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## **Mega Projects Support the Ramp -Up of MENA's Production Capacities**



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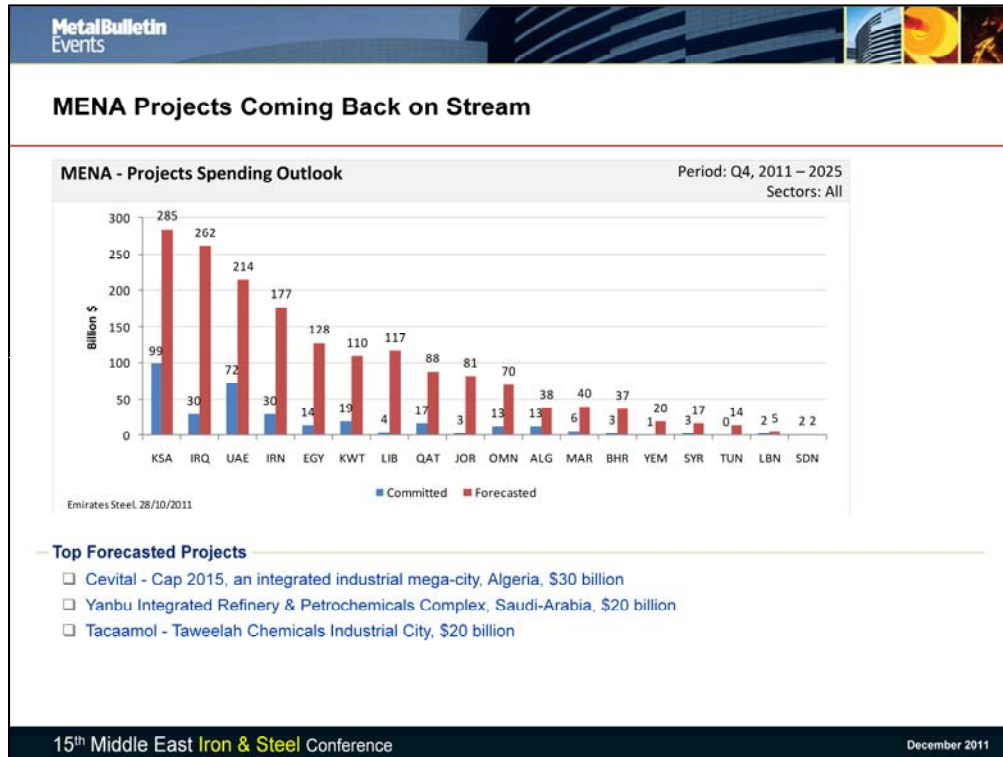
## Overview of Projects in the Middle East

- Projects in the Middle East are slowly but gradually coming back on stream after a period of calm and consolidation.
- Middle East rail projects are valued at more than US\$ 250 billion.
- Around US\$ 90 billion will be spent on new airports.
- Almost US\$ 100 billion worth of major road projects are under way or planned.
- Infrastructure, oil and gas, power, and construction projects in the MENA region will translate well in terms of profitability for regional contractors and developers.



- ✓ Around US \$ 1.6 trillion worth of projects were reportedly cancelled in the MENA Region in the last 3 years (Citi Bank Report).
- ✓ Out Of US \$ 150 billion worth of projects in North Africa, more than US\$ 23 billion are on hold (New York Times)
- ✓ Such fall-out from the global financial crisis was expected, however the picture is not all doom and gloom,
- ✓ because, the situation is now improving and indications of a better future outlook are increasing.
- ✓ There are projects in the Middle East are slowly and gradually coming back (MEED Projects)
- ✓ Surprisingly US\$ 1.1 trillion worth of projects could well come on line in the near future (Citi Bank Report).
- ✓ Rail Projects in Middle East are valued at more than \$ 250 billion dollars.

- In this field Saudi Arabia leads the way with a total of 23 projects valued at \$ 25.6 billion dollars , including the \$ 6 billion Makkah-Madina railway link.
  - In the UAE, eight railway projects valued at \$20.6 billion are under way, including the US\$ 11 billion Etihad railway project.
  - Meanwhile, the US\$ 25 billion Qatar national rail scheme will link to the GCC railway network. This 2,200km system will connect all six GCC states by 2017.
- ✓ Another US \$ 90 billion will be spent on new Airports and expansions
- One of the largest projects in the region is the US\$ 10 billion Dubai World Central-Al Maktoum International, which will be able to handle 160 million passengers a year once completed.
  - And also The Abu Dhabi Airports Company is constructing a new airport near the existing site to increase passenger traffic from the current 7 million to 32 million.
- ✓ Around US \$ 100 billion is planed to be spent on road projects.
- ✓ Oil, gas, Infrastructure and construction projects in the MENA region will once more boost profitability for regional contractors and developers.



- ✓ The table shows project spending outlook in the MENA region for the next 15 years
- ✓ As we can see here committed projects remain at a small fraction of forecasted projects. However, as I mentioned before there is cause for optimism because....
- ✓ there are several forecasted projects appear to be moving forward.
- ✓ Few good examples are:
  - An integrated industrial mega-city in Algeria with a value of \$ 30 billion dollars
  - An integrated Refinery and Petrochemicals Complex in Yanbu, in Saudia Arabia at \$ 20 billion dollars , and
  - A Chemicals Industrial City in Taweelah, Abu Dhabi at \$ 20 billion dollars.

## GCC – Unique Characteristics & Strong Fundamentals

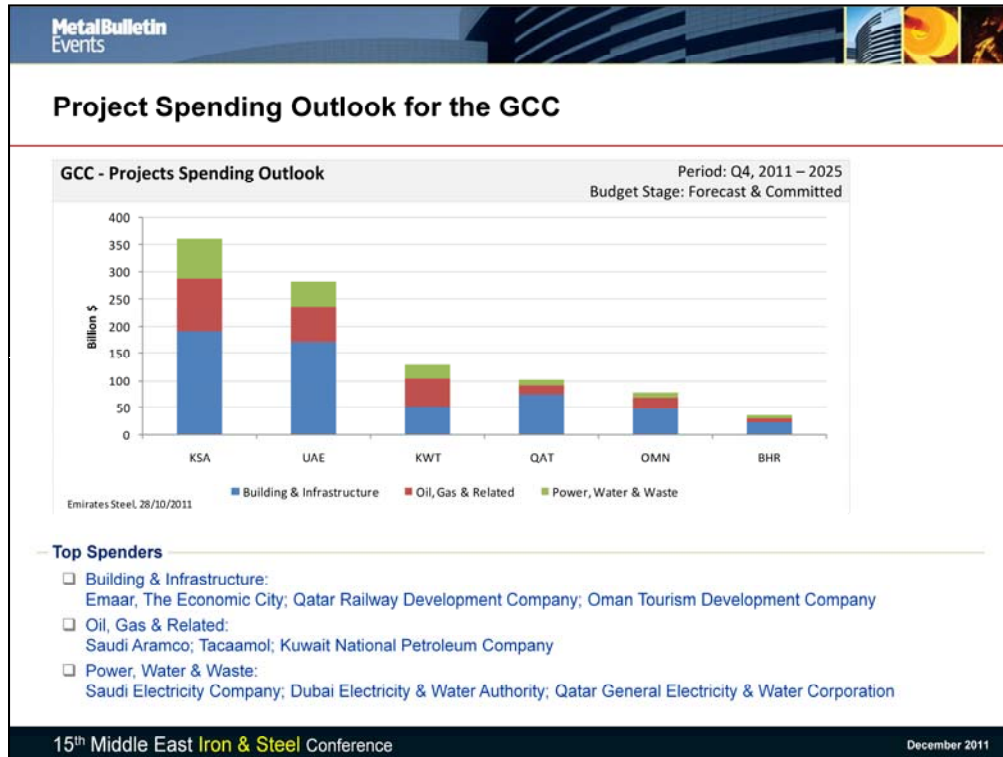
- The GCC region displays relatively unique characteristics and the fundamentals have not changed.
- Projects under way in Saudi Arabia, the largest economy in the region, are valued at over US\$ 99 billion (20 % of total projects spent in the Middle East) with another US\$ 285 billion under consideration.
- The UAE has just under US\$ 73 billion worth of projects under way, with another US\$ 214 billion under consideration.
- Abu Dhabi continues to expand at a steady pace despite global slowdown and regional turmoil.
- Qatar's projects encompass a wide spectrum of sectors, including building construction, leisure, tourism, and a particular focus on sports as it prepares to host the FIFA World Cup in 2022.



If we Focus on the G.C.C region, we can see that while most developed countries have been affected by the global financial circus, the G.C.C region was least affected and I believe that because of the following unique characteristics:

- First: Strong state budget surpluses /fueled by high oil prices
- Second: Favorable demographics ( around half of G.C.C population is less than 21 years old )
- Third: Muscular sovereign wealth funds, and
- And last but not least A drive to diversify economies away from oil

- ✓ Committed Projects in Saudi Arabia stand at \$ 99 billion dollars and in UAE at \$ 73 billion dollars
- ✓ Forecasted Projects currently under consideration in Saudi Arabia are at \$ 285 billion dollars and in UAE at \$ 214 billion dollars
- ✓ I think also many people would agree that Abu Dhabi continues to expand despite global slowdown and regional turmoil.
- ✓ In the medium term, Investments flow in the construction sector will be tilted more towards energy and infrastructure developments with the building sector facing lagged growth.
- ✓ In the refining and petrochemical sectors Saudi Arabia, UAE and Qatar lead Projects in the region.
- ✓ Of course Qatar forecasted projects will develop while preparing to host the FIFA 2022 World Cup.



- ✓ considering Projects Spending Outlook in the GCC region by country and by sector.
- ✓ In Saudi Arabia, the largest economy in the region:
- ✓ For the Construction Sector,
  - Projects worth around \$ 19 billion dollars were awarded in Q1 2011 including energy, buildings and infrastructure development
  - More than 80 million square meters of land were allocated to build half a million residential units at a total cost of \$ 68 billion dollars
- ✓ For the industrial sector,
  - It is planned to increase the number of industrial cities to more than 40 cities by 2015 with around 3,000 industrial projects with investment of around \$ 70 billion dollars
- ✓ For the Energy Sector,
  - 100 billion dollars will be spent on boosting energy production over the next decade

- ✓ Speaking about UAE, the second largest economy in the GCC,
- ✓ For the Construction Sector,
  - Projects worth around US \$ 9 billion were awarded in Q1 2011 consisting of energy, buildings and infrastructure development
  - Abu Dhabi is also developing a number of mega projects including:
    - Ghantoot Green City, a \$ 15 billion project that includes the creation of an entire city with residential areas, hotels, office buildings and light industries.
    - The announced Nuclear Power Generation Facilities consisting of four reactors of 1,600 MW each with a total cost of 20 billion dollars.
- ✓ In Qatar, the fastest growing economy in the GCC,
  - In the first three quarters of 2011 Road Projects worth \$ 1.7 billion dollars were awarded.
  - around \$ 6 billion dollars were allocated for the construction of new infrastructure between now and 2015 including work on a new Airport, seaport, railways and roads.
  - Qatar also announced plans to spend around \$ 48 billion on tourism and culture before winning the right to host the football World Cup.

## Middle East Steel Market at a Crossroad

- Steelmaking capacity in the Middle East is growing rapidly.
- The gap between production and consumption in the region will persist in the medium term though steel production is coming close to meeting domestic demand for certain finished steel products for the first time in the region's industrial history.
- Producers in the region are planning to expand capacity to meet this growth in demand.
- The shortage, combined with planned projects, provides growth opportunities for steelmakers in the region.
- The capacity to demand ratio could rise significantly in the future as many mini-mill projects come on stream.



- ✓ Even though Steelmaking capacity in the Middle East is growing rapidly
- ✓ Still, the gap between production and consumption will persist in the midterm.
- ✓ By 2013, the Middle East region will witness a shortage of 6.5 million tons of crude steel and 11 million tons of finished steel products (Metal Bulletin Research).
- ✓ In addition to that /The Consumption of steel in the Middle East will gain momentum from government projects during the next few years.
- ✓ According to the World Steel Association, the MENA region has maintained a relatively resilient growth of 8.4 % in 2011, with apparent steel use reaching around 83 million tons.
- ✓ Shortage of steel production combined with planned projects will provide growth opportunities for steelmakers to expand their production.

## Significant Capacity Expansion Projects

Crude & Hot Rolling Capacity versus Production		Period: 2010 – 2015(F) Countries: Middle East <sup>(1)</sup>				
	2010	2011	2012	2013	2014	2015
<b>Capacities <sup>(2)</sup> (ktpa)</b>						
□ Crude	26,200	28,950	37,200	40,920	42,680	45,180
□ Long	29,615	30,415	34,685	36,625	36,625	37,625
□ Flat	8,800	8,800	10,800	10,800	12,400	12,400
<b>Production <sup>(3)</sup> (ktpa)</b>						
□ Billet	14,193	16,889	19,639	24,391	26,696	27,901
□ Slab	9,556	9,446	10,921	11,809	13,104	14,649
<b>Utilization Rate (Crude)</b>	<b>91%</b>	<b>91%</b>	<b>82%</b>	<b>88%</b>	<b>93%</b>	<b>94%</b>
<b>Capacity Shortfall (Mt)</b>	<b>12,215</b>	<b>10,265</b>	<b>8,285</b>	<b>6,505</b>	<b>6,345</b>	<b>4,845</b>

### Notes

1. Middle-East figures: UAE, KSA, Iraq, Iran, Kuwait, Qatar, Yemen, Oman, Jordan, Bahrain, Syria, Lebanon
2. ES Internal research
3. Metal Bulletin Research, MENA 2011 Report

Steel producers in the region have already planned significant capacity increases.

- ✓ From this table, we can see that Crude steel capacity in the Middle East is expected to reach 29 million tons in 2011 and semi finished reaching 26 million tons. This corresponds to an utilization rate of 91%.
- ✓ Currently, the total hot-rolled long and flat production is close to 40 million tons per year, which indicates a shortfall of around 10 million tons of crude. This gap will be fed with imported semis.
- ✓ With the announced 14 million tons per year of crude steel capacity gradually coming on-stream, the Middle East crude steel capacity is expected to reach 41 million tons by 2013.
- ✓ It is further expected that crude steel capacity will increase to 45 million tons by 2015 and the corresponding utilization rate will rise to around 94%. The capacity shortfall will persist but will drop to around 4.8 million tons.

## Emirates Steel: Phased Expansion Approach

- To respond to fast growing demand, huge capacity expansion programs are underway with regional steel production closing the gap to meet domestic demand.
- Producers in Egypt, Saudi Arabia, Oman and UAE are ramping up their capacities.
- Emirates Steel is currently implementing a comprehensive business development plan. Once complete, the Company will become one of the largest and most competitive integrated steel producers in the region.
- With a view to achieve its strategic objectives, Emirates Steel had initiated an expansion program based on a phased approach.



- ✓ As you may all know, Emirates Steel is currently implementing a phased approach to its expansion projects .
- ✓ Once completed, the company will become one of the largest and most competitive integrated steel producers in the region.
- ✓ We will have a diversified product range, including:
  - Rebar in both straight and coil form
  - Wire Rod
  - Heavy and Jumbo Sections
  - Z and U Sheet Piles
  - Hot Rolled Coil
  - Plates
  - Seamless pipes, and
  - LSAW Pipes (Longitudinally Submerged Arc Welded Pipes)

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### Emirates Steel: Phased Expansion Approach

Capacity ('000 TPY)	Phase 1 Expansion	Phase 1 Enhanced	Phase 2 Expansion	Phase 2 Enhanced	Total Capacity
Rebar Rolling Mill (RM1)	500	750			750
Direct Reduction Plant	1,600	2,000	1,600	2,000	4,000
Steelmaking Plant / Caster	1,400	1,700	1,400	1,700	3,400
Rebar Rolling Mill (RM 2)	620	750			750
Wire Rod Mill (RM 3)	480	500			500
Heavy Sections Mill (RM 4)			1,000	1,000	1,000

**Note**  
1. Rolling Mills 1, 2 and 3 are already running steadily at the enhanced capacities indicated above.

15<sup>th</sup> Middle East Iron & Steel Conference Projects Drive Capacity  
MENA Region

This slide basically summarizes what has been achieved at Emirates Steel so far:

- ✓ Phase 1 expansion which was completed in 2010 is now producing 1.6 million tons of DRI, 1.4 million tons of crude steel and 2 million tons of rebars and coils per year.
  - ✓ Phase 2 project has the same capacity as phase 1 in terms of DRI and Crude steel but with a heavy sections rolling mill of one million tons per year.
  - ✓ Both the direct reduction and steel making plants commenced production in February this year. The heavy sections mill is currently under commissioning.
  - ✓ As a matter of fact we have just rolled our first H beam successfully on the 5<sup>th</sup> of December.
  - ✓ Finally, we have also recently launched a capacity enhancement project to increase the capacity of the two DR units to 2.0 million tons per year each and the two crude steel making plants to 1.7 million tons per year each. This enhancement project will be completed within 18 months. This will increase our capacity to 4 million tons of DRI and 3.4 million tons of Steel per year from Phases 1 and 2.
- ✓ This brings us to the last slide of this presentation:

## Emirates Steel: Major Developments Ahead

- Emirates Steel has now turned its attention towards implementing its strategic plans for the production of flat steel products and completing its envisaged upstream integration to ensure competitiveness in the future.
- Phase 3 will comprise a steelmaking plant of 1.7 MTPA of liquid steel and a HRC plant based on thin slab technology with 1.6 MTPA production capacity.
- The HRC will be up to 2.01 m in width and thicknesses ranging from 1.0 mm to 25.4 mm including API grades up to X-80 and other high value coils for use in the oil and gas sector to meet the regional demand for the same.
- Invitations to bid were issued to world renowned EPC contractors / technology providers on 28 July 2011.
- The EPC contract is scheduled to be awarded by early Q2 2012 and the plant construction to be completed by end 2014.
- Other expansion projects are currently in their early stages, but Emirates Steel is working to become a world class fully integrated steel producer by 2015.

- ✓ For the future, I believe many of the participants here today already know that Emirates Steel is in the final stages of its tender for the construction of its Phase 3 expansion project.
- ✓ This project will add a further 1.7 million tons per year of crude steel and 1.6 million tons per year of Hot Rolled Coil to our product portfolio.
- ✓ The coils will be up to 2 m in width/ and thickness ranging from 1.0 mm to around 25 mm including API grades up to X-80 and other high value grades for the oil and gas sector to meet the regional demand for the same.
- ✓ The EPC contract for Phase 3 expansion project is expected to be awarded by the beginning of Q2 2012 and the project to be completed by Q4 2014.
- ✓ Other Emirates Steel expansion projects are still in their early stages of development and I hope to report significant progress on the same within 2012.

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**Thank you**

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Projects Drive Capacity  
MENA Region

Thank you for your kind attention