

5 Tips for European Steelmakers on How to Break Their Reliance on Russian Slabs – Insights from Metinvest Group CEO Yuriy Ryzhenkov Specially for NV.ua

The ban on Russian slabs is set to be imposed in 2024. However, some steel producers claim it's impossible to replace Russia as a source. Following the occupation of our assets in Mariupol, we have completely revamped our supply chains and now understand how the EU could do the same.



From the Editor: The controversy over sanctions on Russian products has been reignited in the EU. The ban on Russian rolled steel continues to operate and was supposed to be applied to slabs in 2024. However, some steel producers in the EU (mainly ones from Czechia and Belgium that have ties with Russian steelmakers) are already publicly raising the issue of postponing the ban on Russian products, citing their inability to replace sources. But is this really a problem? How can Europeans find an alternative to supplies from Russia?

Let me answer the main questions right away.

What is a slab? It is a rectangular billet, a semi-finished product produced in steel mills that is used to make flat products such as coils and sheets.

Has Metinvest managed to replace the slabs that were produced in Mariupol? Yes, of course. We have rebuilt all our procurement and logistics, and all our re-rolling assets in Europe are running with slabs from other suppliers.

Do we use Russian slabs? Of course not.

Can Europeans replace Russian slabs at their facilities? Absolutely. They need to try harder, bearing in mind that economic issues are also linked to ethical ones. Because purchasing Russian slabs means supporting the aggressor regime and the Russian military-industrial complex.

And now let's go into more detail.

The full-scale Russian invasion in February 2022 resulted in Metinvest losing two of the Group's key steel plants: Azovstal and Illyich Steel in Mariupol. These two plants not only provided over 50% of the Group's production capacity but were also reliable suppliers of slabs for our own rolling plants in Western Europe and for many independent producers around the world.

The global slab market stands at around 30 million tonnes annually, of which more than 10% was produced by Metinvest's Mariupol plants before the full-scale invasion. Russian suppliers accounted for more than 30% of the market, Brazilian suppliers for 25%, and the rest was shared by producers from around the world.

Metinvest owns three rolling mills in Western Europe – Ferriera Valsider and Metinvest Trameal in Italy and

Spartan in the United Kingdom – which consumed annually over 1.2 million tonnes of slabs produced by Mariupol's mills before 2022. The logistics accessibility, technological capabilities, wide product range and vertical integration of these plants have made Metinvest a reliable partner in many European construction projects, such as the construction of a 1-kilometre-long bridge in Genoa.

Therefore, with the loss of the Mariupol plants, Metinvest faced a new and unprecedented challenge. The Group not only had to provide semi-finished products to its European facilities, which have always been vertically integrated into the Group's overall structure and used 99% of the slabs from Azovstal and Illyich Steel, but also to ensure their profitability. And we successfully overcame this challenge by keeping production going while even managing to maintain plant utilisation at almost pre-war levels.

What helped us to deal with this problem within such a short time?

Decision-making speed. We reorganised the management structure and gave the procurement department autonomy, which provided flexibility and efficiency in resolving supply issues. This is extremely significant in a volatile market.

Supplier diversification. Today we have more than 15 suppliers from Europe and Asia. It is worth noting that some of them had virtually no presence in the slab market until 2022 and produced them solely for their own needs.

Reorienting production according to market conditions. One of our plants produced mainly hot-rolled steel coils and much smaller volumes of plates before 2022, but, in 2023, we reoriented the process to produce steel plates. It was more profitable in the current conditions.

Finding new sales markets. Before 2022, products from our European plants were practically not sold in Central and Eastern Europe as we focused on selling products from our Mariupol plants. Besides, Russian producers historically had a strong presence in these regions. Today, this territory has become a kind of "blue ocean" with huge unsatisfied demand and, as a result, good prices.

Looking for internal unconventional solutions. Metinvest had always only produced slabs at its Mariupol plants. The production of semi-finished products at Zaporizhstal was not considered for third parties due to technical and technological constraints. However, when this issue arose, the plant's specialists managed to set up slab production suitable for re-rolling the basic product range of European plants. Our Italian plants are already using a certain amount of these slabs, and we plan to start producing plates from them at the British Spartan plant shortly.

So, what should Europeans do in this situation? Should they support the steel industry of the aggressor country for their own comfort? Or should they make an effort to refuse to buy Russian products and stop sponsoring the killing of peaceful Ukrainians? The question is not rhetorical at all. However, it is certain that ensuring uninterrupted and, most importantly, profitable production of steel sheets without the use of Russian semi-finished products is not only feasible but also a critical task for European producers.

European producers should consider the possibility of utilising unused capacities to produce and supply semi-finished products to the EU domestic market given the decline in EU steel consumption by 7% and 5% respectively over the past two years.

To conclude, I would like to note that today that it is not just the European regulatory authorities that require producers to provide documents proving that there is no Russian steel in the composition of their finished products. **Most consumers themselves refuse to be sponsors of this war and do not purchase rolled sheet products made from Russian slabs.**

In this context, it seems illogical that the European regulator decided to ban imports of finished steel products of Russian origin while leaving a loophole in the form of temporary permits for semi-finished products. Eurofer, the European steel association, has also taken a corresponding position, stating the need to reject additional requests for exemptions from the ban on Russian steel imports from several member states aimed at protecting the profitable business models of individual rolling mills. I hope that the export ban on Russian slabs planned for 1 September 2024, as well as the export ban on Russian billets to the EU planned for 1 April, will be implemented, thus closing another channel of the EU's dependence on the aggressor country.