ST. LOUIS POST-DISPATCH

Nicklaus: Tariffs didn't save Granite City Steel. Local officials' appeal probably won't either

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Granite City has been making steel since 1895, so it will be a sad day for the town when two giant blast furnaces are converted to pig iron production.

Around 950 jobs will disappear with the conversion, which is scheduled to happen in 2024. Local officials and union leaders are vowing to fight the change, but their fight will almost certainly be in vain.

The writing's been on the wall for Granite City Works for years. Even in 2018, when Donald Trump came to town to take credit for getting the blast furnace restarted, officials at parent company U.S. Steel didn't see a long-term future for the mill.

They made investments in other aging facilities, but not in Granite City. Then they bought Big River Steel, which was building a brand-new mill 250 miles down the Mississippi River in Arkansas.

"Once they made the play for Big River, the fate of Granite City became almost inevitable," said Philip Gibbs, an analyst at KeyBanc Capital Markets.

The Arkansas plant uses electric arc furnaces, a modern technology that accounts for more than two-thirds of U.S. steel production. When Big River finishes doubling its capacity in 2024, Granite City's blast furnaces will be relegated to producing pig iron for it and other mills.

SunCoke Energy, which has a nearby plant that supplies coke to fuel the steel mill, will take over the blast furnaces and retain about 400 workers to make pig iron. U.S. Steel has agreed to buy the iron from SunCoke for 10 years.

While local officials are understandably upset about the end of steelmaking in Granite City, they should be glad that the shutdown isn't total. When U.S. Steel permanently closed its blast furnaces at Great Lakes Works, near Detroit, last year, it laid off nearly 1,500 workers.

"This is the best possible outcome," Gibbs said. "If Granite City were to shut down completely, you'd not only lose the jobs there but you'd probably lose the jobs at SunCoke too."

Trump's tariffs, then, at best prolonged steelmaking at Granite City for a few years. "The tariffs weren't fixing the fundamental problems with the technology and labor costs," Gibbs said. "They were not a long-term fix to the industry's systematic problems."

Scott Lincicome, director of trade policy studies at the Cato Institute, argues that the tariffs may even have accelerated the transition to newer technology. They created windfall profits that the steel industry plowed into facilities like Big River. U.S. Steel also opened a new electric arc furnace two years ago in Alabama.

"It demonstrates quite plainly that tariffs are not pro-worker," Lincicome said. "In this case, tariffs gave U.S. Steel management the financial cushion they needed to buy facilities elsewhere and invest in newer technology."

U.S. Steel certainly is prospering: It reported record profits in 2021 and the first quarter of 2022, and said the second quarter will set another record. Chief Executive David Burritt earned $18.8 million last year as a reward for that performance, but his workers in Granite City remain at the mercy of the market.

The case for modern mills like Big River is compelling: They use 30% less energy than a blast furnace and produce 90% less greenhouse gas emissions.

With numbers like that against them, local leaders are unlikely to persuade U.S. Steel to change course. They should focus on building a safety net for the 950 people losing their jobs, and be thankful that the toll isn't higher.