Transformation and Upgrade Plan for the Iron and Steel Industry (2016-2020)

The iron and steel industry is an important basic industry of the national economy and the cornerstone of the country. For a long time, the iron and steel industry has provided important raw material guarantees for national construction, effectively supported the development of related industries, promoted the process of industrialization and modernization in our country, and promoted the improvement of people's livelihood and social development. The “13th Five-Year Plan” period is the decisive stage for building of moderately prosperous society, the first stage for the “three-step” construction of a powerful manufacturing country, and the key stage for the structural reform of the iron and steel industry. The formulation and implementation of the Transformation and Upgrade Plan for the Iron and Steel Industry (2016-2020) is of great significance to realize the transformation and upgrade of the iron and steel industry, build a world steel power, and build a powerful manufacturing country.

The Transformation and Upgrade Plan for the Iron and Steel Industry (2016-2020) is formulated according to the “Thirteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China”, “Made in China 2025” and “State Council's Opinions on Resolving Overcapacity in the Iron and Steel Industry to Realize the Development of Relief ”, as a guidance document for the development of China's iron and steel industry in the next five years.

I. Status quo of the industry

During the “12th Five-Year Plan” period, China has built a steel industry system which owns most complete industry chain and provides most of steel materials for development of national economy. The quality of products has become increasingly stable, effectively supporting the steady and rapid development of the downstream steel industry and the national economy. At the same time, China’s steel industry is also facing problems like overcapacity, insufficient innovation capability, increasing constraints due to environment and energy reasons, and difficulties in continuing operations.

(I).Achievements in “12th Five-Year Plan” period

1.Supporting the rapid development of economy

2.Diversifying products genre and improving products quality

3.Significant improvement in technology and equipment

4.Significant achievements in energy saving and emission reduction

5.Better industrial landscape

6.Informationization and intellectualization

7.New progress in energy supplying

(II)Major problems

1. Overcapacity has become more serious.

2.Innovation is not enough.

3.Restrict has become stronger due to environment and energy reasons.

4.The operation of enterprises need to be regulated.

II. Situation

During the "13th Five-Year Plan" period, China has entered a new normal of speed change, structural optimization, and power conversion, and has stepped into the critical stage of comprehensively advancing supply-side structural reforms. On one hand, the whole steel industry is facing significant opportunities regarding deepening reform, further opening up, structure adjustment and demand update, on the other hand, challenges like demand decrease, overcapacity, and insufficient effective supply would be in the way.

(I)General situation

A new round of technology revolution and industry reform has been ready to break out, and developing counties are accelerating their efforts on planning and layout to welcome and prepare for industrial and capital transfer in light of the implementation of "One Belt and One Road" strategy. All of the factors above has provided China's steel industry with a market opportunity to participate in extensive global cooperation.

In the meantime, through ups and downs, world economy recoveries from deep adjustment. Still, those profound influence of global financial crisis would extend into long term future, and together with sluggish increase of world crude steel demand and overcapacity, it would aggravate various kinds of trade protectionism and thus bring about more complex and drastic international competition.

(II) Demand prediction

According to the excepted goal of annual GDP growth rate greater than 6.5%, prescribed in *Outline of the Thirteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China,* and taking into account the economy development speed range, downstream industry demand change, region development balance and steel materials import and export factors, we conduct our prediction of crude steel demand and output via steel consumption coefficient method, region consumption balance method and industry consumer survey in light of the current general situation China's steel industry is facing with. From the global perspective, we predict that, by 2020, the crude steel consumption and output would basically remain at 1.6 billion tons. From domestic perspective, during 13th five-year plan period, both of steel consumption intensity and consumption volume would take on a trend of decreasing, and productive consumption would step into downturn after reaching the peak and appears to decrease slowly.

III. Guidelines, basic principles and goals

(I)Guidelines

We shall fully implement the spirit of the 18th Congress of the Party and the third, fourth, and fifth Plenary Session of the 18th Central Committee of the CPC, and adhere to the concepts of innovation, coordination, green, openness, and shared development. We shall also actively adapt to, grasp and lead the new normal economic development, making the decisive role of the market in resource allocation be fully used, and the role of the government be effectively used, to propel the supply-side structural reform of steel industry. We shall take comprehensive competitive force in steel industry as our goal, and focus on the direction of addressing overcapacity, to promote innovation development and green development, and to enhance development quality and benefit of national steel industry.

(II)Basic principles

1. Adherence to contractual adjustment
2. Adherence to innovation-driven
3. Adherence to green development
4. Adherence to the principle of quality priority
5. Adherence to open development

(III)Goals

By 2010, a profound progress regarding supply-side structural reform in steel industry shall be made, and a thorough victory against industry predicament shall be achieved. The problem of overcapacity shall be relieved effectively, to reduce the capacity of crude steel by 0.1-0.15 billion tons. The innovation-driven ability shall be effectively strengthened, and a national industry innovation platform and a group of leading international innovation leading enterprises shall be established. Indicators on energy consumption and pollutants emissions shall meet requirement and take on downward trend. We shall cultivate a batch of intelligent steel manufacturing plants and smart mines, and substantially enhance product quality stability and reliability, realizing the effective supply of a number of key steel products. We shall strive to achieve remarkable achievements in the structural reform of the supply-side in the steel industry by 2025, making the level of independent innovation and effective supply be significantly improved and forming a development situation of optimization of organizational structure, reasonable regional distribution, advanced technology, outstanding quality brands, good economic returns, and competitiveness, to achieve the historic leap of China's steel industry from big to strong.

IV. Key tasks

(I) Actively and prudently cut overcapacity and deleverage

We shall adhere to the principles of that market serves as a check, enterprise be the main entity, local government organizations, and central government supports, to highlight key points, following laws and regulations, and comprehensively using market mechanisms, economic measures, and measures of law, to actively and prudently resolve excess production capacity, and dispose of zombie enterprises, and lower the asset-liability ratio of enterprises.

Prohibition of steel capacity increase

1.Cut capacity in accordance with laws and regulations

2.Promote the disposal of zombie enterprise

3.Lower the asset-liability ratio of enterprises

(II) To improve the industrial landscape of steel industry

Overall consideration will be given to market demand, transportation, environmental capacity, and resource and energy support conditions. And in light of addressing of overcapacity, regional layout regarding capacity reduction shall be deeply proceeded.

(III)To improve self-independent innovation ability

(IV)Enhance the effective supply level of steel

1.Promote services-oriented manufacturing

2.Enhance quality level

3.Strengthen band creation

(V)Develop the intelligent manufacturing

1.Consolidate the basis of intelligent manufacturing

2.Comprehensively promote intelligent manufacturing

（VI）Promote green manufacturing

1.Implement upgrade of green reformation

2.Accelerating the development of cyclic economy

3.Guiding green consumption

（VII）Promote merger and restructure

（VIII）Deepen reform and opening-up

1.Promote international capacity cooperation

2.Improve the international operating level.

（IX）Strengthen the ability of iron resources protection

（X）Create a fair and competitive environment

1.Strengthen regulation in the process and post-mortem supervision

2.Promote effective self-discipline in the industry

V．Safeguard

（I）Implement the significant policy of cutting

overcapacity

（II）Perfection financial and tax policy

（III）Strengthen the management of the industry

（IV）Perfection the implementation mechanism of plan