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FOCUS: New Chinese steel mega plants in SE Asia one step closer to completion

Several large steel projects located in Southeast Asia, underpinned by Chinese investment, are nearing completion and will provide a huge boost to production capacity in the region.

Of the 59.9 million tonnes of major carbon steel production capacity planned to come on stream in the next decade in Southeast Asia, 39.4 million tonnes will come from Chinese-led projects, according to statistics from the Southeast Asia Iron and Steel Association (SEAISI).

Steel output from Association of South East Asian Nations (Asean) countries hit 45.3 million tonnes in 2019, up 5.70% year on year, according to SEAISI.

Fastmarkets looks at each of the proposed projects and what is known of their progress.

Philippines: 18 million tonnes

The largest planned capacity of any Southeast Asian country over the next decade comes from the Philippines and will add 18 million tonnes per year of supply, according to SEAISI.

While the Philippines is well-established as a long steel producer - mostly from the re-rolling of billets - it lacks any flat steel production. Two new Chinese-led plants seek to address this issue swiftly.

In 2019, the Philippines imported 3.38 million tonnes of flat steel and produced zero tonnes of the material, according to the Philippine Iron & Steel Institute.

China's Panhua Group is to build an integrated plant in the Philippines' Misamis Oriental province. It will make steel slab, galvanized coil and color-coated coil with a total capacity of 10 million tonnes over three phases.

Work on the plant began in 2019, and Panhua has an estimated start-up date of 2022, according to SEAISI. A Philippine trader told Fastmarkets that work was continuing on the plant in early 2020, but new information about the project has been scarce since the onset of the Covid-19 pandemic.

The remaining 8 million tpy of fresh Philippine capacity will come from the joint venture project between Chinese steelmaker HBIS and the Philippines' largest existing producer, SteelAsia, to be built in the province of Batangas.

Building of the plant will take place across two phases; the first phase will start in 2023 and produce 4.5 million tpy, while the second will start in 2026 with an additional 3.5 million tpy.

The HBIS-SteelAsia unit will also specialize in flat steel, with hot-rolled coil output earmarked to form all of the initial 4.5-million-tpy capacity.

Malaysia: 11.3 million tonnes

By far the biggest proposed new unit in Malaysia is a giant project from China's Wen'an Steel, slated to be built in Sarawak province.

The integrated plant would have a capacity of 10 million tpy, and would become Malaysia's largest steelmaker if completed.

But the project is publicly opposed by both the Malaysian Iron & Steel Industry Federation and the Malaysia Steel Association due to their grave concerns about overcapacity in the country. The groups even joined hands in February to call for an immediate freeze on all licenses for new long and flat-producing steel plants.

The associations said in February they feared the Wen'an mega plant would lead to a crash in HRC prices and the pool of available steel scrap being reduced to such a level that substantial scrap imports would be required to cover demand.

The second proposed Malaysian investment highlighted by SEAISI is an expansion of capacity at producer Eastern Steel, which is owned by China's Donggang Group and located in Terengganu.

Eastern Steel currently has a capacity of 700,000 tpy from one blast furnace (BF), but will add another 1.3 million tpy of capacity within three years, the company says.

Myanmar: 4 million tonnes

Myanmar imported 2.10 million tonnes of steel products in 2019, according to the Myanmar Iron & Steel Association (MISA) - 60% being long products. But it has only 400,000 tpy of its own billet production capacity.

MISA forecasts total steel consumption to rise to 5 million tpy by 2050, driven by the construction sector.

Its largest existing steelmaker is Myingyan Steel, which can produce 200,000 tpy of billets or slab from an electric arc furnace (EAF), together with several rolling lines for coil, rails and sections.

Last year, China's Kunming Iron & Steel signed an agreement to build a 4-million-tpy integrated steelmaking plant in Myanmar, which would easily become the country's largest unit.

Kunming will have two stages of 2 million-tpy capacity build and - like Myingyan - will produce HRC, bars, rods and sections, though the completion date for the construction is not publicly known.

Indonesia: 3 million tonnes

Indonesia has already had a new Chinese steel investment hit the headlines this year when PT Dexin Steel started offering billet from its newly started BF operation in Central Sulawesi.

The producer, which has capacity of 3.5 million tpy, has now become a regular in the billet export market, with recent sales to China and Manila.

The other new Chinese-led capacity in the country highlighted by SEAISI is by China's giant Hebei Bishi Group, which had planned to manufacture a 3 million-tpy plant in Kendal Regency, Central Java with production starting in 2019-2020.

But the project was blocked in June 2019 since the land is protected by Indonesian law due to the presence of a mangrove forest and river border protected area on the plot, according to Indonesian media reports.

Meanwhile, using non-Chinese investment, giant Indonesian steelmaker PT Krakatau is planning to raise total capacity to 10 million tpy by 2025 after adding a further 4 million-tonne capability, SEAISI says.

Cambodia: 3.1 million tonnes

China's enormous Baowu Group has been mulling moving two BF's and converters from the western province of Xinjiang over to Cambodia, according to a Reuters news report in May 2019.

The total capacity involved would be 3.1 million tpy, according to SEASI stats, though the association does not provide a date by which they expect the move to be completed.

Under the reported plan, the equipment would be moved from Xinjiang Bayi Nanjiang Steel Baicheng, which is a Baowu subsidiary, according to the Reuters report. The plant in Xinjiang was shut in 2017.

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