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Chinese steel benefited from \$27 billion in energy subsidies: AAM

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The Chinese government has "exponentially boosted its steel output over the last three years through massive, trade-distorting energy subsidies," according to a report released Tuesday and commissioned by the Washington-based **Alliance for American Manufacturing**. The AAM pegs total energy subsidies to the Chinese steel industry from 2000 to mid-year 2007 at \$27.11 billion.

The report adds that despite China's entry to the World Trade Organization in 2002, energy subsidies grew, totaling \$25.07 billion through mid-year 2007. "These energy subsidies include supports for thermal and coking coal, electricity and natural gas," said the AAM in a statement.

The report's executive summary noted that thermal coal subsidies to China's steel industry reached \$11.16 billion from 2000 to mid-year 2007. It also pegged coking coal subsidies during the same period at \$15.29 billion.

Electricity subsidies to China's steel sector from 2000 to mid-year 2007 reached \$916.39 million, according to the report, and natural gas subsidies were said to amount to \$54.12 million.

"Chinese subsidies exist, they are enormous, and they are shaping the global steel market," said the report's author, Usha C. V. Haley, Ph.D., in the statement. "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."

China is the largest steelmaking and consuming nation in the world, accounting for 40% of the global market, according to Haley--or about 480-million to 500 million mt.

In recent years, China has gone from a net steel importer to a steel exporter. In 2006, said the AAM statement, China became the largest steel exporter in the world by volume, up from fifth largest in 2005.

"This shift from a net importer to the largest exporter in a span of only two or three years is staggering," said Dr. Haley. "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."

She explained that conducting an extensive market-based study was a difficult and daunting task. "There is an absolute lack of transparency and people were afraid to talk to us. The amount of the subsidies is enormous and they are conservatively estimated in this report," said Haley.

In her report, Dr. Haley noted that Chinese energy subsidies fell in 2002 and 2003, after China joined the WTO. However, the subsidies surged in 2004 and have continued to grow exponentially. From 2000 to 2006, China's total energy subsidies to steel grew by 1,365%. In 2007, energy subsidies to Chinese steel are estimated at approximately \$15.7 billion, showing a 3,800% increase since 2000.

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