



Washington Update on Policies Shaping the Steel Industry

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VOGEL
GROUP

The Vogel Group is an international government affairs and consulting firm headquartered in Washington D.C serving companies, corporations, associations, and asset managers around the world.

Our firm provides strategic counsel and government affairs support in managing, responding to and capitalizing on government risk and opportunities.



Samir N. Kapadia

Managing Principal

Samir N. Kapadia is Managing Principal and Head of Trade at the Vogel Group, where he leads the firm's trade practice, advising clients on tariffs and supply chain strategy issues. In 2023 Samir was named *The Hill's* Top Lobbyist.

In Washington, Samir is well-regarded as a steel policy expert, having worked on domestic manufacturing, trade, industrial decarbonization, workforce and environmental permitting issues for international and domestic clients. In 2019 and 2020, Samir was ranked as the top lobbyist on tariff issues in DC.

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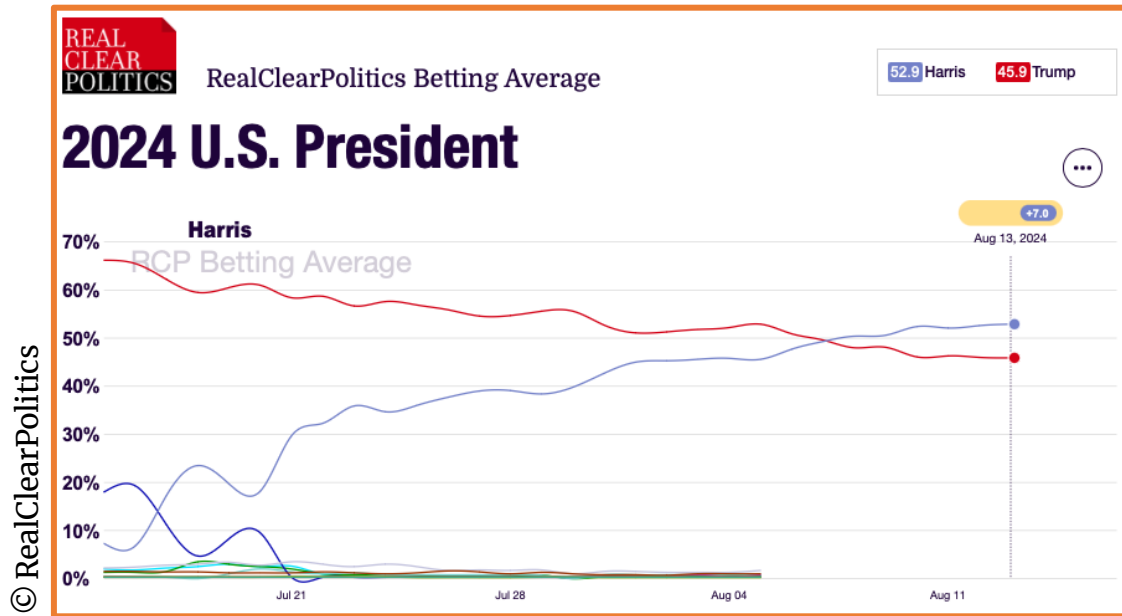
The Washington Post

Agenda

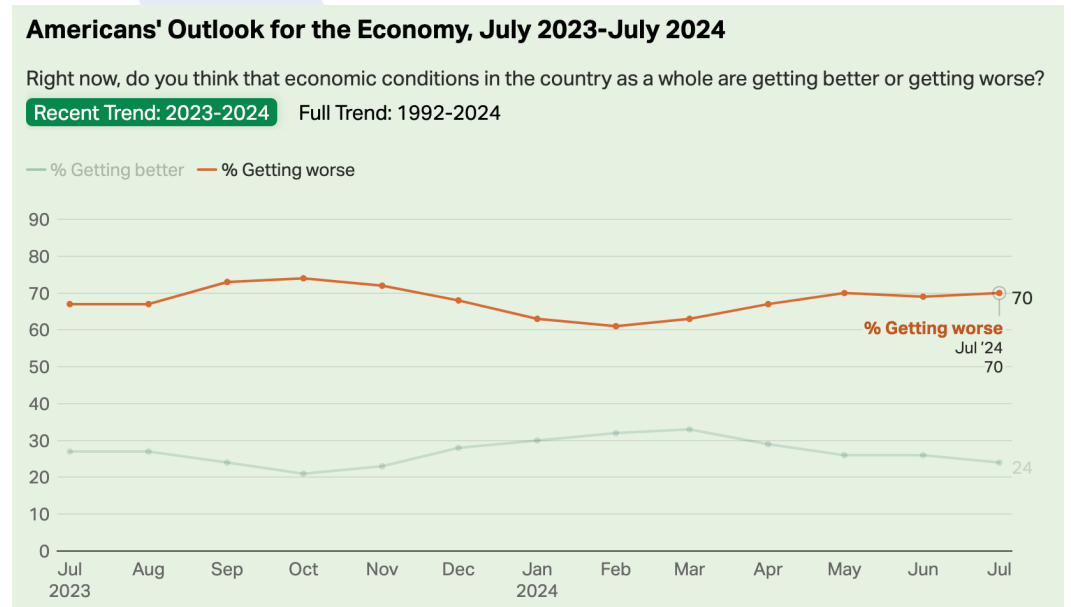
- What's Happening in DC?
- Current Steel Market Dynamics
- US-Nippon Deal
- DoE Industrial Decarbonization Policies
- JSW Steel USA Receives 48C Tax Credit
- Build America, Buy America Act
- Biden Shows Strength on Steel Policy
- Congress Weighs in on Steel
- Trade Association Engagement
- Trump vs Harris on Steel
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What's Happening in DC?

Presidential election is 76 days away.



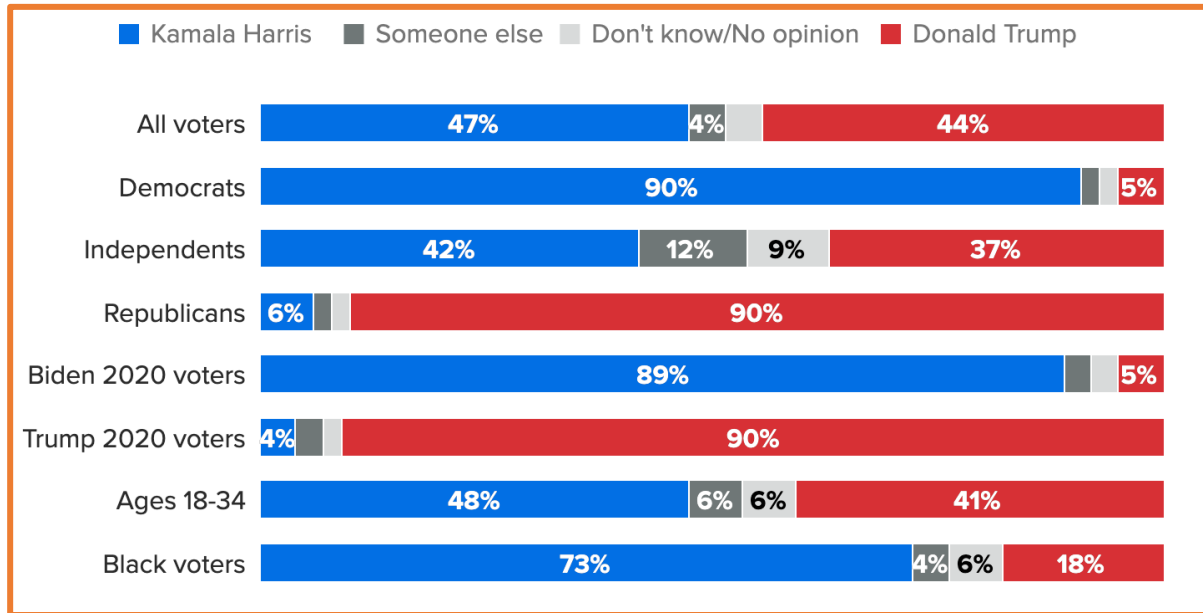
- Harris is leading Trump in betting markets, by +7 points as of Aug. 13.



- Concerns with the economy continue to dominate voter attention and attitudes. According to recent polling, 70% of Americans think the economy is getting worse.

What's Happening in DC?

Polls & Public Sentiment



- Harris has cultivated popularity with **younger** voters and among the **black community**, compared to Trump.



- In swing state polling, Harris is leading. Running mate, Tim Walz, is also expected to help the campaign win over moderate and working-class voters.

What's Happening in DC?

- In the House, all 435 seats are up for election in November.
- 33 Senate seats will be contested – 20 held by Democrats, 10 held by Republicans and 3 held by Independents who caucus with Democrats.
- As of August, 9 Senators and 45 House members announced they would not seek re-election in 2024.

(Currently August Recess)

Congress has 39 working days left.

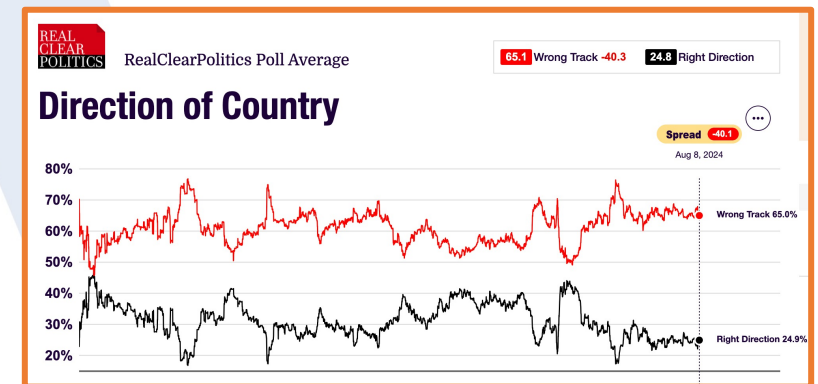
September – 15 days

October – Out for campaigns

November – 9 days

December – 15 days (final sprint, appropriations bills)

- The 118th Congress is shaping to be the **least productive in decades**. Only 78 bills have passed, compared to 365 from 117th Congress.
- Congress has a **16% approval rating**, a slight improvement from the **12% approval rating** in February.



- As of Aug. 8, 65% of respondents polled believe that the country is on the wrong track.

Current Steel Market Dynamics

- **Global steel volatility:** world crude steel production has declined across all regions over the first five months of the year (with the exception of India).
 - We anticipate that the output of global basic metals will slow down to 2.2%; however, U.S. basic metals output is expected to increase by 4.5% in. This is due to the Inflation Reduction Act.
- Steel import permit applications in July = 2,289,00 net tones (57% decrease from June)



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USS-Nippon Deal

Fastmarkets

Other market pundits hold less optimistic views, among them Samir Kapadia, principal and chief operating officer at the Vogel Group, a bipartisan government affairs and consulting firm based in Washington DC.

"I think there's a near zero chance that the deal gets done this year," Kapadia told Fastmarkets.

"Nippon Steel grossly miscalculated the domestic politics around the transaction and have hit a complete reset button to recalibrate their position," Kapadia said. "It would make no sense to push it forward this year, prior to the presidential election."

"Even if we see a change in power in the White House, this deal is fraught with major challenges," Kapadia added.



- **USS-Nippon Agreement:** The landmark \$14.1bn purchase of U.S. Steel by Japanese manufacturer Nippon (at \$55 per share) has received pushback from both Trump and Biden, as well as many union leaders against it, citing dependency concerns.
- Recently, Nippon has **pulled their application with CFIUS** and they plan to refile with a new administration next year.
- **Nippon hired former Secretary of State Mike Pompeo** to help secure the deal, but given bipartisan opposition, **the deal is unlikely to happen** under either administration.

DoE Industrial Decarbonization Policies

- On March 25, Biden's DoE announced \$6bn for 33 projects (six among them iron and steel) across 20+ states to decarbonize energy-intensive industries and strengthen manufacturing competitiveness.
 - Funded by IRA (\$5.47bn) and Bipartisan Infrastructure Law (\$489m)
 - Managed by Office of Clean Energy Demonstrations (OCED)
- **Advanced Manufacturing Production Tax Credit (45X MPTC):** a per-unit tax credit for each clean energy component domestically produced and sold by a manufacturer.
- **Advanced Energy Project Credit (48C ITC):** awards tax credits for investing in various eligible properties designed to produce or recycle advanced energy components and re-equip industrial facilities with emissions-reducing process heat systems.



“The U.S. was severely behind Europe in its public and private investments in green steel. Today’s billion-dollar federal investment in hydrogen-ready facilities gives the U.S. the opportunity to reverse that trend and lead in green hydrogen iron and steelmaking globally.”

Hilary Lewis, Steel Director, Industrious Labs

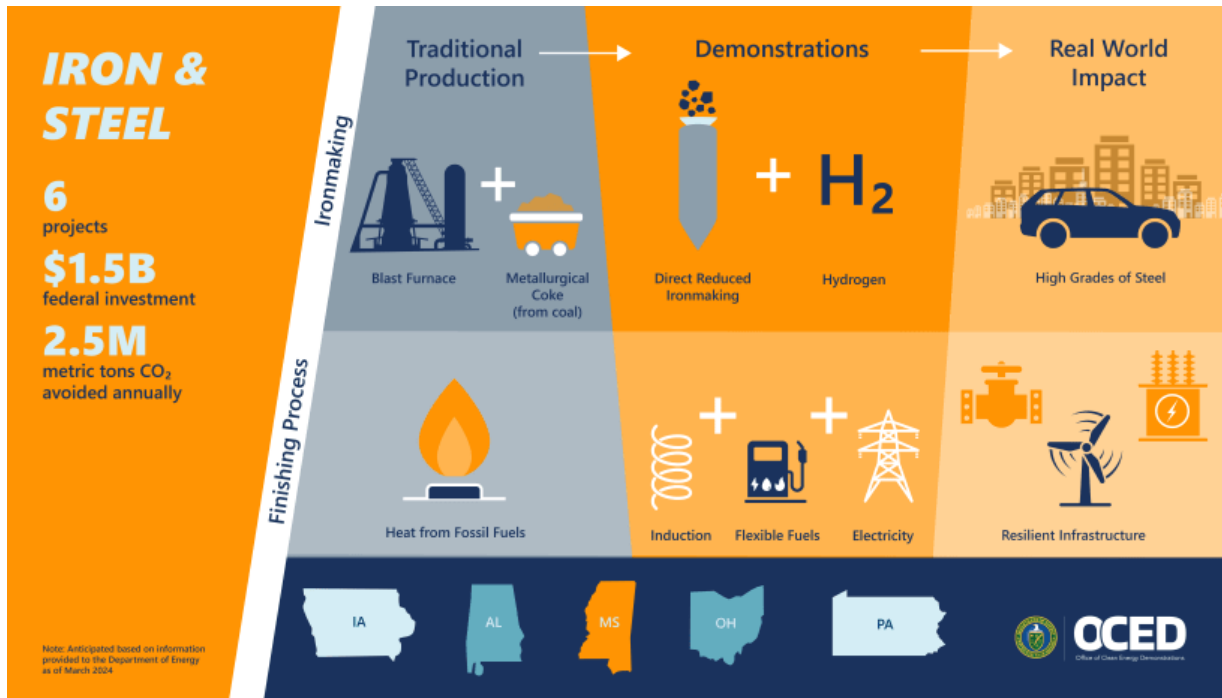


“Spurring on the next generation of decarbonization technologies in key industries like steel, paper, concrete, and glass will keep America the most competitive nation on Earth,”

U.S. Secretary of Energy Jennifer M. Granholm

DoE Industrial Decarbonization Policies

- Funded by the IRA and Bipartisan Infrastructure Law, these six projects in iron and steel (aimed at decarbonization) have been selected for award negotiations by the OCED on March 25:



Project	Federal Cost	Location	Company
Hydrogen-Fueled Zero Emissions Steel Making	\$500M	MS/IA	SSAB
Hydrogen-Ready Direct Reduced Iron Plant and Electric Melting Furnace Installation	\$500M	OH	Cleveland-Cliffs Steel Corporation
Induction Melting Upgrade	\$75M	AL	American Cast Iron Pipe Company
Iron Electric Induction Conversion	\$75.5M	AL	United States Pipe and Foundry Company
Low-Emissions, Cold-Agglomerated Iron Ore Briquette Production	\$282.9M	Gulf Coast	Vale USA
Steel Slab Electrified Induction Reheat Furnace Upgrade	\$75M	PA	Cleveland-Cliffs Steel Corporation

JSW Steel USA Receives 48C Tax Credit

- On March 29, JSW Steel USA was awarded \$43,500,000 in **48C tax credits** for their investment in Mingo Junction, Ohio.
- The \$145 million investment in a Mingo Junction facility will enable the company to produce monopile-grade steel slabs that will support monopile pole towers for usage in the offshore wind energy market.
- The project will address a gap in the renewable energy supply chain in the United States, while creating and securing prevailing wage jobs in a qualified energy community.

JSW Steel Plans To Invest \$119M in Mingo Junction Plant

JSW Steel plans to create 26 new jobs and invest at least \$119.4 million at its Mingo Junction steel plant for upgrades, a move that will allow it to better serve growing markets in the renewable energy and infrastructure sectors, company officials announced Tuesday.



Build America, Buy America Act

- Enacted as part of the Infrastructure Investment & Jobs Act on Nov. 15, 2021.
- Requires all iron/steel manufactured products and construction materials used in federally funded infrastructure projects to be produced in America.
- December 2021 Federal Sustainability Plan and Executive Order 14057 launches “Buy Clean Task Force”, co-chaired by the Federal Chief Sustainability Officer and the White House Office of Domestic Climate Policy, to spur demand for steel and promote use of low-carbon construction materials.
- Steel Proclamation: Given concerns that Mexican imports of steel (that originate in China) are undercutting domestic prices, the USTR announced a new agreement that if steel was not ‘melted and poured’ in Mexico, Canada or the U.S. it would be subject to a 25% tariff.
- Only 2-3% of imported steel consumed in the U.S. came directly from China. Mexico accounts for nearly 15%.

“American-Made” = all steel and iron components of end products must be mined, melted, and manufactured in the US.

Biden Shows Strength on Steel Policy

- In May 2024, the **Biden administration tripled tariffs on Chinese steel** that is imported directly into the U.S. (average of 22.5%).
- Since Biden took office, Dep. of Commerce imposed **30+ anti-dumping duties** on steel-related products.
 - Also conducted **27 investigations** into anti-competitive actions by Chinese exporters.
- **Global Arrangement on Sustainable Steel and Aluminum (GASSA):** USTR continues to leverage threat of 232 tariffs to negotiate a steel and aluminum tariff club with the EU (on hold until 2025).



Under the Biden Administration:

1. The US imported 3.8 million tons of steel from Mexico last year, 13% of which was poured or melted elsewhere.
2. Of the 105,000 metric tons of aluminum the US imported from Mexico last year, 94% was smelted or cast in the US, Canada or Mexico.
3. The remaining 6% was cast in four countries: China, Russia, Belarus, and Iran.

Congress Weighs in on Steel

Steel Modernization Act

- Would strengthen domestic manufacturing of steel in the Pittsburgh region through \$10bn in incentives with a focus on zero-emissions and tariffs on foreign carbon-intensive steel.
 - **Upgrades existing integrated mills and mini-mills** to employ lower-emissions technologies.
 - Tests \$500M Contract for Difference Pilot Program for near-zero emission steel.
- Introduced on August 9, 2024 by **Rep. Khanna (D-CA)** and **Rep. Lee (D-PA)**.
- Endorsed by United Steel Workers, Cleveland-Cliffs, American Iron and Steel Institute, Alliance for American Manufacturing, and many more.



Stop Mexico's Steel Surge Act

- This bill would defend American steelworkers against unfair trade practices by **reinstating Section 232 tariffs** from 2019 levels (25%).
- The administration may only lift these tariffs once the Commerce Secretary and U.S. Trade Rep. certify that Mexico has adopted policies bringing it into compliance with the 2019 agreement and are confident that Mexico will maintain these policies.
- Introduced on March 12, 2024 and Led by the Congressional Steel Caucus: **Rep Crawford (R-AR)** and **Rep. Mrvan (D-IN)**.
- Broad support from American Iron and Steel Institute, Coalition for a Prosperous America, Committee on Pipe and Tube Imports, Steel Manufacturers Association, United Steelworkers, and Cleveland-Cliffs.
- In the Senate, **Sen. Brown (D-OH)** and **Sen. Cotton (R-AR)** are champions of the legislation, including **bipartisan support from Rust Belt senators**.

Trade Association Engagement



**American
Iron and Steel
Institute**

Represents traditional steel producers in the U.S., advocating for industry policies and providing market research.



A major labor union focused on negotiating better wages and working conditions for workers in the steel industry and beyond.



Promotes the growth of renewable energy technologies and policies to support a sustainable, clean energy future in the U.S.



Representing electric arc furnace steel producers, focusing on industry issues, policy advocacy, and market development.

- Beyond Congress and the Executive Branch, trade associations have been key players in promoting policies that benefit domestic steel production.

Trump vs Harris on Steel

Trump and Vance

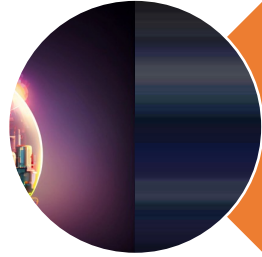
- An incoming Trump administration has signaled it would be **harsher on tariffs** and would **get rid of the IRA** (a key player in steel investments).
 - There has been recent Republican opposition to Trump's proposal, with 18 House Republicans signing a letter urging Speaker Johnson to protect the IRA, given its positive implications for steel projects.
- Vance said that a **sale to Nippon Steel** would **threaten national security**, pressuring Treasury Secretary Yellen to **oppose the deal** and calling on the SEC to investigate U.S. Steel. He also **criticized Nippon Steel's business in China**.



Harris and Walz

- Both Kamala Harris and Tim Walz were **endorsed by the USW** and are not making steel an election priority. Much of her work focused on support for steel workers and their pensions.
- We can expect her policies will **continue efforts in decarbonizing the industry**, following on the investments Biden made with the IRA and DoE projects.
- Harris has made cost of living an economic priority of her campaign, shifting away from Biden's primary focus on job creation.

Big Questions for 2025



The Big Green Bubble



Is The Gold Rush Over?



Is Mexico a Hostile Trading Partner?

Big Questions for 2025

The Big Green Bubble

- **Less than 20%** of announced projects from the Inflation Reduction Act have broken ground.
- **Globally green steel has also been slow:** According to European steel industry, 2 million tons of green hydrogen and 75 Terawatt hours of renewable electricity may be needed by 2030 to meet its decarbonization targets.
 - At the current rate, by 2030 barely 1GW of green hydrogen capacity would be installed in Europe.



Big Questions for 2025

Is The Gold Rush Over?

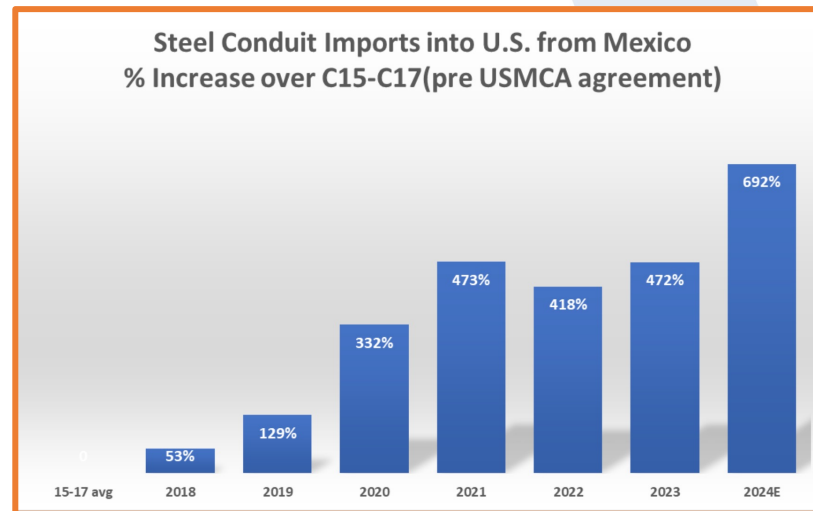
- Biden's "Investing in America" agenda has already catalyzed more than \$860 bn in investments through public incentives in industries like EVs, clean energy, and semiconductors.
 - More steel investments from: CHIPS Act, Bipartisan Infrastructure Law, Inflation Reduction Act, Infrastructure Investment and Jobs Act, Executive Orders on Climate Change and Clean Energy, Buy American Executive Order
- Government agencies and banks do not see eye to eye on economics.
- Budgetary and procedural obstacles in Congress are proving to be hindrances to the green steel gold rush.



Big Questions for 2025

Is Mexico a Hostile Trading Partner?

- Biden-Mexico agreement takes few steps to address violations of 2019 Joint Steel agreement with Mexico.
- Trump originally issued the 25% tariff on steel, before removing it in 2019.
- According to Center for Prosperous America (CPA): Mexico's increased shipments account for more than 87% of U.S. imports of steel conduit. Import levels are 472% over the historic baseline.
- CPA study shows: Mexican steel imports for 2024 are estimated to surge to nearly 700% of historic levels.



Thank You



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