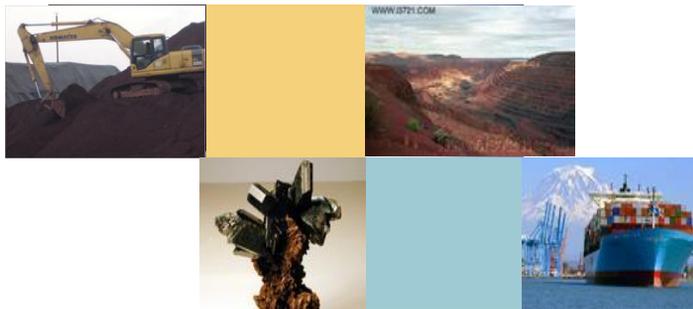


China's Policies on Steel Related Raw Materials



Workshop on Steel and Related Raw Materials
Dec. 16, 2008

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Overview of Steel Raw Materials Supply and Demand in China

Trade Policies for Steel Raw Materials

Taxation Policies for Steel Raw Materials

Policies to Promote Energy Saving and Recycling



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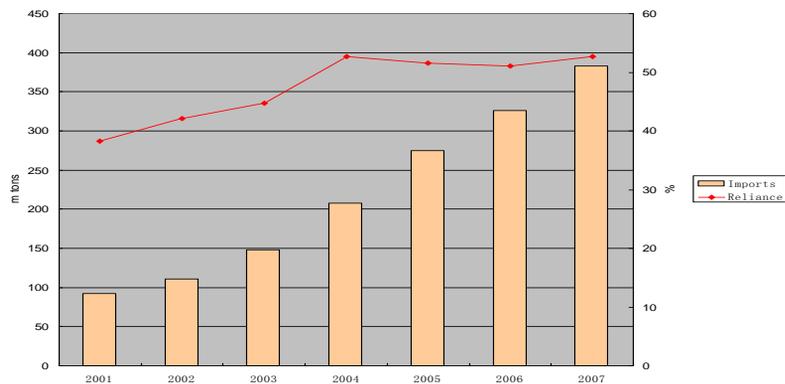
Overview of Steel Raw Materials Supply and Demand

- ◆ Around 90% of China's crude steel made from iron ore
- ◆ According to steel production in 2007, China consumed roughly:
 - 730 million tons of iron ore
 - 230 million tons of coke
 - 450 million tons of coal
 - 5.5 million tons of scrap
 - 10 million tons of ferroalloys



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Iron Ore



- ◆ Import reliance may decrease to less than 50% in the near future.
- ◆ It is possible to have a 40% reliance on imports in the long run.



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- ◆ **Coking Coal: a net importer in 2007, 3.68 million tons**
- ◆ **Scrap: not a major raw material in the foreseeable future**
- ◆ **Ferroalloys: a net exporter, but big importer of ore**



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Trade Policies

- ◆ Domestic trade: free market
- ◆ Foreign Trade
 - Coal: state trading & export quota
 - Coke: export license and quota
 - Ferroalloys: export license, no quota
 - Iron Ore: automatic import license
 - Scrap: stringent environmental restrictions



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Tax Policies

- ◆ VAT System for Domestic Sales
 - Coal Mines: 17% or 13%
 - Coke and Ferroalloys: 17%
 - Scrap: 0 for recycling enterprises
 - for steel mills, off-set sales tax for steel
- ◆ Resource Tax for iron ore, coal and ferroalloys



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Tax Policies

- ◆ Export Tax Refund
 - Low tax refund for high energy consumption, high pollution and resources consuming products.
 - No tax refund for coal, coke and ferroalloys
- ◆ Export Tax for coke: 40%



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Product	Export Tax Rate	Import Tariff Rate
Coking Coal	10%	0%
Coke	40%	0%
Iron Ore	10%	0%
Pig Iron	25%	1%
Scrap	40%	Light 2%, others 0%
Ferroalloys	Ferromanganese 20% Ferronickel 20% Feroniobium 20% Ferrovanadium 20% Ferosilica 25% Ferrochrominum 20%	Ferrovanadium 9%, others 2%
Ferroalloys Ore	10-15%	0%

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Policies to Promote Energy Saving and Recycling

- ◆ Set up industrial standards for energy consumption
- ◆ Preferential income tax and VAT policies
- ◆ Changes in national standards to promote saving of steel

Goals of the Chinese Government:

Energy Saving, Environmental Protection & Sustainable Development



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Thank You

