

SMU Community Chat

March 17, 2021

Starting at 3:30 PM Eastern

John Packard, Steel Market Update

Ryan Smith, CRU



SteelMarketUpdate.com/Blog/SMU-Community-Chat-Webinars

2021 Steel Market Update Events

Date	Conference	Status	Venue
March 30-31	Steel Hedging 101	Virtual	Online
April 21	Galvanized Hedging	Virtual	Online
May 5-6	Steel Hedging 201	Virtual	Online
May 11-12	Steel 101	Virtual	Online
May TBD	Steel 201	Virtual	Online
June 2-3	Steel Hedging 101	Virtual	Online
July 14	Galvanized Hedging	Virtual	Online
July 20-21	Steel 101	Virtual	Online
July TBD	Steel 201	Virtual	Online
August 3-4	Steel Hedging 201	Virtual	Online
August 23-25	SMU Steel Summit	Live	Georgia International Convention Center

If you would like more information about any of our workshops, you may visit SteelMarketUpdate.com/Events or e-mail our team at Events@SteelMarketUpdate.com



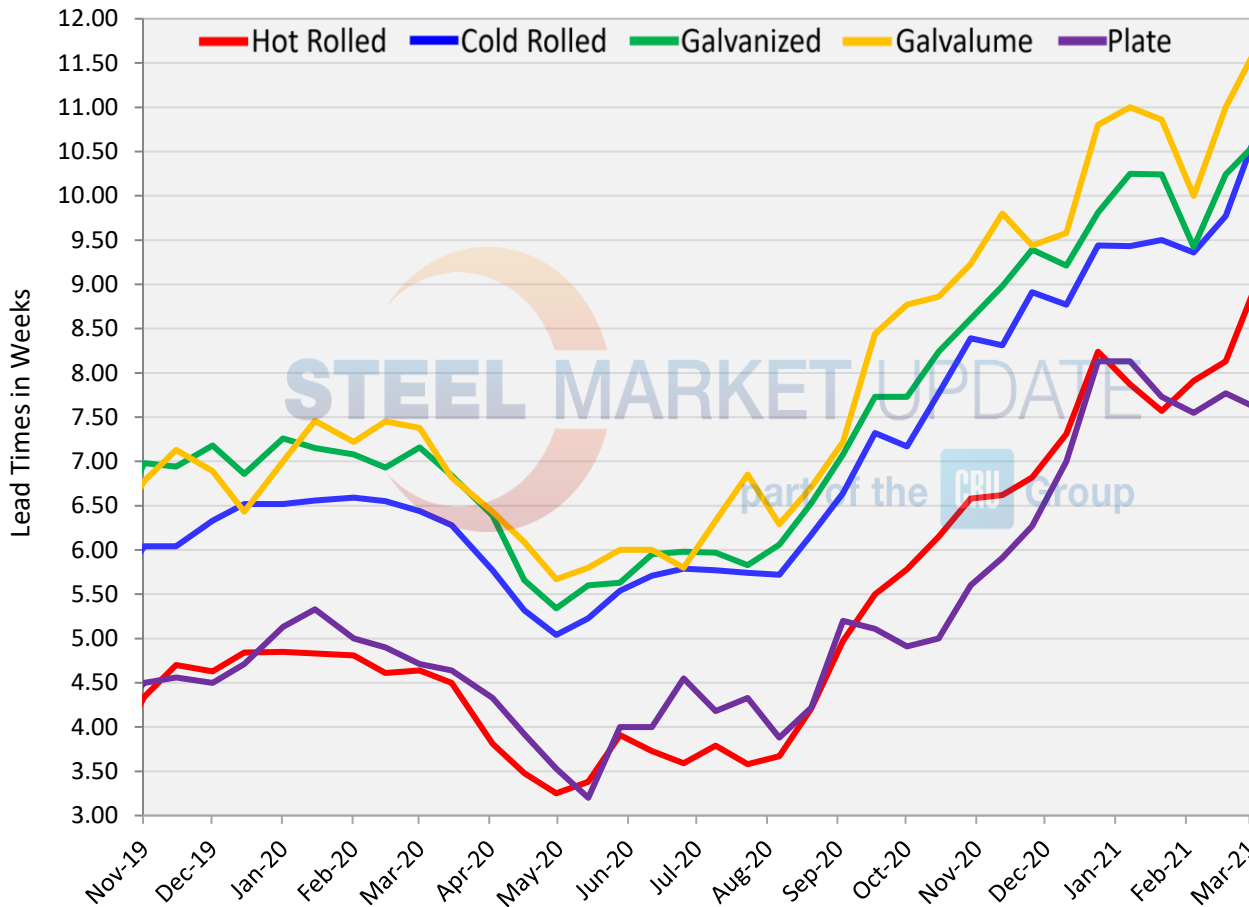
Ken Simonson has been Chief Economist for the Associated General Contractors of America, the leading trade association for the construction industry, since 2001. He provides insight into the economy and what it implies for construction and related industries through frequent media interviews, presentations and the *Data DIGest*, his weekly one-page e-newsletter that goes to over 50,000 subscribers.

Ken has more than 40 years of experience analyzing, advocating and communicating about economic and tax issues.

He currently serves on the Census Bureau's Scientific Advisory Committee. He is a Fellow and past president of the National Association for Business Economics, and he is co-director of the Tax Economists Forum, a professional meeting group he co-founded in 1982.

Mill Lead Times

Lead Times in Weeks



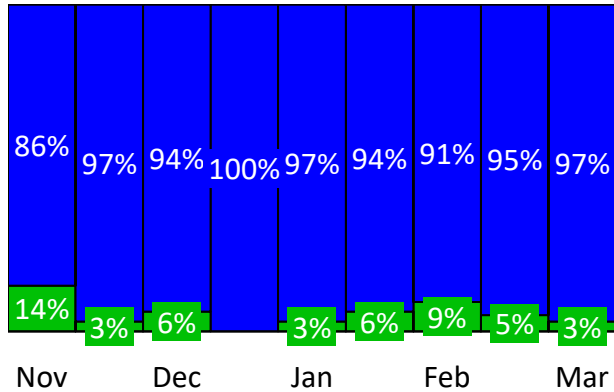
Galvalume: 11.69
Cold Rolled: 10.74
Galvanized: 10.61
Hot Rolled: 9.03
Plate: 7.60

Mill Negotiations

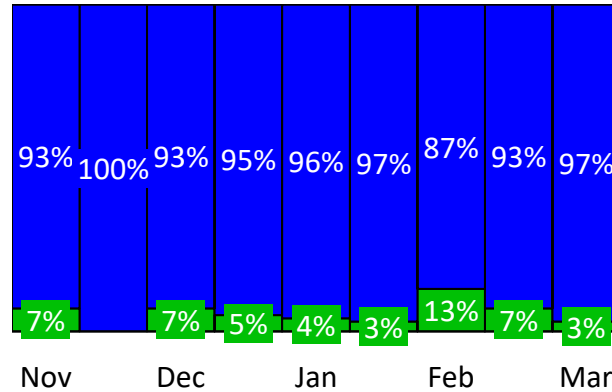
Are you finding the domestic mills are willing to negotiate pricing on brand new orders placed this week?

Yes No

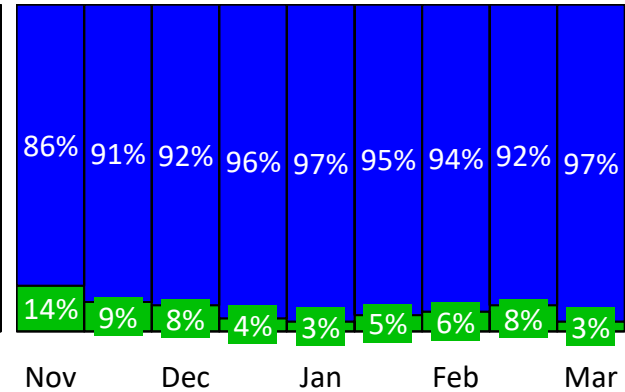
Hot Rolled



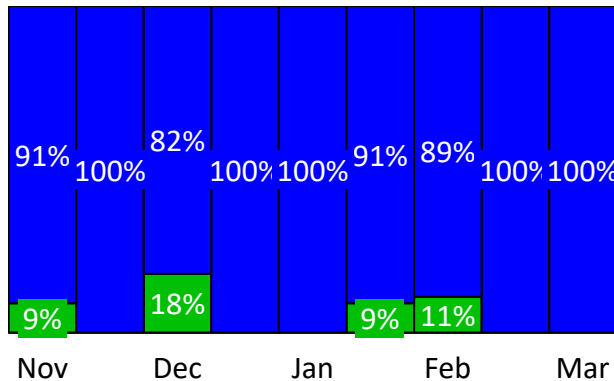
Cold Rolled



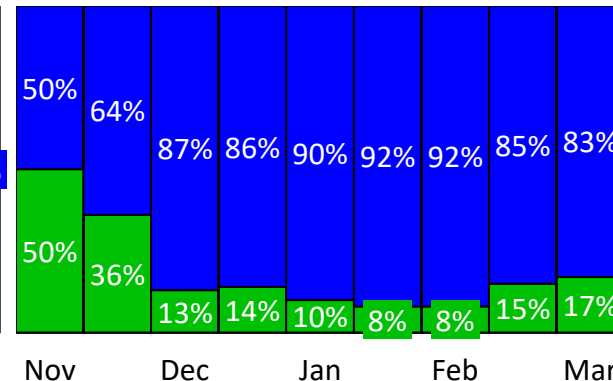
Galvanized



Galvalume



Plate



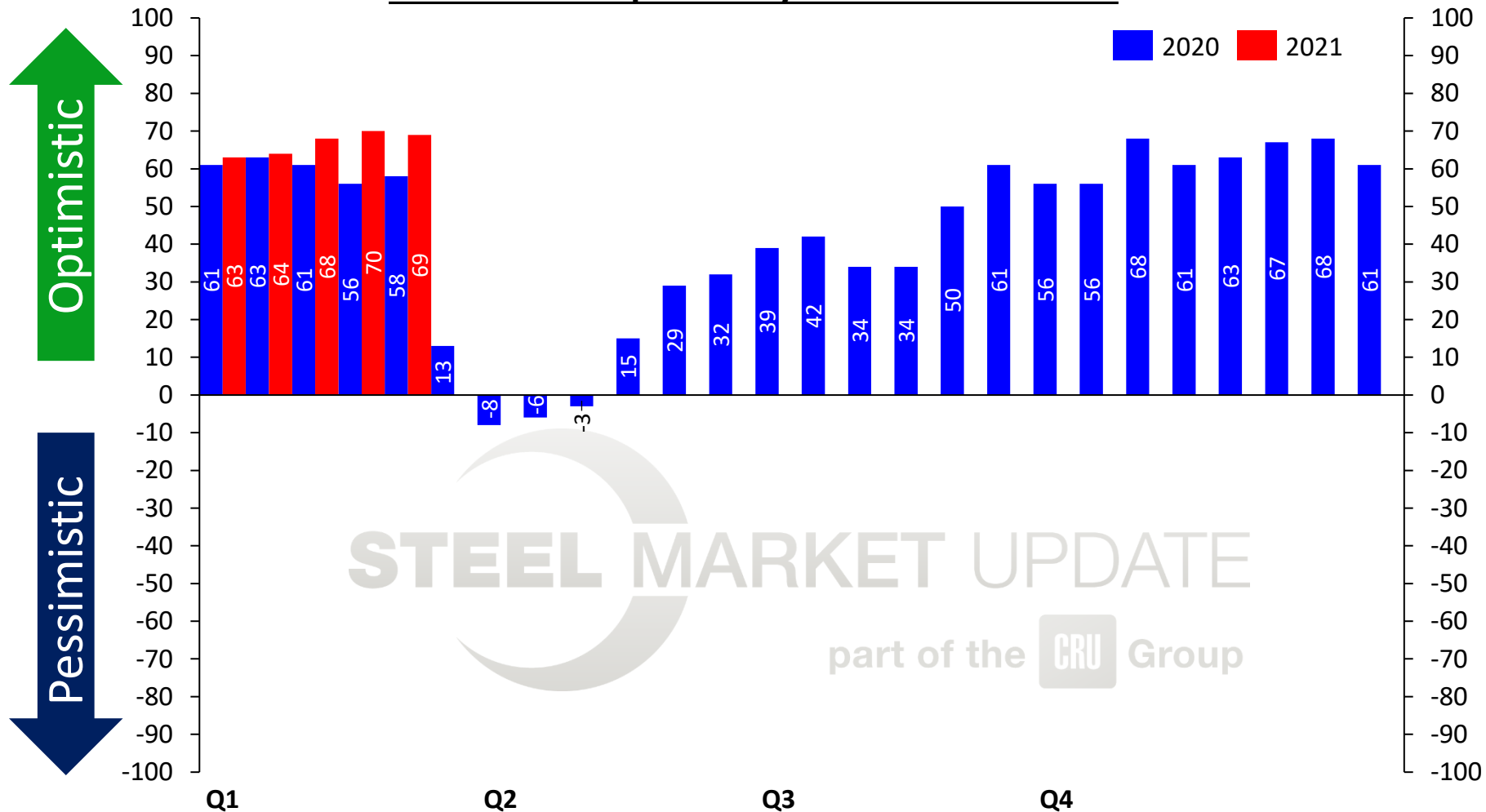
SMU Hot Rolled Price Average



SMU Buyers Sentiment Index

Down 1 point to +69

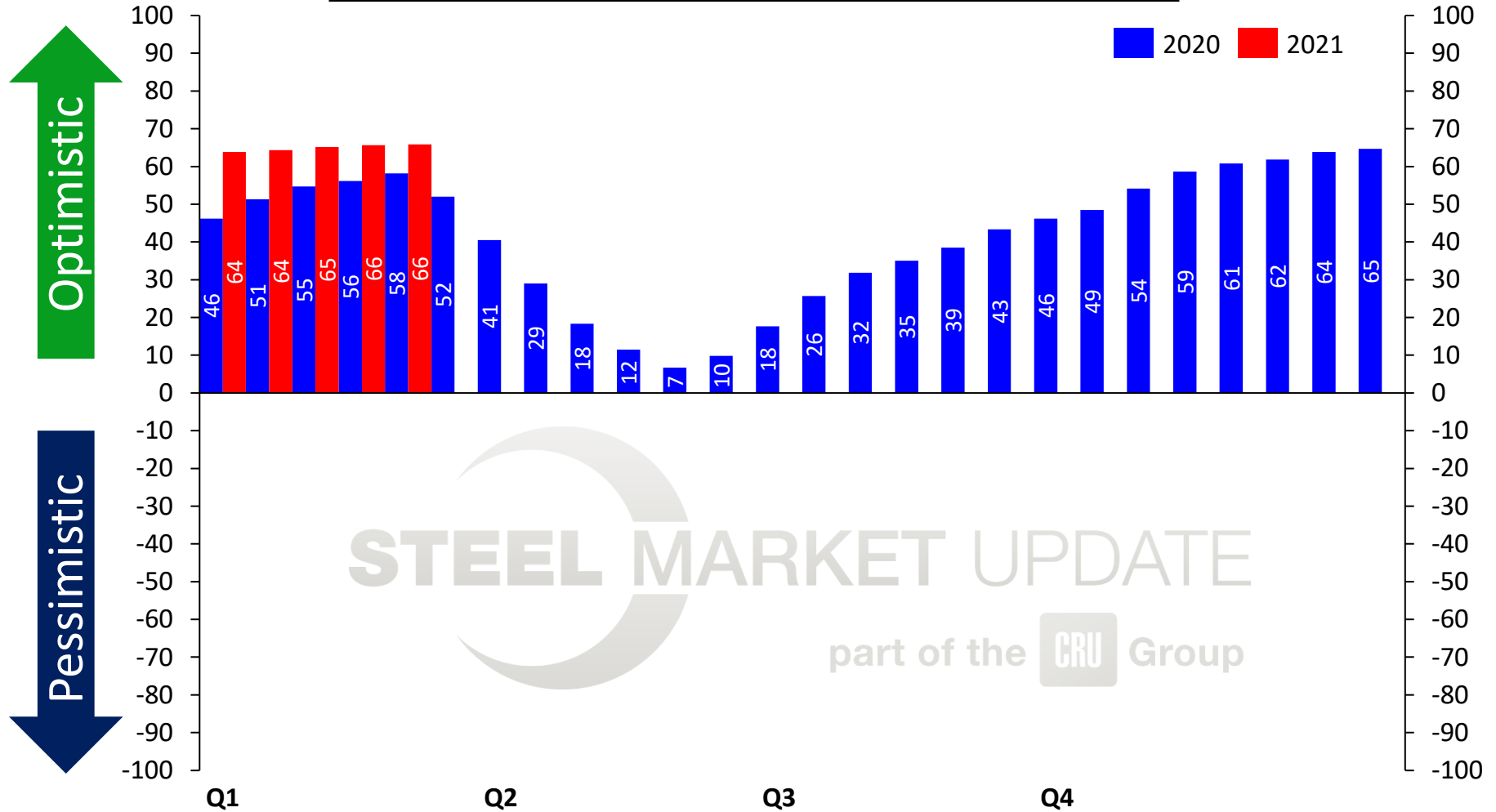
Steel Market Update Buyers Sentiment Index



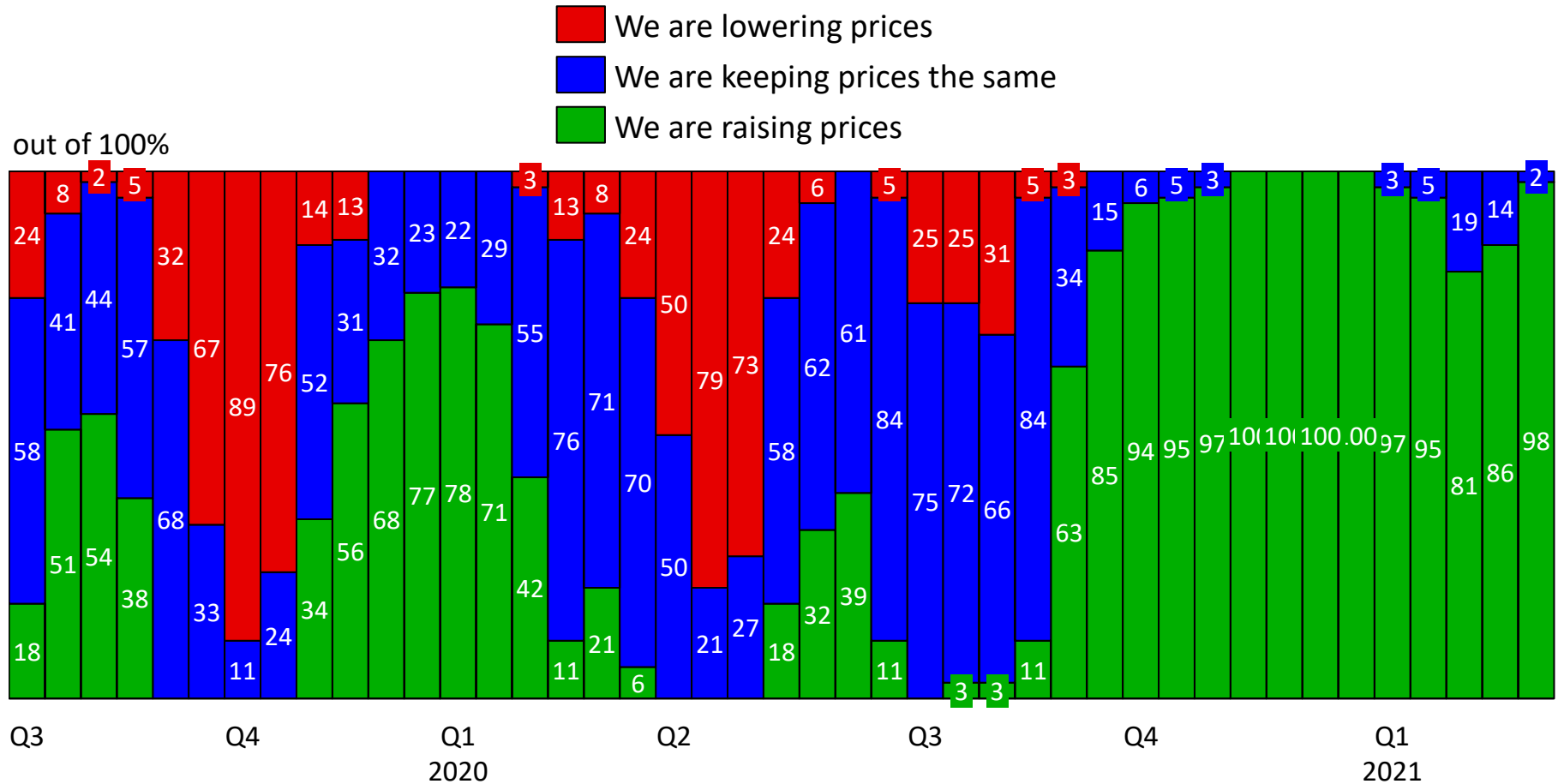
SMU Buyers Sentiment Index

Three Month Moving Average at +65.83

Steel Market Update Buyers Sentiment Index 3MMA



Service Centers- Compared to two weeks ago, how is your company handling spot pricing to your customers at this time?

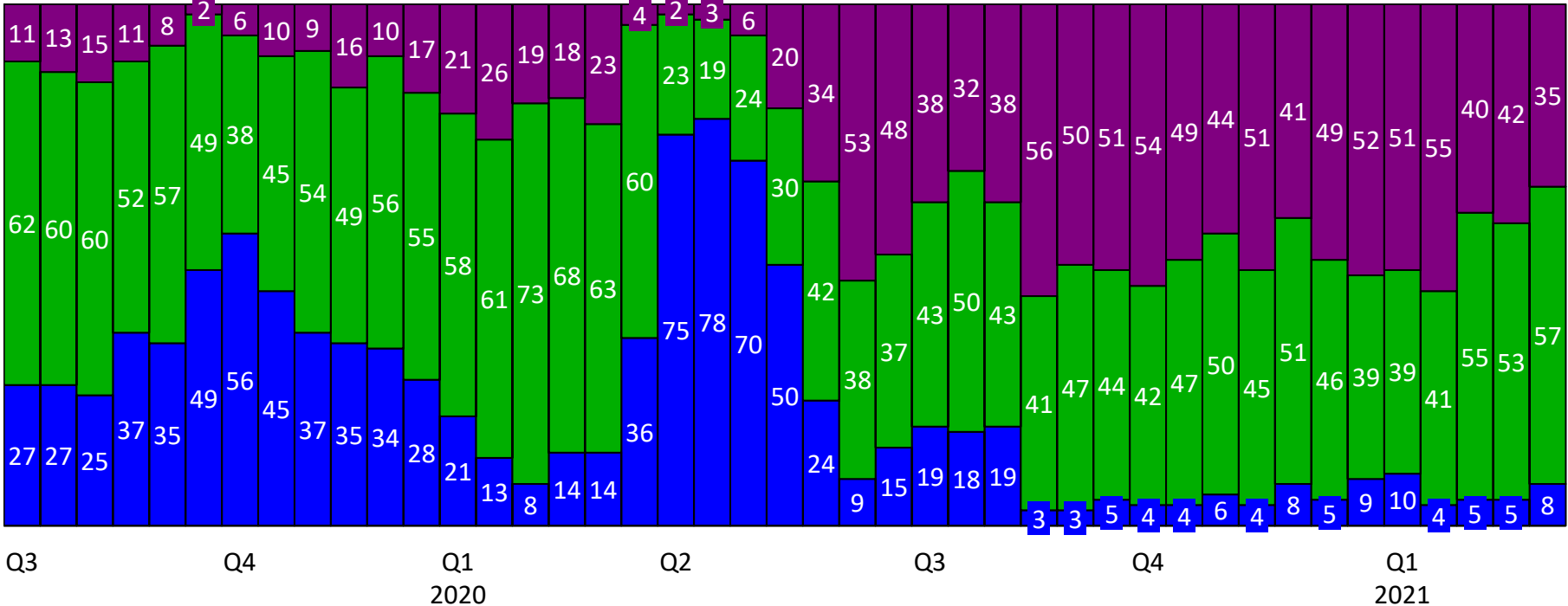


Overall Demand History

Are you seeing demand for your products improving, remaining the same or declining?

- Demand is improving
- Demand is remaining the same
- Demand is declining

out of 100%

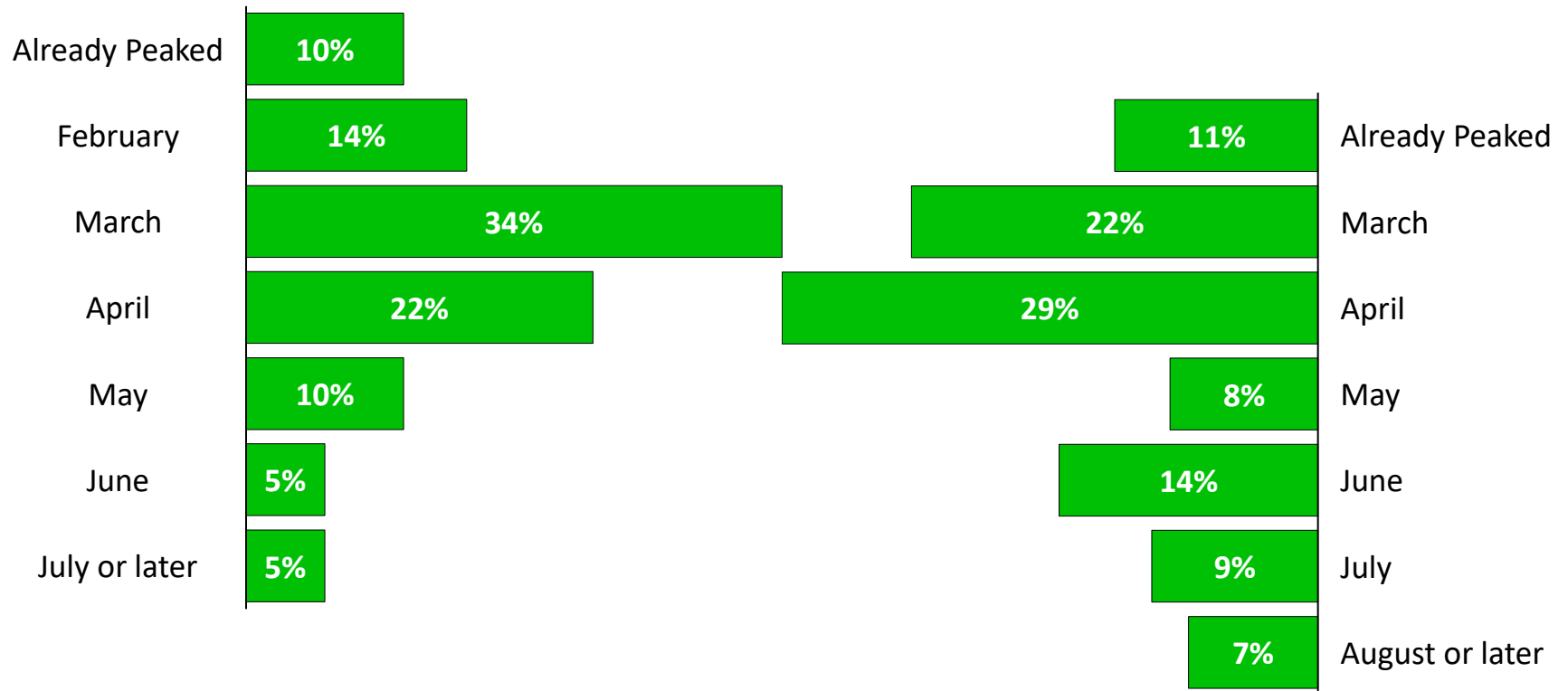


When Will Prices Peak?

When do you see prices peaking?

February 19, 2021

March 5, 2021





Ryan Smith is a Senior Analyst covering global steel costing and decarbonization for **CRU**. Ryan manages CRU's Steel Cost Service – a service that provides comprehensive coverage of the global steel industry and details CRU's independent view of the cost structures for semifinished, flat and long product steel. Steel Cost analysis provides insight into the investment decisions made by steelmakers, allows for an understanding of what drives competitiveness around the world and how it is forecast to change over time, and forms a key part of CRU's Steel pricing methodology.

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Steel industry decarbonisation and costs

Prepared for Steel Market Update

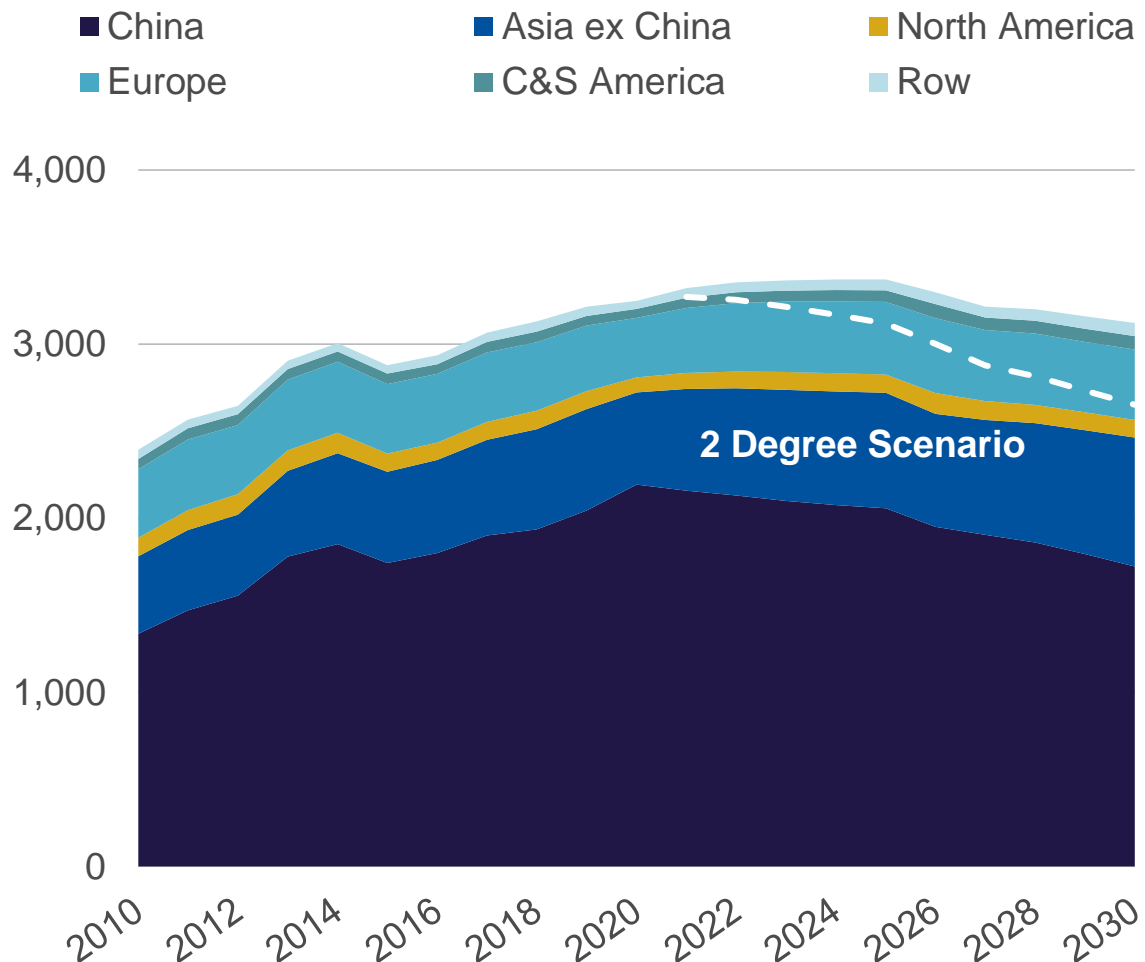
Presented by Ryan Smith

March 2021



The steel industry emitted over 3,200 Mt CO₂-e in 2020

Steel emissions, CO₂-e Mt



- The steel industry contributes ~8% of global CO₂-e emissions
- Most major steel producing countries and regions now have some form of emissions reduction target
- There is growing pressure on steel producers globally to reduce their emissions, this has implications for costs
- The industry must abate ~600Mt of CO₂-e by 2030 to achieve the 2DS pathway (~3x the emissions of the European steel industry)

CRU Emissions Analysis Tool

EMISSION DEFINITION

Scope 1 & 2 site

EMISSION CURVE YEARS

2021

UNIT

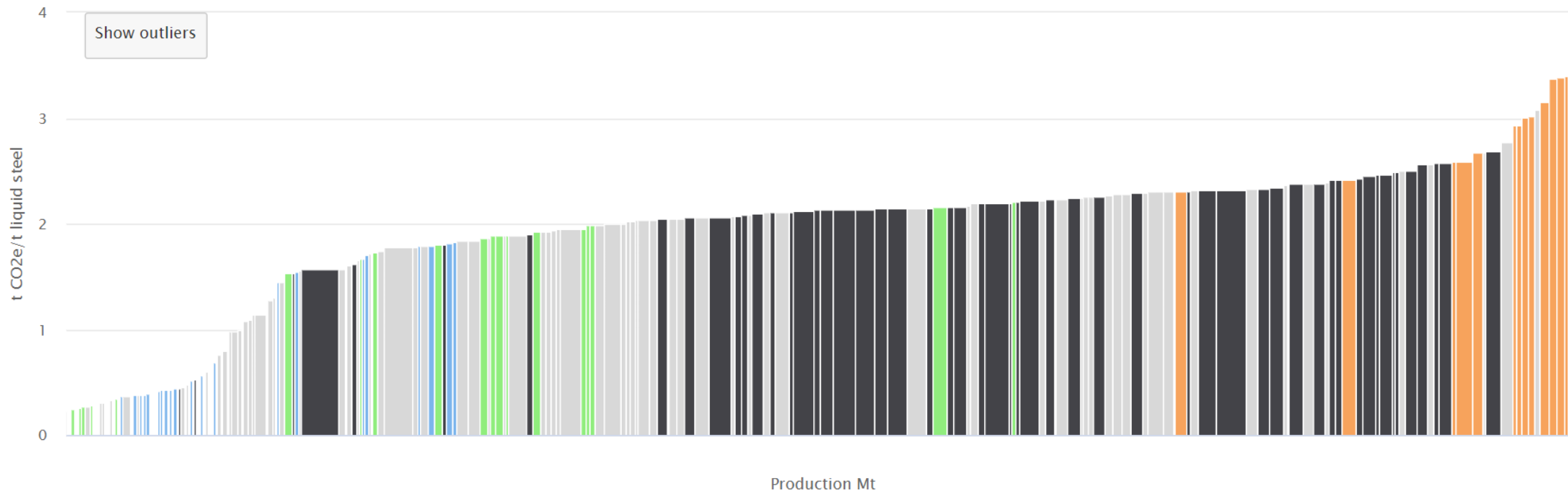
t CO2e/t

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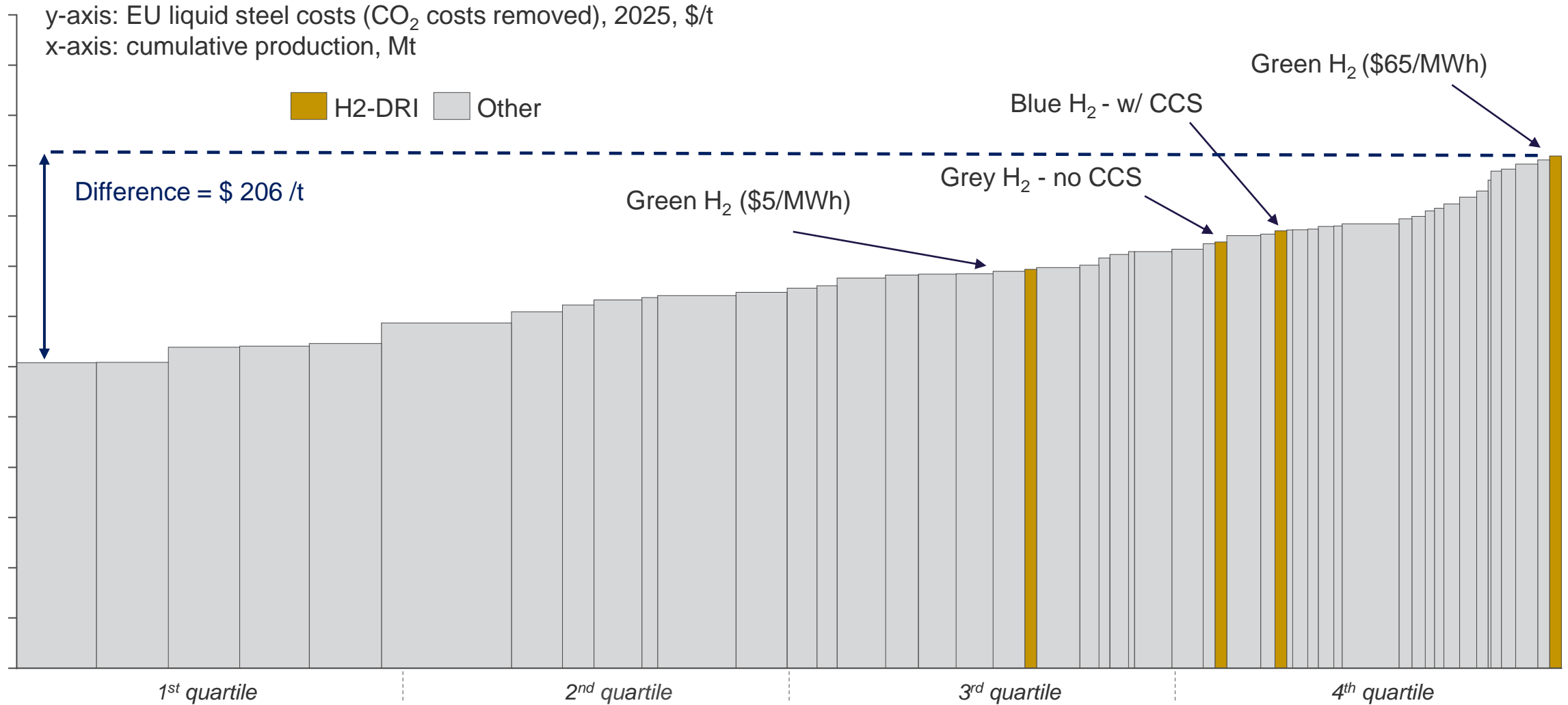
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● China ● India ● United States of America ● Western Europe

2021

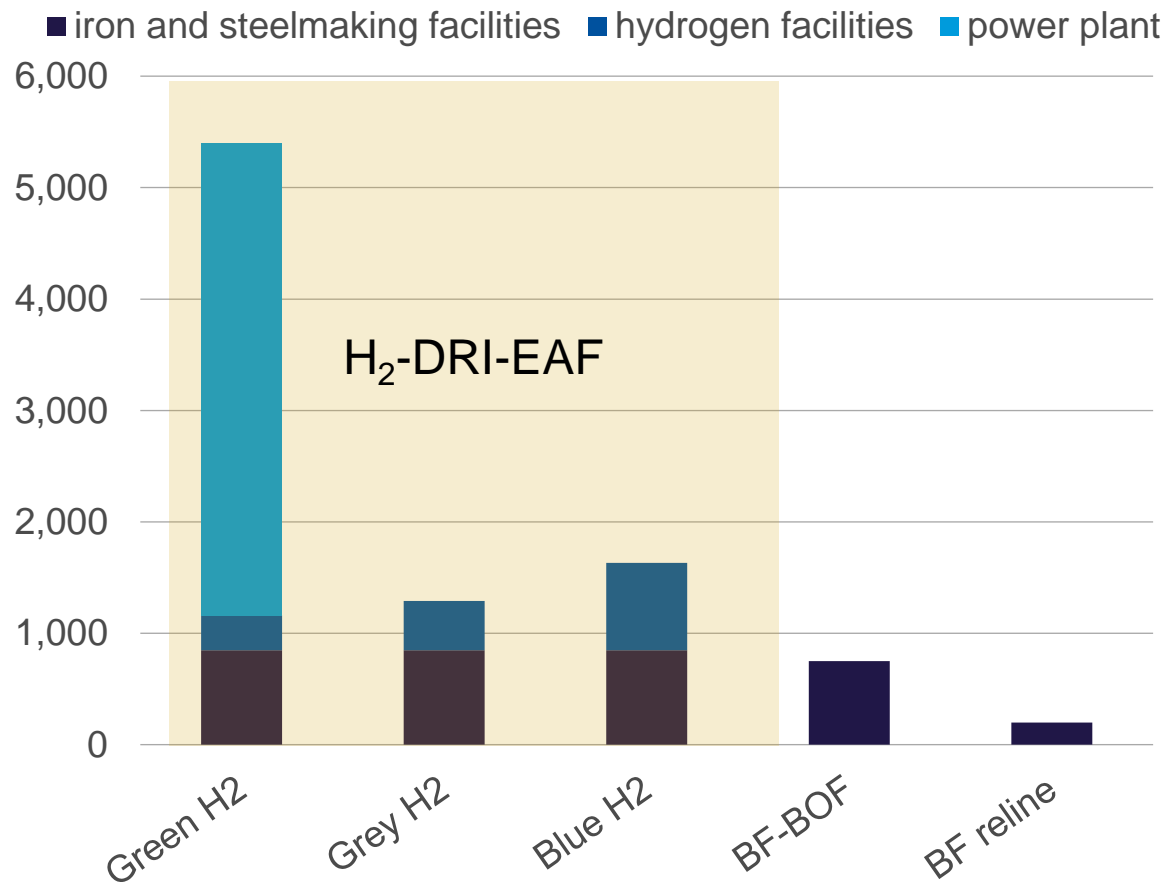


The operating costs of low CO₂ steelmaking are high

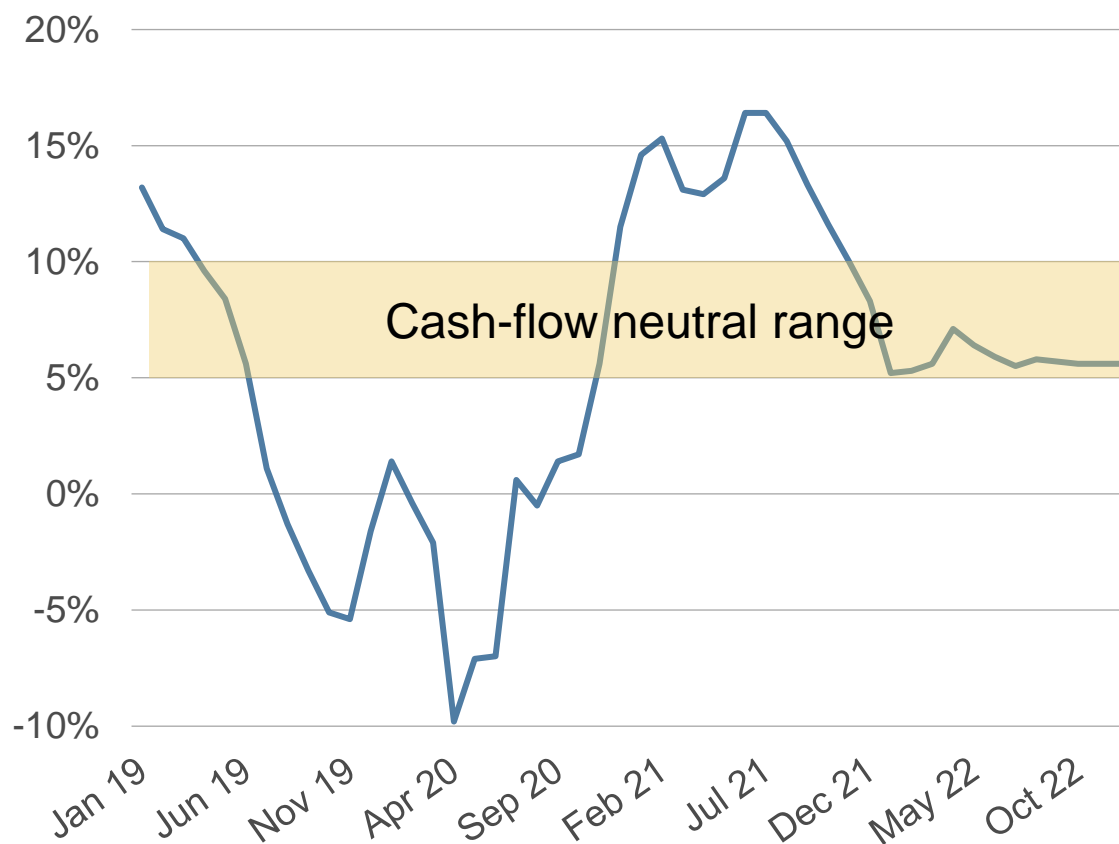


High capital intensity and low margins constrain decarbonisation

Capital intensity estimates for H₂ steelmaking vs BF-BOF
\$/t installed capacity



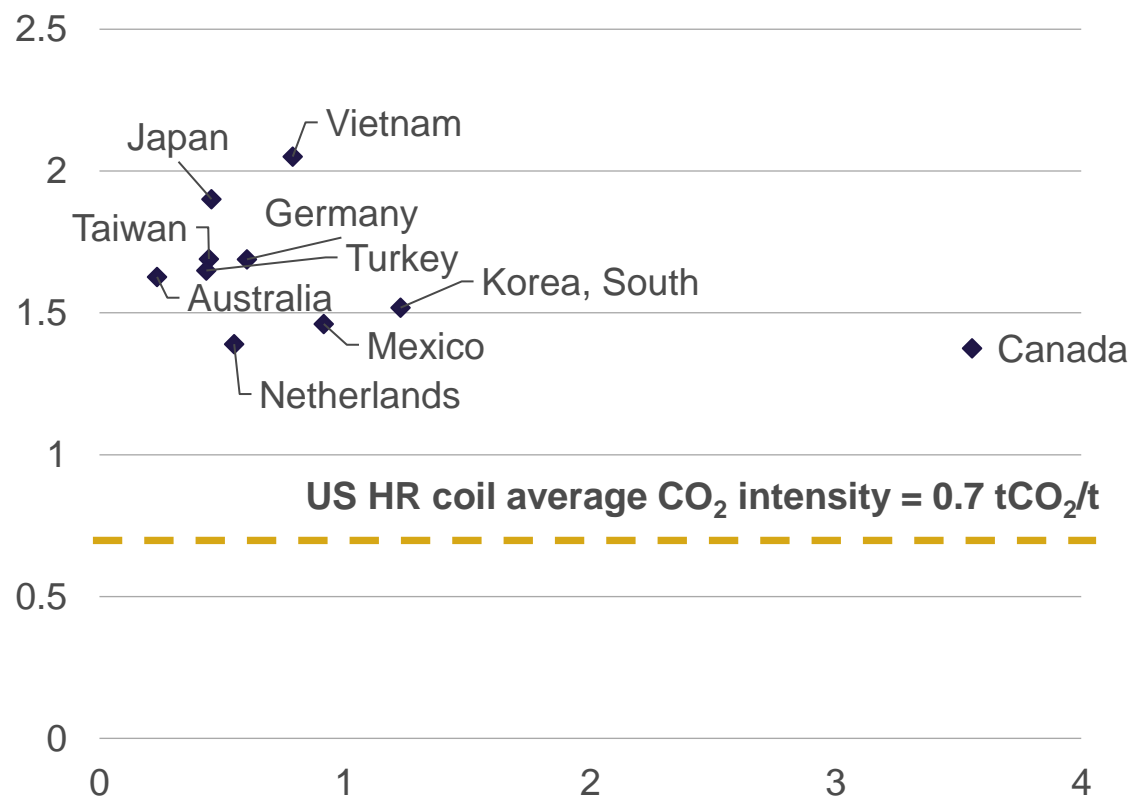
Global HR coil EBITDA margin, %



The US' CO₂ position provides a competitive advantage vs imports

y-axis: CO₂ intensity of HR steel, t-CO₂/t flat steel

x-axis: flat steel imports to the US, 2018, t



- The US is well ahead of its import competition in terms of CO₂ efficiency
- Decarbonisation is going to be a challenge for the steel industry on multiple fronts
- Growing EAF capacity, high quality raw materials and natural gas availability will continue to support low CO₂ steel production in the US
- A carbon border tariff could favour US production of steel and metallics vs imports

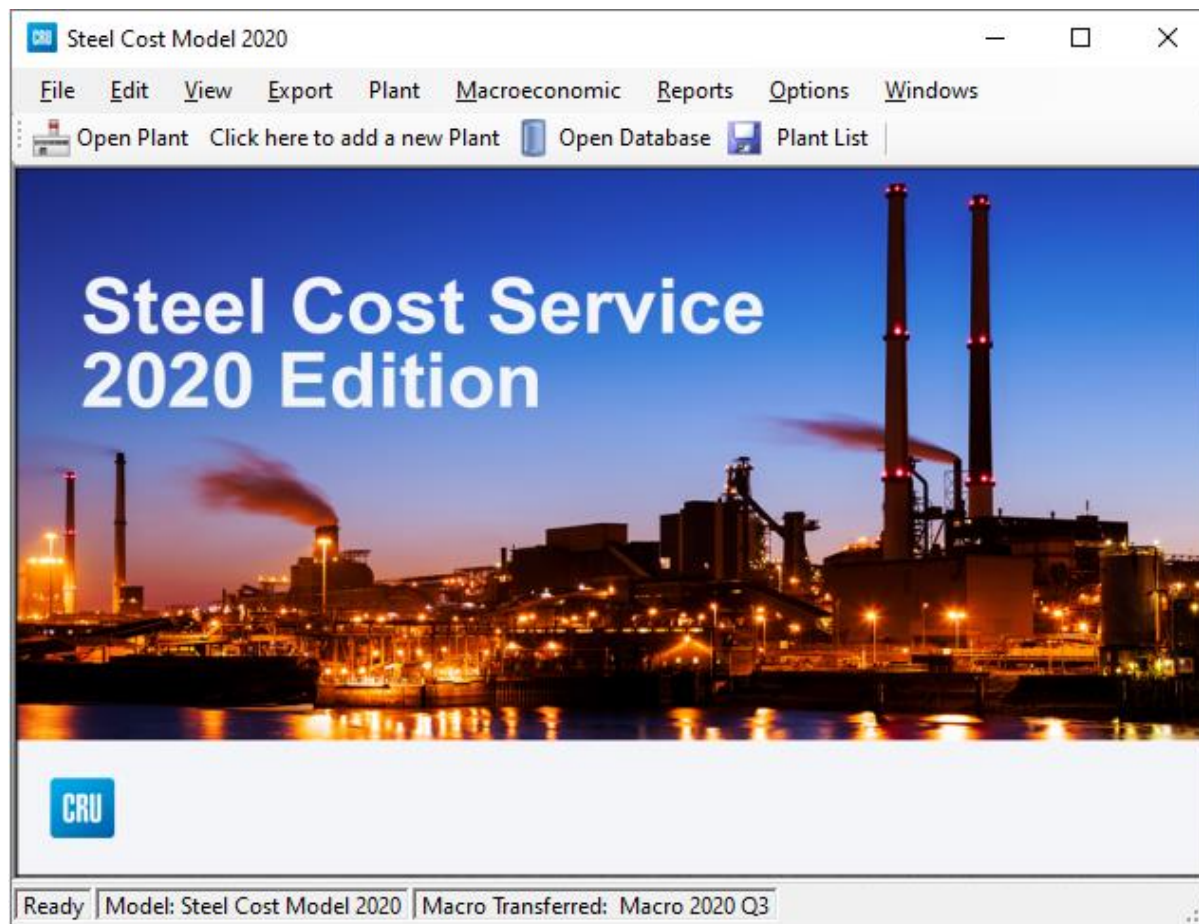
How could carbon pricing influence steel costs?

- Scope 1:** Direct emissions costs related to CO₂ intensity of steel production: BF-BOFs lose competitiveness vs EAFs, Rerollers will see smallest direct cost increase
- Scope 2:** Costs passed through electricity prices: EAFs and Rerollers lose competitiveness, BF-BOFs with less onsite power generation lose competitiveness
- Scope 3:** Raw material costs rise (if raw materials production exposed to carbon pricing): Costs impacts vary depending on raw material CO₂ intensity. Slab costs may rise for Rerollers – CO₂ intensity of supply key
- Steel consumers:** Higher steel prices if steel producers can pass through higher costs incurred above. Higher prices also required in order to achieve ROI of higher capital and operating cost technologies.

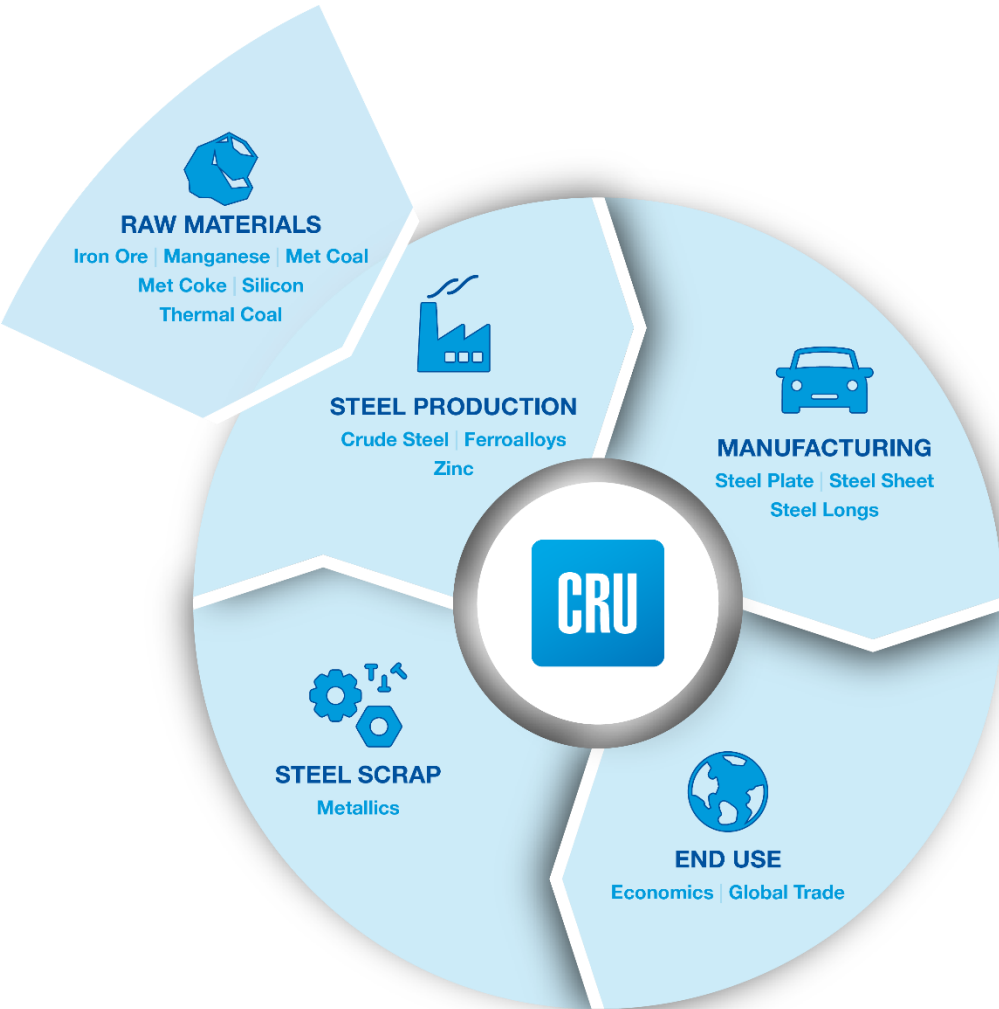
An understanding of emissions across the steel value chain is key to understanding how carbon pricing could impact your business



Ryan Smith
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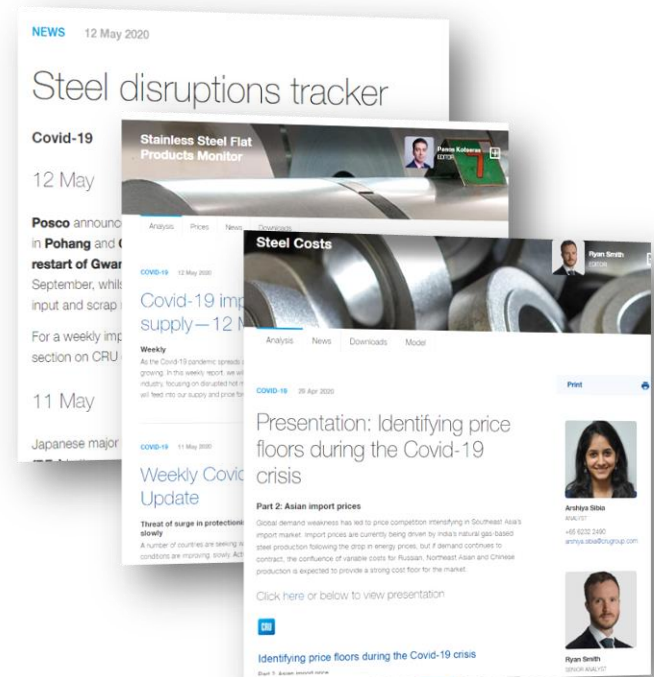


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Get in touch for more information or a demo

Thank You

Thank you for attending our SMU Community Chat Webinar.

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