STEEL SECTORAL SOCIAL DIALOGUE COMMITTEE

Working Group Meeting

23 May 2019

DRAFT MINUTES

1. Welcome by the Chair

Miikka Nieminen (EUROFER) opened the meeting in lieu of the Chair Carlo Lombardi (Federacciai) who had apologised for being ill on the day. Mr Nieminen announced some changes to the agenda as unfortunately Bernard Hallemans from Aperam Stainless Europe had to decline his participation and postpone it to the next meeting. Mr Hallemans' slot was to be replaced by Enrico Gibellieri who would present the EESC/CCMI draft report "The sectoral industrial perspective on reconciling climate and energy policies".

2. Adoption of the agenda

The agenda was adopted with afore mentioned changes.

3. Adoption of minutes of the last SSDC meeting 26/02/2019

The minutes were adopted.

4. Global overview-update (Luis Colunga – industriAll, Karl Tachelet – EUROFER)

Luis Colunga (industriAll) gave a briefing of the OECD Steel Committee meeting that took place 25-26 March as well as the Global Steel Forum for Excess Capacity on 28 March. In the OECD meeting the composition was varied with representatives from Asia, Europe, North-America and Russia. Discussions centered among others on lessons learned and experiences of the European steel industry which has seen a lot of changes in the last 30 years. Amongst these the fall of the Berlin wall, mergers, ownership changes, changes in the industry's image and the labour markets.

On the Global Steel Forum for Excess Capacity he mentioned how no-one recognised being responsible for the excess capacity that exists; Russia for instance didn't recognise the problem at all but rather spoke about their on-going projects with renewable energy, smart cities and other infrastructure needs. Turkey on the other hand remained silent on the issue. Even if not everyone in the meeting were completely transparent and open, this forum is important nevertheless and needs to be continued as a form of a dialogue.

Karl Tachelet (EUROFER) continued from his behalf, mentioning that sometimes it's not easy to differentiate between these two meetings. The OECD had been previously for the developed economies only but realised then that China needed to be a part of it, this created a new dynamic to the meetings. Since it joining, the focus has mainly been on China by the other participants. The agendas have sharpened and become more political, focusing more on policies than future outlook.

Focus has also shifted more towards analysing subsidies with a bottom-up study which for steel is a rather complex assignment. All in all OECD meetings are a truly global government platform with the Commission always present as well. The governments' interest on steel are important and this must been seen as an opportunity to educate them on steel issues.

Mr Tachelet mentioned how the Global Steel Forum for Excess Capacity was born from problems in with China's overcapacity and is aiming to look for total transparency in capacity issues, something that needs to be discussed continuously. The governments have a better view on the steel capacities than industry as they know the situation on a plant level while for the industry it is more relying on the aggregated information. However the fact that the governments focus on our sector is unique which we highly appreciate and support. The present mandate of the Global Steel Forum will end in November this year. An active exchange of views followed on the topic.

5. Trade issues (Karl Tachelet – EUROFER)

Mr Tachelet (EUROFER) gave a briefing on the overall trade situation as well as on the safeguard measures and WTO reform. 2018 saw an import surge of more than 10% even if the safeguards were in place in the 2nd part of the year. He mentioned how the provisional measures failed until February when the more than needed final measures were put in place. From January 2019 some product imports stabilised, however some continued to increase while the steel demand has stagnated. Turkey has become the new driver now as 1/3 of finished steel imports come from there. Compared to China Turkey is not so aggressive on pricing, still low but very well monitored as not to be irrationally low and not creating an easily visible link to dumping.

On safeguards the COM was expected to initiate the review in May which is now taking place with the objective of having Member States vote on any possible changes in September. These changes would then enter into force in 1 October 2019. The Commission's focus would be on specific situations coherently with the review clause of the Regulation and rather at individual product level than on the measures' structure. However many issues are now visible like unusual patterns of quota use, for instance the rebar quota of Turkey was consumed in 10 days. This kind of a behaviour is not responding to a market need and same pattern is visible also on other product categories.

The clear problems with the safeguards are the +5% quota level increases which are not matching actual market conditions. This undermines the whole system as in 2019 there will be a 10% increase in a basically couple of months' time. Another issue is that the developing countries were excluded from the safeguard measures which in turn resulted in them exporting huge rising volumes to the EU market (especially the stainless flat steel from Indonesia). industriAll is also looking into the safeguard matter with planned joint actions with EUROFER. A discussion followed during which it was understood that Italy has especially been affected by the Turkish actions. For future reference also representatives from DG Trade should take part in the SSDC on Steel meetings in order to have an informed exchange of views on this. Another possibility is to arrange a full morning event with DG Trade and Grow and representatives of EUROFER and industriAll.

On the WTO reform, this is as well the initiative of the Americans. Trump stepped out of the old agreement however still wanting to continue in the WTO if it will foresee a concrete reform in its operations. They are not interested in its current shape and try to impose their own rules on it. However they still need alliances and it is interesting to see how long they can go it alone. On the other hand the EU is now also noticing that the existing WTO is not capable to answer the challenges ahead. The worst case scenario would be that the US abandons the WTO and we would be left with a non-functioning system, something of which needs to be avoided. Therefore continued dialogue with the US is needed. EUROFER has been working on the issue within Aegis which has prepared a comprehensive cross-sectorial document, finalised in April 2019. This paper discusses issues like anti-subsidy-, anti-dumping- and safeguard rules as well as injurious pricing of non-imported products and other instances of unfair trade.

6. Environmental issues (Adolfo Aiello – EUROFER)

Adolfo Aiello (EUROFER) briefed PAC on the background and next steps for the High Level Group on Energy Intensive Industries (HLG EIIs) current work. The HLG on EII has been mandated to develop an operational Master Plan for the implementation of the energy-intensive industries' transition towards a climate-neutral and circular economy, which in turn supports the COM in their development of a long-term industrial strategy. In order to facilitate a deeper discussion about the challenges of the long term low carbon transition of EIIs, the HLG has set up the following 3 sub-working groups:

- sub-group 1: Creation of markets for climate-neutral, circular economy products
- sub-group 2: Developing climate-neutral solutions and financing their uptake
- subgroup 3: Resources and deployment

Each group has 2 industry co-leaders, EUROFER and Cembureau for group 1. ; FuelsEurope and CEPI for 2. ; CEFIC and Eurometaux for 3. ; in all groups also member states and NGOs/think tanks (that are part of the HLG) are present. Each sub-group has been mandated to develop a paper on the relevant topic while DG GROW would develop an overarching paper. Industry co-leaders have the responsibility of the first drafting, while all members of the sub-groups can contribute to it.

The next steps: the first draft papers of the sub-groups will be circulated to the HLG members by end May/beginning of June and the big discussion of these will take place in sub-groups on 24/25 June. This will be followed then by second draft papers in September to be finalised and subsequently adopted by the HLG in October. This process (together with the work on IPCEI and on 2030 industrial Policy) will feed the work of the Commission to respond to the recent request by the European Council to have a long term industrial strategy by the end of the year.

A debate followed where it was understood that we need to tackle this together, highlighting just transition, indirect cost compensation and the social dialogue. After all we are talking not only technological transition but about people’s jobs. The role of CCU, hydrogen, energy costs, infrastructure and investments were also emphasized, as well as the idea of inviting a representative from the European Steel Technology Platform to a future meeting.

On the ETS, Mr Aiello highlighted that while the overarching strategy for the revision of the ETS directive for the years 2020-2030 was adopted only a year ago, it is in the implementation of it where the rules come from. Not only are the direct emissions tackled but also the indirect carbon costs due to the higher energy costs passed through in prices. On the ETS state aid guidelines, the process of revising the indirect costs compensation is currently ongoing and close to very important final steps.

The Commission has recently finalised two consultations with stakeholders and a separate consultation with the member states. The information collected through these consultations will be used to start developing the very first draft guidelines (according to the official timing, the first draft should be discussed with the member states in autumn, but it is possible that unofficial contacts between Commission and member states take place already).

7. EESC/CCMI draft report "The sectoral industrial perspective on reconciling climate and energy policies" (Enrico Gibellieri - industriAll)

Mr Gibellieri presented the draft report which aims to highlight the possible solutions to the competitiveness challenges deriving from EUs climate and energy policies. EUs climate policy is confronted with an inherent difficulty as on the one side the CO2 emission prices should be high in order to incentivise investment and changes in consumption patterns while on the other lower prices would benefit the competitiveness of EUs energy-intensive industries and thus prevent carbon leakage. The EESC is concerned by the risk of carbon and investment leakage and consider it essential to combine industrial and energy policies with climate policies. One of the options on the table is to develop border adjustment measures which already some years ago were presented as a possible solution in the MEP Martin report from the European Parliament. However, it wasn't clear how it could be implemented. This draft report aims to provide solutions, by setting a CO2 tax on imports, based on calculated CO2 content of products. Mr Gibellieri mentioned how it is important to start now discussing concrete proposals as it takes more than 5 years to implement anything due to the legislative process in the EU. The draft report argues that the border adjustment measures discussed would be WTO compatible and fair as the less CO2 contained, the less would be the tax paid. This would also not be an action directed at anyone but rather taken in defence and could be used for all energy-intensive industries.

In the debate that followed this approach was much welcomed as the EU can't wait for others to adopt similar measures we have in place here. Some issues need to be taken care of, namely that it needs to be made sure that the carbon footprint can be measured without a doubt which today is still difficult to be made for all products. It is also important that this is not a tax but an adjustment as taxation matters require unanimity decision in the Council which may hinder the process. It was also highlighted that these measures would not be only on imports but on exports as well, some concerns were also voiced on the effect on downstream users. EUROFER has also been looking into this issue and are looking at various measures that could be taken in addition to the existing ETS. According to them these measures could be effective in the short/medium/long-term but in parallel R&D support, access to competitive energy etc should also be emphasized.

8. "Steel Sector Careers: More Opportunities Than You Can Imagine" (Simone De Ioanna – White Research)

Mr De Ioanna gave an introduction to the project in terms of objectives, scope & boundaries, implementation of the work packages and alignment with other initiatives. He explained that this project takes place side by side and feeds into the Blueprint "New Skills Agenda Steel" which had already been previously presented in the SSDC meetings and is funded by EASME and DG Grow. This project has 7 target countries to which national profiles will be created for: Finland, France, Germany, Italy, the Netherlands, Poland and Spain.

For these, country specific recommendations will be made, national workshops carried out and communication activities implemented. Mr De Ioanna further elaborated on the research structure of the project with desk research, interviews and surveys by which information will be collected. The interim study would be ready by July 2019, communication material July-August 2019 followed by workshops and webinars and final study report May 2020. The final conference will take place 15 May 2020.