

STEEL SECTORAL SOCIAL DIALOGUE COMMITTEE

Working Group Meeting

26 February 2019

DRAFT MINUTES

1. Welcome by the Chair

Rob Sneddon (industriAll Europe) chaired the first section of the meeting and welcomed the participants.

2. Adoption of the agenda

The agenda was adopted with the inclusion of a new agenda item "EU Steel Day".

Charles de Lusignan (Eurofer) confirmed that this year's EU Steel Day would take place on 26 June and that Luc Triangle (industriAll Europe) would be a guest speaker.

All participants were invited to attend.

3. Adoption of minutes of the last SSDC meeting 13/11/2018

The previous minutes were adopted.

4. Update on market activity

Jeroen Vermeij (Eurofer) provided an overview of the market activity and highlighted various concerns: increased uncertainty and an increase in protectionism, some financial market volatility, Brexit and political instability (e.g. Gillet Jaunes) which have led to a decrease in industrial confidence.

There has been a continued slowdown in growth and investment growth globally. For steel using sectors there has been a negative impact on export orders and companies are more pessimistic. However, several sectors have long order backlogs, so production levels remain similar.

The construction sector performed strongly in 2018 and it is hoped that 2019 will also be profitable (backlogs will cover for the reduction in new orders). The automotive sector has seen car sales fall due to the introduction of WLTP (Worldwide Harmonised Light Vehicle Test Procedure) with trade remaining uncertain and the outlook looking subdued.

The EU steel market has seen an increase in steel demand; however, imports have increased (15% in second half of 2018). Turkey, Russia, South Korea, China and India made up 65% of imports and Turkey is specifically targeting the EU market. Overall, the trade deficit of the EU steel market increased.

Philippe Morvannou (industriAll Europe) provided an update on the key issues including the huge increase in stainless steel imports from Indonesia, who are also integrating into the nickel market. Tariff protection and the quota mechanism were discussed, and it was noted that the imports of some products had decreased but there were concerns about the importation of some products from Russia, Ukraine and Brazil (slabs and partly processed products).

It was noted that European production was down 0.3% in 2018 (with a drop in Q3 due to issues with blast furnaces in Germany and Austria) and that the capacity in Europe had decreased.

An active discussion took place on various topics including: S232 and the prices of steel in the US (which have increased due to Trump's measures), concerns about imported galvanised steel from Indonesia (China has launched anti-dumping measures against Indonesia), concerns about the pressures and costs of decarbonisation in Europe and future uncertainties (e.g. Brexit).

5. Environmental issues

Adolfo Aiello (Eurofer) provided an update on various environmental issues including COP 24, the EU's Decarbonation Roadmap 2050 and EU ETS implementation.

It was highlighted that the issue of carbon markets (Article 6) wasn't resolved at COP 24, however the Paris Rulebook was adopted. Furthermore, the Silesia Declaration on Just Transition was signed by 50 countries.

The EU's Decarbonisation Roadmap 2050 and the various scenarios put forward were discussed. It was stressed that although having a net zero economy by 2050 is technically feasible (according to the Commission), a huge amount of investment is needed (between 22-26bn euro per year). Concerns were raised on access to clean electricity and its costs. It was noted that the European Parliament was still to adopt its resolution and that the European Council was set to make a decision at its meeting in May in Sibiu.

An update on ETS implementation was provided (finalised in 2018 but ongoing implementation acts): the carbon leakage list is now adopted and includes the steel sector, further information on free allocation will be published soon and work on benchmarks is continuing. It was confirmed that the consultation on state aid guidelines for indirect costs is ongoing and the Commission plans to revise the guidelines (eligibility of the sectors and amount of compensation which can be granted).

A discussion took place with many participants agreeing that electricity costs and the lack of consistency on compensation between Member States was an issue (no level playing field). The possibility of border adjustment measures was highlighted (current CCMI report) as was the situation in the UK on carbon pricing in the face of a no deal Brexit. It was also stressed that any new technology developed in the EU to meet the decarbonisation targets should be scaled up in the EU and not in a third country.

6. Trade issues

A summary on the safeguards measures was provided: 25% tariff-rate quota for 26 products, national and residual quotas, only residual for hot rolled sheets, but developing countries excluded and 5% quota increase planned.

The exclusion of Indonesia was discussed in detail due to the huge increase in its imports to the EU (0% in 2016 to 18% in 2018). Indonesia was not previously a traditional producer but now has a huge plant almost at full capacity and will have 8 million tonne capacity by 2020 (Europe= 7 million). Indonesia was not included in previous 3% threshold (first half 2017) but it is now a major threat to the EU steel market and a request was made for **joint letter to Commissioner Malmstrom demanding that the list of developing countries should be revised ASAP**. Furthermore, the increase of imports from Turkey was raised.

It was highlighted that EU exports to the US had decreased and that US production had increased by 7.2%. Concerns that Trump continued to threaten EU industry with his investigation under S232 into the automotive sector were discussed.

WTO reform was discussed and Eurofer continue to work with AEGIS Europe to produce a document defining the major economic challenges. The importance of social and environmental aspects were stressed and industriAll Europe asked that demands relating to working rights and conditions are included.

The OECD Steel Committee and Global Forum for Steel Excess Capacity were both noted as taking place next month (industriAll Europe and Eurofer will both participate).

7. Acquisitions and mergers: the impact on workers

Luis Colunga (industriAll Europe) stressed the importance of discussing social issues at the social dialogue meetings, such as the current acquisitions and mergers in the sector. However, he also stressed that the social dialogue group was different to a European Works Council.

An update on the two cases was provided with both the Tata Steel and Thyssenkrupp Steel Joint Venture and the acquisition of the six remedied ArcelorMittal sites by Liberty Steel still to be approved by the European Commission.

It was stressed that both cases had created real concerns and uncertainty for workers and would affect the overall European steel sector. More information is needed on how these changes will affect future production flows.

It was noted that the European Commission was taking workers' concerns seriously and that real concerns on the lack of information and consultation rights of workers by the companies had been raised to the case team.

Concerns over the current EU legislation on competition policy were raised by many participants and it was stressed that the European steel sector competes globally. European champions need to be encouraged and concerns were raised about the lack of consistency between different departments in the Commission (e.g. competition versus trade).

The importance of protecting the future of the six remedied ArcelorMittal sites was stressed and the need for information on how these sites will function. Trade unions highlighted that no one from ArcelorMittal was at today's meeting and that key information on the sale of the six divested sites was missing. Some workers felt that transparent social dialogue was lacking.

It was noted that industriAll Europe had registered as an "interested party" for the Tata/TKS case and the Commission had raised concerns over electrical, automotive and packaging sectors. The trade unions were very disappointed that the management had cancelled the planned joint meeting on 20 March.

8. "New Skills Agenda Steel": Industry-driven sustainable European Steel Skills Agenda and Strategy (ESSA)

Miikka Nieminen (Eurofer) provided an update on the ESSA project following the kick-off meeting at the start of the year. The objective to develop a practical blueprint for the necessary skills for the sector was explained as were the anticipated outcomes including new training requirements, political support, upskilling schemes and measures to increase the attractiveness of the sector. Information on the different work programmes and the proposed timeline were shared.

Participants were encouraged to get involved with the project and regular updates would be provided at the SD steel meetings.

9. AOB

The next meeting will take place on 23 May.

