April 17, 2025

Steelmakers in the Grip of Duties and Restrictive Policies: What Will Happen to Steel Exports?

At the Business Wisdom Summit (BWS) 2025 held on 11 April in Kyiv, Oleksandr Myronenko, Chief Operating Officer (COO) of Metinvest Group, discussed how to transition from a raw materials-based economy to a technology-driven one, what hinders the export of Ukrainian products and what challenges the mining and metals sector is facing.

The main topics at BWS 2025 included the expansion of Ukrainian businesses into global markets, adaptation to new regulatory conditions, leadership strategies in times of instability, financial resilience of enterprises and opportunities for digital transformation to boost business efficiency. The event brought together more than 40 speakers: company owners, top managers and experts from various industries, as well as senior government officials. More than 500 participants attended the event offline and over 8,000 viewers joined online.

Oleksandr Myronenko took part in the "Expansion and European Integration" panel. The discussion featured executives from Interpipe and Milk Alliance Group.

In his opinion, since its independence, Ukraine has succeeded in shifting from raw material exports to exports of high value-added products. The country has produced a wide range of high-quality products in high demand both on export markets and domestically.

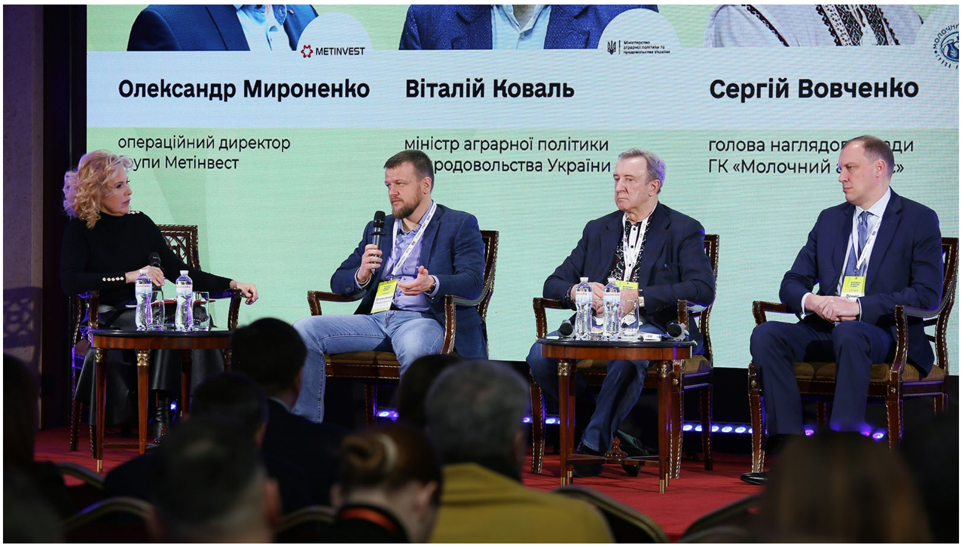
Before the full-scale war, investments in the mining and metals sector accounted for nearly a third of all industrial investment: in 2021, mining and metals enterprises invested almost US$2 billion, generating 9% of orders for Ukraine's machine-building industry. For example, Metinvest Group's facilities in Mariupol and other cities were implementing large-scale investment projects aimed at increasing the output of technological products exported to Europe, the US and Asia.

Metinvest's COO stated: "Over these three years of war, we have experienced some setbacks. But as soon as the war ends, we will return to this area and invest in generating profit and making high-quality products right here in Ukraine. We are taking certain steps in this direction, even with our existing equipment. In particular, we have ramped up production of commercial concentrate and pellets with a higher iron content, giving us additional advantages over competitors in export markets. In addition, over the past three years, we have launched more than 100 new products."

Factors holding back exports

Oleksandr Myronenko identified CBAM — the carbon duty imposed by the EU on imports of products with high CO_2 emissions — as one key factor that could have a significant negative impact on Ukraine's steel exports in the coming months. The size of the duty and, accordingly, product competitiveness in the EU market will depend on how modernised the production is. He added: "This is also a major challenge for us, as we are currently unable to invest in modernisation: it is difficult to attract funds, as no one is willing to invest in costly projects in Ukraine given the war.”

According to Metinvest’s COO, it will take three to four years to modernise the plant from the decision to its launch. CBAM will come into effect on 1 January 2026 for goods exported to the EU from all over the world. There are currently no exemptions or special conditions for Ukrainian products. Meanwhile, Ukrainian producers cannot the secure special financing terms and modernisation grants available to European manufacturers. During the war, the EU market has become a priority for Ukraine, meaning that CBAM will impact the Ukrainian economy. According to estimates by the Federation of Employers of Ukraine, the country’s GDP could decline by between 4.8% and 6.1% in 2026-30. For a wartime and post-war economy, this means major loss and limited opportunities for recovery, which is why Ukraine needs special conditions with a sufficient transition period. He said: “Even if the carbon tax is introduced in 2028, and the war ends in 2025 or 2026, we simply won’t have enough time. We really need government support to postpone these requirements and have time for adaptation. Once the war ends, it will take at least three to four years for modernisation. We will carry it out, but it is essential that we are given the time and opportunity to implement everything.”



Answering the panel moderator’s question about the US administration’s new trade policy, Oleksandr Myronenko said: “US customs policy affects the export of pig iron, which accounts for a fairly large share of Metinvest’s total exports. We are also exploring options to replace rebar produced in Bulgaria that is intended for the US market. Currently, trade duties do not have a major impact on the Group, but under a negative scenario, the consequences could be critical.”

Trade wars drive up prices and reduce demand for most industrial goods, which in turn leads to a decline in steel consumption: Europe will begin to close off, and steel production in China — the largest consumer of Ukrainian iron ore — will decrease.

Metinvest’s COO explained: “All this will lead to a maximum reduction in export opportunities. We will be able to export products to Europe only and forced to shut down several more plants in Kryvyi Rih or cut steel production at Kamet Steel or Zaporizhstal. The direct impact of customs policy is therefore negligible. However, the policy of reciprocal restrictions is a major concern for us, as around 80% of Metinvest’s exports currently go to Europe. If the EU withdraws the preferential terms introduced after the start of the full-scale war, it will be very difficult for Ukrainian steelmakers to operate under pre-war restrictions.”

Factors hindering the mining and metals sector

Tariffs for the services of natural monopolies pose another challenge for steelmakers. Since 2021, the cost of electricity transmission has increased 2.3 times, the gas transmission tariff has quadrupled, and railway tariffs have risen by between 1.7 and 2.4 times.

Oleksandr Myronenko said: “The inefficiency of state-owned monopolies leads to additional costs for businesses: they simply shift their financial problems and special responsibilities regarding the population and ‘green’ generation onto non-household service consumers. This is a significant challenge for us. There is a need to revise this policy and seek common ground with state monopolies. We are currently in a dialogue with Ukrainian Railways, which is planning to increase railway tariffs by 37% — a move that, if approved, would destroy the national producer.”

Inhulets Iron Ore is already idle because of high production costs (including energy and logistics), which are not offset by prices on export markets. Metinvest’s COO added: “It will take two-and-a-half to three years to restart the plant and resume exports of 1.2 million tonnes of concentrate a month. Significant investments will be required to overhaul the equipment and return 4,000 employees, some of whom have joined the armed forces of Ukraine or are working for other companies.”

Another issue is the shortage of scrap for the steel industry, which is being exacerbated by the continuous increase in exports of this strategically important raw material from Ukraine: in 2024, compared with 2022, scrap metal exports increased almost sixfold. Oleksandr Myronenko noted: “We are selling strategic raw materials abroad for US$250 a tonne, while steel goes for US$550-600.” According to estimates, using one tonne of scrap for steel production and export generates an additional US$1,200 in foreign currency earnings and UAH15,000 in tax revenues for Ukraine. Metinvest’s COO added: “Scrap exports are economically unviable for the state. We must restrict the export of scrap, as Ukrainian steelmakers need it to increase domestic steel production.”

Oleksandr Myronenko stated that Metinvest’s most painful challenge is the staff shortage, which accounts for 10% to 15% of the total workforce. He said: “Since most employees are men, this poses an even greater challenge, as only 50% of them can be deferred. We hire people officially, but they often become a resource for the Territorial Centre of Recruitment, which immediately drafts them into the army. This discourages people from working at our enterprises. We are in dialogue with the Ministry of Defence to find a compromise and avoid paralysing production. If the economy does not work, the army will not have the resources to fight.”

How Metinvest overcomes challenges

Even amid such challenges and problems, Metinvest finds opportunities to increase its competitiveness and reduce production costs. For example, last year, due to inefficient logistics and delays in cargo delivery to ports, Metinvest invested in repairing railway infrastructure. Currently, the delivery time to Odesa ports has been reduced by a day and a half.

In addition, the Group is investing in its own power generation, with a US$20 million project to be implemented this year. The total capacity will be 20 MW: 10 MW units are already operating at Kamet Steel, while the remaining 10 MW will be launched in Kryvyi Rih. This will reduce costs, enhance energy independence and enable more flexibility during power outages or peak tariffs.

Metinvest is not waiting for the end of the war and is already investing in production modernisation. In Kryvyi Rih, the first stage of a large-scale reconstruction of Northern Iron Ore has begun: construction of a thickening plant for iron ore beneficiation tailings. This is the foundation for the subsequent construction of a flotation unit and the commissioning of a new roasting machine, which will produce high value-added DR-class ‘green’ pellets for European consumers, including a future plant in Italy. In Kamianske, an overhaul of the blast furnace will begin soon: once upgraded, it will meet European environmental standards. The Group has also created a programme for developing its metallurgical assets: it is gradually laying the groundwork for a full modernisation as soon as the financial opportunity arises.

Oleksandr Myronenko concluded: “We understand the challenges we face and how to overcome them. However, in times of difficult challenges, state support is very important for business: in shaping the tariff policy of state monopolies, setting public procurement conditions in terms of localisation requirements, protecting the domestic market from unfair imports, including those using semi-finished products from Russia, obtaining special conditions from the European Union, ensuring a sufficient transition period for Ukraine regarding CBAM and lobbying for Ukrainian producers’ interests in external markets. Regardless of the industry, the state must fight for trade preferences for them. This will enable jobs to be created and the economy to be developed. For example, the mining and metals sector employs 60,000 people and 360,000 people together with related industries. Before the war, this figure was twice as high, so we have high potential for growth.”