

FEEDBACK ON STEEL AND METAL FABRICATION MASTER PLAN - PROGRESS, CHALLENGES AND STRATEGIC PRIORITIES

Portfolio Committee on Trade, Industry and Competition

Date: 10 June 2026



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, **growing the economy**

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PURPOSE AND OBJECTIVE

- Provide update on implementation of the Steel Master Plan
- Outline progress achieved
- Highlight key industry challenges
- Present Government interventions underway
- Identify strategic priorities and support required

STRATEGIC IMPORTANCE OF THE STEEL SECTOR

The backbone of industrialisation and sustainable economic development

“ No industrialised economy has developed without a competitive steel industry. ”



BACKBONE OF INDUSTRIALISATION

Steel underpins all major sectors of the economy and enables value creation across industries.



EMPLOYMENT MULTIPLIER

Generates direct jobs and supports many more across the value chain.



EXPORT EARNINGS

Supports foreign exchange earnings and strengthens our balance of payments.



STRATEGIC INDUSTRIAL SOVEREIGNTY

A competitive steel industry ensures national security, resilience and self-reliance in a changing world.

CRITICAL INPUT INTO KEY SECTORS



THE STEEL VALUE CHAIN



IMPACT ON THE SOUTH AFRICAN ECONOMY



Drives economic growth and industrialisation



Creates quality jobs and supports communities



Builds competitive industries and regional leadership



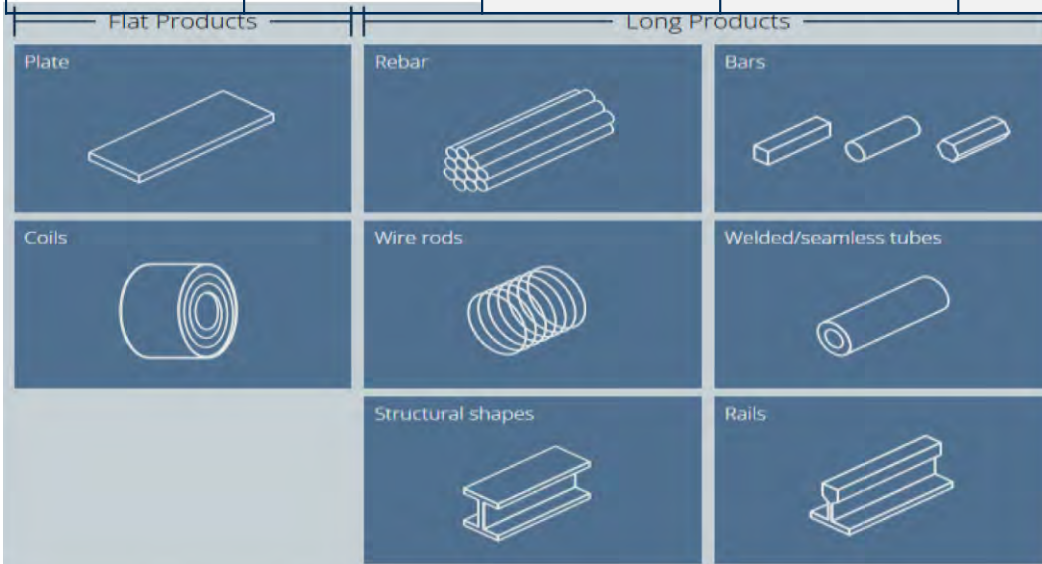
Strengthens resilience, self-reliance and national sovereignty



A strong and competitive steel sector is essential for a capable, inclusive and sustainable South Africa.

THE PRODUCTION OF LONGS & FLATS STEEL PRODUCTS IN SOUTH AFRICA

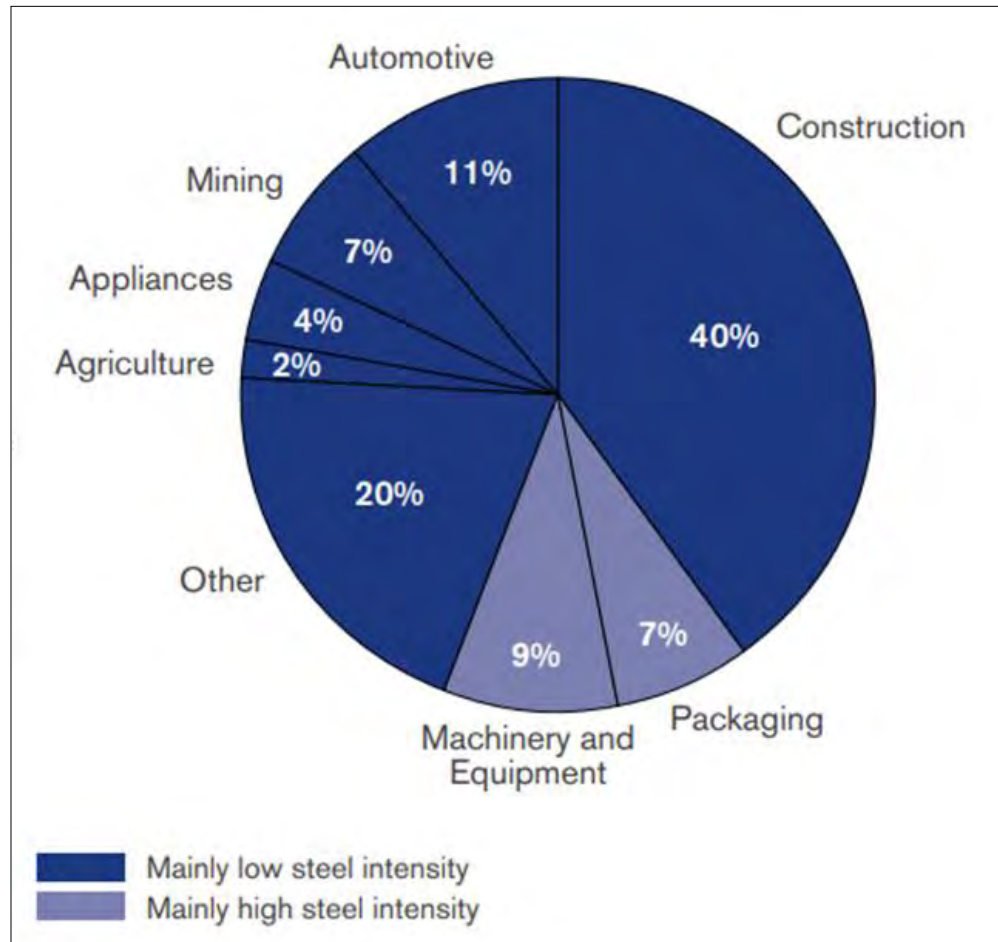
Flat products		Long Products						
Coil	Plate	Rebar	Special Merchant (SBQ & MBQ)	and Bars	Structural Medium/ heavy sections	Tubes	Rails	Wire rod
<ul style="list-style-type: none"> • AMSA Vanderbijlpark • Columbus • Scaw 	<ul style="list-style-type: none"> • AMSA Vanderbijlpark 	<ul style="list-style-type: none"> • All Mini Mills • AMSA Newcastle 	<ul style="list-style-type: none"> • AMSA Newcastle & Vereeniging • Scaw 		<ul style="list-style-type: none"> • Highveld (SA Steel Mills) • Scaw 	<ul style="list-style-type: none"> • AMSA Vereeniging 	<ul style="list-style-type: none"> • Highveld 	<ul style="list-style-type: none"> • AMSA Newcastle • Scaw • Cape Gate
Automotives Appliances Roof sheeting	Construction	Construction	Automotives Mining		Construction Engineering Infrastructure	Automotives Oil and Gas	Rail	Fencing Construction Automotives



Specialised steel products (tubes, rail, plate) have limited producers

Source: South African Iron and Steel Institute (SAISI)

THE DEMAND SIDE OF THE SOUTH AFRICAN STEEL PRODUCTS IN SOUTH AFRICA (2024)



Source: SAISI, Stats SA

KEY CHALLENGES FACING THE STEEL INDUSTRY IN SOUTH AFRICA

Slow Economic Growth

- Prolonged periods of low economic growth limit domestic demand
- Significant overcapacity in the local industry due to low demand
- Delayed infrastructure projects and subdued private sector investment



High Operational Costs

- Escalating electricity costs and tariffs
- Increased labour costs
- Inefficiencies in freight and rail logistics



Influx of cheap imports

- Cheap steel from China flooding global markets
- Dumping risks and pricing imbalances
- Trade Barriers: US tariffs on steel (25% duties restrict exports)



Green Industry

- Decarbonisation: Pressure to adopt greener production methods, CBAM
- Government Policies: Scrap metal policy favouring mini mills (according to large producers like AMSA)

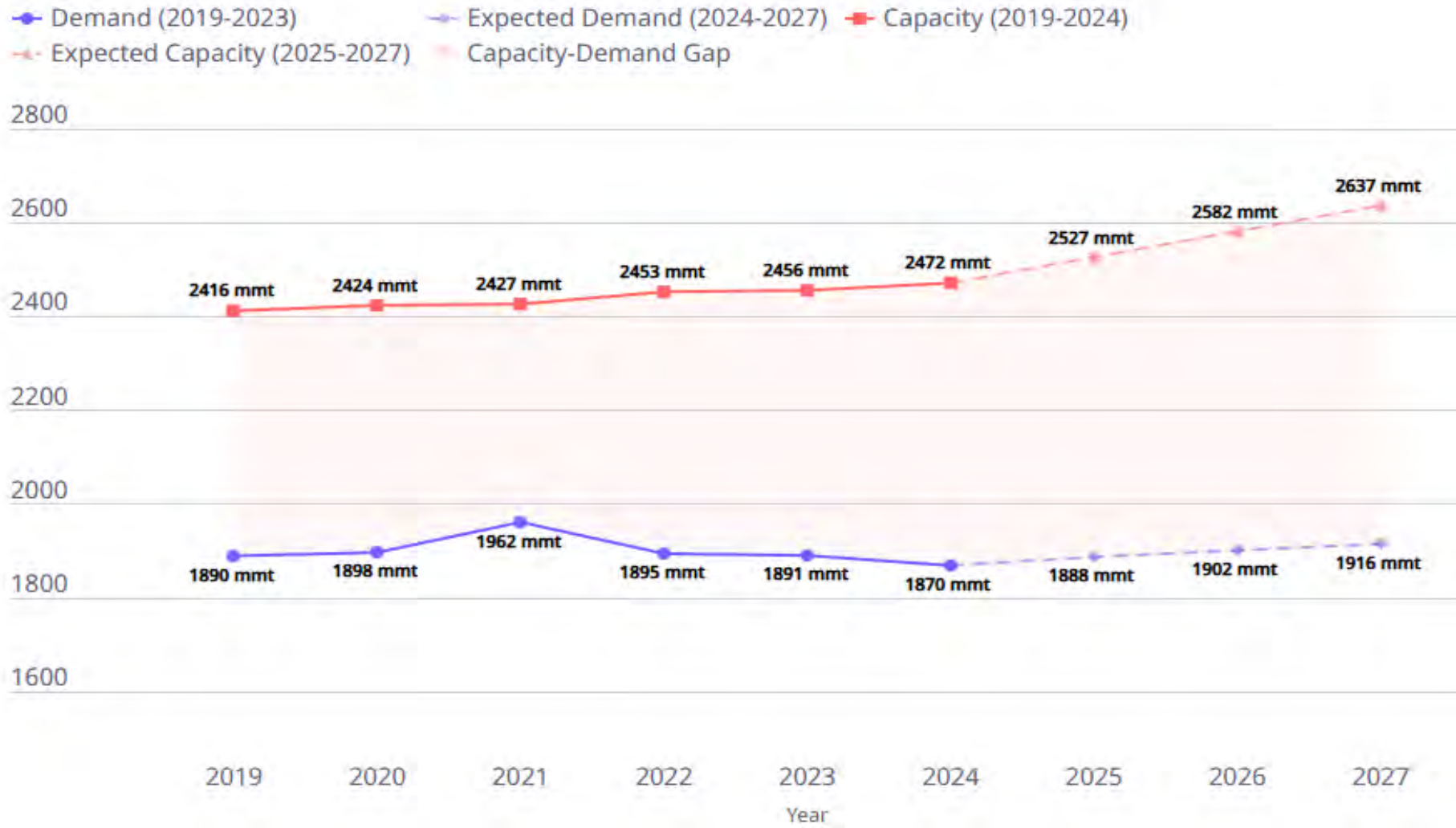


Employment Impact

- Skilled Employee Shortage: Adoption of new technology
- Job losses: Potential for direct and indirect job losses due to plant closures



OECD: Recent (2019-24) and forecasted (2025-27) global steel excess capacity



Source : OECD Steel Outlook 2025

Global Environment and excess capacity of Steel

- Global overcapacity projected to reach 750 mt according to OECD despite falling demand. Primary drivers are China and India
- Rising protectionism (EU and US markets)
- Decarbonisation and green steel as facilitate by the EU and UK CBAM and import quota measures

Implications for SA are mainly

- Vulnerability to import surges from excess producing countries
- Trade diversion to less protected markets
- Reduced capacity utilisation
- Reduced investment
- Closures and job losses

KEY STRUCTURAL CHALLENGES

Logistics and Infrastructure challenges

- The deterioration of rail and port infrastructure has significantly weakened industry competitiveness.
- Logistic inefficiencies are contributing to the decline in steel production.

Key issues:

- Inefficiencies at ports, which are being addressed.
- Rail underperformance causing increased road freight costs. Private service providers to improve service delivery.
- Cable theft and vandalism.

FERROUS SCRAP MEASURES UNDER CONSIDERATION

Policy measures under consideration

- Review of the Price Preference System (PPS) to improve domestic scrap availability and market efficiency:
 - Assessment of the appropriate PPS discount level
 - Assessment of the appropriate export tax level

Additional Measures Proposed by Industry

- Temporary suspension of ferrous scrap export permits pending assessment of domestic supply conditions
- Enhanced compliance monitoring and enforcement inspections across the scrap value chain
- Verification of scrap classifications and export declarations to prevent leakage of material suitable for local beneficiation
- Strengthened monitoring of scrap availability, pricing trends and export volumes

Alignment with Eskom Transmission Development Plan (TDP)

Grid Expansion & Reliability

Supports replacement and expansion of transmission and generation transformer infrastructure critical for grid reliability and future energy demand.

Industrialisation

Long-term transformer demand supports sustainable local manufacturing investment, localisation and industrial capacity retention.

Strategic Procurement

R3.4 billion procurement programme enables economies of scale, supplier development and long-term production planning.

Energy Transition Support

Transformer infrastructure enables integration of renewable energy, transmission upgrades and future generation projects.

TCTA Strategic Water Infrastructure Projects

Lesotho Highlands Water Project

Bulk water transfer infrastructure supporting Gauteng water security

Mokolo & Crocodile River Water Augmentation Project

Supports industrial expansion, mining and municipal water supply in Limpopo

uMkhomazi Water Project Phase 1

Strategic bulk water project for KwaZulu-Natal

Vaal River Eastern Sub-system Augmentation Project

Enhances reliability of the Integrated Vaal River System

Berg River-Voelvlei Augmentation Scheme

Improves Western Cape water resilience

Olifants River Water Resources Development Project

Supports mining, municipal and agricultural water demand

TCTA projects create significant downstream demand for steel, electrical equipment, fabricated products, pumps, transformers and engineering services.

Trade measures to date

- Over 10 trade measures (safeguards, tariff investigations, rebates and antidumping reports processed and some in implementation.
- Need to track the impact to further improve the protection offered against unfair trading systems.
- Sector desk involved in EU trade negotiations on Steel - EU steel safeguard measures are set to expire on 30 June 2026, they wish to levy a 50% tariff to all imports exceeding the quota.

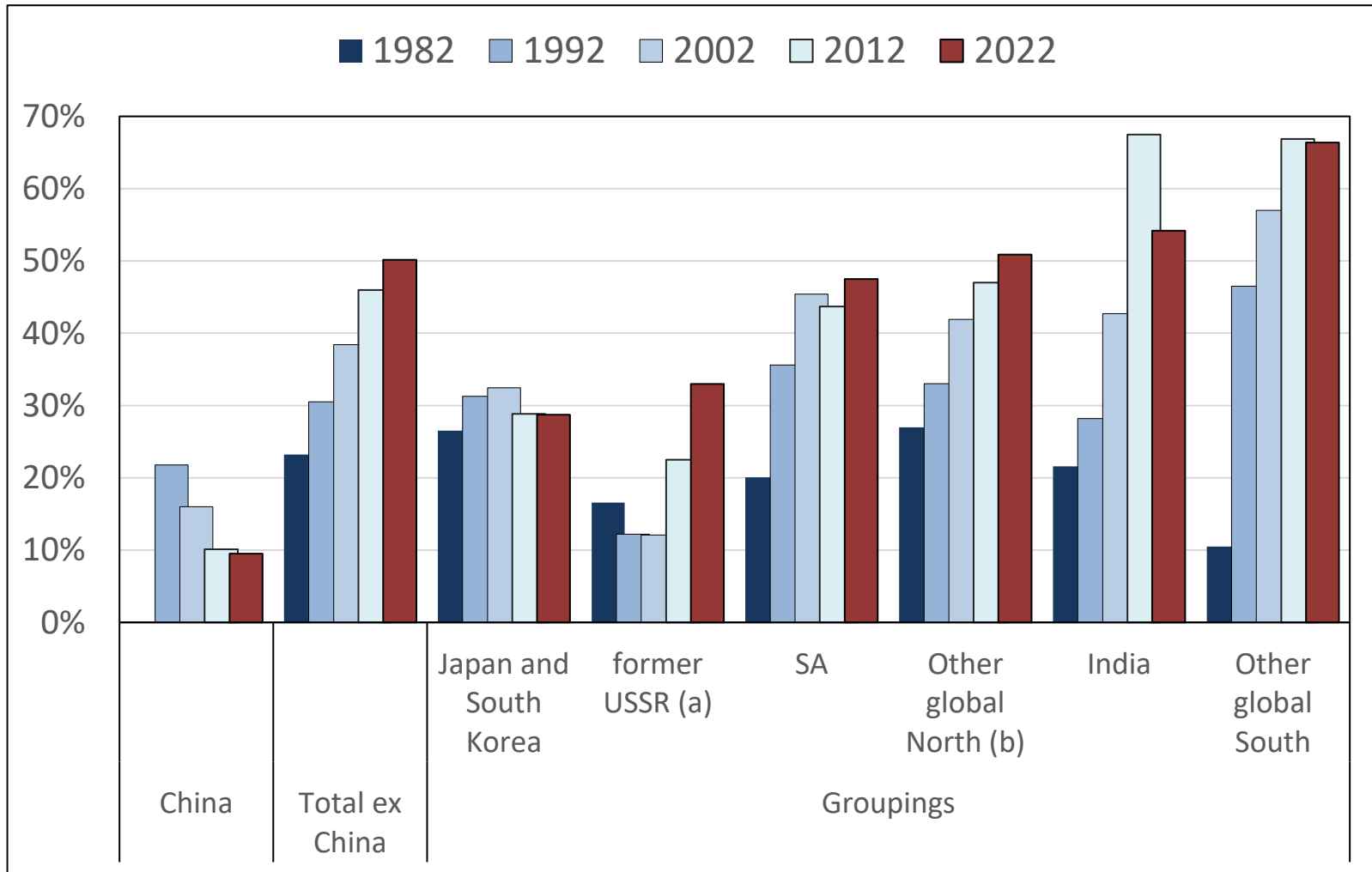
AN UPDATE ON AMSA

- ArcelorMittal Group, ArcelorMittal South Africa and the Industrial Development Corporation continue to engage in respect of a potential transaction. The discussions are subject to the conclusion of definitive agreements and receipt of various approvals.
- There has been progress on the implementation of custom duties and other trade remedies.
- There is further progress with the negotiation of a reduced electricity tariff, which is awaiting approvals from NERSA and Eskom.

PROPOSED SA STEEL INDUSTRY ROADMAP

- Invest in low-carbon steel technologies.
- Leverage South Africa's iron ore and renewable energy advantages.
- Establish green industrial financing instruments, such as the Mitigation Action Facility (MAF), LEADit, EU-SA Clean Trade and Investment Partnership (CTIP) and other climate investment funds.
- Pilot hydrogen-based steelmaking technologies - the Mitigation Action Facility is considering over 34 projects with combined investment exceeding just over 10bn \$USD ranging from Electric Arc Furnace (EAF), Coal to Hydrogen Direct Reduced Iron (DRI).
- Development green steel industrial zones (Saldanha and Ekurhuleni nodes).

SHARE OF ELECTRIC ARC FURNACES IN STEEL PRODUCTION BY REGION



Source: TIPS

POLICY INTERVENTIONS IN THE STEEL INDUSTRY

- **Support local manufacturing & localisation**
- **Policy: -**
 - Finalise designations to support local manufacturers
 - Enforce localisation compliance in ITP/TDP
 - Policy amendments on stage consignment
 - Establishment of a technical working group (SARS/**the dtic**)

Expected Outcomes:

Strengthened local manufacturing, reduced imports, job retention, export potential

CONCLUSION

“The future of South African industrialisation remains closely linked to the sustainability and modernisation of the domestic steel sector.”