Australia Cuts 2016 Forecast by 19%

World's biggest iron ore exporter, Australia, has cut its price forecast for next year by 19 percent as supply continues to swell and slowing growth in China hurts demand in the biggest user.

Australia's Department of Industry, Innovation & Science said in a quarterly outlook that "Prices will average USD 41.30 a metric ton in 2016 compared with USD 51.20 forecast in September. The department cut its average price for 2015 by 4.7 percent to USD 50.40 a ton.

Price projections by the department refer to spot ore with 62 percent content free-on-board Australia. The raw material delivered to Qingdao, China, advanced 0.9 percent to $40.46 a dry ton. Iron ore bottomed at $38.30 on Dec. 11, a record in daily prices dating back to May 2009.

It said "Increasing supply from Australia and Brazil is forecast to drive seaborne iron ore spot prices down in 2015 and 2016"

It added "Overcapacity in China's steel industry is expected to exert downward pressure on steel prices and reduce the incentive to increase output." Cargoes from Australia will probably climb to 868 million tons next year from 767 million tons in 2015, the department said. The increase shows that miners in Australia will build market share in China as the country demand for iron ore imports expands at a slower pace and smaller rivals quit, according to the government.

Future of UK Steel Still Not Secure - Govt. Committee

The future of Britain's steel sector is still not secure, despite increased action by ministers to address both domestic and EU-wide policies that cripple the industry, according to a government report.

Nearly 4,000 UK steel jobs were lost in October equivalent to about a fifth of the sector's workforce as Tata Steel and Caparo Industries buckled under pressure from decade-low steel prices.

The crisis prompted EU ministers to hold talks at Britain's request, and forced the UK government to pledge action on some of the industry's concerns on high energy costs, green taxes, business rates and cheap imports, notably from China.

"Increased govt. activity has not yet translated into measurable impact. Nor will current measures be enough to provide certainty for the future," said the UK Department of Business Innovation and Skills select committee report.

"Government must now work with industry to establish what a sustainable future for UK steel looks like, and then commit to take the necessary measures to help deliver it."

Britain received European Union approval to compensate energy-intensive industries such as steel for the cost of green taxes like the renewable obligation, Britain's main incentive mechanism for large-scale renewable projects. The compensation was estimated to be worth 240 million pounds by 2020 for the steel sector.

Commenting on the report, Gareth Stace, director of industry body UK Steel, said "It is essential we do not lose the current momentum."

"Immediate priorities are the tackling of Chinese dumping of cheap steel at EU level and a firm commitment from government to ensure that all major procurement projects use British steel. Business rates must also be reformed."

In October, Britain said it would allow more time for steel plants to meet EU rules on emissions, which would have cost millions of pounds in additional costs in January. It also issued new guidelines aimed at encouraging government procurers to buy British steel.

Mechel Moves Closer to Debt Restructuring with Sberbank

Report says that indebted Russian coal and steel producer Mechel has moved a step closer to a debt restructuring deal with a key lender as its coal subsidiary Southern Kuzbass reached a settlement agreement with Sberbank.

Mechel's spokeswoman Ekaterina Videman said "This is the first step as part of the agreement reached to implement the conditions of Mechel's debt restructuring with Sberbank."

In the future, the two sides should reach agreements on restructuring other debts of the group and fulfil certain conditions, Mechel added. Mechel, controlled by businessman Igor Zyuzin, had to delay its debt repayments after a decline in coal and steel prices halted its strategy of borrowing heavily to finance investments.

Sberbank is the last large Russian creditor of Mechel with which the miner is yet to agree restructuring terms. Mechel has said a final agreement could be reached by early March.