

# TRENDS in STEEL

## THE GREAT LAKES REGION IS KEY

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*President and CEO*  
The American Iron and Steel Institute



**T**he American steel industry is essential to our national and economic security, and the Great Lakes are an essential part of the steel supply chain that ultimately supports nearly two million American jobs.

The integrated steelmaking process starts with iron ore and much of the American steel industry's iron ore supply comes from the Upper Great Lakes region and passes through the Soo Locks in Michigan, on its way to steel mills to the south. The iron ore production and shipping located in this region are essential to ensuring the competitiveness of American steelmakers by guaranteeing access to domestic raw materials that support domestic jobs and local communities.

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As for many manufacturing industries, 2020 was a challenging year for the American steel industry as we faced a dramatic drop in demand last spring due to the Covid-19 shutdown of the economy, followed by a strong rebound in the second half of the year. But the wild swings in the economy did not stop the dynamism in the American steel industry, which continues to reinvent itself and invest in new capabilities.

## A Little History

Repeated surges in unfairly traded steel imports over the past decade threatened the continued viability of the industry, and therefore our national security, and led the U.S. government to impose steel tariffs and quotas in 2018. These steel tariffs and quotas have worked to stabilize the domestic steel industry.

As a result, imports were reduced, domestic capacity utilization improved, many previously idled mills were able to restart and rehire laid-off workers and the industry began investing. Nearly \$16 billion in investments in new and upgraded production capabilities across the steel industry have been announced since the steel tariffs were implemented in 2018.

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The wild swings in the economy did not stop the dynamism in the American steel industry, which continues to reinvent itself and invest in new capabilities.

In March of this year, the Economy Policy Institute issued a new report documenting how the steel tariffs have been effective in facilitating these significant investments in new capabilities and creating thousands of new jobs. The report also stressed that continued global steel overcapacity, fueled by foreign government subsidies and other trade-distorting policies, threatens additional

harm to the American steel industry absent of the continuation of the tariffs. In fact, the Covid-19 pandemic has exacerbated this threat, as global steel overcapacity has grown over the past year to an estimated 625 million metric tons—more than five times the total annual capacity of the U.S. industry—threatening a new surge of steel imports if the tariffs were lifted.

### Global Production

While China is the single largest source of global steel oversupply, this is not just a China problem. Subsidies and trade distortions in many countries are contributing to the overcapacity glut, and surges in imports have come from many different regions.

**The steel industry is not only a job engine but is also the cleanest and most energy-efficient of the leading steel industries in the world.**

A new surge in imports—similar to what happened following previous global demand shocks—could again threaten the viability of our industry which is so vital to America's critical infrastructure for transportation, energy (like the electric power grid) and commercial, industrial and institutional complexes. It is important to keep these "Section 232" steel tariffs in place to ensure that the billions of dollars in investments made by the industry continue to create jobs and contribute to the economy.

The steel industry is not only a job engine but is also the cleanest and most energy-efficient of the leading steel industries in the world. Of the seven largest steel producing countries, the United States has the lowest CO<sub>2</sub> emissions intensity and the lowest energy intensity.

By contrast, Chinese steel production creates carbon emissions that are almost 2.5 times higher than in the U.S. per ton



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of steel produced. This is because the way we make steel is cleaner than it has ever been. We use a high percentage of low-emitting natural gas in our mills and produce a significant portion of our steel from electric arc furnaces using scrap. Integrated steel mills in the United States are almost entirely fed by domestically sourced iron ore pellets vs. the dirtier sintered iron ore used abroad.

### **Continuing Innovations**

We are not sitting still. Work is underway on innovations for increased use of renewable energy in steel production and advancements in domestic production using direct reduced iron (DRI) and hot briquetted iron (HBI), which use natural gas as a reductant, in place of pig iron in both integrated and electric arc furnace (EAF) steelmaking.

The new Cleveland Cliffs HBI facility in Toledo, Ohio that recently started production was designed with the ability to easily switch from natural gas to hydrogen when hydrogen is available in commercial quantities.

**We estimate that every \$1 billion in infrastructure spending requires approximately 50,000 net tons of steel.**

American-made steel is a critical component in the development of clean energy and other technologies to reduce our country's carbon footprint. For example, advanced high-strength steel helps auto manufacturers to reduce the mass of vehicles, increasing fuel economy and reducing emissions, all without sacrificing safety. As the move toward electric vehicles accelerates, these advanced grades of steel will also allow for safer packaging of more batteries—which means traveling farther on a single battery charge.

### **Infrastructure Spending**

While the American steel industry is focused on continuing to innovate, we are also supporting public policies that will further boost steel demand. A substantial federal infrastructure investment package would help achieve this, as well as provide substantial productivity enhancing benefits for the economy over the long term.

We estimate that every \$1 billion in infrastructure spending requires approximately 50,000 net tons of steel. Crumbling bridges, bursting water pipes, poorly developed energy systems and congested highways jeopardize American lives and the ability to facilitate commerce throughout the country. And all of those public projects should be built with domestically produced steel, as President Joe Biden has emphasized.

As for the outlook for this year and beyond, steel demand in the U.S. is projected to grow by about 8% in 2021 and 4% in 2022. Durable goods manufacturing, especially light vehicles, followed by energy and infrastructure, are expected to drive growth in 2021, which will benefit the entire American steel industry.

In 2022, nonresidential construction is expected to rebound. Steel production, which is up more than 50% in the last year, should continue to recover, allowing our capacity utilization to reach pre-pandemic rates. This will benefit not only steel producers, but also local partners, in the Great Lakes and elsewhere, all of whom are key to the long-term success and productivity of the American steel industry. ■

