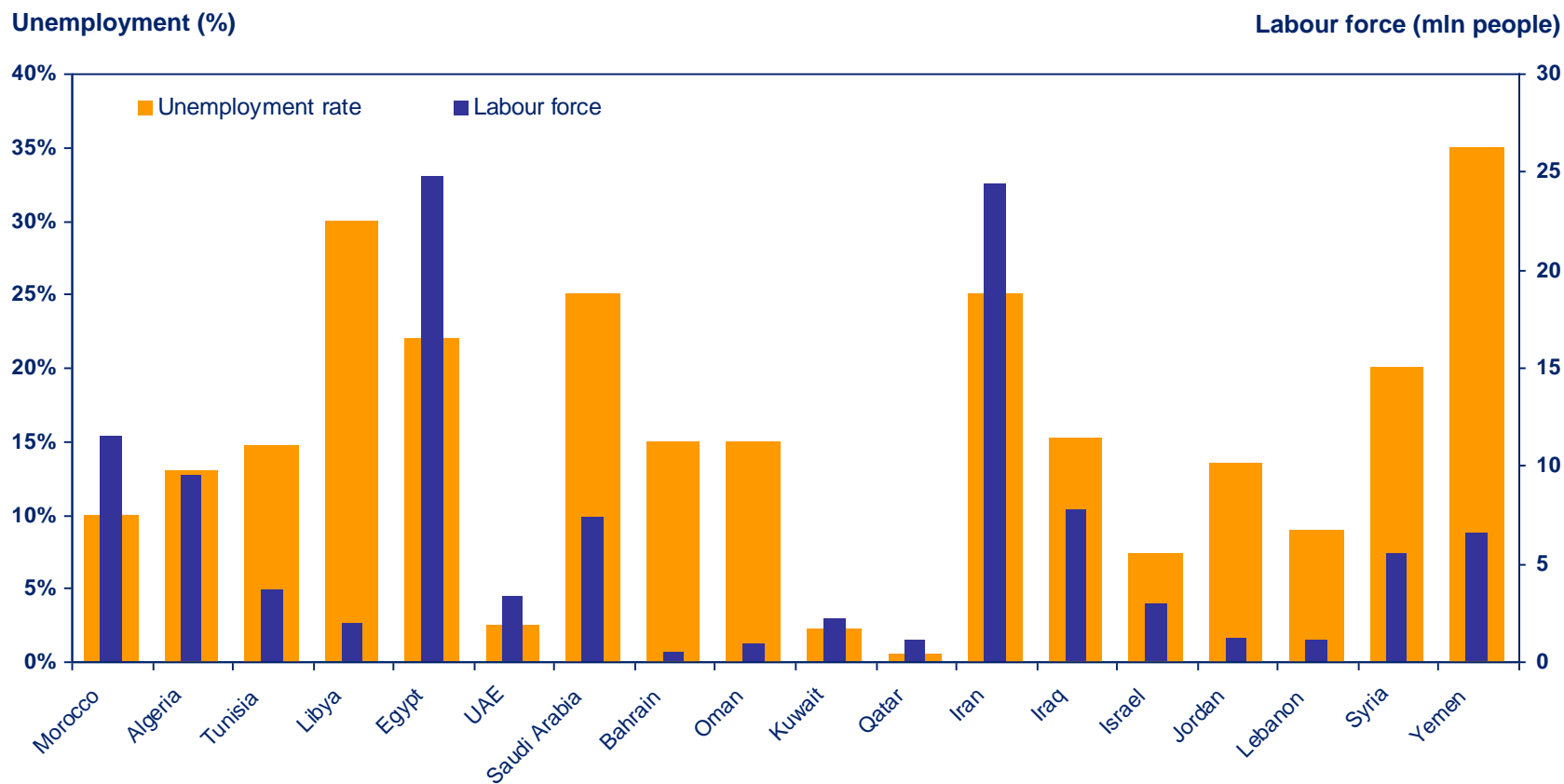


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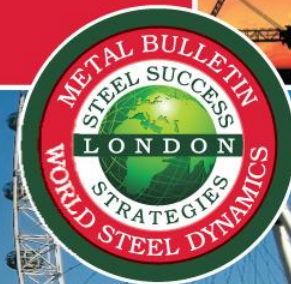
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Job creation has always been an important driver of steel projects in the MENA region, but has become ever more important in response to social unrest



Source: CIA World Fact Book, SteelConsult



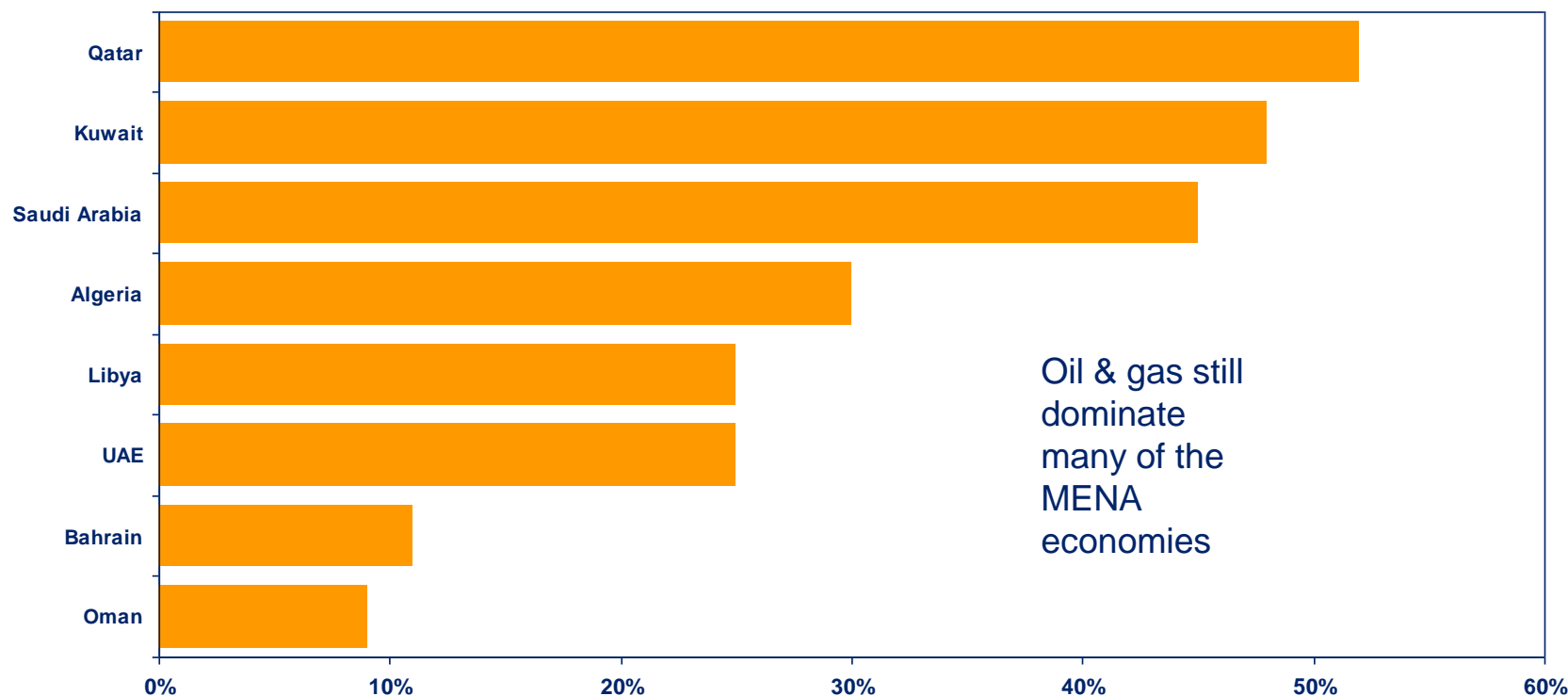
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More diversification into manufacturing has also long been a key objective, which may now see acceleration to create new jobs, boding well for steel, esp. of higher value

Oil & gas as % of GDP (2010)



Source: CIA World Fact Book, SteelConsult



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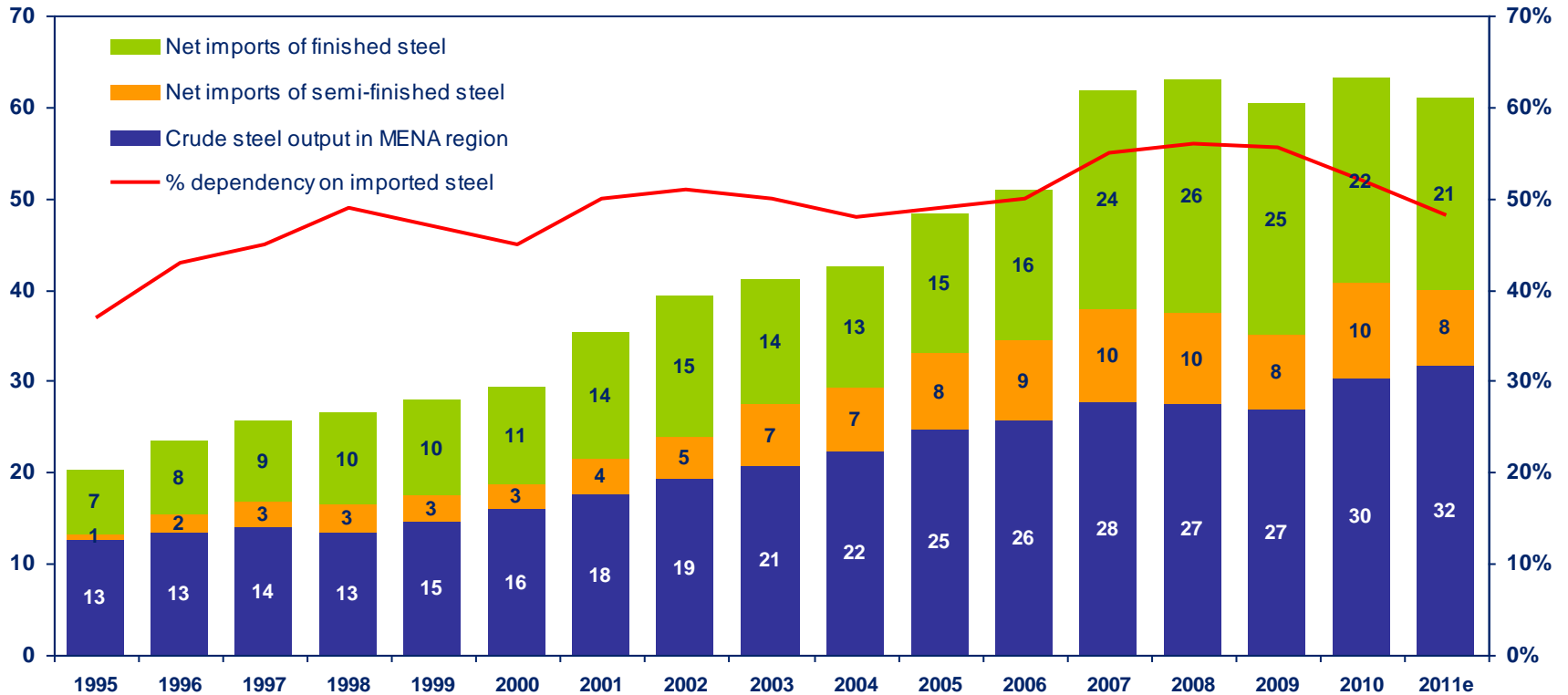
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Increased self-sufficiency in steel is another key driver of steel industry growth in the region, and the industry is making progress...

Supply of steel in MENA region by source (m tonnes)

% of steel requirements imported from outside



Source: SteelConsult, WSA, ISSB

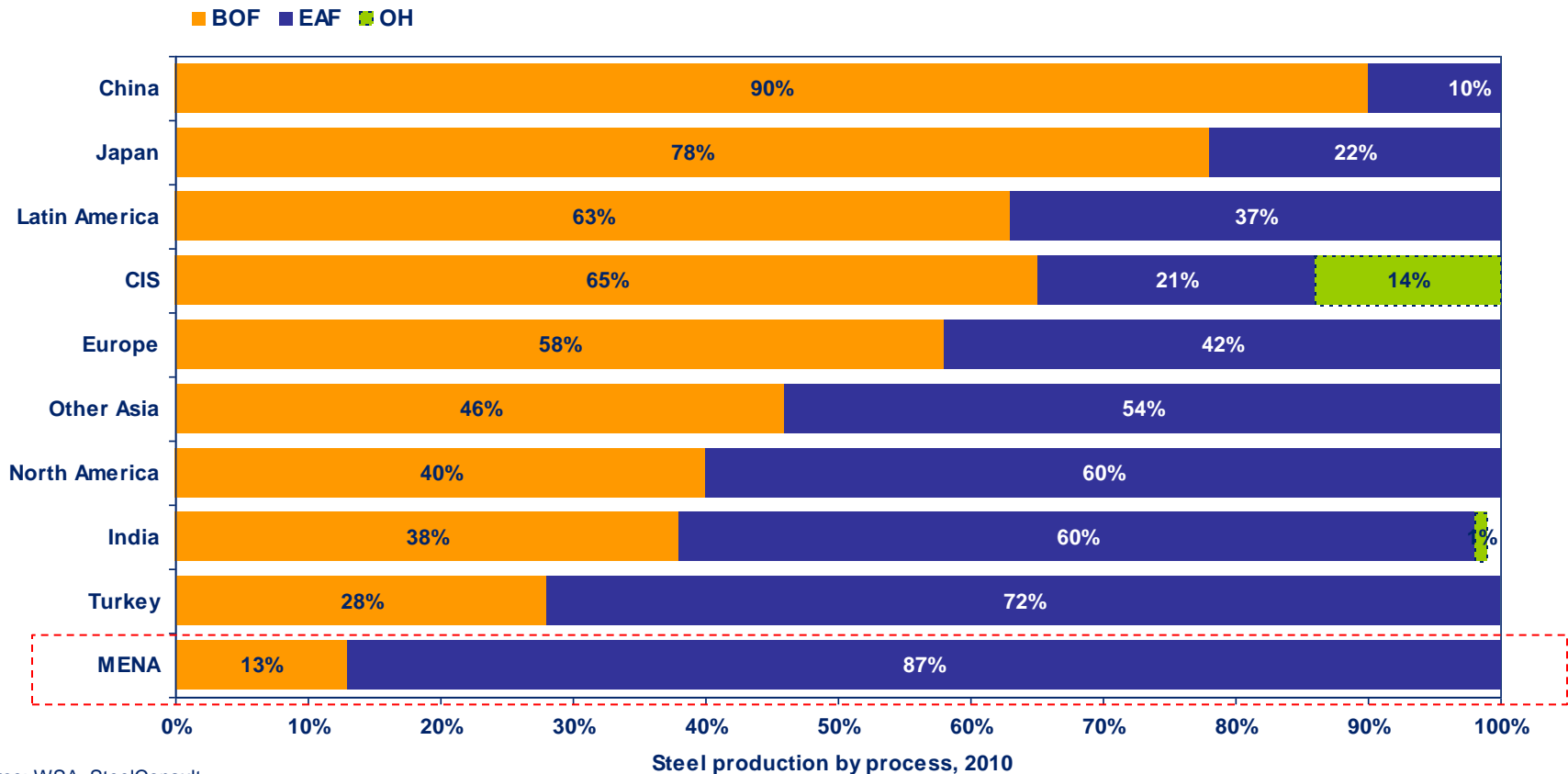


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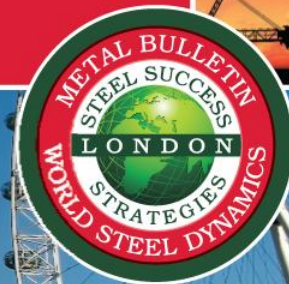
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The MENA region has a strong focus on EAF based steelmaking, mostly fed by DRI...



Source: WSA, SteelConsult



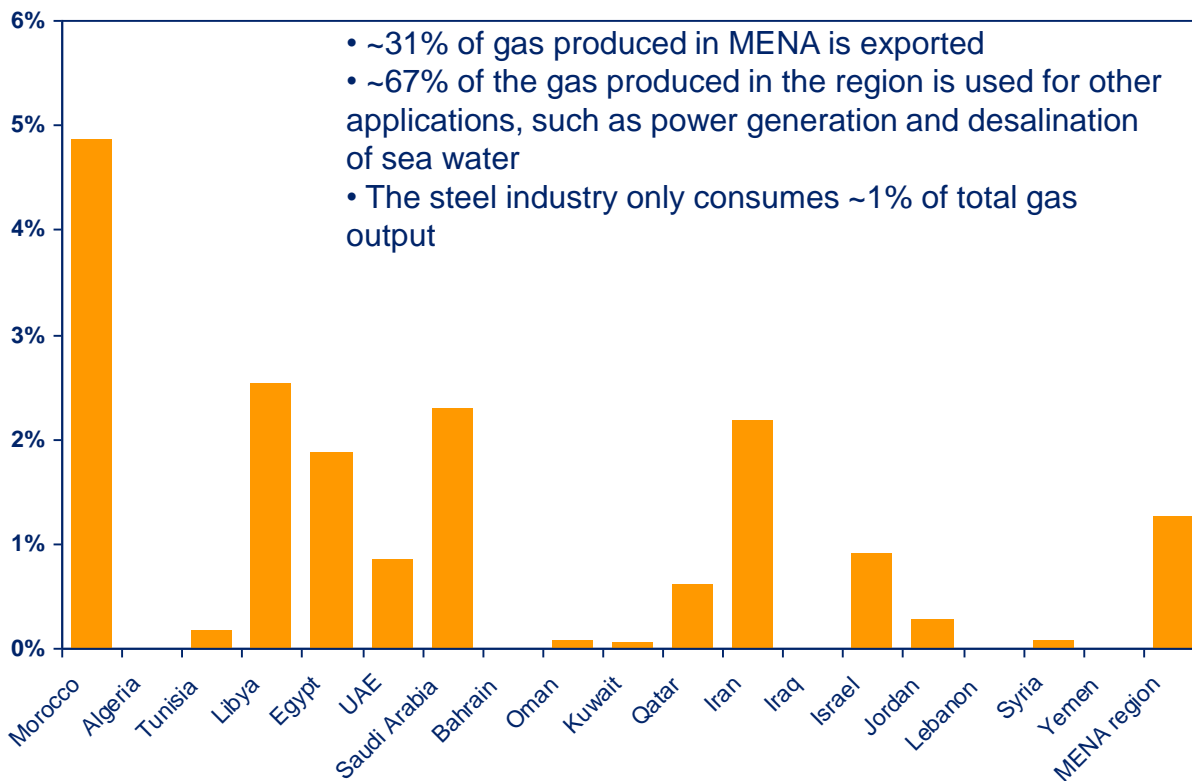
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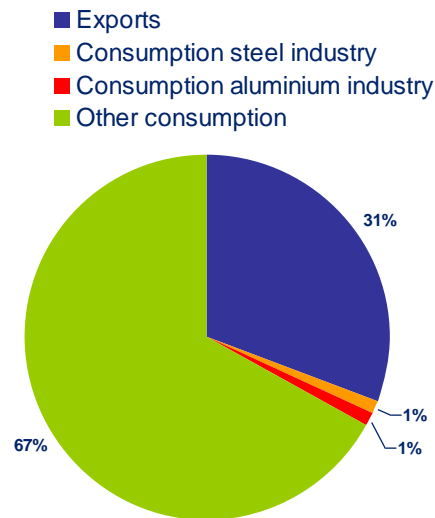
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In principle, there is sufficient gas in the MENA region to produce hundreds of millions of tonnes of DRI based steel

Total gas consumption by the steel industry* as % of total gas supply, 2010



Use of gas produced in MENA, 2010



Source: CIA World Fact Book, EIA, IEA, SteelConsult

Note: *Incl. gas used for electricity generation for use by the steel industry Excl. rolling processes

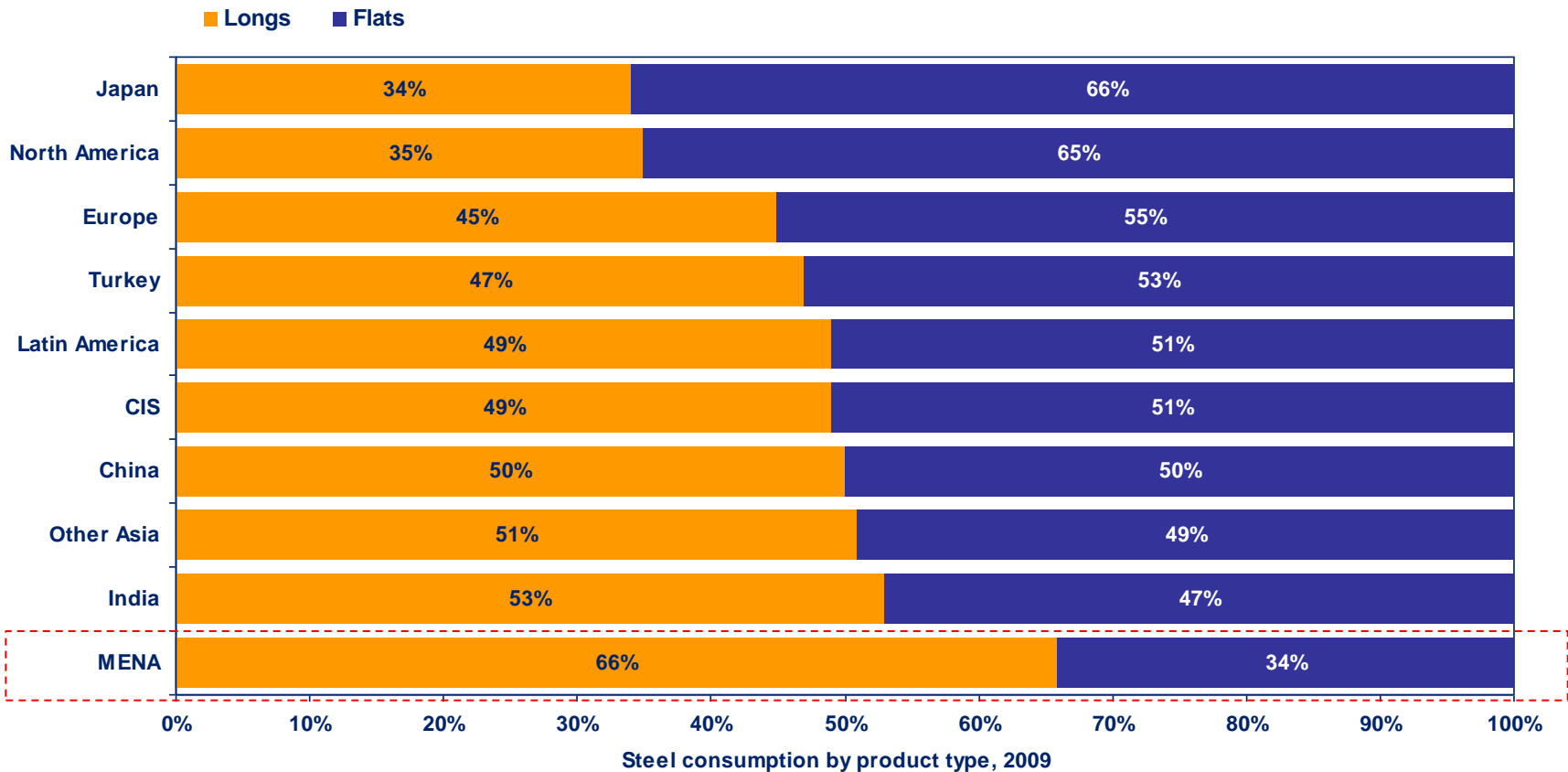


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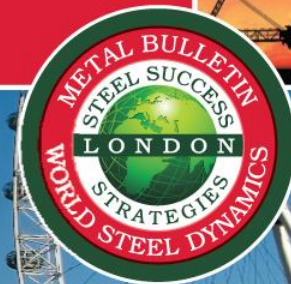
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The MENA steel market is heavily focused on long products...



Source: WSA, SteelConsult



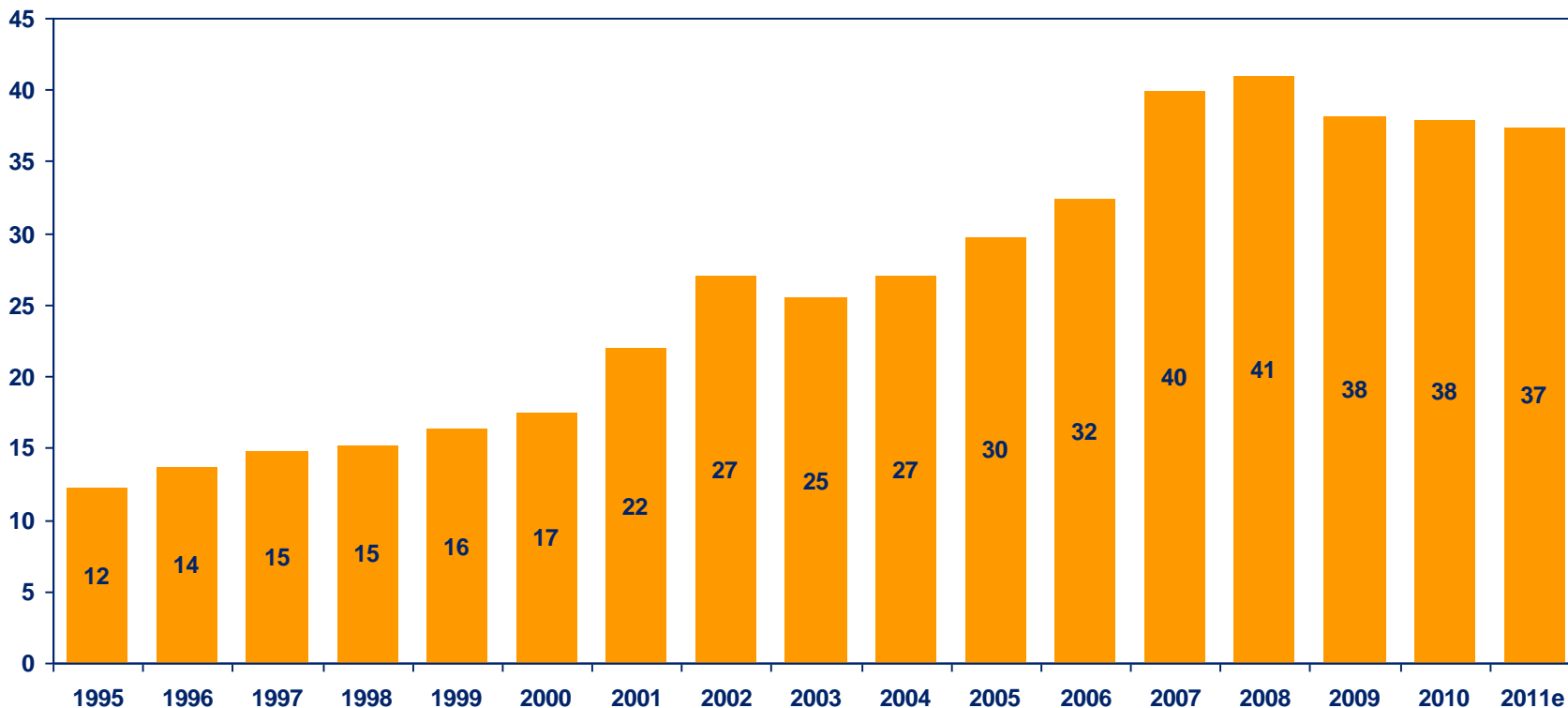
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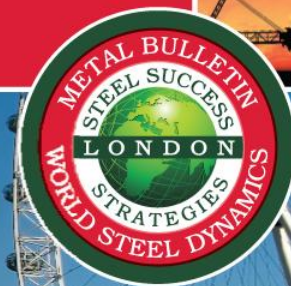
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Much of the growth in the region in the last decade has been driven by low value added construction steel, mainly rebar and mesh wire rod

Consumption steel long products MENA (m tonnes)



Source: ISSB, SteelConsult



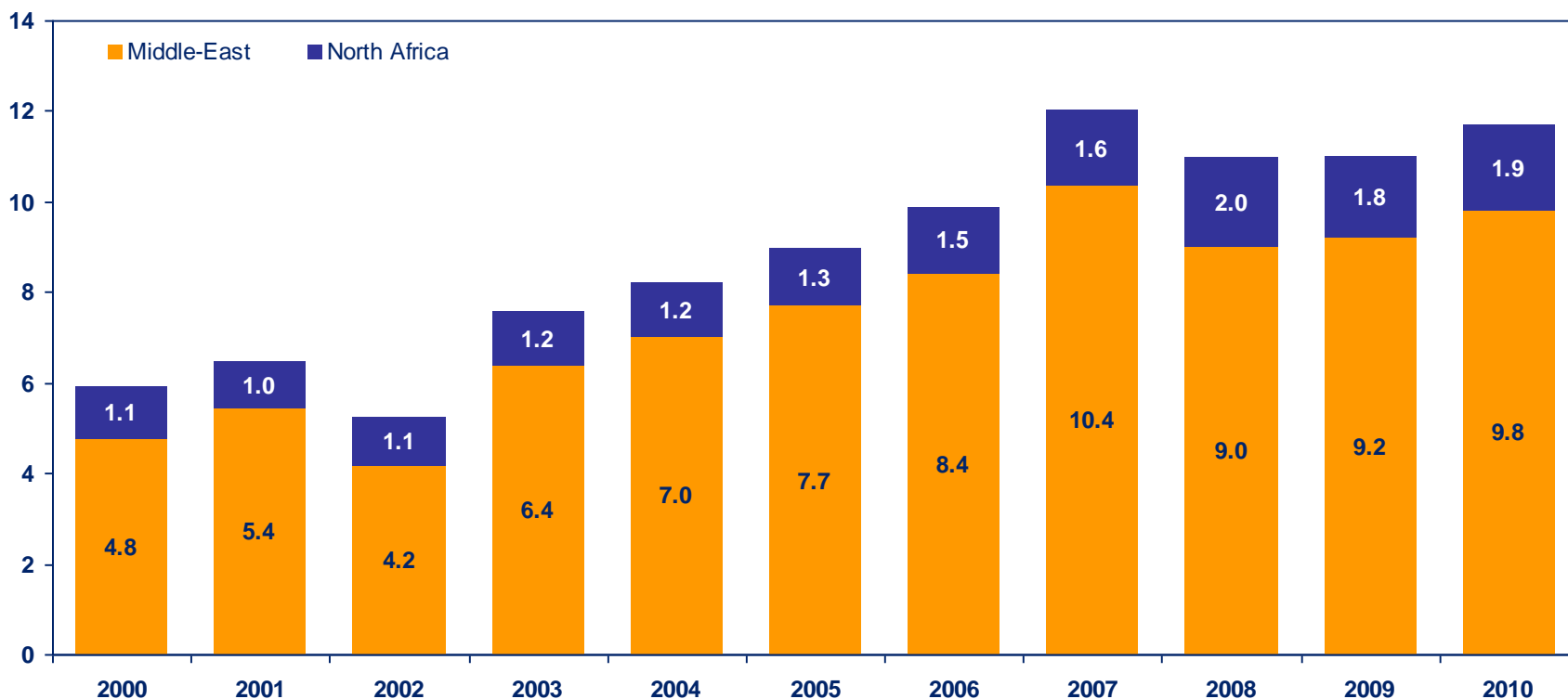
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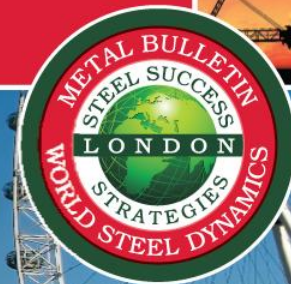
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There is, however, an increasing opportunity for higher value added steel, such as sections, rail, flat steel and pipe and tube, which are imported in growing volumes

Imports of flat products by Middle-East and North Africa (m tonnes)



Source: ISSB, SteelConsult



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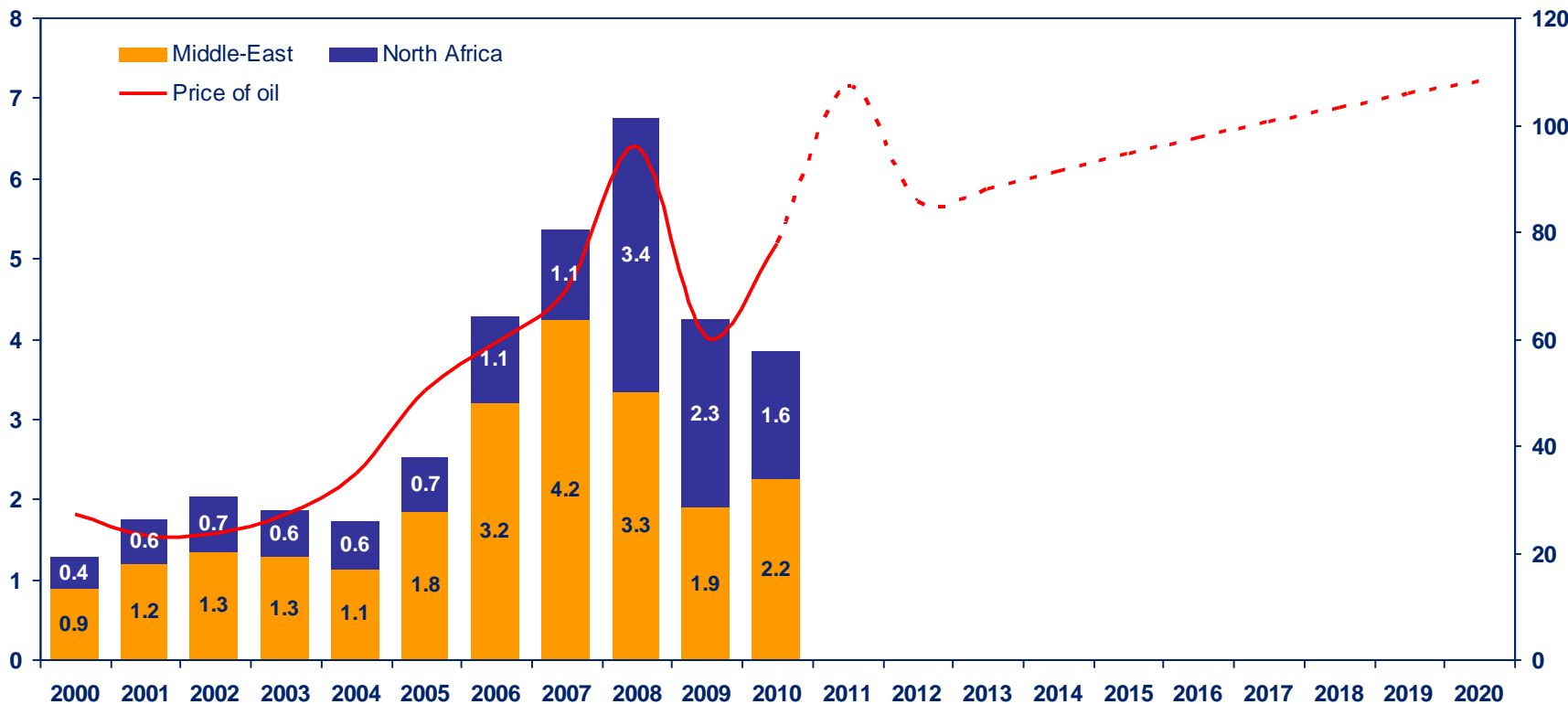
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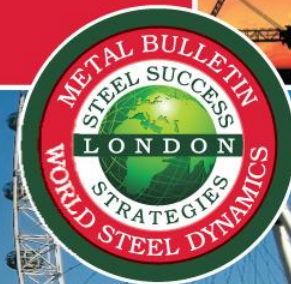
With the price of oil forecast to remain high into the long term future, demand for pipe & tube will also be strongly supported

Imports of pipe & tube by Middle-East and North Africa (m tonnes)

Price of oil (US\$/barrel)



Source: ISSB, EIA, SteelConsult



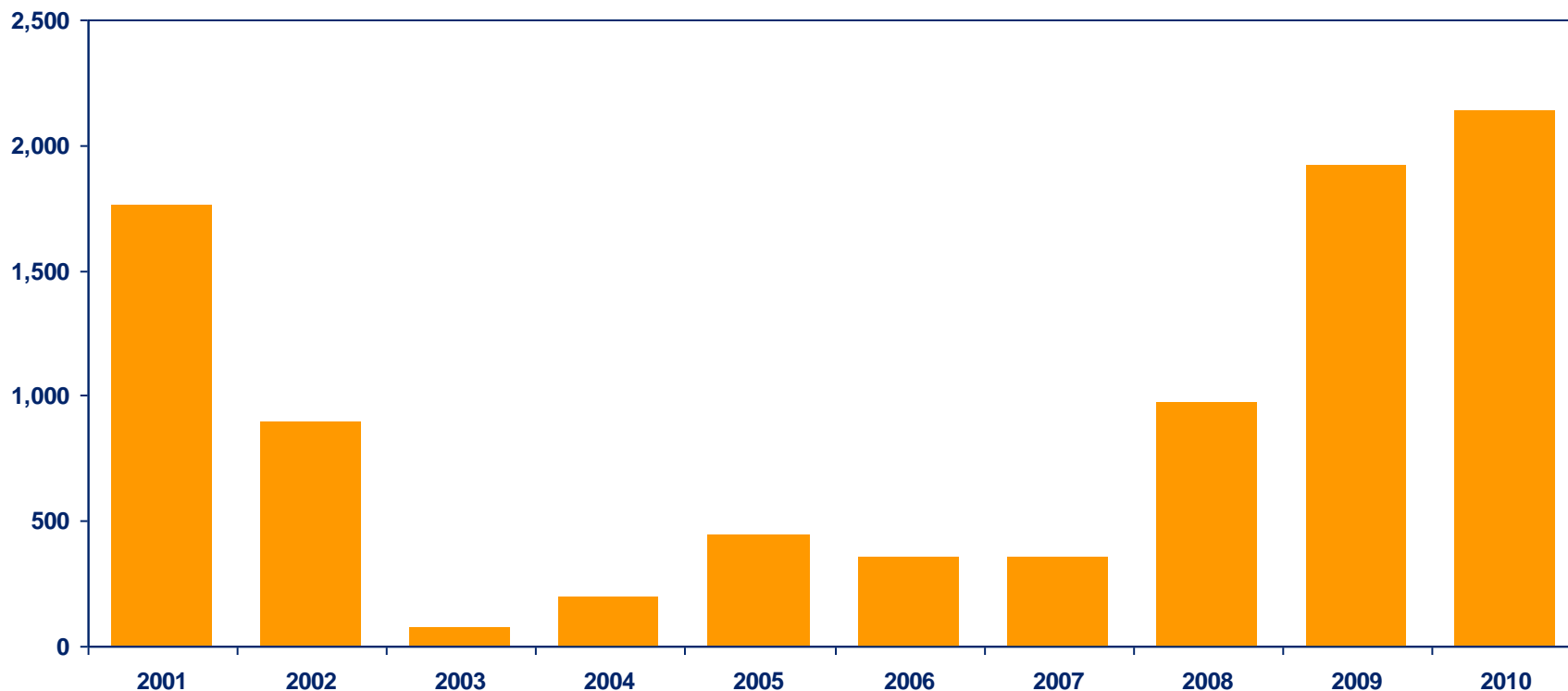
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Iraq has become a steel market of significance again in the last two years, though so far requirements are all imported, 90% of which from Turkey and Ukraine

Steel consumption Iraq (ktonnes)



Source: WSA, SteelConsult

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Conclusions (1)

- While steel output in the MENA region has held up relatively well during the turbulence in 2011, imports and consumption have been hit, though more so in North Africa than in the GCC.
- Moreover, oil production in the GCC has increased, and the oil price YTD has risen 10% above 2008 levels. Government revenues in the GCC have been stronger than ever in 2011 so far.
- Recent developments in the region, whilst having a disruptive impact in some countries in the short term, and whilst many risk factors remain, are likely to support steel production in the longer term in a number of ways:
 - Job creation has become more important than ever, and the steel industry is a key vehicle to generate new jobs.
 - Job creation could also accelerate diversification into end-use industries, incl. manufacturing, which will also require more steel, in particular higher value added steel products. Governments will, however, have to give more priority to non-petrochemical sectors.

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Conclusions (2)

- Government expenditures have remained very strong in most of the main oil & gas producing countries, and are expected to remain firm into the future. More focus on 'socially' related spending, like affordable housing and public utilities, will also support steel.
- In principle, natural gas availability is sufficient to support a much larger MENA steel industry. The region has much more potential for steel than currently used, even taking into account the significant volumes of new capacity currently under development. Only ~1% of total gas produced is being used for DRI and EAF based steelmaking, whilst 31% is exported. In theory, there is enough gas to feed hundreds of millions of tonnes of DRI based steelmaking capacity in the region.
- Much of the MENA market still consists of lower value added construction steel products, but opportunities also exist in higher value added products, such as sections, rails and flat steel. Furthermore, pipe & tube requirements are expected to rise firmly into the future, as the oil price is forecast to remain relatively strong.
- Finally, Iraq has become a sizeable and fast growing steel market in the last two years. 90% of its steel is supplied by Turkey and Ukraine, implying opportunities also for regional mills.

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Thank you for your attention!

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