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05.07.2016 News Brief

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Essar's flat steel Q1 output up 48% | View Clip
04/07/2016
Hindu Business Line Online

Essar Steel India Ltd has recorded 48 per cent growth in flat steel production at 1.22 million tonnes in the first quarter of the current fiscal compared to 0.824 million tonnes year ago.

“The total production stood at 1.22 million tonnes (in April-June quarter), compared to 0.824 million tonnes in the corresponding period last year,” the company said in a press release.

The pellet production also grew by 58 per cent to 2.02 mt during the quarter, compared to 1.28 mt in the year ago period.

The liquid steel production too grew at 52 per cent at 1.23 mt in the first quarter of this fiscal compared to 0.81 mt a year ago.

At 78 KT (kilo tonnes), EStIL's PPGI (Pre Painted Galvanised Iron) production was the highest ever in a quarter — up by 55 per cent when compared to 50 KT produced in the corresponding period last year, the company said.

With the ramp up in production volumes since March 2016, there has been a significant growth in the company's EBITDA margin and a marked improvement in the debt-equity ratio. The EBITDA margin has increased from 5 per cent to around 20 per cent — an improvement to Rs 6,000-7,000 per tonne.

Essar Steel's production ramp-up and its positive impact on the financials has been complemented by the introduction of MIP (Minimum Import Price) and BIS standards. Following these measures by the Government of India, Chinese imports of steel at predatory prices has been contained, leading to better sales realisation in the Indian market, the company said.

With the availability of its iron ore mines that were recently acquired, and full production at the pellet plant, Essar Steel is poised to maintain production at high levels, it added.

Essar Steel India is an integrated steel producer with an annual production capability of 10 million tonnes, which is supported by a 20 mt pellet-making capability.

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Tata Steel India improves production in Q1 - Market News | Shares & Markets | View Clip
04/07/2016
Telegraph (Online), The
Tata Steel India has issued provisional Q1 production figures, which showed a rise in saleable steel to 2.36m tonnes, from 2.23m tonnes a year earlier.

Hot metal production was 3.01m tonnes, from 2.59m tonnes, and crude steel output was 2.53m tonnes, from 2.35m tonnes.

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China concerned over Indian steps against steel products | View Clip
05/07/2016
China Metallurgical News
China is highly concerned with Indian trade remedy measures against Chinese steel products,said the Ministry of Commerce.

The Indian Government has launched an anti-dumping investigation into color-coated steel sheets imported from China. It is the fifth such probe against China from India this year, the highest record among WTO members, according to a statement on the ministry's website.

Countries have realized that global steel industry is experiencing difficulties due to sluggish economic growth and weak demand, but abuse of trade remedy measures would not help resolve industrial overcapacity, but hamper normal trade, the statement said.

China and India have broad room for cooperation in the industry, the ministry said, adding that it is hoped that the two countries can seek common development through trade, investment and technological cooperation and properly handle trade frictions.

The ministry said it hoped the Indian Government could conduct a fair and transparent investigation in line with WTO rules, and refrain from trade remedy measures.

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US construction spending down slightly in May | View Clip
05/07/2016
Platts - Online
US construction spending again fell slightly month on month in May, but spending in the first five months of the year remained 8.2% above the year-ago level, according to data released Friday by the US Census Bureau.

In May, the seasonally adjusted annual rate for US construction spending was $1.143 trillion, down 0.8% from April's revised estimate of $1.152 trillion, and 2.8% above the May 2015 estimate of $1.112 trillion.

Mild winter weather in many regions in early 2016, followed by extreme rain in May, has probably distorted monthly spending patterns, but should not mask the growth in demand for construction so far this year, according to Ken Simonson, chief economist at the Associated General Contractors of America.

Private construction was down 0.3% month on month in May, to a seasonally adjusted annual rate of $861.9 billion.

Public construction spending fell 2.3% from April's rate to a seasonally adjusted annual rate of $284 billion.

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Volkswagen, BMW, Daimler Raided Over Steel-Buying Cartel | View Clip
05/07/2016
Bloomberg News
Volkswagen AG, BMW AG, Daimler AG and Robert Bosch GmbH were among six companies raided by Germany's antitrust regulator in June in a probe of steel purchasing by the auto industry.

There are indications that antitrust rules may have been violated, and the raids were conducted to investigate the facts, Kay Weidner, spokesman for the Federal Cartel Office, said in an e-mailed statement on Tuesday. He declined to identify any company.

BMW, VW, Daimler, Bosch and ZF Friedrichshafen AG confirmed that they were raided and said they are supporting the investigations.

Carmakers are one the major pillars of the German economy, and steel is a key component for auto companies. On average, about 900 kilograms (1,984 pounds) of steel is used in every car, according to the World Steel Association.

Germany's antitrust office, like the European Commission, has the power to levy fines of up to 10 percent of annual sales, though penalties seldom approach that level. While the auto industry has been targeted by a series of EU price-fixing probes, these have focused more on specific components or products rather than collusion on purchases of raw materials.

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India may alter minimum import price list for steel sector | View Clip
04/07/2016
Reuters
India may alter the list of steel items that attract a minimum import price if the country decides to continue with the protectionist measure beyond August, steel secretary Aruna Sundararajan said.

India imposed the minimum import price (MIP) on 173 steel products in February, helping cut inbound shipments last month to their lowest level in at least 14 months. The MIP expires in August.

The country is the world's third-largest steel producer, with a total installed capacity of 110 million tonnes. But the domestic industry says its margins have been squeezed due to cheap imports from China, Russia, Japan and South Korea.

India is currently carrying out an anti-dumping probe against imports of certain steel products from some countries.

Those items would be removed from the list on which anti-dumping duty is imposed while new products could be added, she said.

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Steel, cement demand improve on economic activity | View Clip

04/07/2016
Hindu Business Line Online
There are signs of a pick-up in economic activity with steel and cement demand registering strong growth on increased government spending on rail, road and port projects.

The pick up helped Tata Steel and Essar Steel report strong growth in sales during the first quarter of this year.

The other large steel companies such as JSW Steel and SAIL are also expected to log in good growth in demand, said an analyst.

The government has set an ambitious target to construct 15,000 km of national highways with investment of ₹1.5 lakh crore this fiscal.

Binod Modi, Research Analyst, Reliance Securities, said the up tick in cement sales and incremental demand from proposed smart city projects and housing for all schemes bodes well for cement companies which have slowed down their fresh capacity addition.

The capacity utilisation of cement companies will also increase with the revival in rural demand on the back of a favourable monsoon and the building of a new capital in Andhra Pradesh, he said.

The profit margins of both cement and steel companies will also improve as the key raw material prices have fallen substantially from last year.

Steely edge

The raise in steel demand has come as a major relief for the steel companies that have been reeling under debt burden.

While Essar Steel registered 48 per cent rise in output in June quarter to 1.22 million tonnes (mt), Tata Steel's sales were up six per cent at 2.36 mt.

Tata Steel said its hot metal production was up 16 per cent at 3.01 mt (2.59 mt), while crude steel output was up 8 per cent at 2.36 mt (2.23 mt). Essar Steel pellet production grew 58 per cent to 2.02 mt against 1.28 mt in the same quarter last year.

It registered the highest-ever pre-painted galvanised iron production of 78,000 tonnes (50,000 tonnes), up 55 per cent.

“With the ramp up in production volumes since March, there has been a significant growth in the company's Ebitda margin to 20 per cent from 5 per cent, which translates to improvement of ₹6,000 to ₹7,000 a tonne,” said Essar Steel in a statement on Monday.

The minimum import price and implementation of the Bureau of Indian Standards on imports has curbed imports and helped Indian companies improve their sales.

Import of steel from China at predatory pricing has been contained, leading to better sales realisations in India, said Essar Steel.

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Basic materials: Recent commodity rallies leave few opportunities | Kristoffer Inton | U.S. Markets | Morningstar | View Clip
04/07/2016
Morningstar.ca
Optimism continues to reign in the basic materials sector for the year to date, but investors are overestimating the sustainability of recent commodity price rallies. The basic materials sector remains severely overvalued, with a market-cap weighted price/fair value estimate of 1.26 as of May 31. Nevertheless, the sector is not without opportunity, as U.S. housing still offers significant upside for

investors.

Mergers and acquisitions have significantly picked up in seed and crop chemicals. But consolidation is unlikely to either generate significant benefit for the combined companies or destroy shareholder value.

Steelmakers have rallied sharply so far this year, but we maintain a negative outlook on the steel industry. Every U.S. steelmaker under our coverage is trading well above our estimate of fair value, and we urge investors to approach the space with caution. We argue that U.S. steel prices are at or near a cyclical peak and will likely decline materially by the end of 2016. In our view, the benefits of steel trade cases that are currently under investigation will prove less impactful than many investors expect. Additionally, market fundamentals remain highly unattractive amid weak demand and massive overcapacity in China. Looking forward, improved second-quarter earnings results that will be filed in late July might inspire hope that a recovery is in store. However, we anticipate that market conditions will deteriorate in the second half of the year and see more pain ahead.

Although the iron ore rally has lost some steam, we think the decline in prices isn't done. After rallying more than 80% from their December trough to a peak of US$69 per metric ton in April, iron ore prices have since given back some ground to trade around US$50 per metric ton. Still, we see more downside as the long-term outlook for demand remains weak. The recent acceleration in Chinese fixed asset investment, driven by debt-burdened SOEs, looks fragile. Meanwhile, private FAI continues to decelerate.

We continue to expect Chinese steel demand to decline by roughly 60 million metric tons by 2020, with iron ore demand faring worse as scrap availability improves. Despite tempering near-term production expectations, the major miners (BHP Billiton (BHP), Rio Tinto (RIO), Vale (VALE) and Fortescue (FMG)) continue to grow production and reiterated their long-term volume targets. The recent rally in iron ore prices has also increased the likelihood of smaller, higher-cost iron ore miners to remain in or return to the market, exacerbating the supply glut. We continue to believe iron ore prices should fall to US$35 per metric ton in 2017 and to US$30 per metric ton (in real terms) by 2025.

The massive 2016 gold price rally has continued to hold. Furthermore, the June jobs report spooked the Federal Reserve, with chances of rate hikes falling amid much weaker-than-expected job creation in May. Worse still, the passing of the June referendum for the United Kingdom to leave the European Union severely hurt the chances for interest rate hikes this year.

Although the outlook for rate hikes in 2016 is now more muted, we think rate hikes will at least continue in 2017, which leads to a weaker outlook for gold. When it comes to gold investment, it's not just interest rates that matter, but inflation, too.

While unemployment and Brexit have caused a change in the rate outlook, inflation weakness continues to linger, as well. While flat rates mean it remains relatively "cheap" to hold gold for now, its attractiveness only improves if inflation rises, too. We continue to consider gold and gold miners overvalued given what we see as over-exuberant market views on future interest rates.

In one of the few bright spots in basic materials, we continue to see opportunity in U.S. housing. In the first four months of 2016, multifamily residential starts and permits have contracted amid apparently tighter lending standards for new projects. As a result, we've reduced our residential construction forecast to 1.22 million starts in 2016, down from 1.30 million starts. While a decrease of 80,000 starts may appear substantial, we believe this merely represents the continued deferral of household formation. Our long-term outlook on U.S. housing remains unchanged. We continue to expect starts to peak at nearly 1.9 million in 2020, as household formation strengthens amid tighter labor markets and looser financial constraints. Longer term, we expect starts to fade to 1.5 million as this source of pent-up demand is fully exhausted.

A stagnant operating environment has driven a recent bumper crop of seed and crop chemical deals, poised to reshape the industry. Yet in contrast to emerging consensus, we doubt the integrated seed-chemical model is likely to generate meaningful synergies or strengthen competitive advantages. For example, Syngenta (SYT) has employed an integrated model for years with middling results compared with its agriculture peer group. We do think that agriculture moats could be strengthened and even widened through long-term innovation that develops novel seed and crop chemical systems similar to Roundup, but we question whether merger and acquisition activity is necessary to achieve these benefits. We view collaborative agreements, which are common in the industry, as a cleaner and more effective path to innovation.

Still, we don't view the deals as value destructive, as they occur amid a cyclical trough for the industry and fairly depressed share prices. We doubt antitrust regulators will stand in the way of the consolidation trend as product overlap between the various merger partners is fairly limited. Modest seed divestitures would allow the Bayer (BAYRY)/ Monsanto (MON) and Dow (DOW)/ DuPont (DD) deals to clear regulatory hurdles. The likelihood of the ChemChina/Syngenta deal closing is only a coin flip because of U.S. government scrutiny of a Chinese acquisition.

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'Brexit' uncertainty must be reduced, Spain's Unesid says | View Clip
04/07/2016
Steel First
The UK is a “major trading partner of Spain” and uncertainty in the wake of its vote to withdraw from the EU must be “reduced to a minimum”, Spanish steel association Unesid said last week.

After 51.90% of the UK's population voted to leave the EU in a referendum on Thursday June 23 – a decision known as "Brexit" – there is uncertainty over the terms of the UK's future political and trading relationships with the 27-nation bloc.

"Clear and balanced conditions" should be established between the EU and UK, without "entering into a delay for the convenience of short-term politics", Unesid president Gonzalo Urquijo said at the group's annual meeting on June 30.

It is not known when the UK will trigger Article 50 of the EU's Lisbon Treaty, which would begin the two-year-long formal process of the UK leaving the union.

EU president Jean-Claude Juncker and European Parliament president Martin Schulz have called on the UK to begin the process as soon as possible, but UK prime minister David Cameron announced that he would hand the task to his successor, who is likely to be elected by members of the governing Conservative Party in September.

Cameron resigned his position as party leader, and as prime minister, after the referendum result was known. He had championed the campaign to remain within the EU.

While Juncker reportedly favours a tough and uncompromising approach to negotiations with the UK, German chancellor Angela Merkel is said to prefer a more conciliatory approach, UK newspaper The Daily Telegraph said on July 4.

Spanish elections

Unesid also commented on the result of last week's Spanish general election, which took place on June 26.

Mariano Rajoy's centre-right Popular Party (PP) gained the largest share of the vote, with 33%, but has not been able to form a coalition government with rival political parties.

In the absence of a functioning government, Rajoy has continued as Spain's caretaker prime minister, a position he has held since the previous general election in December 2015.

Despite the uncertain future facing Spanish politics, Urquijo is optimistic that a compromise can be found.

"We are confident that the formation of the new government will be carried out quickly, so that it can tackle the challenges that society demands, in the national and European fields," he said.

'Acute decline' in steel production

Spanish steel production in the first four months of 2016 was 4.21 million tonnes, down by 9.12% compared with the 4.64 million tonnes reported for the corresponding period of last year, according to statistics released by Unesid on Thursday.

This "acute decline" was attributed to a 0.40% drop in apparent steel consumption and a high volume of imports from China, Unesid said.

A more stable domestic political situation, combined with the start of the UK's withdrawal process, should result in an improved outlook for the second half of the year, Unesid added.

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Tata wins renewed pledge on financial aid | View Clip
05/07/2016
FT.com

Ministers have reiterated their promise of financial support for a future owner of Tata's UK steel business despite the UK's vote to leave the EU, ahead of a critical board meeting of the Indian conglomerate on Friday.

Britain's biggest steelmaker was put up for sale by its Indian owner in March following years of losses.

In an attempt to avert meltdown in the sector ahead of the EU referendum, ministers offered to buy up to a quarter stake in the company and provide hundreds of millions of pounds in debt financing to a potential investor.

Sajid Javid, business secretary, also offered other major concessions — including a wholesale reform of the British Steel Pension Scheme.

As a result, some executives at Tata had been arguing in June for the company to keep the UK business after all: helped by a recent rise in the price of steel.

But the UK's vote for Brexit has clouded the situation.

Officials in the business department say there has been no guidance from Tata about its intentions since the result. But one source close to the company told the FT that it would “recalibrate” its calculations.

Tata Steel's board meeting on Friday in Mumbai, which has been delayed from late June, could be a crucial moment in the future of the British steel industry.

Brexit could have implications for UK manufacturers wanting to access the single market. The result has already caused sharp falls in the value of the pound, benefiting exporters.

It has also caused political chaos in Westminster, meaning Tata can no longer rely on certain key ministers that it has been negotiating with for months.

David Cameron, who intervened to persuade Tata not to shut the Port Talbot steelworks several months ago, announced his resignation as prime minister the morning after the referendum.

Meanwhile, Mr Javid's future as business secretary is uncertain: a longstanding Eurosceptic, he backed the Remain side in the referendum. Mr Javid is currently backing Stephen Crabb's bid for leadership of the Conservative party but Mr Crabb is not expected to win.

Representatives from trade unions met Mr Javid last week to discuss the sales process, which appears to have stalled.

Harish Patel, national officer at Unite, called on the government to “hold its nerve . . . by supporting a key foundation industry of the British economy”.

He added: “The future of the steel industry and the hopes of tens of thousands of workers hinge on the government sticking by its promises to support steel and take a stake if necessary.

“There can be no backtracking from ministers in the wake of the Brexit vote and the current uncertainty.”

The business department said the government would stand by its commitment to provide financial support for a buyer.

Yet there are key promises made by ministers that are still up in the air.

First, the government has finished a consultation on changing the rules governing the steel pension fund. Yet it has not decided whether to go ahead with the plan, which involves cutting future retirement benefits for 130,000 members of the scheme.

Second, ministers have indicated that they could give the owner of the business more relief on energy bills, but no firm promise has been made.

Despite receiving refined offers from seven qualified bidders in May, Tata Steel is yet to announce a shortlist, several weeks after it was expected to do so.

That has fuelled speculation that it is torn over the fate of the collection of factories, which also includes plants in Corby, Hartlepool and South Yorkshire.

A Tata Steel spokesperson said a strategy review of its UK business continued and that it would be “considering implications from the referendum”.

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China's Hesteel officially takes over full ownership of Serbia's Smederevo steel mill | View Clip
05/07/2016
China Metallurgical News

The Belgrade-based unit of Chinese steel producer Hesteel has officially taken over the management and ownership of Serbia's ailing steel mill Smederevo, the steel mill said.

Hesteel has long-term development plans for the steel mill, which include improving business operations by introducing Chinese advanced technology while also injecting funds into other areas, Zelezara Smederevo said in a statement late last week.

A few days earlier steel mill Smederevo said it decided to terminate the management contract it had with Dutch companies HPK Engineering and HPK Management Ltd over their failure to meet their contractual obligations.

In April, Serbia's government signed with China's Hebei Iron and Steel, currently Hesteel Group, a sale agreement for the steel mill after the Chinese investor submitted a binding offer to buy all 98 property units of Zelezara Smederevo for a total of 46 million euro ($51.2 million).

China's second-biggest steel producer is set to invest a total of $300 million in fixed capital and infrastructure within an unspecified timeframe, the Serbian government said at the time.

The steel mill is equipped with two blast furnaces and three basic oxygen converters capable of producing 2.2 million tonnes of crude steel annually, but it has been operating well below capacity recently.

In January 2012, the Serbian government bought out the steelworks in Smederevo from US Steel for the token price of $1 in a bid to avoid the plant's closure and save thousands of jobs.

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Arrium asset disposal plan unveiled by administrator in Australia | View Clip
04/07/2016
Steel First
The split up of Australia's Arrium Group has been confirmed with the sale or recapitalisation of assets beginning under two proposals put forward by the group's administrator KordaMentha on Monday July 4.

Arrium, which went into voluntary administration in early April, has been under assessment since the appointment of investment specialist KordaMentha as administrator, which said the asset sale would begin in July.

The first of the proposals is for the a trade sale or initial public offering (IPO) for Moly-Cop, Arrium's grinding-ball company, which was valued at $1 billion in late 2015.

The second proposal is for the sale or recapitalisation of Arrium's Whyalla and Onesteel operations.

The Whyalla operations, located in South Australia, include a combined steelworks as well as port and mining operations. Onesteel is Arrium's manufacturing, distribution and recycling business.

KordaMentha said that cost-saving procedures at the Whyalla works had so far been successful, generating annualised cost savings of A$300 million ($225 million) since October 2015.

To support the next owner of the Whyalla works, the South Australia government authorised a A$50 million ($37 million) fund in early June to be used for the business' operations.

Further details and a timescale for of the administrator's plans were not available at the time of publication.

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Raw Material Shortage Looms Over Steel Industry | View Clip
05/07/2016
Financial tribune
Shortage of iron ore, scrap iron and pellet is the main impediment to growth in the domestic steel industry and the realization of the targets set in the 20-Year Vision Plan (2005-25), an advisor to First Vice President Es'haq Jahangiri said.

Mostafa Moazzenzadeh explains that Iran's scrap iron sources are running out, and unless the mineral exploration projects underway lead to new iron ore reserves, import of iron ore appears to be inevitable.

“Steel capacity expansion will no longer be economical if we start importing iron ore,” Eghtesad News quoted Moazzenzadeh as saying.

Iranian steel mills need 6 million tons of scrap metal per year to reach the 55-million-ton output target stipulated in the Vision Plan.

By using scrap iron, steelmakers can save on energy and raw material. It also has the added benefit of reduced pollution. Every ton of new steel made from scrap iron saves 1,115 kilograms of iron ore.

However, in the absence of scrap iron, steelmakers have no option but to resort to mineral reserves. But Iran's iron ore riches, although sizable, is inadequate to meet the ambitious capacity expansion target.

Iran accounts for about 3% of the global iron ore reserves estimated at 4.5 billion tons.

Given the ministry's iron ore concentrate and pellet production goals by 2025, Iran's iron ore reserves will be depleted in less than 28 years, that is if iron ore producers manage to boost their current 30.4 million-ton capacity and maintain the output in a globally turbulent commodity market.

According to the roadmap set by the Industries Ministry, iron ore concentrate production capacity should reach 50 million tons by the end of 2018, 71 million tons by 2021 and 72 million tons by 2025.

Pellet-making capacity is also stipulated to rise to 48 million tons by 2018, 82 million tons by 2021 and 85 million tons by 2025.

All eyes are on Iranian Mines and Mining Industries Development and Renovation Organization's mineral exploration projects. The organization undertook an operation in 2013 to explore over 250,000 square kilometers of the country's area over a course of three years. More than 400 million tons of proven iron ore reserves have been discovered so far and the project is scheduled to conclude by the yearend.

Sangan Iron Ore Mine, located in Khorasan Razavi Province, is home to Iran's largest and the world's ninth largest iron ore reserves, estimated at about 1.2 billion tons. It has the capacity to produce 15 million tons of iron ore pellets and 17.5 million tons of concentrate annually, according to Ali Seddiqifar, managing director of Sangan Iron Ore Complex.

Currently, three iron ore concentrate production plants, each with production capacities of about 2.5 million tons per year, and a pellet plant with a 2.4-million-ton capacity are under construction in the region.

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Rio Tinto shelves Simandou iron ore project in Guinea | View Clip
05/07/2016
Steel First

Rio Tinto has shelved its $20-billion Simandou project to develop one of the world's largest untapped high-grade iron ore resources due to an overcapacity and slumping prices in the market.

The mining major had been seeking financing for Simandou after reporting a significant writedown in February.

But despite submitting bankable feasibility studies to the Guinean government in compliance with the terms between them, its new ceo Jean-Sebastien Jacques said in an interview with The Times that the company could not see a way forward with Simandou in the current market situation.

"The market conditions in iron ore are clear – there is overcapacity in the marketplace. So when you look at the capital intensity of the project and the current iron ore market conditions, the alignment of stars is not the right one from our perspective," Jacques told The Times.

However, the Guinean government said on Monday July 4 that it would go ahead with the project.

"Despite the challenge of financing the project, we believe that a financing solution will be found with partners who share our long-term perspective," the country's ministry of mines was quoted as saying by Reuters.

Rio Tinto could not be reached for comment at the time of writing.

Simandou is one of the world's largest untapped high-grade iron ore resources, with a mine life estimated at more than 40 years at capacity of 100 million tpy.

The entire mine and infrastructure project was previously estimated to cost around $20 billion, on the basis of building a new 650km multi-user railway line and a deep-water port to connect the mine to the market.

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Seaborne iron ore market cools down after breaching $56 per tonne | View Clip
05/07/2016
Steel First
Trading activity dipped in the seaborne iron ore market on Tuesday July 5 after prices rose above $56 per tonne a day earlier.

Key drivers

Very few enquiries for seaborne cargoes were made during the day, and trading activity at Chinese ports also thinned, according to several sources.

However, several market participants said they were not as pessimistic about July as they were a year ago as mills were still going strong with their steel production, amid low steel inventories.

The combined inventory level for cold rolled coil, hot rolled coil, medium plate, wire rod and rebar at major Chinese cities in the week ended July 1 is down 31.1% year-on-year, at a five-month low of 8.85 million tonnes, according to the China Iron & Steel Assn.

Quote of the day

"Steel inventories at mills and in the marketplace are low, so that should keep iron ore prices at a certain level," a trading source in Shanghai told Steel First.

Trades

BHP Billiton sold 80,000 tonnes of 63% Fe Newman lumps, laycan July 21-30, against the Platts 62% Fe index plus a lump premium of $0.1698 per dry metric tonne unit via a private tender.

The miner also sold 80,000 tonnes of 57.3% Fe Yandi fines, laycan July 16-25, at $46.61 per tonne cfr China, through a private tender as well.

The buyer of both shipments is said to be a Chinese mill.

A 170,000-tonne cargo of 61% Fe Pilbara Blend fines was offered at $56.25 per tonne cfr China on the Beijing Iron Ore Trading Center. It fetched a bid of $54 per tonne. The cargo's laycan is July 25-August 3.

Port prices

Prices for Pilbara Blend fines were unchanged at 415-420 yuan per wet tonne at ports in Shandong province during the day. This is the equivalent of about $53.60-54 per tonne cfr China in the seaborne market.

Dalian Commodity Exchange – afternoon close

The most-traded September iron ore futures contract closed at 440.50 yuan ($66) per tonne on Tuesday, up 2.50 yuan ($0.40) per tonne from Monday's closing price.

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Brazil Stocks Rise to Eight-Week High as Vale Gains With Metals | View Clip
04/07/2016
Bloomberg News Online
The Ibovespa advanced to its highest level in seven weeks as gains in metals lifted miner Vale SA and steelmakers including Cia. Siderurgica Nacional SA.

Iron ore advanced on speculation that China, the main destination for Brazil's metals and commodity exports, will restrict output. Power utility CPFL Energia SA rallied to the highest since 2012 after State Grid Corp. of China agreed to acquire Camargo Correa SA's 23 percent stake at a 22 percent premium. Bradespar SA, a holding company that has Vale and CPFL as its main investments, climbed to the highest price since September.

The improved prospects for Brazil's material producers, which account for 22 percent of the Ibovespa's weighting, has encouraged investors to buy stocks as Acting President Michel Temer works to pull the country out of its worst recession in a century. The Ibovespa has gained 48 percent this year in dollar terms, the second-best performance among more than 90 primary equity gauges tracked by Bloomberg, on bets Latin America's biggest economy is getting back on track.

"The optimism regarding the outlook for the local market is prevailing," Paulo Henrique Amantea, an analyst at the brokerage Guide Investimentos, said from Belo Horizonte, Brazil. "There's a lot of good news for the companies today, fueling positive expectations over the demand for commodities and business opportunities in the country."

The Ibovespa added 0.6 percent to 52,568.66 at the close of trading in Sao Paulo, reaching the highest since May 12 as 38 of its 59 stocks rose. Vale climbed 2 percent and the steelmaker known as CSN gained 6.2 percent while rival Metalurgica Gerdau SA added 1.8 percent. CPFL jumped 8.5 percent after rising as much as 13 percent.

Frozen food maker BRF SA contributed the most to the index's gains after economists covering Brazil estimated the country will contract 3.35 percent this year, less than the 3.44 percent in the previous survey. Confidence is improving in the country as Temer's team, led by Finance Minister Henrique Meirelles and central bank head Ilan Goldfajn, announce plans to cut expenses and fight the stubborn inflation that has been eroding purchasing power.

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Baosteel to commission second blast furnace at Zhanjiang | View Clip
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Platts - Online

Shanghai-headquartered Baoshan Iron & Steel is set to commission the second blast furnace at its Zhanjiang steelworks in southern China on July 15, about two months ahead of schedule, a Baosteel official confirmed.

The No.2 furnace, identical in size to the No.1 blown-in last September 25, has an inner volume of 5,050 cubic meters and is capable of producing 4.11 million metric tons/year of pig iron. The official said after commissioning, the second unit would undergo three months of test operations before commercial production would start.

With the second furnace online, the Zhanjiang steelworks will be capable of reaching its designed capacity of 8.23 million mt/year of iron production and 8.93 million mt/y of crude steel.

As for the downstream rolling mills, Zhanjiang has already commissioned one 2,250mm hot strip mill of 5.5 million mt/y capacity; one 4,200mm plate mill of 1.6 million mt/y capacity; and, one 2,030mm cold strip mill of 2.2 million mt/y capacity, as Platts reported.

Moreover, Baosteel is seen likely to relocate the 1,780mm hot strip mill from its core works in Shanghai's Baoshan district to the Zhanjiang steelworks, sources said. The HSM, which has a carbon hot rolled coil production capacity of around 2.25 million mt/y, belonged to Baosteel Stainless but was stopped recently as part of Baosteel's long-planned reorganization of its stainless operations.

Last month Baosteel permanently stopped the 2,500 c m blast furnace at Shanghai which had been feeding its stainless production, as reported.

“There has been no decision made about the final destination of this hot strip mill,” another Baosteel official told Platts. Besides Zhanjiang, Baosteel's Meishan Iron & Steel located in eastern China's

Jiangsu province and Desheng Stainless in south China's Fujian province are also options for the HSM's mill's new home, the official added.

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Shell seeks exemption to North Sea clear-up rules | View Clip
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Royal Dutch Shell wants to leave behind steel and concrete structures as large as the Empire State Building when it abandons one of the biggest oil and gas fields in the North Sea.

The decommissioning plan for the Brent field, 115 miles north-east of the Shetland Islands, will require exemptions from international regulations, which demand that all traces of oil and gas production are removed after offshore operations end.

Shell said on Monday it had concluded that the safety and environmental risks involved in removing much of the Brent infrastructure would far outweigh the benefits. It plans to submit its proposals for approval from the UK's Department for Energy and Climate Change by the end of this year.

The case marks an important test of rules on what should happen to abandoned oil and gas fields in the North Sea as energy groups decommission operations in the coming decades as reserves run down.

Countries in the north-east Atlantic are bound by the Ospar regulations, agreed after the furore in the 1990s over Shell's abortive plan to dump its Brent Spar oil storage facility in deep waters off the Scottish coast. However, exemptions from the “leave no trace” rules are allowed if companies can demonstrate that full removal of infrastructure would be too difficult or risky.

Shell said this was the case for hundreds of thousands of tonnes of concrete and steel subsea structures beneath its four Brent platforms.

North Sea decommissioning has climbed the industry agenda as the sharp fall in oil prices of the past two years has weakened the viability of a declining basin that was already among the most expensive places in the world to drill offshore.

But companies are looking for ways to lower the cost of closing their North Sea facilities — forecast to reach £30bn-£60bn by the 2050s — as lower prices curb profits.

Shell said it had consulted widely, including with environmental groups and the fishing industry, while drawing up its Brent plans and that a 60-day consultation would start once they were formally submitted.

The decommissioning project is being headed for Shell by Duncan Manning, a former Royal Marine who was involved in security planning for the 2012 London Olympics. He acknowledged there would be some risks to shipping and fisheries from leaving the structures in place. But these could be reduced by navigation beacons and other measures to warn vessels away from the area.

Environmental groups have also raised concerns over multiple “cells”, each the size of Nelson's column, which surround the base of the main subsea structures and contain sediment, water and oil. Mr Manning said these would also be left in place but the oil would be siphoned off.

The “topside” of the oil and gas rigs would be removed and transported by the world's biggest ship — 382m long and 124m wide — to be dismantled at a yard in Teesside. Shell is aiming for 97 per cent of the material to be recycled.
Three of its four Brent platforms have already ceased production and Shell has been working on capping the 154 wells in the field for the past 10 years. It expects the project to take another decade to complete.

At its peak in the 1990s, Brent accounted for 13 per cent of the UK's oil and gas needs and Shell said the field had produced £20bn of revenues for the Treasury since it started producing in the 1970s.

More recently-installed platforms were designed with decommissioning in mind but Mr Manning said Brent was part of the first generation of North Sea facilities which were never intended for removal.

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