

IZASA 2015 Review



- **Market Report confirms substantial growth in zinc consumption in East and West Africa**
- **Regional market for zinc coated coils doubles in 5 year**
- **Growth driven by infrastructure projects and construction**
- **IZASA uses Kenya as key for East Africa initiatives**
- **First Sub-Saharan Africa light railway system uses galvanized track hardware**
- **Mapping projects extended further into Africa to promote use of zinc coatings**
- **Zinc secured as preferred coatings for steel in renewable energy applications**
- **Regional fertilizer use doubles in 5 years with micronutrient adoption becoming the norm**



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HIGHLIGHTS 2015

Without doubt, a highlight of 2015 was the “first blast” at the Gamsberg Mine in the Northern Cape of South Africa. With a budget of \$630m and an estimated output of 250 000 tonnes of zinc concentrate per annum, this will be one of the largest producers in the world. A significant proportion (yet to be determined) of concentrate output will be directed at a modified (\$150m) Namzinc plant in Namibia with an annual capacity of 150 000 per year, with the balance available for export. This project will ensure that zinc production remains a key part of the Sub-Saharan Africa (SSA) landscape.

The 2014/5 SSA Zinc Market report has shown that the growth of galvanizing continues such the total zinc consumption is estimated at over 200 000 tonnes per year. Over a period of 5 years the growth in continuous galvanizing capacity has doubled. The energy sector has been a star performer with renewable energy systems, transmission and distribution offering sufficient tonnage to drive studies feasibility studies on installing new galvanizing capacity. Ethiopia alone has imported over 250 000 tonnes of transmission towers per year for the past few years. IZASA is actively supporting members in exploring how best to take advantage of the opportunities presented.

In terms of Kenya specifically, new capacity has been installed, not only in continuous galvanizing but also general galvanizing where the region currently can support more plants. A structured market development process is in play with government ministries, local organizations (NGOs) and existing industry players to see how best to support local against imported products. All the parties engaged have a vested interest in developing the market further and it is hoped to look at the formation of an industry group to manage this market development program with greater focus.

West Africa is dominated by Nigeria which has had a tough year although zinc sales remain buoyant at high levels. During 2015 a market analysis identified the key game changers and it is hoped to formally work through the IZASA membership to establish a meaningful strategy to best support zinc market growth and counter the established coatings industry. Fortunately, unlike East Africa, Nigeria already has some large general galvanizing plants

The light rail system serving Addis Ababa, in Ethiopia, came into service in September this year with the second line coming into service last month (November). Extensive use was made of trackside galvanized steel from catenary supports to station hardware where all stations (32) use zinc coated steels. Currently 32 km long with two lines, work is already underway to extend the system to 4 lines. It has its own dedicated power grid system. With a grander goal of connecting the key cities within the country by rail and being the second most populous country in SSA, Ethiopia offers a growth market for zinc. Although no visit was made during 2015, ongoing member communications indicates the need for a coordinated approach in market development.

Support in Kenya was through presentations at a construction industry conference and exhibition and at the University of Nairobi. In addition, technical advice is being given to the University of Nairobi in scoping the corrosion mapping program to support the use of zinc coatings for construction use. Construction in Kenya has grown such that it supports many light-steel framers, primarily in the roofing support business, where wood is being replaced by light-steel. Although the small bore galvanized market has reduced significantly over the past few years, urbanization has resulted in the growth of the large bore steel piping market. A significant proportion is galvanized but more work is required to support this business.

Solar and wind power projects have resulted in the establishment of many micro-grid systems in SSA. The 155MW Ghana Nzema PV project will position it as the fourth largest of its type in the world. Kenya has 2.5GW of renewables projects in the pipeline for completion within 40 months. Over 1.6GW will be in geothermal power generation. In addition LNG power generation has resulted in development of terminals and pipelines to service inland generation. The diverse location and supply arrangements make all these projects a substantial market for zinc coated steels. The coordinated approach being taken within Kenyan on behalf of the industry serves to specifically address these and other opportunities.

Southern Africa has had a subdued year as a whole as the mining industry suffered significant structural and cost pressures. Notwithstanding this, solar work has again provided opportunities for many general galvanizers. IZASA has continued supporting the construction business through its participation in various organisations and committees. However, many intervention timelines have been outside of its control such that the new roofing standards remain illusory. The corrosion mapping projects are progressing well with a preliminary map being produced and the detail of the Johannesburg area now available. It is hoped to have a workshop to showcase the progress so far in the New Year. Despite ongoing communication, the new galvanizing plant in Namibia has not been established yet. The establishment of such a facility, irrespective of ownership, remains a priority.

The recognition of the importance of zinc in additions to fertilizers is now well recognized in many SSA countries. Lack of additions has been identified as relating to costs and logistics. IZASA has engaged numerous bodies over the past few years in all three regions and progress is being made through linking users, specifiers, suppliers and zinc producers. Specific communications are in place in Ethiopia and Kenya with blenders to look at facilitating zinc additions as a norm. More countries will be investigated in 2016. In South Africa, the focus was on ensuring that analysis of products was “true” and assisting with the growing momentum in ensuring the appropriate nature of zinc secondary use (i.e. cleaning up input products and reducing the use of opportunistic imports). A low light has been the fact that the mass production of Zn SO₄ within South Africa through a dedicated plant appears threatened due to low overall commodity prices. This is unfortunate as much effort was put into assisting the plant in sourcing inputs and opening markets. Notwithstanding this, the market for Zn SO₄ has

growth substantially with Southern Africa such that expansion of capacity is likely through other avenues.

The zinc die-casting industry in South Africa has been reduced to a small number of players over the past few years and it will probably be better served through direct communication rather than through the National Foundry Technology Network (NFTN).

Finally, membership of IZASA continues to grow with the opportunities offered within Africa attracting members from outside of Africa. 2015 has been a challenging year with all of the market gains coming from outside South Africa. The association has been able to exploit these opportunities and IZASA is grateful to its membership which has been supportive of the industry development programs. With likely growth coming from East and West Africa in the short to medium terms the location of IZASA going forward is open for discussion.

2016 PLANS - COMING SOON

Further regional marketing. With the engagement of government and industry NGOs in Kenya and government's desire to create local capacity, IZASA will focus on zinc value adding in the region. This will increase the attractiveness of further investment for the zinc value adding industry. Also, the hosting of Workshops and Seminars can now be managed through the linkages established. With Nigeria now mapped in terms of zinc use, it is hoped to commence with the "real" support during 2016.

Zinc coated products for construction. With the establishment of regional expertise in coatings performance, it should be possible to host specifier workshops to further promote the use of zinc coatings as the corrosion protection system of choice. Reach will be expanded into the energy, water and transport areas as appropriate. It is also hoped that during 2016 the standards development work will be concluded in South Africa with the opportunity to transfer the detail to other countries.

Fertilizer and health. With the increased awareness of zinc in fertilizers resulting in enquiries, it is hoped that IZASA will be continue with the match-making process between regional demand and regional suppliers. Some key constraints remain in terms of utilizing secondaries within East Africa specifically and it is hoped that these can be addressed.

Alloys. Three markets have been identified as important for alloys in SSA – galvanizing alloys, anodes and die-casting. The small number of players in the latter group has resulted into a shift from strategic activities to direct assistance where relevant.

Galvanized tubular products. This work will continue with member participation to drive the overall market focus.

For further details on these activities and to keep abreast of news and further events please refer to our web site www.izasa.org or feel free to contact us directly.

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WHAT IS IZASA?

Zinc use in Africa remains low with both supply and demand considered underachieving in terms of population and geography. Established in 2002, IZASA's role was defined as the development of the zinc market in Sub-Saharan Africa. In 2000, as a region, the intensity of zinc use in southern Africa was about 40% lower - when measured in respect to steel consumption - than in the U.S. and Europe. With key economies within Africa now approaching, or exceeding, double digit GDP growth rates the development of infrastructure is now demanded by the population rather than just those exploiting resources. A sustainable economic model is being established with Africa remaining the final global marketplace for many products including those containing zinc.

Initial activities of IZASA focused upon analysis of constraints and opportunities within the existing zinc industry. This program was called the South African Zinc Initiative supported by the Department of Trade and Industry and three industrial partners namely Exxaro (formerly Kumba Resources), Anglo American and ArcelorMittal Steel SA (formerly Iscor). The remit of the organization stretches to the Sahara such that marketing targets are all of Sub-Saharan Africa.

The International Zinc Association is recognised as the industry forum on matters as diverse as international marketing to the management of the sustainability of the industry over the long term. This is managed through being the voice-piece of the industry in its dealings with regulators and governmental agencies. The guiding principles adopted by the IZA in establishing regional operations, is that fast track market penetration can be effected in markets where successful interventions have worked elsewhere. This is particularly important in regional activities where leverage is not just related to funding but also to people. Regional operations tend to be staffed by a single person or a person and an assistant. In the operational strategies of IZA Southern Africa (or IZASA), partnership and leverage principles are applied through identified champions.

IZASA is empowered to

- 1) Grow the market for zinc and grow the market share in competitive industries*
- 2) Focus on market development projects*
- 3) Educate the market with respect to the optimal use of zinc*
- 4) Build the customer knowledge base and assist with one-on-one marketing*
- 5) Educate sales forces and merchants with respect to technical aspects and services available*
- 6) Increase visibility in the specifiers market as the information experts in zinc*
- 7) Market the benefits of zinc*

MEMBERSHIP

IZASA is continually looking for members. By becoming an Affiliate Member of IZASA, companies become automatic members of the International Zinc Association. Representing over 75% of the world's zinc producers this body acts as the voice for the industry on all issues facing the industry. The IZA has established regional bodies globally and through the IZASA members become part of the global industry. The benefits of membership are:

- participation in group activities to benefit the industry and YOUR company
- the leverage of the zinc global network to assist with industry development
- participation in concept marketing regionally through regional visits and other activities
- receipt of alerts and analysis from IZASA and IZA
- communication on commercial leads
- a greater lobbying voice to appropriate government frameworks
- the opportunity to shape regional market development programmes to further local industry development
- information and assistance on resolving issues impacting upon the industry
- participation in IZA committees to shape the industry
- receiving the Zinc Network
- entitlement to send delegates to Zinc College. This is the sole event that informs senior personnel about the zinc industry and provides for a major networking opportunity.
- direct access to IZA publications, free of charge
- use of a free Zinc Logo license

In return IZASA expects from its members:

- a commitment to industry development and growth
- political support for industry positions
- active participation in IZASA programmes

For further information please contact IZASA on 083 456 4989 or izasa@icon.co.za or visit our web site www.izasa.org

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