

EUROFER main priorities for actions on the EU steel industry

EUROFER
The European Steel Association

“An opportunity to take effective measures”

European steelmakers recognise the efforts of Member States and the Commission to find urgent solutions to the ongoing challenges faced by our sector. However, the EU must now act in unison to effectively tackle these issues as a matter of urgency.

The steel industry is at the heart of Europe’s economy and is a foundation of many of Europe’s most competitive sectors. A strong steel industry supports not just our direct supply chains but millions of jobs across the EU.

We welcome the EU Presidency conclusions of the Extraordinary Competitiveness Council of 9th November 2015 on the EU steel industry and the conclusions of the Competitiveness Council of 29th February 2016, acknowledging the urgency of swift action by the EU to re-establish a global level playing field for our sector.

Therefore action must now be taken and be firmly focused on how the EU uses policy levers to ensure fair trade for steel, to address our sectors’ shortages of ETS allowances even for the best performing plants, and to support innovation and investment. This will foster the investment climate Europe needs now more than ever.

It is key that the conclusions of the Competitiveness Councils are followed up with practical improvements to:

1. EU Trade policy and MES for China,
2. The EU Emissions Trading Scheme,
3. Better regulation and transparency, in Council and Commission
4. Innovation and investment
5. Circular Economy

The EU must establish a process for delivering short term action to improve Trade Defence Instruments to ensure a genuinely level playing field is established for the steel sector. In this respect, actions are needed which will halt the increasing damage that unfair trade is inflicting on the industry, and provide that trade cases are dealt with in a more rapid and effective manner than is currently the case.

This includes both using the existing rules more effectively and also the rapid modernisation of its trade defence instruments, so that it no longer takes a year and a half from complaint to definitive anti-dumping measure alongside the deletion of the ineffective lesser duty rule. Many regions of the world are more effective in providing a level playing field for their industries and deploy trade defence tools faster and more effectively. As a consequence dumped goods find, with ease, their way to the European market.

The EU must also not abandon its economic, social and environmental principles in granting Market Economy Status to China before the country meets the EU’s criteria. It must conduct a comprehensive, independent assessment on the impact on the EU economy and industry before a final decision is taken.

We need globally competitive EU and national regulatory environments, particularly in the area of climate policy. The Commission proposal on the EU ETS post-2020 (phase four) is a major threat to the competitiveness of the steel sector, as it will create a huge cost burden even for the most efficient steel plant in Europe. The proposal is likely to result in €34 billion in direct and indirect carbon costs for the sector in the period 2021-30 (Ecofys study). The Commission proposal will not promote the decarbonisation of the energy sector and will lead to further carbon leakage; this must be improved and become a genuine climate and industry policy. We therefore urge policy makers to provide the certainty to sectors genuinely at the highest risk of leakage, such as the EU steel industry, that they will not be faced with shortages of allowances at the level of best performing plants, so that investment management in our sectors in Europe remains possible with the resources to innovate.

A strong and innovative steel sector is key to meeting the EU's objectives for a prosperous, sustainable, resource-efficient and low-carbon European economy. For this to happen, the European steel industry urgently needs a level playing field with its global competitors and a long-term perspective in Europe. This is a critical prerequisite for generating the revenues needed for investment.

The steel industry is determined to further invest in Europe and to contribute to a new dynamic future for our region. We therefore need an open and frank debate about what the EU can do collectively to address common issues, including those in relation to trade, industrial policy and energy.

1. EU Trade Policy and MES for China

EU-level action on trade defence measures

The EU must take immediate action, using the full set of available trade defence instruments, including speeding up the imposition of technically justified measures. It is essential that the institutions find a common basis to move TDI Modernisation forward, improving the transparency, robustness and speed of EU trade defence, as well as tackling raw material distortions. The steel industry recommends the following legislative and non-legislative measures that can take place swiftly:

- Shortening the lead time on the imposition of trade defence measures by means of:
 - "Threat of Injury"-based anti-dumping and anti-subsidy cases where possible to speed up the start of investigations
 - Shortening of the time by which provisional measures are imposed – already after 6 months instead of 9 months – for the trade cases now being initiated
 - Registration of imports as early as possible after the initiation of newly started trade investigations.
 - Retroactivity of measures.

- Using reasonable target profits for our industry for the setting of dumping measures.
- Re-introducing the Prior Surveillance system under the EU Safeguard regulation, which was terminated in 2012, covering the broad range of flat and long steel products
- Concluding a Council position on the still pending EU TDI Modernization proposal of the Commission, in particular the lifting of the Lesser-Duty-Rule in order to come to meaningful dumping tariffs

Trade Defence Instruments must be effectively deployed in a rigorous and innovative way so as to provide a genuine level playing field for EU industry.

EU-level action on Market Economy Status (MES) for China

The Chinese economy is predominantly governed by state intervention and planning, at national as well as sector level, including the steel sector. China's local and export economy is still run by Five Year Plans impacting practically every significant cost factor of production, distribution and trading. Market forces applicable in OECD economies do not prevail in China. The prospective change in dumping calculation methodologies away from the analogue method to local Chinese prices and costs could result in the direct loss of at least 310,000 jobs in EU industries already hit hard by dumped Chinese imports. In addition, hundreds of thousands of indirect jobs would be at stake.

The steel sector calls on the EU institutions to:

- Insist on the prior condition for China to fulfil all 5 EU technical criteria before the EU decides on granting MES
- Conduct a thorough impact assessment, including a fully-fledged public consultation, on the granting of Market Economy Status to China, which is likely to have significant impact on the steel sector.
- Closely coordinating the EU approach with its major trade partners notably the USA.

Enforcement of Free Trade Agreements

- Take swift action against Algeria's imposition of illegal quotas and licences on steel imports from the EU, violating the EU – Algeria FTA.

2. The EU Emissions Trading Scheme

Stop the threat of additional carbon costs through the EU Emissions Trading System for the best performing plants

Key to the competitiveness of the steel sector is a climate policy which ensures that global sectors, such as steel do not bear additional costs not borne by our competitors. Current

proposals for the EU ETS post-2020 (phase four) therefore remain a major threat. Ecofys has assessed that total carbon costs in the period 2021-2030 would amount to € 34 billion which is up to 28 €/tonne of crude steel in 2030. The post 2020 huge shortages - even for the best plants - will take away means for investments and innovation, leading to closures and carbon leakage.

The EU steel sector calls on the EU that:

- Sectors at very high risk of carbon leakage, such as steel, need to receive truly full free allocation at the level of 10% most efficient installations (without any deduction, be it, eg. a cross-sectoral correction factor or a linear decrease of their benchmarks).
- At least 49% of the emission rights should be provided for free allocation in order not to cause automatic shortages for even the best plants and hence carbon leakage; both of which must be avoided. If the free allocation share currently proposed were to be retained, the amount of free allowances available to industry after 2020 should be adjusted with the unused allowances from the third trading period and the allowances from the Market Stability Reserve;
- Benchmarks should be reset once before the fourth trading period on the basis of real and consistent industry data, taking into account the whole amount of CO₂ from waste gases occurring unavoidably with the steel production.
- Indirect carbon costs passed through in electricity prices should be fully offset through harmonised and transparent rules in all member states, preferably through free allocation based on realistic benchmarks
- The Competitive Checks should reveal the real impact on the steel industry – as also assessed by the expert group Ecofys. Industry needs a genuine well informed basis for EU policy decision making.

3. Better regulation and transparency, in Council and Commission

Effectively Mainstreaming Competitiveness

During the Luxembourg EU Presidency, the EU institutions made welcome progress in recognising the need for mainstreaming competitiveness and better regulation with the Council's Competitiveness check-up and Scoreboard. Currently this useful mechanism has no link to the individual Councils, causing a lack of transparency and Council discussions which are not based on genuine Competitiveness checks: this must be improved to achieve a well-informed basis for decision making. There remains a need for regulation which is fit-for-purpose and includes active engagement with all stakeholders. The EU must ensure that all policies which impact upon our international competitiveness are fully aligned with the stated aims of the Commission to promote growth and job creation.

The steel sector calls on the EU institutions to:

- Introduce a rigorous competitiveness test for all new proposals to demonstrate that they will boost European competitiveness. The Council's competitiveness check-up and Scoreboard test should also start to form an integrated part of the final legislation agreed by the Council and Parliament. If at either stage the test is failed, the legislation must be reconsidered and changed. The conclusions of the Competitiveness Council need also be integrated into the results of all other Council formations.

The above measures are also a prerequisite for the steel sector to continue to play its essential role as the basis of the European Circular Economy and to allow it to innovate with investments.

4. Supporting Innovation and Investment

A strong and innovative steel sector stands at the heart of Europe's economy and is a foundation to many of Europe's sectors. The steel industry is determined to further invest in Europe and to contribute to a new dynamic future for our region. For this to happen however, the EU should make better use of innovation support and public procurement.

The steel sector calls on the EU institutions to:

- Spur the demand for EU steel products by recognising in public procurement policies the benefits of using sustainable steel
- Investigate how to improve accessibility of European innovation programmes for the steel industry
- Provide that the Research Fund for Coal and Steel can also in the future be administrated in a way, which provides that the programming actually reflects the research objectives the legal basis defines for steel and coal
- Make best use of the possibilities given under the revised State Aid rules to support Energy Intensive Industries in R&D&I, training, employment aid, measures aiming at promoting environmental protection without adversely affecting trade between Member States to an extent contrary to the EU common interest and ETS costs
- Help overcome the current investment gap in the EU by funding higher-risk projects across the EU, for example via the European Investment Advisory Hub and the European Fund for Strategic Investments
- Adapt the regulatory framework so that investments in recent low carbon technologies like Carbon Capture and Use and Storage are not discouraged

5. Opportunities through the Circular Economy Package

The steel sector is key to meeting the EU's objectives for a prosperous, sustainable, resource-efficient and low-carbon European economy and supports a European Circular Economy in which waste prevention and re-use, repair and recycling of products and superior product design are a high priority. The steel sector is well known for recycling all the steel that is collected and already contributes to the goals of the Circular Economy. The potential of steel as a permanent material and the steel making process for industrial symbiosis, by-products as well as carbon capture and utilisation (CCU) should be politically fully recognised and integrated in the legal framework. An integrated and coordinated approach (product design, waste management, life-cycle of products, trade-offs) is essential for developing a robust and sustainable proposal and avoiding the possible pitfalls.

ABOUT EUROFER

EUROFER is located in Brussels and was founded in 1976. It represents 100 per cent of steel production in the European Union. EUROFER members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations in Switzerland and Turkey are associate members.

ABOUT THE EUROPEAN STEEL INDUSTRY

The European steel industry is a world leader in its sector with a turnover of about 170 billion euros and direct employment of about 330 thousand highly-skilled people, producing on average 160 million tonnes of steel per year. More than 500 steel production sites in 24 EU Member States provide direct and indirect employment and a living for millions of European citizens. Closely integrated with the European manufacturing industries, steel producers provide the basic material for innovation, growth and wealth in Europe.

Steel is the most important industrial material in the world. Thousands of different types of steel facilitate and improve our daily life. Steel is 100 per cent recyclable and therefore contributes significantly to the conservation of fundamental resources. As a basic engineering material, steel is also essential in innovative technologies for more resource efficiency and sustainable development in Europe.

