



## CHINA STEEL INTELLIGENCE REPORT

# Can China drag steel output lower?

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# CAN CHINA DRAG STEEL OUTPUT LOWER?

BY TOMAS GUTIERREZ

Chinese steel production is peaking. By 2025, the end of the new five-year plan, output will almost certainly be lower than last year's record. The government has said however that it wants output to decline this year.

Considering the strong y-o-y growth in output seen so far this year, cutting output so quickly will be an uphill struggle. Will China be willing to take the drastic steps necessary to achieve that goal, or will it accept a slower transition to lower steel output?

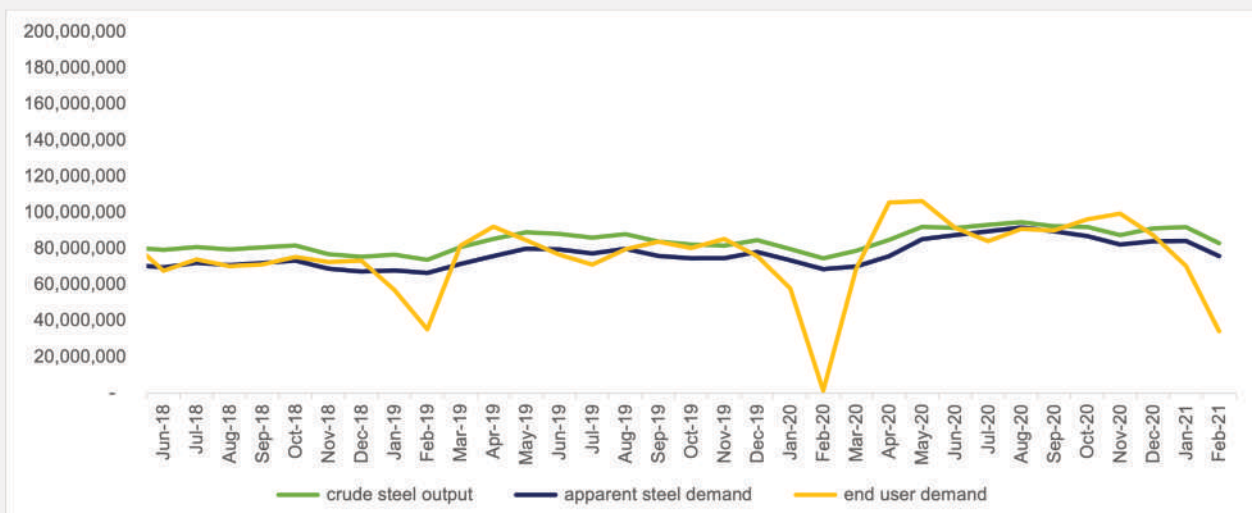
China's iron and steel sector is expected to see a growing focus on carbon emissions in addition to the other pollutants which previous policies have focussed on. China's goal of peak emissions in 2030 will likely require steel emissions to decline ahead of that. Iron and steel account for around 15% of China's total carbon emissions. Guidelines for the steel industry make clear that over the next five years steel output should decline. The guidelines do give the steel industry significant leeway however. In addition to not including steel production capacity in the national carbon trading scheme, the guidelines only set 2025 as

TABLE 1. SUPPLY AND DEMAND

	2020	Y-o-y	Ytd 2021	Y-o-y	2021 Outlook	Y-o-y
Official Crude Steel Output	1053	5.20%	175	12.90%	1080	2.8%
Apparent consumption	985	9.20%	160	12.20%	976	-0.90%
End user demand	980	8.40%	105	80.60%	978	-0.20%

Source: Kallanish. Million Tonnes

FIGURE 1. STEEL PRODUCTION AND DEMAND 2018-2021



Source: Kallanish. Million Tonnes





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