the dtic
Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 4597

Ms P R Mailola (EFF) to ask the Minister of Trade, Industry and Competition:

(1) In light of growing concerns that relaxing export restrictions and price controls on ferrous scrap metal may undermine the green steel objectives of the Republic and threaten thousands of local jobs, what steps has his department taken to balance industrial policy with trade liberalisation;

(2) how does his department intend to (a) protect downstream manufacturers and (b) promote domestic beneficiation in the face of increasing pressure to ease scrap metal export regulations;

(3) what impact assessments have been conducted to evaluate the potential consequences of lifting the current restrictions on the sustainability of the green steel value chain? NW5145E

REPLY:

(1)

The Department has embarked on two important review processes of the Preference Pricing System (PPS) discount on ferrous scrap as well as the export tax. This is aimed at providing long term policy certainty, required for enabling long term investment and supply chain planning by the steel industry. These reviews are approaching finalisation. The findings, recommendations and adopted policy choices will be communicated to the Portfolio Committee and to the public, once a decision has been made.

The work of **the dtic**, in defining the future of the steel sector, recognises the need to decarbonise whilst adopting appropriate transition pathways in the context of global overcapacity and continuous falling steel prices. This includes technology choices (blast vs.

electric arc furnace) to be advanced - towards green steel production. Scrap metal is critical to green steel production because it enables a low-carbon, circular and resource efficient industry. Therefore, trade-offs from industrial policy and trade liberation considerations will be in support of developing a globally competitive steel industry that takes advantage of South Africa's resource endowments and creation of a conducive environment for green steel production.

(2)
The global steel industry is facing an unparalleled period of instability due to rapidly imposed tariffs and trade barriers. These measures are a reaction to global oversupply and slow demand, and they are reshaping a number of issues in the industry like pricing and competitiveness. Costs along the steel value chain have escalated, affecting both upstream and downstream players. In light of these, the South African government has implemented several measures to support the local steel downstream industry as well regulating scrap metal exports.

Protecting Downstream Manufacturers includes the following:-

- **Downstream Steel Industry Competitiveness and Development Fund**: A concessional funding administered by the Industrial Development Corporation (IDC) to support critical industry projects, upgrade infrastructure, introduce innovative production methods, and raise competitiveness. This is in addition to the IDC's own on balance sheet funding.
- **Tariff Support**: A number of trade interventions implemented to support local industry & attaching reciprocal commitments towards - improving industries' overall competitiveness; increasing productive capacity; investments; retaining & creating jobs; and enhancing skills development.
- **Localisation**: With the proclamation of the Procurement Act, work is underway to designate certain steel-intensive downstream products for local content and production to take advantage of public procurement and expenditure. Localisation interventions where impact is visible include Eskom transmission, distribution as well as rail infrastructure by Transnet.
- **Scrap Metal Export Tax and the Price Preference System**: industrial policy tools that ensure quality scrap metals is made available locally at discounted prices.

- In light of the shortcomings identified in the Steel and Metal Fabrication Masterplan process, the Minister and the stakeholders have agreed on the **development of an industry roadmap** to address the current challenges using a multi-prolonged approach.

(3)
The work on the impacts of the PPS and export tax is ongoing and a report on its finding and recommendation will be shared with the Portfolio Committee once finalised. This work will be concluded by the third quarter of this financial year 2025/2026.

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