

## Dofasco Fires Up Another Furnace

*High steel prices spark \$119m investment*

By Naomi Powell

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ArcelorMittal Dofasco is pumping \$119 million into its Hamilton operations in a bid to boost steel production by 20 per cent.



As global steel prices continue to soar, the Hamilton steelmaker will spark up a third blast furnace, increase use of its electric arc furnace and restart 20 dormant coke ovens.

Together, the improvements are expected to hike annual steel production to 5 million tons from 4.2 million tons.

Dofasco CEO Juergen Schachler said the upgrades "will lay the foundation for a longer-term vision and investments, still under consideration by ArcelorMittal Dofasco."

Analysts say they will enable Dofasco to take advantage of red hot steel markets where the price of hot-rolled coil has skyrocketed to \$1,100 US per ton from \$532 US per ton late last year.

"Everybody's trying to get more out because the prices are good and the profit margins are huge," said Chuck Bradford, of Bradford Research-Soleil Securities Corp.

A weak U.S. dollar has caused steel imports to plummet, driving up demand for the alloy in North America, he added. In response, industry giants including U.S. Steel, parent of the former Stelco, have been churning out steel at record rates.

The largest portion of Dofasco's investment will go to reviving the No. 3 blast furnace, idle since 2005.

The firm will refurbish the inside of the furnace and outfit it with a pulverized coal injection system, reducing its dependence on costly coking coal.

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Hot metal from the revived furnace will then be used in two ways, said Dofasco spokesman Andrew Sloan. Some of it will move through standard processes, to eventually be cast into steel slabs.

As part of a new strategy, Dofasco will also pour some of the hot metal into an electric arc furnace, a separate device used to melt scrap steel. The heat from the hot metal will accelerate the melting process, enabling Dofasco to use 20 per cent fewer kilowatt hours of hydro for each batch of steel.



Using more hot metal in the electric arc furnace will also cut down the amount of expensive scrap steel Dofasco must buy. The price of common scrap is now \$490 per ton, up from \$260 per ton in December -- making it an expensive commodity for steelmakers.

"These days, hot metal costs a lot less than scrap steel," said Mike Locker, a steel consultant. "Right now, that makes blast furnaces the crown jewels of the steel business."

Producing another 800,000 tons of steel on site will also enable Dofasco to cut the cost of shipping slab from ArcelorMittal's Quebec operations.

Currently, Dofasco does not produce enough slab to feed its hot mill, which is capable of rolling up to five million tons of steel each year.

-- Compiled by The Hamilton Spectator

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