



US industry group says China massively subsidizing energy for steel sector

272 words

8 January 2008

10:13 PM

AFX International Focus

English

Copyright AFX News, 2008 All reproduction and presentation rights reserved.

BEIJING (XFN-ASIA) - China's steel output gains over the last few years have been aided by 'massive' energy subsidies, according to a report commissioned by the Alliance for American Manufacturing (AAM).

Energy subsidies to China's steel sector from 2000 to mid-2007 were estimated at 27.1 bln usd.

The report said the subsidies include support for thermal and coking coal, electricity, and natural gas.

'Chinese subsidies exist, they are enormous and they are shaping the global steel market. China has identified steel as a strategic industry, and both the central and provincial governments have decided to ramp up steel production with massive subsidies that have now been confirmed,' said AAM's **Usha Haley**, the report's author.

China is the largest producer and consumer of steel in the world, accounting for 40 pct of the global market. In 2005, China went from a net steel importer to a net exporter.

'This shift from a net importer to the largest exporter in a span of only two or three years is staggering. Our analysis shows that energy subsidies have a very strong correlation with Chinese steel exports. In fact, the connection is so clear that, essentially, it's possible to almost perfectly predict China's steel exports from its energy subsidies,' Haley added.

andrew.pasek-vanburen@xinhuafinance.com

-

xfnap/xfntm

COPYRIGHT

Copyright Thomson Financial News Limited 2007. All rights reserved.

The copying, republication or redistribution of Thomson Financial News Content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Financial News.

Document AFXFE00020080109e419001bf