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Severstal Branch Gets $730M U.S. Loan

By The Moscow Times

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NEW YORK — Severstal will benefit fr om a $730 million loan fr om the U.S. government to develop and supply advanced high-strength steel for Detroit automakers, a senior executive of the company's North American subsidiary said.

Asked about a conditional commitment from the Department of Energy to Severstal North America, Mark Yost said the loan's terms are for 18 years at less than 3 percent interest.

"That's why we're pretty happy," Yost said Wednesday from Dearborn, Michigan, where Severstal has a steelmaking plant for which it had applied for financing to expand.

Yost, chief financial officer of Severstal North America, said the impact on the company's results would be "hard to measure" and would not be apparent until the project was complete.

But he said the timing of the agreement would make a "tremendous difference overall. The growth of advanced high-strength steels is going on, while the supply side is lim ited," he said, adding that the project could create or retain more than 4,000 jobs.

Under the agreement announced Tuesday in Washington, Severstal North America, a subsidiary of Severstal, will receive the $730 million loan from a Department of Energy program that has approved more than $8.4 billion in auto-related financing since 2009.

The department gave no loan details, but said the project could significantly increase the supply of advanced high-strength steels in North America as demand grows for fuel-efficient vehicles.

Severstal estimates the project will generate more than 2,500 construction jobs and over 260 permanent manufacturing jobs as well as an additional 1,400 ancillary jobs in the area.

The proceeds from the loan will be used to design, manufacture and construct Severstal's current facilities in Dearborn, which will produce the next generation of advanced high-strength steels (AHSS) for automotive applications.

AHSS, stronger and lighter than regular steels, are key for manufacturers as they seek to meet tighter U.S. government fuel-efficiency goals and crash standards.

Yost said the first two phases are expected to be completed this year and the third in three years. Then, Severstal's Dearborn facilities would include a 2.1 million-ton per year cold rolling mill, a 500,000-ton hot dip galvanizing line and a 500,000-ton continuous annealing line for tempering steel.

He said Severstal is already producing lim ited quantities of some flat-rolled steels there, "but the technologies we employ will bring it to new levels. "It will allow us to expand and make much lighter steels."

Total production at Dearborn will remain steady, but the modern technologies will allow the company to melt steels it produces there and process them into AHSS.

Severstal will supply the new materials to the Big 3 U.S. automakers — Ford, General Motors and Chrysler Group — and "new domestic leaders in the United States."

The new facilities will provide environmental benefits by helping reduce petroleum-based fuel consumption and carbon dioxide emissions.

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