

**Second conference call of Commissioner Thierry Breton with CEOs from the energy intensive industries**

**COVID-19's impact on the EU EIs and the action needed for recovery**

**20 April 2020**

**Active participants**

- Mr. Thierry Breton, European Commission, Commissioner for Internal Market
- [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]  
ArcelorMittal/President of The European Steel Association, EUROFER
- [REDACTED] MOL / [REDACTED] FuelsEurope
- [REDACTED] Heidelberg  
Cement
- [REDACTED] Versalis/ [REDACTED] Cefic
- [REDACTED] Minafin Group
- [REDACTED] Crocco spa / [REDACTED] EuPC the European  
plastic converter association

**Main points of the discussion**

This was a follow-up to Commissioner Breton's meeting on April 7<sup>th</sup> with representatives of the same industries from the EI ecosystem. The Commissioner thanked participants for the meeting two weeks ago and informed them that the goal of this meeting was to take stock of the situation and identify the needs for the launch of recovery actions.

He acknowledged the issues of liquidity, extension of regulatory deadlines and suggested that the call should help him to understand the level of impact on Energy-intensive industries.

Participants had diverging views regarding the likely loss of revenues in each of the sectors, with steel, refineries sector, cement sector losing at least 50% of turnover in Q2 and chemicals as well as plastics sector considering overall GDP performance to be a more relevant reference point.

Industries also presented the latest developments and actions needed for the recovery:

[REDACTED] indicated that the situation in the steel sector had worsened significantly since the last call. Customers were restarting only slowly and Q3 was expected to be the worst quarter of 2020 for the steel sector. Other regions such as China and Russia continued to produce for stockpiling, anticipating the recovery of third markets such as the EU's. We would be confronted with strong destocking by those countries, which are supported by their governments. Already now we saw extremely low offers at EU borders. Short term-measures to support EU steel - drastic improvement of the EU steel safeguards currently under revision. As well as a regulation imposing crisis and security related import restrictions based on Article

207 TFEU. This provision enables the adoption of all appropriate measures to implement the common commercial policy, including emergency import restrictions outside the context of Safeguard Measures, which are permitted under Article XXI of the GATT 1994. Circular economy and digitisation objectives would become even more relevant now. Those who produce “green materials”, such as “green steel” must have a real advantage in the market. Border adjustment to fill the cost gap with existing carbon leakage protection should be implemented as soon as possible. Important to implement the Masterplan of the High Level Group on Energy Intensive Industries.

██████████ thanked Commissioner and DG GROW ██████████

He noted that disruption of product demand was uneven across Europe, North/West Europe being affected worse than CEE. Companies were experiencing a “Double storm” – worldwide high supply - low demand. Companies’ cash positions were heavily damaged, meaning extremely difficult investment capability for the near/mid-term.

██████████ recalled that the cement sector was driven by the construction sector; big difference between countries: Eastern and Central Europe + Germany mildly affected so far, but many countries more heavily affected, incl. France, Italy, Spain. As well as demand drop, business capital investment would drop significantly, expect major cut in capex in the sector. This was a significant knock-on effect from the crisis. We have large fixed costs in our facilities and, if demand remains low, the industry could be forced to introduce structural changes. Construction was a safe, fast engine for economic recovery; many countries were currently at a low level in construction, sustainable construction contributes to the objectives of Green Deal.

██████████ highlighted that industry faced a decline in demand because of a sharp fall in spending power. That is what now mattered. Industry need a European approach and a plan. Opening of the markets needed to be synchronised at EU level. An EU wide recognition of Corona tests and a list of approved national tests across the EU was needed so that workers across the EU could return to work. To ensure the safety of operations in plants, priority access (Green Lanes) were needed for maintenance crews/certification bodies. Companies also needed PPEs for their workers. One must closely monitor foreign takeovers (an “on the ball” approach of DG COMP). The EU also needed to provide a direct response to dumping of subsidized production and stocks built up around the world on the European market. Availability and access to export credit, insurance and guarantees should be facilitated, especially for SMEs. The evaluation of the demand of key commodities and the levels of SME bankruptcies should be closely monitored. An EU-wide Marshall plan would be needed to create demand (priority for automotive, construction and infrastructure sectors). Global CEOs would have to ask the following questions: Which plants to keep closed to match the lower global demand? Where in the world to restart production? To ensure that the EU based facilities were prioritized, the role of European industry in the crisis would need to be publicly

acknowledged, key value chains, including pharmaceuticals and chemicals, would need for a new approach to re-shoring strategic activities back to Europe and would need to boost investors' confidence (e.g. by avoided that some sectors were removed from ETS indirect compensation, ensured that the chemical strategy for sustainability was broader than only health and environmental aspects, would consider a sectoral green deal for chemicals post COVID-19 and would set up alliances for low carbon industry and active pharmaceutical ingredients (APIs)).

mentioned that the API sector was at the heart of providing healthcare with pharmaceutical solutions. The sector had increased the production compared to last year. The next move was to re-shore API production back to Europe and to become less dependent on imports from non-EU countries like India and China. It could be done through a European API Alliance, following the example of the Battery and Hydrogen Alliance. Pharmaceutical companies also needed to agree to buy more from European suppliers. Increasing the EU's production capacity of APIs could be a driver for the post-COVID-19 recovery phase. An API alliance was needed to avoid overcapacity and idle capacity.

mentioned that the situation had not changed significantly since the last call. Need to avoid bankruptcies and job losses and ensure that SMEs have a direct access to funding. Need to freeze all the ongoing and new regulatory initiatives on plastics, priority to help companies to fight the effects of COVID-19 crisis and to survive. Important to stimulate construction and building sector as it could bring back demand for other sectors. When the emergency is over, we would need to ensure that manufacturing capacity was not further relocated outside the EU. To enable the sector to become more circular, investments in waste collection, sorting and recycling (including chemical recycling) would be required.

### **Conclusion and next steps**

The Commissioner thanked all participants and proposed to meet again in 2 or 3 weeks to follow up.