

Steel industry requires investment in energy, transportation



By Hassan
Asgharzadeh
Expert on steel industry

O P I N I O N

The designation of the Persian calendar year 1404 (started March 21, 2025) as the “Year of Investments for Production” by the Leader of Iran’s Islamic Revolution underscores the importance and necessity of channeling capital toward production, particularly in strategic and foundational industries. In this regard, investment in the steel sector, as one of the fundamental pillars of industry and the economy, is of utmost significance.

Undoubtedly, “Investments for Production,” particularly in foundational industries like steel, will significantly contribute to realizing a resilient economy and reducing the country’s vulnerability to sanctions and global fluctuations. This approach not only fosters sustainable economic growth but also serves as a driver for technological advancement and enhances the competitiveness of domestic industries on the international stage, leading to the development of numerous industries and jobs.

With this same approach, “Investments for Production” in the steel sector — especially investment in infrastructure and cross-sectoral prerequisites for its development in 1404 — will play a decisive role in achieving the country’s major economic objectives and will undoubtedly pave the way for a bright future for Iran’s industry and economy.

Iron and steel, as two of the most crucial raw materials in various industries — from construction to automotive and machinery production — play a vital role in the country’s economic development. Investment in this sector not only boosts domestic production capacity but can also help reduce dependence on imports, create sustainable employment, and strengthen the country’s industrial value chain.

Iran’s steel industry, its global standing

Iran’s steel production capacity exceeds 55 million tons, and over the past two years, despite cross-sectoral challenges in the energy sector, it has managed to produce over 32 million tons, ranking among the world’s top 10 steel-producing countries. At times in 2024, Iran even climbed to the ninth and seventh positions globally in steel production.

According to data from the World Steel Association, Iran produced 32 million tons of crude steel in 2024, a 5.5% increase compared to 2023. Meanwhile, global steel production in the previous year stood at 1.882 billion tons, showing a roughly 1% decline compared to 2023. In December 2024, global steel production reached 144.5 million tons, marking a 5.6% increase compared to December of the previous year. Nevertheless, Iran remained the world’s tenth-largest steel producer by the end of 2024.

However, Iran’s steel production in 2024 also recorded a noticeable decline, primarily due to energy shortages. Despite this, with the production of 2.6 million tons of

crude steel in December and 3.1 million tons in November 2024, Iranian steelmakers once again surpassed Brazil, Germany, and Turkey to secure the seventh position globally. By increasing production of this strategic product and accounting for 56% of crude steel production, Iran has claimed the top spot in the West Asian region.

Tackling challenge of cross-sectoral investment

According to industry experts and stakeholders, the imposition of gas and electricity restrictions due to shortages is a key factor behind the decline in crude steel production. To maintain Iran’s global and regional standing, infrastructure and cross-sectoral challenges in the steel industry must be swiftly addressed through timely and effective investment, particularly in resolving the country’s energy shortages.

However, the issue is not limited to energy, electricity, gas, and water shortages. Shortages in raw material supply as well as fundamental problems in transportation and logistics are other critical challenges that, if resolved, could lead to a 10% growth in crude steel production — a goal that is not far-fetched.

That said, sanctions cannot be overlooked. Iran’s steel industry, as a foundational and transformative sector, was among the first to be targeted by sanctions, with some steel companies explicitly named. Nevertheless, Iran’s steel industry has managed to endure, maintaining its position in both the national economy and global rankings.

Now that the “Year of Investments for Production” has been wisely designated, it is essential to implement macro-level planning by facilitating the issuance of permits for combined-cycle power plants and centralized solar power plants across the country.

Investment opportunities in stock market

Investment in foundational sectors is crucial for the development of the steel industry and other priority industries since few industries worldwide are unrelated to or independent of iron and steel. This flagship and foundational industry encompasses an extensive chain of mines, facilities, and factories, requiring substantial infrastructure — including exploration, en-



● IRNA

ergy supply, raw material procurement, transportation facilities, and investment in each of these areas proportional to their scale.

Understanding the challenges and opportunities in the steel industry reveals that mining activities entail significant costs, such as exploration, extraction, and processing, making this sector a “golden opportunity” for attracting both small and large-scale public investments.

By examining the prices of galvanized sheets, color-coated sheets, and other steel products listed by steel producers, it becomes evident that another avenue for investment in iron and steel is the stock market. Major steel producers such as Mobarakeh Steel Company, Esfahan Steel Company (a.k.a. Zob Ahan), Khorasan Steel Complex, Iranian Alborz Steel, Azerbaijan Steel, Khouzestan Steel, South Kaveh Steel, and Arfa Iron & Steel — which together supply the bulk of Iran’s steel — present an opportunity for those well-versed in capital market investments.

However, to attract public investment toward the steel market — beyond creating motivational and incentive frameworks and ensuring accessible market infrastructure — legislators and market regulators must decisively and promptly combat specula-

tive trading in the iron and steel commodity exchange. Under such conditions, real buyers, such as factories and production workshops, can confidently invest and purchase in the market.

Profitable market compared to alternatives

Investment in the iron and steel industry not only directly contributes to employment growth but can also drive other industries. Studies indicate that fluctuations in steel prices are often tied to shifts in supply and demand, which may stem from domestic or international factors.

For instance, the military conflict between Russia and Ukraine challenged the global economy, with the iron and steel market being one of the most affected. Both Russia and Ukraine are major producers and exporters of commercial steel products, particularly specialized and high-grade steel, to many parts of the world. Reduced supply due to decreased production impacted markets not only in Iran but globally.

Energy, transportation critical bottlenecks

Another fundamental issue influencing the price and market of iron and steel products — and even the prices of related consum-

er goods — pertains to the energy and transportation sectors. In Iran, these two areas have become major bottlenecks for the industry.

One of the most critical requirements for steel production is energy. Electricity and gas play vital roles in melting, direct reduction, and other steelmaking processes. However, due to shortages in the supply chain, uneven development, inadequate infrastructure upgrades, and the deterioration of existing facilities, many steel producers face severe gas shortages in winter and electricity shortages in summer, directly impacting market prices.

The transportation industry is another bottleneck for steel industry development. Due to infrastructure limitations, the steel production chain often faces significant challenges. Raw materials must be transported in large volumes from mines to steel plants, sometimes requiring multiple changes in transport modes before they are processed into usable forms. Furthermore, finished steel products must reach downstream industries to be utilized in factories and workshops.

Iran’s rail transport sector also suffers from a shortage of rail lines and locomotives. So, investment in this area could be highly beneficial for the steel industry’s prosperity. Reducing road transport costs through such investments would increase profit margins for steel producers and shareholders.

While cross-sectoral and large-scale industrial investments require substantial capital and extensive government participation, attracting public investment through the iron and steel commodity exchange appears to be the best method for channeling small-scale capital into the market. Such investments, if directed toward the production of this strategic product, can not only yield profits for investors but also significantly contribute to national development, driving economic growth, industrial advancement, job creation, and reinforcing Iran’s steel industry in global markets.

“

Undoubtedly, “Investments for Production,” particularly in foundational industries like steel, will significantly contribute to realizing a resilient economy and reducing the country’s vulnerability to sanctions and global fluctuations. This approach not only fosters sustainable economic growth but also serves as a driver for technological advancement and enhances the competitiveness of domestic industries on the international stage, leading to the development of numerous industries and jobs.

The article first appeared in Persian on IRNA.

● ISNA

