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WSD's steel experience, steel database and availability of steel statistics are the principles for performing steel forecasts, studies and analysis for international clients. WSD seeks to understand how the "pricing power" of steel companies the world over will be impacted by changes in the steel industry's structure. The views and opinions expressed in this article are solely those of World Steel Dynamics and not necessarily those of AIST.

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**European Steel: Record-High Prices Driven by Sanctions**

On 15 March 2022, the EU and G7 partners, including the U.K., announced a new sanctions package against the Russian federation amid the ongoing invasion of Ukraine. The scope of the new sanctions includes the ban of imports of iron and steel products (excluding semi-finished products) from the Russian federation.

The conflict in Ukraine has caused a significant impact on energy prices around the world, causing skyrocketing oil and natural gas prices. The Brent crude oil price soared to a high of US\$127/barrel from an average of US\$94 in February. The price has since held steady at about US\$100–110/barrel.

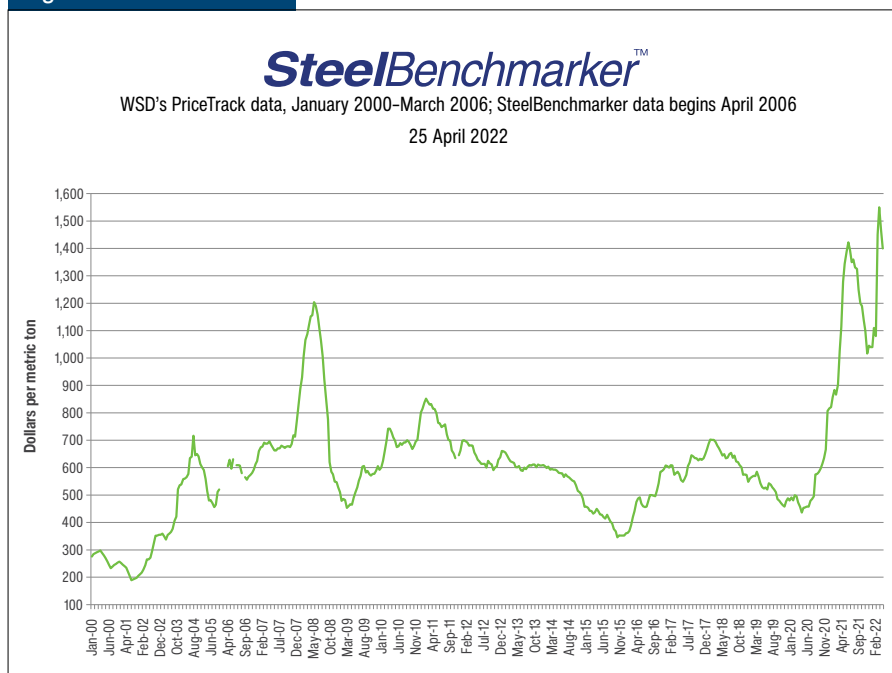
As oil price hikes have dominated headlines across the world, steel was also heavily impacted as supply was cut off from Russia and Ukraine

because of the war. Steel, being a foundation of the modern economy, is a key commodity in a slew of applications from bridges and skyscrapers to automobiles and household appliances. The prices of steel have also hit record highs globally, especially in Europe.

The hot-rolled band price in Europe hit a high of about US\$1,550/metric ton in late March immediately after the invasion. In January 2022, hot-rolled band price was about US\$1,040/metric ton (see Fig. 1). It remained around US\$1,450 in April but eased to about US\$1,300 in early May.

The rise in European prices has been exacerbated by the disruption in supply of steel brought about by the ban of steel imports from Russia, which accounted for about 12.8% (16% increase from 2020) of

Figure 1



Western Europe hot-rolled band price.

Table 1

Finished Steel Products Imports Into the EU (million metric tons). Source: EUROFER, WSD estimates.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Russia	2.14	2.46	2.71	2.77	3.49	3.54	2.40	3.70	3.04	3.21	3.73
Ukraine	4.17	2.72	3.01	4.51	6.90	5.67	3.44	2.83	2.41	1.21	2.54
Total imports	19.86	13.83	15.81	18.75	23.78	26.19	26.12	29.28	25.37	21.18	28.99
% share	31.80	37.41	36.18	38.78	43.69	35.15	22.38	22.29	21.46	20.87	21.65

the EU's finished steel imports in 2021 (see Table 1). Ukraine all but halted its steel production due to the ongoing conflict (with ArcelorMittal and Metinvest among those affected by the war), which intensified the steel supply gap in Europe. Steel imports from Ukraine made up about 8.77% (111% rise from 2020) of Europe's finished steel imports in 2021.

The question that needs to be answered now is: how can the supply gap left by Russia and Ukraine be offset? Europe could possibly increase its own production, but it is constrained by raw material shortages and high costs of energy and carbon. China, India, Turkey and Southeast Asia have already begun to fill the gap, but not without some challenges.

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