# Eurofer – European Steel Day

The vital importance of the steel industry to Europe's prosperity and its sustainable credentials was the focus of the first European Steel Day held in Brussels on 19 May.

THE European steel industry produces annual revenues of about €200bn, it directly employs 404 000 people and produces about 172Mt of steel a year. More than 500 steel production sites in 27 EU Member States provide direct and indirect employment and a living for millions of European citizens.

Close to 400 delegates attended the one day event organised by the body representing the European steel industry, Eurofer. Attendees included European Commissioners, Members of the European Parliament, members of academia and associations and executives of the steel industry.

An effective display of products produced in steel, and particularly those that can lower the carbon footprint of components during use – such as ultra high-strength steels in automobiles to enable thinner components to reduce weight and sheet steel coated with photo-voltaic cells, accompanied the presentations on the day.

The morning listened to presentations by steel industry and European Commission and Parliament representatives followed by a 'Town Hall' discussion when the presenters where interrogated by the economic journalist, Stephanie Flanders of the BBC. In the afternoon, workshops were held for small group discussions on a variety of subjects.

The President of Eurofer, Wolfgang Eder, CEO voestalpine made the first presentation in which he stressed the importance of the steel industry to the European economy and the economy's long term reliance on manufacturing industry. The presentation seemed very much to be aimed at the representatives of the European Commission and Parliament present in the audience.

In particular, the topic of the EU Emission Trading Directive was addressed and the EU Climate Change policy which requires a 20% reduction in greenhouse gas (GHG) emissions relative to 1990 levels by 2020. (In reality this level is modest compared to the recommendations of the UK Committee on Climate Change which proposes a legally binding reduction of 34% relative to 1990 by 2020 in UK and further proposes a 42% reduction by this date as an aspiration in order to achieve an 80% reduction by 2050).

Mr Eder expressed his concern over the competitiveness of European steel against global producers saying that the EU is the only region operating a trade on carbon emissions. Japan has recently withdrawn from such schemes and opposition in the USA has prevented legislation introducing carbon trading being enacted. Subsequently, Australia announced the introduction of such a scheme but one which allows heavy emitters 94.5% of carbon permits for free.

Such was the focus on the fear of Climate Change legislation making the European steel industry uncompetitive that following the meeting Eurofer sent an 'open letter' to the European Commission expressing grave concerned that EU Climate Change policy will make the industry uncompetitive. It expresses its disappointed that EU climate change policy does not reflect the political agreement when the Directive was adopted in December 2008.

| Country | 2008 | 2009 | 2010 | %EUtot in 2010 | Employed |
|---|---|---|---|---|---|
| Austria | 7.59 | 5.66 | 7.20 | 4.2 | 13138 |
| Belgium | 10.67 | 5.63 | 7.97 | 4.6 | 14472 |
| Bulgaria | 1.33 | 0.73 | 0.74 | 0.4 | 5910 |
| Czech Rep | 6.38 | 4.59 | 5.18 | 3.0 | 18364 |
| Finland | 4.41 | 3.07 | 4.02 | 2.3 | 10200 |
| France | 17.88 | 12.84 | 15.41 | 8.9 | 26021 |
| Germany | 45.83 | 32.67 | 43.83 | 25.4 | 92038 |
| Greece | 2.47 | 2.00 | 1.82 | 1.1 | 2436 |
| Hungary | 2.09 | 1.40 | 1.68 | 1.0 | 8497 |
| Italy | 30.59 | 19.85 | 25.70 | 14.9 | 37633 |
| Latvia | 0.63 | 0.69 | 0.65 | 0.4 | 2262 |
| Luxembourg | 2.58 | 2.14 | 2.55 | 1.5 | 6172 |
| Netherland | 6.85 | 5.19 | 6.65 | 3.9 | 8850 |
| Poland | 9.73 | 7.13 | 7.99 | 4.6 | 26293 |
| Portugal | 1.63 | 1.58 | 1.35 | 0.8 | 215 |
| Romania | 4.92 | 2.68 | 3.61 | 2.1 | 16839 |
| Slovakia | 4.49 | 3.75 | 4.59 | 2.7 | 11184 |
| Slovenia | 0.64 | 0.43 | 0.60 | 0.4 | 3268 |
| Spain | 18.64 | 14.36 | 16.34 | 9.5 | 26222 |
| Sweden | 5.16 | 2.78 | 4.81 | 2.8 | 15750 |
| UK | 13.5 | 10.01 | 9.70 | 5.6 | 20316 |
| **Total** | **198.08** | **139.28** | **172.44** | **100.00** | **403 631** |

Source: Eurofer

**Table 1 Crude steel production in EU countries (Mt) & employed at end 2009**

On the contrary, the EU member states and European institutions have disregarded the warnings of the industry on the effects of the implementation of the EU Emissions Trading Directive (ETS). These measures will deprive Europe of investment and increase global emissions as market share goes off-shore to non-EU countries with inferior emissions standards. The consequence will be more steel imports with a worse $CO_2$ balance at the expense of EU industry, jobs and GDP, says the letter.

Steel, the letter points out, is making an important contribution to a more sustainable economy. In cooperation with its customers, the construction and the steel processing industries which represent best practice in manufacturing, the steel industry has developed solutions that help to meet the environment objectives set by the European Union. Light-weight steel applications have helped car manufacturers to produce lighter vehicles and therefore reduce $CO_2$ emissions while maintaining high safety standards. The steel industry is also instrumental in developing energy efficiency solutions for the construction industry. Without steel, there can be no progress on the side of renewables or next generation high efficiency power plants. The recyclability of steel further allows a stronger recourse to secondary raw materials which again contributes to a more sustainable society.

Indeed, such is the concern of the industry that the Commission has not followed agreed procedures that Eurofer intends to challenge the Commission's decision on benchmarks under the European Emissions Trading System (ETS), adopted by the Commission in mid-April.

The Directive requires the setting of benchmarks which determine the level of free allowances for industrial sectors from the start of 2013. The starting point for the benchmarks 'shall be the average performance of the 10% most efficient installations in a sector', to quote the directive.

The steel benchmarks for primary steelmaking set by the Commission are not based on this rule, claims Eurofer. The Commission did not assign the full carbon in unavoidable waste gases to the steel benchmarks, despite there being specific provisions in the Directive for the use of recovered waste gases for electricity generation due to their substitution of primary fuels saving millions of tonnes of $CO_2$ emissions. The benchmarks are therefore technically unachievable and, as a consequence, also now disincentivise investment in the recovery of unavoidable waste gases.

In addition, the Commission did not, in setting the benchmarks, use data provided by the industry in accordance with the Directive but rather relied on literature on best technologies which did not reflect the technical realities of the industry, further skewing the benchmarks and increasing the financial burden.

The resulting additional costs for the EU steel industry will be about €5bn over the third trading period (2013 to 2020) on top of the €6bn already resulting from the best performer benchmarks and on top of the over €12bn of costs for primary and secondary steelmaking due to ETS-related increases in electricity prices.

Speaking during the Q&A session, Mr Eder said he believed the likelihood for the success of this legal challenge was about 50:50.

On economic recovery, Eurofer's Q2-2011 steel market outlook shows evidence for a sustained recovery in EU manufacturing supported by firm export demand and an expected improvement in EU investment. Internally, the EU's stronger member countries, with Germany clearly in leading position, have so far been able to offset the much weaker perform-

## Eurofer

Eurofer, founded in 1976, and located in Brussels, represents 100% of steel production in the EU.

Its members are steel companies and national steel federations throughout the European Union (EU). The major steel companies and national steel federations in Switzerland and Turkey are associate members.

The objectives of Eurofer are the co-operation amongst the national federations and companies in all matters that contribute to the development of the European steel industry, and the representation of the common interests of its members to third parties, notably the European institutions and other international organisations.

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ance of the countries affected most by fiscal and financial stability problems.

The EU's case was put by Fabrizio Barbaso, Deputy Director General DG Energy who claimed the Commission does recognise the importance of the steel industry but he said it needed to develop low carbon methods of production. Steel, he recognised, can contribute to reducing GHG emissions by making more efficient products and providing steel for renewable energy schemes.

For example, 8000 wind turbines will be required across the EU by 2020 which will require 10Mt of steel.

Antonio Tajani, VP EC Industry & Enterprise said steel was the largest industrial segment in the EU. Europe needs to see trade rules are enforced to help the industry to remain competitive. Also the importance of the industry as a direct and indirect employer must be recognised. He believes that the 20% cut in GHG by 2020 was only achievable if agreed globally.

Karl Heinz Florenz, a Member of the European Parliament, and Chair of the Raw Materials Group, recognised that steel is both a problem and a solution regarding $CO_2$ emissions. He agreed that the top 10% most efficient producers should have free ETS certificates and hoped for Eurofer's success in the forthcoming legal challenge. The EC should also look at other sectors emitting GHG. Housing, for example is a much larger emitter than the steel industry, as also is transport.

As a launch event, the First European Steel Day attracted a good number of delegates and interesting speakers. However, there were shortfalls in administration with the afternoon workshops neither being announced prior to the event or well publicised at the event. Also, no discussion between speakers and the audience was permitted, all questions being placed by the moderator.

Finally, although the small exhibition was highly interesting there were hardly any people manning it to answer enquiries and a major part of the floor was poorly lit. ■