EUROFER

European Confederation of Iron and Steel Industries

Annual Report 2005

The European Confederation of Iron and Steel Industries (EUROFER) was founded in 1976.

Its members are steel companies and national steel federations throughout the European Union (EU). Today EUROFER represents almost 100% of total steel production in the EU. All major steel companies and national steel federations in Bulgaria, Romania, Switzerland and Turkey are associate members.

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

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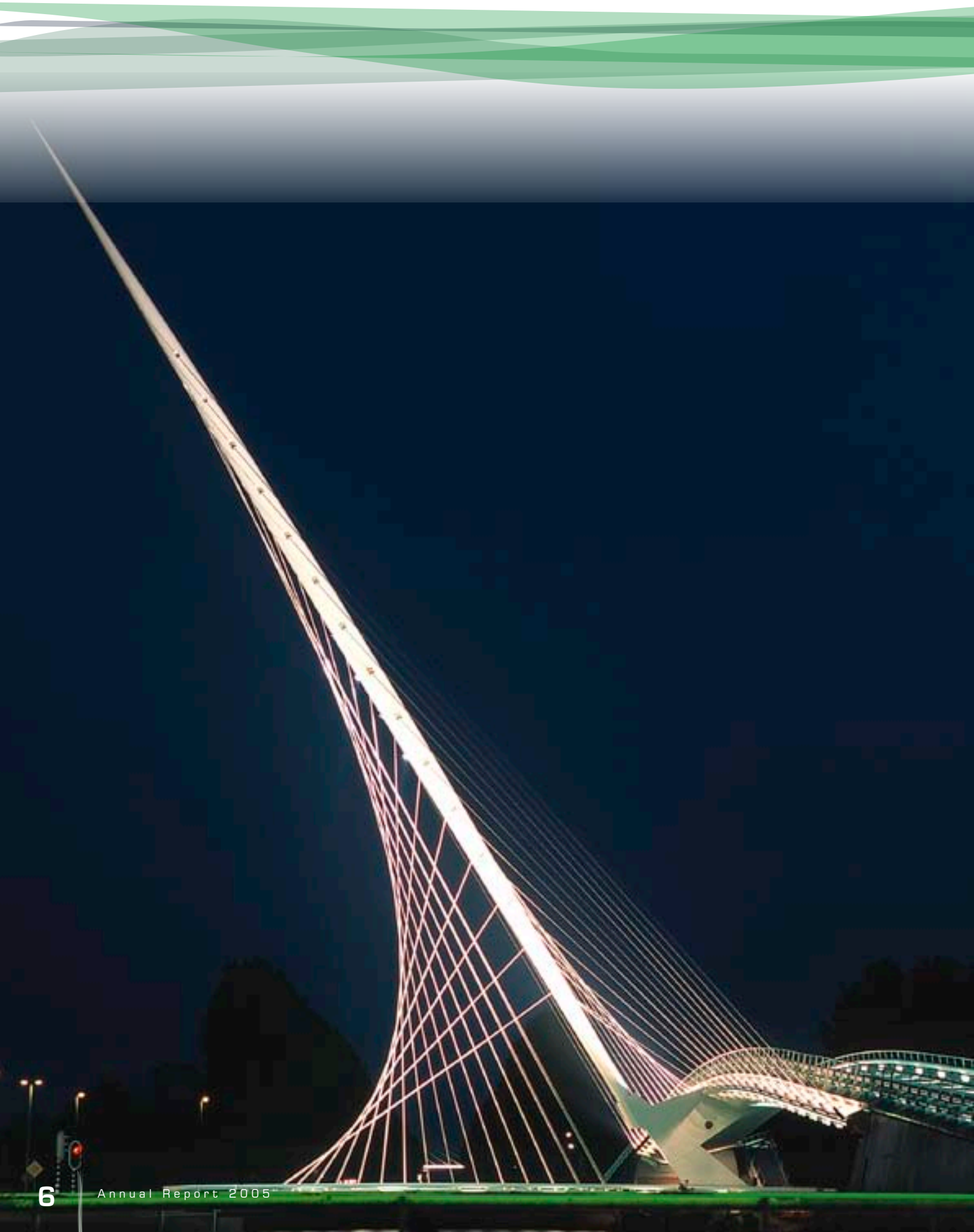
Introduction



The stocks adjustment process in 2005 led to a drop in deliveries particularly in the first half of the year as producers brought supply into line with demand. Their efforts permitted the resumption of price increases despite the difficulties being experienced by rises in imports.

In 2006, the economic environment has significantly brightened and the steel industry is benefiting from these conditions. After a fairly flat steel demand in 2005, in the current year a substantial improvement of demand from the steel using sectors can be seen. Together with the replenishment of stocks this allowed for a strong increase in apparent consumption levels.

The only cloud on the horizon is the development of imports which are proving extremely volatile and could seriously disrupt the market at the end of the year. This is in particular true for China which in 2006 became a huge exporter to the EU. The level of imports and their concentration on certain products and regions is proving to be extremely disruptive and is leading to an increase in trade tensions.

The European steel industry is in favour of open markets and is ready to meet the challenge of global competition. However, in order to ensure that this competition takes place under fair conditions, a well-functioning system of trade defence instruments is indispensable. Since the EU system is - also according to the judgement of independent observers - already the most liberal and well-balanced worldwide, EUROFER does not understand why there are attempts to weaken it.

Securing energy supply at competitive prices with long-term predictability and stability is of particular importance for the competitiveness of the European steel industry. EUROFER, thus, welcomes the initiative of the European Commission for a new energy strategy for Europe set out in the Green Paper "A European Strategy for Sustainable, Competitive and Secure Energy". Gas and electricity prices have drastically increased in the last few years and especially in 2005. In addition, energy prices have become more volatile and energy supply less secure than before the start of the liberalisation of the European energy market. In order to overcome the shortcomings in the present structure and to create conditions for a well-functioning internal market for energy, EUROFER seeks

- the vigorous and consistent enforcement of European competition rules;
- price transparency;
- real unbundling of the networks from the generators;
- improved conditions for cross-border competition;
- encouragement of investments in new electricity generation capacities;
- re-enforcement of the EU security of supply which must become a priority for foreign policy.

The European steel industry is committed to sustainable development and to a continuous improvement of its environmental performance. It has an excellent track record in this respect. The steady reduction of energy requirements and carbon dioxide emissions achieved so far are clear examples for the steel industry's efforts. However, scepticism prevails as to the efficiency of the current Emission Trading Scheme which is characterised by

- a threefold distortion of competition, i.e. inside and outside the EU, between similar activities in different EU countries and between competing materials;
- the rising price of electricity due to the windfall profits of the power producers;
- no reward for innovation and a lack of recognition of the huge efforts already made by the steel industry to reduce emission.

With regard to a long-term climate change policy of the EU, i.e. post-2012, the steel industry requests that the elements of the policy should be designed as an opportunity to combine the improvement of environmental efficiency and economic growth. Therefore, any new regime should meet the following criteria:

- allow efficient installations to grow;
- avoid distortion of competition on a global basis;
- take into account economic and technological potential to reduce greenhouse gases within a sector.

As in the past, the steel industry is willing to take its share of the efforts to limit emissions. It is actively working on an alternative to the present scheme, an alternative which takes into account the specific conditions of the steel sector, encourages all efforts to reduce emissions and avoids the disadvantages and shortcomings of the present system.

Philippe Varin
President

Dietrich von Hülsen
Director General

General Economic Development

Economic growth worldwide remained extremely dynamic in 2005 at a rate of 4.4 % only slightly lower than the very high 4.9 % of the previous year. Commodity markets, raw materials prices and especially oil prices reached record levels. The emerging economies of Asia continued to be the diver, with growth of around 8 %. Japan showed the first concrete signs of recovery with growth of 2.5 %. The US economy slowed very slightly to a still very healthy 3.6 % with very little signs of any significant weakening. Russian growth reached about 6 %.

The great exception to this very positive picture in terms of growth was again Europe and in particular the euro-zone which again disappointed. Business conditions indeed deteriorated in the euro-zone in the course of the year and the situation only began to improve in the final months. There were downward corrections of forecasts of most components of GDP until the last quarter. Domestic demand remained very weak, particularly in Germany although all euro-zone countries apart from Spain saw GDP growth slow considerably in the first 3 quarters of the year with the manufacturing sector hit particularly hard by a huge rise in oil prices and a rise in the euro at the start of the year. There was a downward trend in industrial production and business confidence indicators were at very low levels. Consumer confidence dropped throughout the year. Consumer expenditure showed no significant development and was further hit by rising energy prices.

However a turning point appears to have been reached in the course of quarter 3 with both business and consumer confidence indices rising reflecting genuine improvements in the outlook for the euro-zone based on, firstly, continued strong export demand, a fall in the euro, improving European competitiveness on world markets and, for the first time in several years, first signs of improvements in domestic demand even in Germany. GDP growth began to pick up with domestic demand making an enhanced contribution as domestic orders for manufactured good rose sharply. Industrial output rebounded sharply in Germany and its neighbours. First signs for 2006 are that this recovery has been consolidated and is accelerating gently.

Development of Certain Elements of the EU Economy

Yearly Variations in %
Source: EUROFER

	2004	2005	2006 (forecast)
GDP	2,3	1,4	2,2
Private Consumption	1,9	1,4	1,7
Investments	2,7	2,6	4,1
of which:			
Investments in equipment	2,0	4,0	3,0
Exports	7,0	5,0	6,6
Imports	3.0	6.6	6.0
Unemployment rate	9.7	9.5	9.4
Inflation	2.1	2.2	2.0

Steel Market

Consumption

2005 was a challenging year for the steel industry. The market was clearly in an adjustment process which lasted most of the year.
The market was conditioned by three factors:

- real demand was rather flat
- stocks levels were high and had to be reduced
- imports returned massively to the EU market at the end of 2004 and especially in Q.1 of 2005.

There was a vigorous development of apparent consumption in 2004 when many customers and stockists continued buying at high levels in anticipation of higher prices. Much of this remained in stock and as a consequence in 2005 the number of new orders placed on the steel mills was cut back.
The market in 2005 in Europe was therefore characterised by the efforts by the producers to bring the market into balance. In each quarter of the year domestic producers cut production to bring deliveries into line with their individual order books. This involved a heavy price in terms of deliveries and orders but it did prevent prices falling to catastrophic levels and allow the recovery point in terms of market balance to start from a higher level. This adjustment process can be seen clearly in the delivery levels of the first half of the year which fell by 9 % in Q.1 and by nearly 17 % in Q.2 for strip mill products. Nearly 7 Mio t of flat products deliveries were taken out of the market in those months.

The results could begin to be seen in terms of orders and prices recovery in the second half, particularly in quarter 4.

Real and Apparent Consumption: Yearly Variation (in %)
Source: EUROFER

Imports

The efforts by domestic producers to bring the market into balance in 2005 and eliminate the stocks-overhang from 2004 were seriously complicated by the surge of imports which arrived at the end of 2004 and which were especially concentrated in Q.1/2005. One of the features of steel trade in recent years has been its volatility – import developments now often bear no relation to developments on the EU market itself but have their origins in developments elsewhere. In this case the slowdown of consumption in China, overstocking and a fall in prices there drove exporters to China to divert tonnages to the European market despite a rather weak price development and clear over-stocking. This had the effect of intensifying the burden of the market adjustment necessary, putting it squarely onto the domestic producers and prolonging the period of price weakness.

The disruptive nature of the imports was clear – strip mill deliveries by EU producers in Q.1 were cut by 9 %. However this had virtually no effect because at the same time imports rose by 54 %. Market supply therefore was virtually unchanged. In quarter 2 efforts were intensified – deliveries were cut

Steel Market

by 16 %. It was only then that we began to see some real effect on the market supply, even so, since imports were up by 17 % the effect of the delivery cuts by producers was again reduced.
The second half of the year began to show signs for the better. Consumption in China rose again, international demand remained strong and import levels into the EU reduced substantially in the last two quarters of the year.

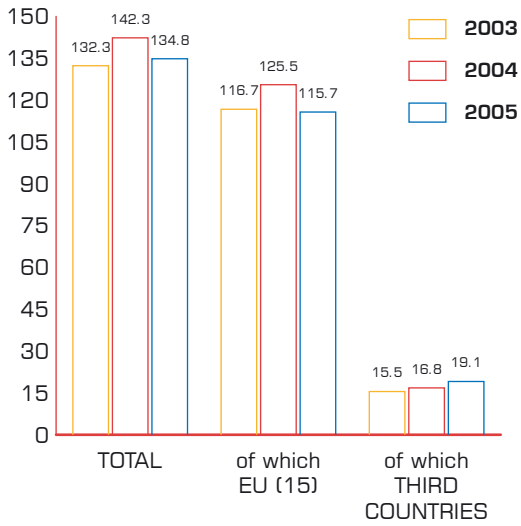
Trade Balance

Despite the slowdown in China at the beginning of the year and a drop in Chinese import requirements, with export markets remaining generally strong, the EU increased further the positive trade balance it had re-established in 2002. This now rose to 2,8 Mio t up from 1,4 Mio t of the previous year.

Deliveries of Carbon Steels

The moderate improvement of the economy of the European Union led to a modest growth of the real consumption.
More negatively the development of the apparent consumption gave influence on the European Steel market:

Carbon Steels: Total Deliveries (million tonnes)
Source: EUROFER



The over-stocking process, already apparent at the end of 2004, has accelerated during the first half year 2005 under the pressure of high imports from third countries.

In the mid of the year the market was turning to a destocking process which brought the inventories back to normal level until the end of the year.

The reduced deliveries within the European Union could only be partially compensated by increasing exports.

Carbon Steel Deliveries	**–**	**5,3 %**
of which to EU (15) markets	–	7,8 %
of which to export markets	+	13,7 %

The high stocks and the strong imports in the first half of the year brought prices under pressure. At the same time costs continued to grow, mainly with iron ore and energy.

Flat Products

Flat products suffered due to the high level of imports and destocking in the first half of the year, but also under the absence of stimulating effects from the main relevant sectors. The automotive industry, shipyards and domestic appliances moved, more or less, downwards.

However, the demand for pre-material for tubes made a positive exception.

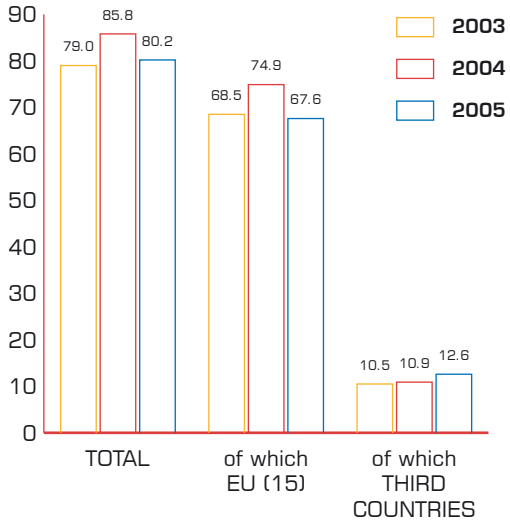
The strong development of exports to third countries eased partially the over-all negative tendency.

Flat Products Deliveries	**–**	**6,5 %**
of which to EU (15) markets	–	9,7 %
of which to export markets	+	15,3 %

Deliveries of flat products within the EU showed decreases when compared with the relatively high level in the year 2004: c.r. sheets (–15,5%), h.r. flat products (–11,8%). Deliveries of coated sheets came down by 9,9%. Nevertheless, the substitution of uncoated cold rolled sheets by coated material made a slight gain.
Deliveries of black and tinplate (–3,9%) and electrical sheets (–1,6%) reduced to a lower extent.
Favoured by the strong demand of the energy sector deliveries of quarto plates and wide flats suffered only a small decrease (–0,7%).

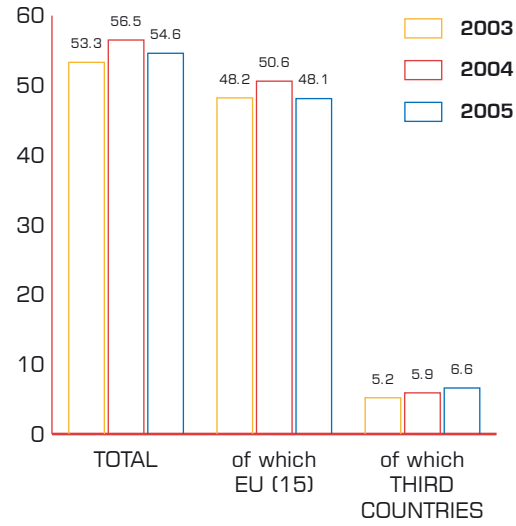
Deliveries to the export markets showed a good performance. Hot rolled flat products increased by 29,9%, quarto plates and wide flats by 20,1% and coated sheets by 11,6%. For c.r. sheets (+2,2%) and black and tin plates (+1,5%) the growth was moderate and in the case of electrical sheets negative growth (–10,0%) was observed.

Carbon Steels: Flat Products Deliveries
(million tonnes)
Source: EUROFER



Long Products

Carbon Steels: Long Products Deliveries
(million tonnes)
Source: EUROFER



The beginning of the year 2005 was for long products also characterized by high imports and overstocking. However, due to lower import levels up from the second quarter, the stock problem could be solved earlier than for flat products.
The generally weak construction activity in the European Union together with the destocking process were the main reasons for the reduction of the EU deliveries.The weak demand and the volatility of scrap prices brought prices of long products under pressure.
Export to third countries increased and compensated partially the negative trend on the domestic markets.

Long products deliveries:	**–**	**3,4 %**
of which to EU(15) markets:	–	5,0 %
of which to export markets:	+	10,8 %

Steel Market

Deliveries within the EU decreased with sheet piling (–15,9%), heavy sections (–11,3%), wire rod (–8,2%) and merchant bars (–4,4%). The only increases were noticed with railway material (+5,4%) and, to a much lower extend, with rebars (+0,8%).
The export markets remained attractive with strong increases, mainly with rebars (+62,2%), merchant bars (+7,9%) and heavy sections (+6,9%). With lower absolute quantities, sheet piling (+8,7%) and railway material (+8,5%) showed a good performance. As the only exception with long products, the exports of wire rod decreased by 2,7%

Deliveries of special steels

During 2005, the special steels market was strongly influenced by the volatility of the cost of scrap and alloying elements, which prompted a purchasing rally in the first months of the year and a significant de-stocking process in the second half-year.

Total deliveries of special steels decreased by 3,9 % consequent to the contraction of supplies to the EU market (- 4,2 %) which could not be offset by higher shipments to the export markets (- 2,1 %).

Stainless steels

Deliveries of long and flat rolled products by EU stainless steel manufacturers in 2005 developed as follows compared to the previous year:

Total stainless steel deliveries:	–	**4,5 %**
of which to EU markets:	–	6,2 %
of which to third countries:	+	0,8 %

In 2004, the market supply of stainless steels in the European Union had grown by more than 8%, well above the more moderate trend of real consumption. As the market continued to be oversupplied during the first months of 2005, especially in the flat products area, an excessive stock accumulated. As from the 2nd quarter of 2005, the situation became unsatisfactory for the Community stainless steel manufacturers. Strong de-stocking activity by distributors led to a severe drop in the order intake received by the mills. This deterioration of volumes was accompanied by a dramatic price drop that reached a historical low at the end of the year. Deliveries of stainless steel flat products to the internal Community market fell by 7,3 % year-on-year. EU producers' exports of flat products outside the Community grew by 1,7 %, a performance which was limited by a slower growth of apparent consumption in China, combined with the rapid expansion of China's own manufacturing capacities.

During 2005, total deliveries of stainless steel long products by EU producers decreased by 3% compared to 2004 (a drop which equally reflects the negative market evolution in Europe and overseas) as the world market of long products was also affected by the adjustments of inventories and a general drop of apparent consumption as from the 2nd quarter of 2005. EU long products producers' deliveries to the Community market fell by 2,5 %, whilst their exports to third countries dropped by 6,5 %.

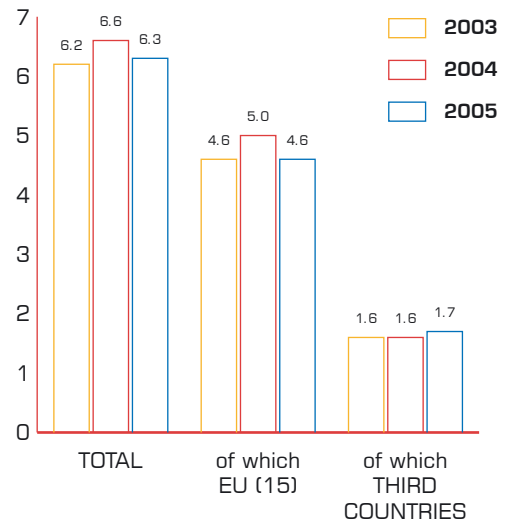
For the total of stainless steels, the market supply of the European Union decreased by 7% in 2005 and imports from third countries took a market share of 10,3 %. Whilst imports decreased slightly in the flat products area, import penetration continued to grow in the long products sector consequent

to the relentless increase of shipments of bars and wire products from India.

The prices of primary alloys and scrap (which fluctuated to a greater in the last two years than ever before) had a decisive impact on stainless steel manufacturing costs, sales prices, the inventory policy of distributors and consumers and their purchasing behaviour.
The prices of nickel and molybdenum, in particular, were very volatile in 2005, reaching historical peaks in the 2nd quarter before decreasing in the 2nd half-year. Nevertheless, prices in the 2nd half-year remained extremely high compared to the average values of the last 5 to 10 years.
For some final applications, these alloy price movements have prompted a substitution to other stainless steel grades or alternative materials.

Stainless Steels: Development of Deliveries
(million tonnes)

Source: EUROFER



Alloy Engineering, Tool and High Speed Steels

Compared to 2004, deliveries by EU producers in 2005 showed a slight decrease:

Engineering, tool and high speed steels total deliveries:	–	**3,6 %**
of which to EU markets:	–	3,0 %
of which to export markets:	–	8,7 %

For the alloy engineering steels producers, 2005 was a year of contrast with a high activity level and strong deliveries recorded between January and April, followed by a decrease of demand from May to September and a stabilisation at this weaker level during the 4th quarter 2005. Consequently, the EU companies which had been working at full capacity during the first part of the year had to adjust their levels of activity to match the slower apparent demand in the 2nd half-year.
On the positive side, demand for alloy engineering steels benefited from a sustained growth in the energy sector throughout the year, as well as from a well oriented market for industrial vehicles and capital goods in general. Demand from the car industry flattened in 2005, a development which was mirrored by the subcontracting sectors such as the forging and spring manufacturing industries. Ball bearing manufacturers showed a stable activity level. Demand from the distribution sector was poor, mainly as a result of fierce price competition from imports originating in third countries.
Compared to 2004, deliveries of alloy engineering steels by EU producers in 2005 decreased by 3,3 % on the Community market and by 10,5 % outside Europe. The market share of imports from third countries into the EU grew from 7,2 % to 9,2 % year-on-year.

The EU producers' total shipments of tool steels decreased by 2 % in 2005 but supplies to the Community market remained stable. The strong Euro/ US Dollar exchange rate reduced the competitiveness of Community tool steels suppliers outside Europe at a time when Chinese exports of tool steels showed a constant growth on the European and US markets.

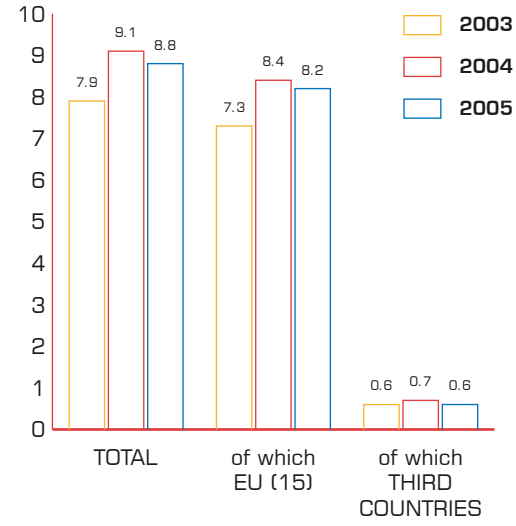
Total deliveries of high speed steels by Community producers worldwide increased by 5,5 % in 2005 but, after a significant growth in 2004, deliveries to the EU market fell by 4,8 %. This evolution partly

Steel Market

Alloy Engineering, Tool and High Speed Steels: Development of Deliveries

(million tonnes)

Source: EUROFER

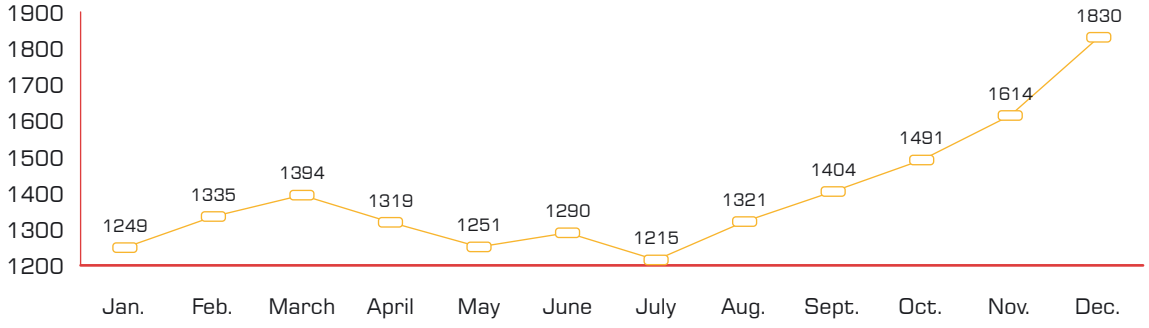


reflects the de-location of end-use industries to low cost manufacturing countries such as China.

Since the start of 2006, the overall market conditions have significantly improved in all special steel product areas, resulting in a marked increase of new order bookings, longer lead times and full capacity loading for EU producers, accompanied by a gradual price recuperation. This situation appears to be all the more promising for the year 2006 results as the inventories in the entire supply chain range from low to normal levels. The outlook for the end of 2006 and the year 2007 will very much depend, however, on the strength of the economic recovery in the Euro-zone, the future prospects in China as the driving force of the world economy and, last but not least, the market response to the raw material costs which are expected to remain structurally high in the foreseeable future.

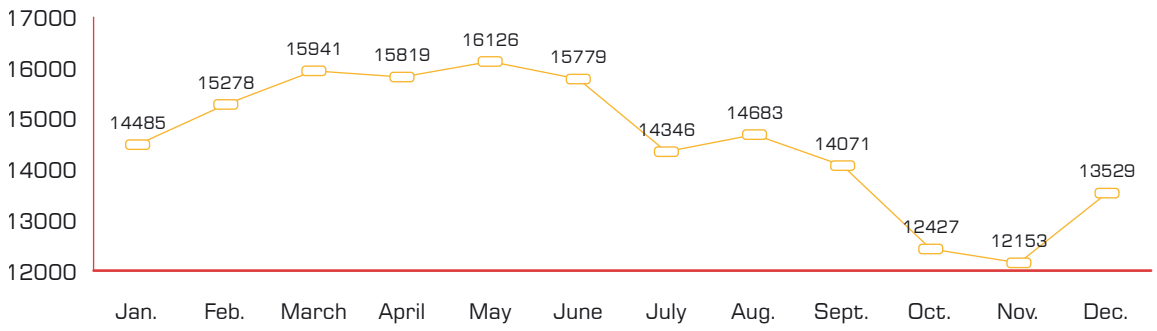
Zinc: Monthly Development of Quotations in 2005 (US$/tonne)

Source: Metal Bulletin



Nickel: Monthly Development of Quotations in 2005 (US$/tonne)

Source: Metal Bulletin

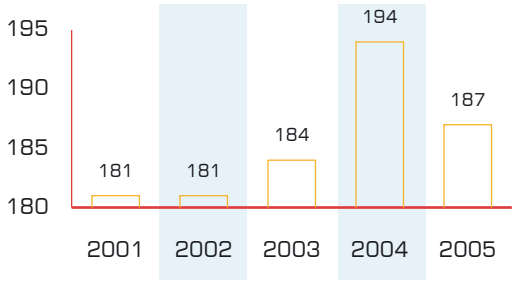


Crude Steel Production

With 187,2 million tonnes the crude steel production in the EU(25) remained at 3,5% below the level of the year 2004. The production in the ten new member states was 11,6% stronger, while it was reduced in the former EU(15) by 2,3%.

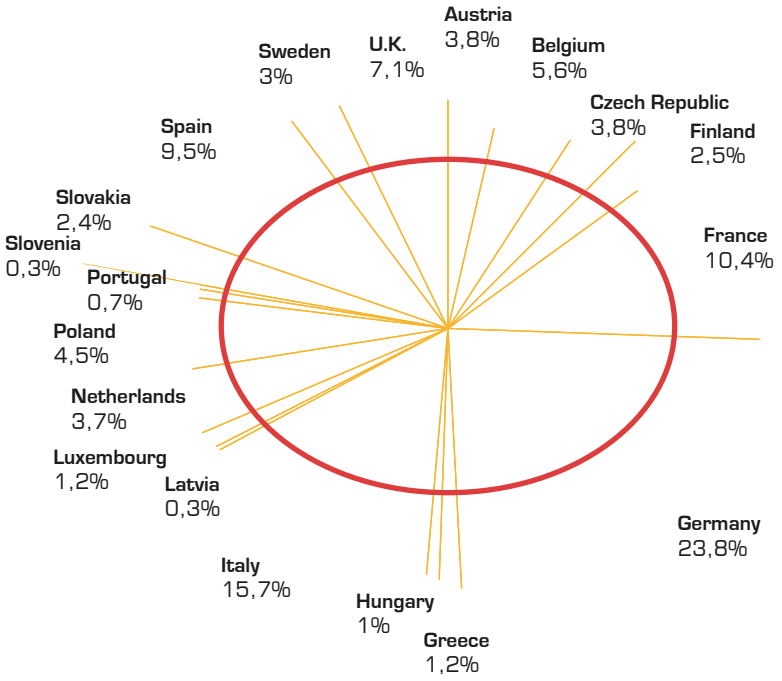
EU Crude Steel Production (million tonnes)

Source: EUROFER



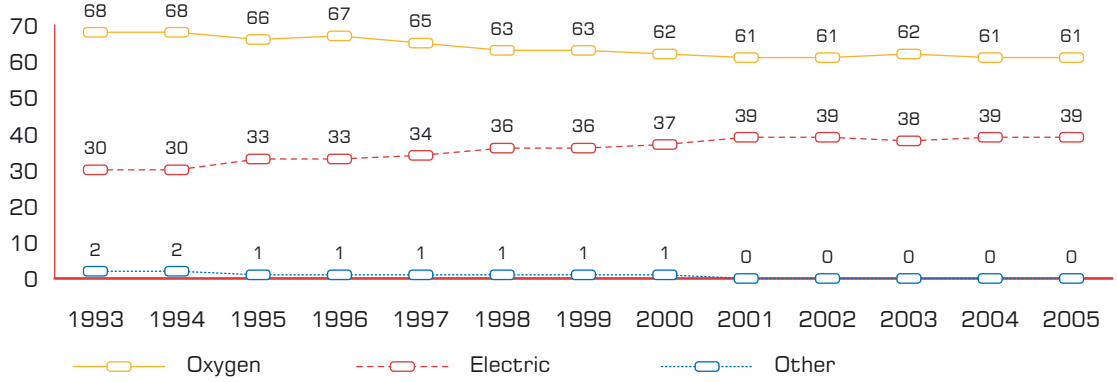
EU Crude Steel Production Geographical Breakdown

Source: EUROFER



EU Crude Steel Production by Process

Source: EUROFER



Steel Market

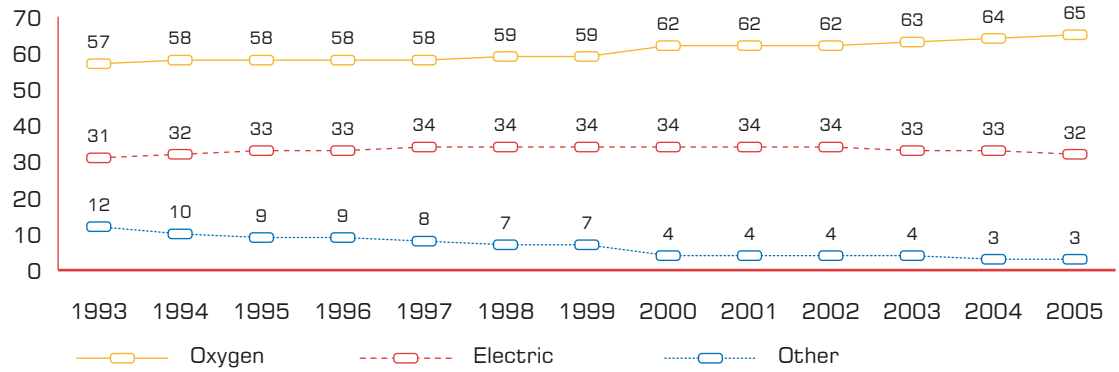
EU Crude Steel Production (million tonnes)
Source: EUROFER

EU COUNTRIES	2005	2004	2005/2004 (% changes)
Austria	7	6,5	7,7
Belgium	10,4	11,7	-10,9
Czech Republic	6,2	7	-12,0
Denmark	0	0	0
Finland	4,7	4,8	-1,9
France	19,5	20,8	-6,2
Germany	44,5	46,4	-4,0
Greece	2,3	2	15,2
Hungary	2	2	0,3
Ireland	0	0	0
Italy	29,3	28,5	3,0
Latvia	0,6	0,6	0
Luxembourg	2,2	2,7	-18,3
Netherlands	6,9	6,8	1,0
Poland	8,4	10,6	-20,3
Portugal	1,4	1,4	0
Slovenia	,6	,6	3,0
Slovakia	4,5	4,4	1,0
Spain	17,8	17,7	0,8
Sweden	5,7	5,9	-4,3
United Kingdom	13,2	13,8	-3,9
EU 25	**187,2**	**194,1**	**-3,5**

In 2005 the world steel market showed a growth of 6,6% reaching a level of 1129 million tonnes. China, with 349 million tonnes, maintained its position as the largest producer in the world with an increase of 27,2%.

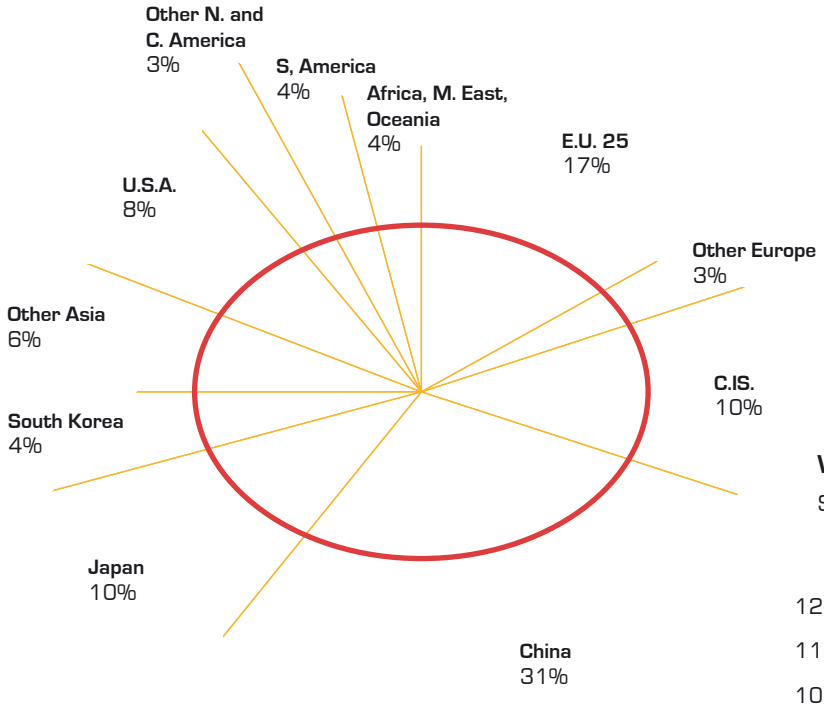
World Crude Steel Production by Process

Source: IISI



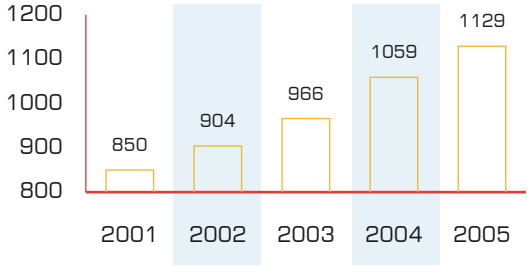
World Crude Steel Production Geographical Breakdown

Source: EUROFER



World Crude Steel Production (million tonnes)

Source: IISI



World Crude Steel Production (million tonnes)

Source: IISI

GEOGRAPHICAL AREAS	2005	2004	2005/2004 (% changes)
World	**1128,7**	**1058,5**	**6,6**
Europe	**220,2**	**226,2**	**-2,6**
EU 25	187,2	194,1	-3,5
CIS	**112,9**	**113,1**	**-0,2**
Russia	66,2	65,6	0,9
Ukraine	38,7	38,7	-0,2
Asia	**582,4**	**501,5**	**16,1**
China	349,4	274,7	27,2
Japan	112,5	112,7	-0,2
South Korea	47,8	47,5	0,6
North and Central America	**127,6**	**134**	**-4,8**
USA	94,9	99,7	-4,8
South America	**45,3**	**45,9**	**-1,2**
Africa, Middle East and Oceania	**40,3**	**37,9**	**6,3**

Trade Policy

EU Trade Cases

Grain Oriented Electrical Sheet from Russia and the USA

EUROFER filed an application for the initiation of anti-dumping proceedings concerning imports of GO electrical sheet from Russia and the USA in April 2004. Definitive measures were finally imposed by the Commission in June 2005.

Third Country Cases against the EU

There is increasing use of anti-dumping by third countries often with little respect for the rules established by the WTO. The European industry was confronted with some examples of this in the course of 2005.

Russia – Stainless flat products

This case was initiated in 2004 by the Russian authorities even though it was clear from a cursory examination of the details that it was based on issues related to customs declarations and taxes which were of no relevance to EU producers. The deadline for measures was October 2005 yet todate despite repeated interventions by the Commission and member states, Russia, while not imposing measures has still not terminated the case.

Pakistan – Tinplate

This case was filed by Pakistan against tinplate imports from France, Germany, Italy and the USA on spurious grounds, particularly as regards injury. EU producers rightly refused to co-operate in the investigation and at EUROFER's instigation the Commission intervened strongly with the Pakistan authorities to remind them of their obligations under WTO rules. The case was subsequently terminated in early 2006.

Bilateral Agreements with Russia, the Ukraine and Kazakhstan

New bilateral agreements for 2005-06 having already been reached with Russia and Kazakhstan by end-2004, agreement was eventually reached between the EU and the Ukraine in April 2005. This raised quotas to over 980 Kt in 2005 and to more than 1 Mio t in 2006, substantial increases compared to previous periods. EUROFER accepted these increases only very reluctantly but recognised, given the huge structural imbalances between domestic consumption and capacities in the industry in the Ukraine that this agreement provides additional time to undertake the necessary restructuring of the industry in the Ukraine while avoiding potential disruption to the EU market.

Trade Policy

Prior Surveillance System

Following the decision of the US authorities in June 2005 to prolong the import monitoring and licencing system until 2008 the Commission agreed that the EU prior surveillance system should be extended to end-2006. This had been strongly urged by EUROFER given that the licence system is a no-cost, non-trade restrictive instrument which is the only available forward indicator of variations in trade flows.

Turkey

For some time Turkey has been putting the European light long products market under pressure. There has been suspicion for some time that its ability to undercut European producers on their markets was due to subsidisation. These suspicions have proved to be legitimate and in May 2005 EUROFER submitted a file with prima facie evidence of such subsidisation to the Commission authorities. The state aid granted is a clear breach of the conditions of the Free Trade Agreement of 1996 which, in return for granting free access to EU market obliges Turkey to end subsidisation. The Commission is pressing Turkey to submit a fill national restructuring plan for its steel sector providing full transparency for both past periods and the present on the state aid granted. Despite repeated assurances Turkey has so far failed to do so. EUROFER continues to press the Commission to take firm action, has requested the support of the member states and is insisting that the issue must be addressed in the accession negotiations by an immediate opening of the Competition chapter.

USA

The number of WTO disputes with the USA rumbled on in 2005 – notably efforts to oblige the US to repeal the Byrd Amendment which illegally dispursed the proceeds of anti-dumping duties to US industries and to end the practice of zeroing discounting transactions in anti-dumping cases which had negative anti-dumping margins which has the effect of bringing up the overall dumping margin. As authorised by the WTO, both Canada and the EU introduced retaliatory measures in the dispute over the Byrd Amendment. It was finally repealed by Congress in 2006 but this will not take full effect until 2007. On zeroing, the EU successfully challenged the practice in the WTO but the appeals process was still on-going into 2006 with however finally a successful outcome for the EU with an appellate body ruling that zeroing in both the initial investigation and subsequent administrative reviews was illegal. However, it remains to be seen to what extent the US will comply with the WTO ruling.

OECD – Steel Subsidy Agreement

Talks at the OECD aimed at reaching an agreement were suspected in June 2004. In May 2005 the OECD secretariat produced a blueprint aimed at bridging the huge gulfs between the positions of the different parties, without success. It is worth recalling that the European Union is the only region in the world with any restrictions on state aid to its steel sector. Therefore, EUROFER supports an SSA that would impose on other countries the same level of anti-subsidy discipline that exists in the EU. However it had been apparent for some time that the discussions on an SSA were going nowhere. The adoption of absurdly ambitious objectives by some parties such as the elimination of all subsidies whether or not they had anything to do with the maintenance of excess capacities was really a refusal to enter seriously into negotiations. The setting of unrealistic conditions – sometimes of a political nature – by other parties also meant that an agreement was impossible. The talks therefore have been suspended and the situation will be periodically reviewed in the OECD Steel Committee.

Raw Materials

Iron Ore

The unprecedented increase in prices in 2005 of 71,6 % imposed by iron ore suppliers reflects the tight supply – demand balance driven by the emergence of China onto world raw materials markets. 2005 saw a new record for seaborne traded iron ore which rose to 670 Mio t. This was an increase of 74 Mio t over the level of the previous year and also the biggest increase ever in a single year. All of this increase was due to China which imported 275 Mio t, up from 201 Mio t in the previous year. China now accounts for 40 % of world seaborne trade in iron ore.
In response to this structural shift in demand there is now a plethora of projects aimed at increasing supply, led by projects aimed at increasing existing capacities in Brazil and Australia but also at developing new capacities, notably in west Africa where the new demand – supply situation and impact on prices has improved the economics of the Simandou project in Guinea and the Nimba project in Liberia.

Steel production growth in Europe was constrained in 2005 by the need to deal with the overstocking of the previous year. Nevertheless pig iron production levels were virtually unchanged at 92,8 Mio t, only slightly down from the very high 93 Mio t of the previous year. Imports of iron ore rose 3 Mio t – as producers replenished stocks – to 141 Mio t.

Coal and Coke

Imports of coal in 2005 were 41,4 Mio t an increase of 2 Mio t of which 37,1 Mio t of coking coal and 11,3 Mio t of coal for injection. The pattern of imports was largely unchanged with however a large increase from Russia (+76 %) and Canada (+15 %). Australia (48 %), the United States (21 %) and Canada (13 %) together represent 82 % of the imports into the EU. In 2005 coking coal consumption in the EU 25 was 51,7 Mio t an increase of 7,4 %.

Coke exports from China resumed normally in 2005 with an export allocation which was sufficient to supply international markets. There was no return therefore to the price inflation seen in 2004 which resulted from the abrupt curtailing of export volumes from China. Prices were of course higher than in previous periods, reflecting higher demand for coal and coke worldwide but price volatility in the course of the year was limited.

Scrap

Scrap prices reached unprecedented levels in 2004 as very strong demand from electric arc producers combined with increased usage of scrap in converters by integrated producers. The dynamic development of the steel sector worldwide and in particular the emergence of China has led to a structural shift upwards in demand for ferrous units. The main capacity growth in China has been in integrated plants with development of EAF's lagging due in part to constraints on power availability in China. Nevertheless, there is capacity growth in EAF's in China and the major impact on the scrap market worldwide is coming from this but more importantly from the huge development of demand worldwide for construction products driven by demand in the emerging economies.

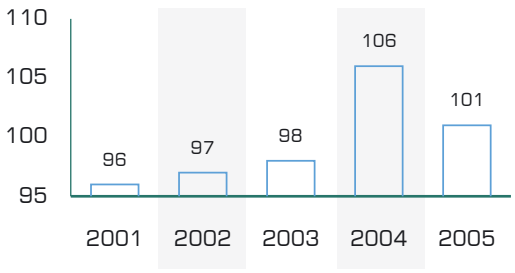
After the price hikes of the previous year the first half of 2005 saw a substantial drop in scrap prices reflecting the drops in production by mills as they responded to the stocks-overhang of 2004, a very good supply situation and a lower activity by scrap buyers in third countries, notably Turkey. In the first half of the year scrap prices fell by 33 %.

Raw Materials

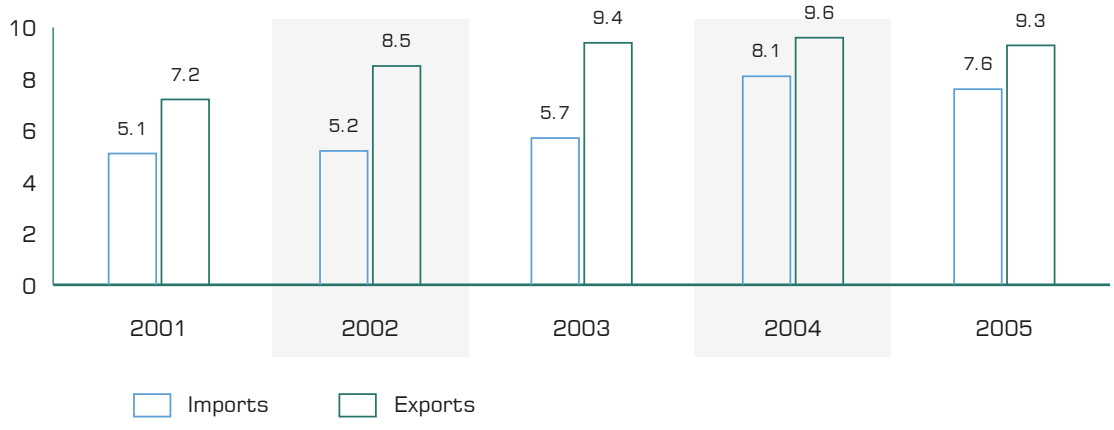
However, the volatility of scrap prices which has become a feature of the market in the last two years became evident again in the middle of the year with prices again being pushed up to levels not far from those of 2004 although prices began to fall back again at the end of the year. This demonstrates yet again the extent to which the market for scrap has become global. In the past scrap was a commodity which was essentially traded locally, for which transport costs were a significant proportion of the total price and were therefore a limiting factor in the trading of scrap. Scrap markets remained rather separate. The transformation of the scrap sector over the last few years is linked to a structural development of demand due to Asia and the upward shift in prices had led to some increase in the collection of scrap from both traditional and more recent supply sources. The development curve of the scrap resources available in Asia lies far behind the development of their demand. Pressure on supplies and high prices are therefore likely to remain a feature of the scrap market worldwide for some time to come.

In the EU25 in 2005 scrap demand remained at very high levels but dipped slightly from the record levels of the previous year. Scrap consumption was 101,3 Mio t, a decrease of 4,4 %. The export of scrap of 9,6 Mio t was only slightly below the 9,3 Mio t of the previous year but exports to Asia continued to rise, reaching 4 Mio t, up from 3,3 Mio t in 2004, an increase of 20 %.
Imports decreased slightly from 8,2 Mio t tp 7,6 Mio t reflecting the slowdown in the first half of the year. Europe therefore was clearly a net exporter of scrap with the gap between imports and exports growing.

Scrap: EU Consumption (million tonnes)
Source: Eurostat and EUROFER

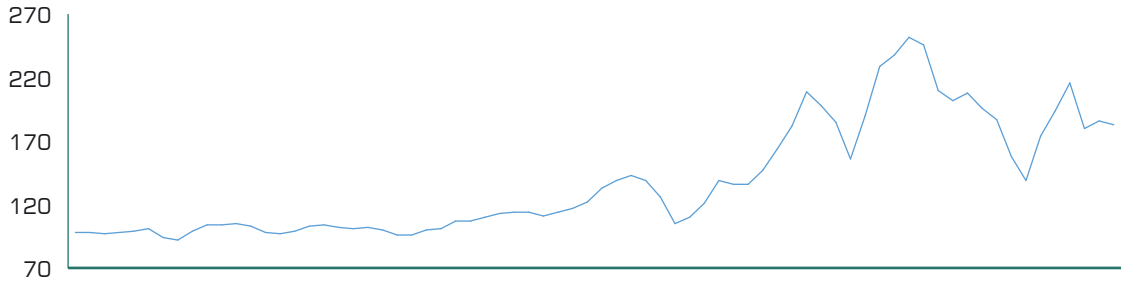


Scrap: Imports and Exports (million tonnes)
Source: Comext - Eurostat



Scrap - Demolition Quality: Price EU Market (€/t)

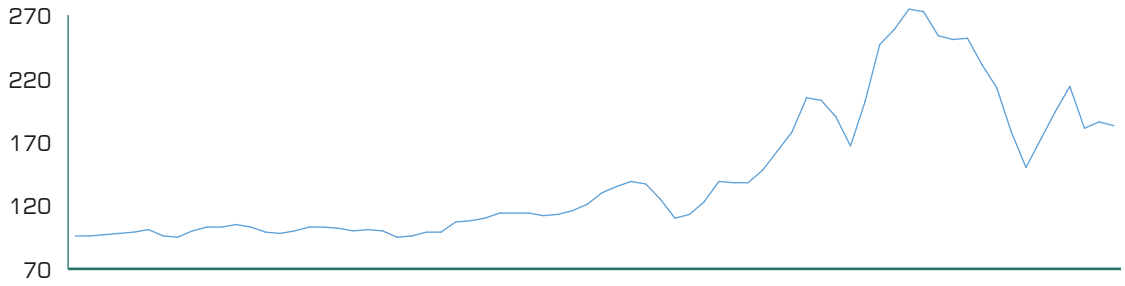
Source: EUROFER



years 2000 - 2005

Scrap - New Arisings: Price EU Market (€/t)

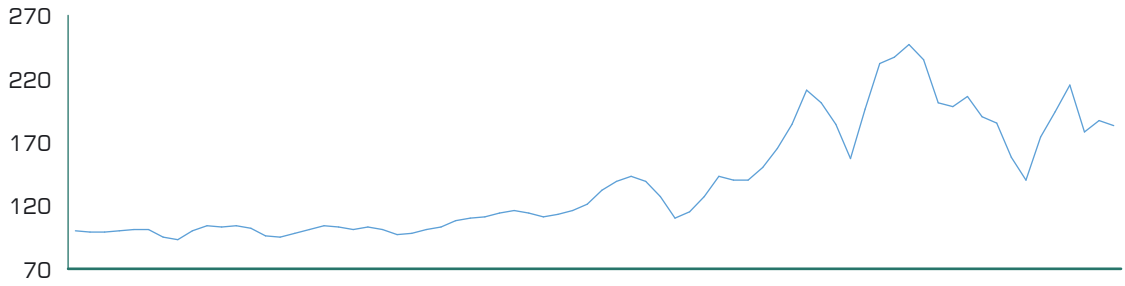
Source: EUROFER



years 2000 - 2005

Scrap - Shredded: Price EU Market (€/t)

Source: EUROFER



years 2000 - 2005

Technology and Environment

Energy

Energy is a key interest for the European steel industry

Energy is a key driver of the competitiveness of the European steel industry.
Gas and electricity account for about 6% of the total cost in steel making. The gas and electricity bill for the EU steel industry has dramatically increased over the last few years, most of all in 2005, weakening its international competitiveness.

In addition, energy prices in Europe have become more volatile and energy supply less secure than before the start of the liberalisation of the European energy market.

The European steel industry welcomes the preliminary conclusions of the Commission's energy inquiry, and the Commission's proposals for an "Energy Policy for Europe".

We believe that the overall energy approach proposed by the Commission in its recent Green Paper correctly addresses the major challenges to the European energy-intensive industries, such as the steel industry. Equally, EUROFER supports the recent conclusions of the European Council on the main features of a future Energy Policy for Europe. In our view, however, the best approach is offered by the Commission's proposal, which is more ambitious, substantive and comprehensive.

The newly established EU High level Group on Competitiveness, Energy and Environment could contribute towards finding a better balance in European policies between the economic and energy interests, thereby increasing the competitiveness of the European steel industry and mobilising broader political support for an ambitious European energy policy.

EUROFER seeks

a) The vigorous and consistent use by the Commission of legal means to deal with any violations of European competition rules by energy suppliers, including cost enforcement and price transparency

b) The enforcement and improvement of existing EU regulations:

- to ensure sufficient infrastructure for inter-connectors / storage;
- to generate conditions for cross-border competition which will reduce price spikes and create greater security of supply;
- to encourage investments in new electricity generation capacities (huge investments are needed, the large users are part of the solution, the right partners meaning base load customers for base load suppliers and long term delivery and price contracts - 10 years - are needed).

c) The re-enforcement of the EU security of supply (EU countries must have multiple sources of supply, making energy supply security a priority for foreign policy and trans-European energy networks are an essential part of this).

d) Reform of the current design of the EU ETS.
As far as the CO_2 European trading scheme is concerned, it is clear that this was introduced on top of a market situation that was not stable, and electricity producers have understood

the benefits they can gain from this. It should not allow opportunity costs to be passed on, as this is not linked to any environmental benefits. A clear signal should come from the EU Commission in this respect when reporting on the application of the ET Directive by June 06 and when recommending on how to set up national allocation plans for phase II (2008-2012).

More details can be found at:
http://www.eurofer.org/positionpaper/compet/CompElectprices-Nov04.pdf
http://www.eurofer.org/positionpaper/energy/docs/PPaperENERGY0406.pdf

Research and Development (R&D)

The European Steel Technology Platform (ESTEP)

The European Steel Technology Platform (Vision 2030) was officially launched on March 12, 2004. In 2005 a Strategic Research Agenda (SRA) was set up by the Support Group and finally endorsed by the Steering Committee on the 7th of July 2005. It offers a global vision on the innovation and R&D initiatives which will lead to the achievement of the objectives identified in the frame of a sustainable leadership of the steel sector in the coming decades.

The document «From a Strategic Research Agenda to Implementation » (ftp://ftp.cordis.lu/pub/estep/docs/sra_en.pdf) includes a detailed description on how the steel sector intends to implement its first Strategic Research Agenda (adopted on December 15th, 2004) as well as a new chapter on how to promote steel solutions for end users in the energy sector (announced in the former version).

The European steel industry's ambition is to maintain and reinforce its global leadership, in a sustainable and competitive way, given the strong developments in other parts of the world, notably Asia.

To meet the strategic objectives of ESTEP, in March 2004, the Group of Personalities composed of the major CEO's of major companies decided to launch resolute, long-term, and structured R&D actions.

Six working groups involving approximately 110 persons and corresponding to the 4 pillars of the sustainable development framework of the Platform have been set up: i.e. profit, people, planet and partnerships (involving automotive, construction and energy sectors). Three large and complementary R&D industrial programmes with large societal impacts, each of them encompassing several R&D themes and research areas, have been developed.

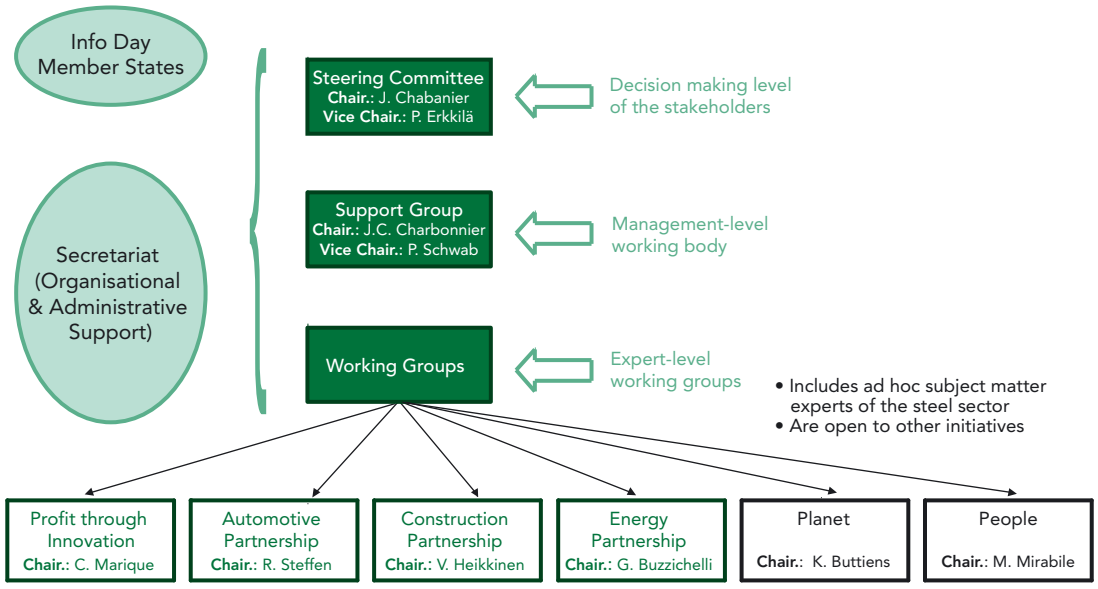
Three industrial programmes with large societal impacts are proposed:

- Safe, clean, cost-effective and low capital intensive technologies
- Rational use of energy resources and residues management
- Appealing steel solutions for end users

Together they aim at playing a major role in boosting competitiveness, economic growth and the related impact on employment in Europe. The corresponding R&D themes and areas that have been identified in these programmes are bringing a strong contribution to the sustainable development approach.

Organisation of the European Steel Technology Platform (ESTEP)

Source: ESTEP



The European steel sector constantly addresses the challenge of customer demand for a broad variety of ever more sophisticated high-performance materials. To meet these needs, direct partnerships between steel producers and their immediate customers are a strong requirement. Such collaborations are major features of new product development in the steel industry and an essential element in the promotion of steel use. In the framework of this Strategic Research Agenda (SRA), the automotive, construction and energy sectors are regarded as priorities.

Protecting the environment (greenhouse gas emissions and more particularly CO_2 emissions) and increasing energy efficiency both constitute major transversal issues in the R&D programmes that are proposed. Security and safety represent the third very important objective to be addressed, not only in the relevant industries but also in customers' every day lives as users (cars, buildings, energy production and transport, etc.) by developing new intelligent and safer steel solutions.

A major transversal theme regarding the human resources has also been taken into consideration (attracting and securing qualified people to help meeting the steel sectors' ambition). In this respect:

- A large European network (T.I.M.E, 47 universities), involved in education, training, communication and dissemination activities has been identified among the stakeholders of ESTEP. This network should play a leading role in analysing how the education system could meet the future requirements for qualified personnel in the European steel industry, and in devising effective approaches to address its anticipated shortcomings.
- Human resources, as the holders of a company's core competencies, represent a key asset that should be optimised. A survey of the steps taken by European steel producers in terms of change management and progression towards "knowledge organisations", leading to exchanges of best practices, should significantly contribute to such optimisation process.

The European steel industry has already addressed to the challenge of lowering CO_2 emissions by creating the ULCOS (Ultra Low CO_2 Steelmaking) consortium of industries and research organisation. ULCOS has taken up the mission of developing the corresponding breakthrough processes.

This large-scale consortium (48 European participants), set up in 2004 as a joint initiative, plans to develop a breakthrough steelmaking process with the potential to meet the target of drastically reduced greenhouse gas emissions beyond 2020. The full development of the process, from basic concept to fully-fledged industrial implementation, would cover both medium- and long-term and consist of a number of consecutive projects.

Breakthrough technologies must be developed to achieve the technological advances of the three large industrial programmes of the platform. A critical mass of skills and financial resources is necessary to meet the challenges of such a long-term ambition.

ESTEP will further integrate and broaden the scope of the European RTD partnership built in the frame of the ECSC Treaty (more than 8,000 researchers) and the Framework Programmes. Indeed it will constitute large partnerships involving the whole European steel industry, its suppliers and customers (automotive industry, construction sector and the energy sector in a second stage), SMEs, private and public research, public authorities and representatives of trade unions.

Private funding by the stakeholders, and financial support from different European, National and even Regional institutions, are foreseen. However, it is envisaged to launch a Joint Technology Initiative, and, perhaps together with loans from the European Investment Bank, to cover the pilot and demonstration as well as the industrialisation phase of the ULCOS project.

The total budget for the first priorities (to be launched first) amounts to, circa, €0.8 bn.

On an annual basis, approximately 25% of the Research Fund for Coal and Steel (RFCS) programme should be devoted to programmes leading to the implementation of sectoral, consensus-based, R&D activities.

This implementation should take place from 2007 to 2013 for both RFCS and the EU Framework Programme (FP7) actions.

The total budget corresponding to all SRA activities is in the range of €1.7 bn over a time period of 15 years.

EU Framework Programme (FP 7)

The 7th Framework Programme (2007-2013) constitutes a key contribution to the Lisbon strategy and the aim to contribute to the enhancement of competitiveness and innovation capacity in the EU.

The 7th Framework Programme will include four specific programmes: “Cooperation”, “Ideas”, “People” and “Capacities”. The “Cooperation” programme (where several research areas like materials, production technologies, energy and environment have been identified) is of utmost importance for the Steel Sector. As FP7 is key to implementation of the Strategic Research Agenda of ESTEP, the process of building specific proposals in its framework was initiated and will be continued in 2006 and beyond.

More details can be found at:
http://cordis.europa.eu.int/fp7/
http://europa.eu.int/comm/research/future/index_en.cfm
http://cordis.europa.eu.int/estep/home_en.html

EU Research Fund for Coal and Steel (RFCS)

In 2005, 154 research proposals were submitted to the EU Commission for selection and financing under the Research Fund for Coal and Steel. Around 25 % of the most valuable submitted proposals were finally financed due to the limited budget.

EUROFER Steel Advisory Group (SAG) members were involved in the preparation for the scheduled revision of the Technical Guidelines as well as the new version of the Infopack. These revisions are very important in the framework of ESTEP in order to set up appropriate priorities for the related proposals.

RTD (Research Technology and Development) Steel Projects agreed by the EU Commission under RFCS in 2005 – 2006

RTD projects were submitted in September 2005 and approved in January 2006

Source: US ITC

Priority areas	Research Project Description	No of Projects
Steelmaking and finishing techniques	Ore agglomeration and iron making	2
	Steelmaking process	5
	Casting, reheating and direct rolling	2
	Hot and cold rolling	6
	Finishing and coating	2
	Physical metallurgy and design of new generic steel grades	9
Products	Steel products and applications for automobiles, packaging and home applications	2
	Steel products and applications for building, construction and industry	5
Others	Factory wide control, social and environmental Issues	6
Total		39

Technology and Environment

Environment

Air Quality

Thematic Strategy on Air Pollution

On September 21, 2005, the EU Commission adopted the Thematic Strategy on Air Pollution (COM(2005) 446). The Strategy sets specific interim objectives for reducing air pollution impacts by 2020 and has a specific focus on reducing human exposure to particulate matter.

EUROFER and its members have actively participated in the work within the frame of the Commission's CAFE (Clean Air for Europe) programme. The steel industry has continuously provided the Commission and other stakeholders with information and taken part in the debates. However, EUROFER is concerned that, due to time pressure, air policy decisions have been made on a preliminary, incomplete and highly uncertain analysis since important aspects of the CAFE work programme were not completed on time.

There are key issues and corrections that still need to be addressed in the projections before they are reliable and robust enough to serve as the basis for future legislation. EUROFER is particularly concerned that the strategy will be even more difficult and costly to achieve than currently stated for the following reasons:

- energy projections significantly underestimate expected levels of coal use
- input activity data for many countries and industry sectors have been systematically underestimated.
- modelling is based on a single year's meteorology, whereas Air Quality Standards must be achieved every year
- little account has been taken of uncertainties
- detailed work have not been undertaken to establish the feasibility and cost-effectiveness of implied measures
- costs for the development of techniques to achieve compliance with $PM_{2.5}$ (Particulate Matter) regulations are not yet known

Furthermore,

- Ensuring full implementation of existing legislation is key to improving air quality in Europe
- The competitiveness of an industry operating in a global market will be damaged due to higher environmental standards in the EU compared to other production areas.

Revision of the Ambient Air Quality Directive

Together with the Thematic Strategy on Air Pollution the EU Commission also proposed to revise EU Air Quality legislation. An Ambient Air Quality Directive (COM(2005) 447), will replace the Air Quality Framework Directive (96/62/EC) as well as the three first daughter directives (1999/30/EC) (2000/69/EC) (2002/3/EC) and one Council Decision (97/101/EC).

The new proposal is intended to streamline the legislation in the spirit of the Commission's initiative

on Better Regulation but also contemplates new measures on "Particulate Matter" including a strong reduction in the size of particles to be filtered.

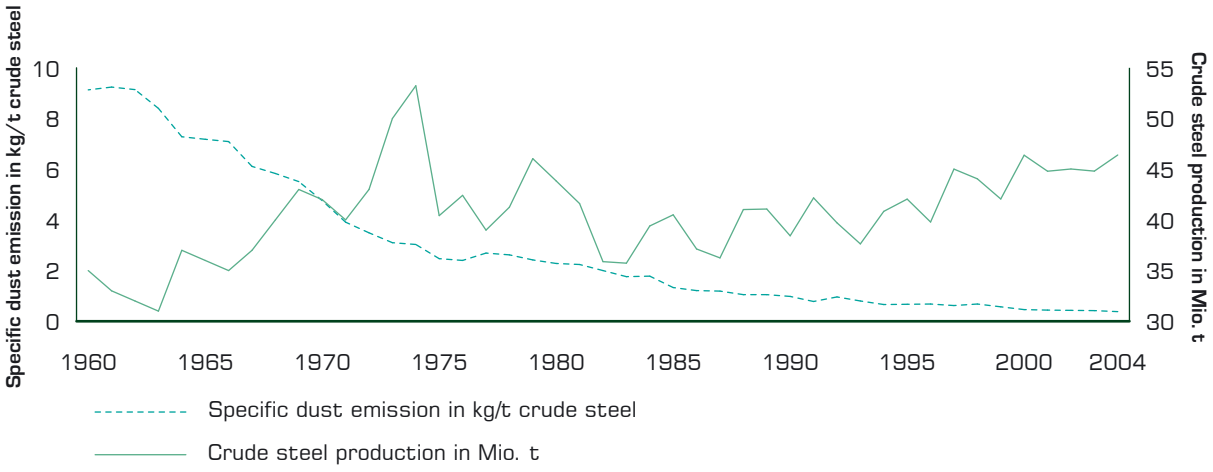
EUROFER has expressed strong concerns with regard to that proposal. Indeed, the methodology followed seems questionable, the scientific basis is insufficient, its implementation would meet with difficulties, and its cost/benefit ratio looks rather unconvincing.

EUROFER's involvement and contribution to the process of developing the proposal as well as the ongoing negotiations within the European Parliament and the Council has been, and will continue to be, substantial. Among other things EUROFER has participated as a speaker at a hearing organised by the Rapporteur MEP Mr. Krahmer outlining our position regarding the proposed directive.

The particulate emissions from the European Steel Industry have decreased tremendously in the last decades. The graph is an example of particulate reduction in the German Steel Industry.

Specific Dust Emission of German Steel Industry

Source: Stahlinstitut VDEh



Technology and Environment

Climate Change

Greenhouse Gas Emission Trading Scheme

Under the scheme, launched on 1 January 2005, installations are allocated a certain number of CO_2 emission allowances per year by their governments (one allowance gives the right to emit one tonne of CO_2). Installations that keep their emissions below their total of allowances - for instance by investing in more energy-efficient equipment, by reducing or relocating their production capacities - can sell their surplus allowances to those that emit more than their allocated allowances. This 'cap and trade' approach is supposed to ensure that emissions are cut wherever it is cheapest to do so.

Early 2005, the Commission hired a Consultant to assess the direct and indirect impacts of the ETS on the competitiveness of EU industries.

The EU ETS and its impacts on the competitiveness of the steel industry

EUROFER as well as some of its members (major companies identified by the Consultant itself) have been participating to this impact study which took place during the summer. Surprisingly, the final report which was already supposed to be published in January 2006 has not yet been made available at the moment.

EUROFER has again made it clear that the EU ETS will negatively influence the competitiveness of its member companies. This negative impact will come on the one hand from higher power prices and on the other hand from increased costs from process emissions that cannot be passed on (prices being set on the international commodities markets).

Some of the integrated steel making plants (the so-called blast furnace route) will not get the needed amount of allowances to cover their current and future emissions. Production growth forecasts (increasing capacities or new investments) should be acknowledged in the same way in all Member States and all related allowances should be allocated free of charge.

We describe hereafter situations where we have identified possible distortions.

a) **process related emissions:** as most of these emissions are not reducible, setting a cap on these emissions would mean setting a cap on the production of steel. This unfair treatment should be corrected in the future.

   Applying a compliance factor to all kinds of emissions irrespective of their nature has the perverse indirect effect to set an indirect cap on the process related emissions and therefore on the production of steel.

b) **export gases:** the possibility for each Member State to allocate allowances to the operator of the installation transferring the waste gas should become the across EU rule as soon as possible. A large majority of Member States have already decided to fully use this opportunity by allocating allowances to the steel maker.

   When this rule would not be applied everywhere at the same time (not all Member states have applied this principle to the full extent in their national regulation), we would observe a clear discrimination between companies belonging to the EU steel sector when some are the owner of their power plant and some others are not.

c) **EU wide transfers:** as the only possibility to reduce emissions is often to cut back capacity or

to close a plant, the operator should have the same insurance everywhere in the EU that he will be allowed to keep the corresponding allowances and to transfer them without any restriction across Europe when relocating the corresponding production capacity.

The scheme gives rise to manifold types of distortions not only between EU and non EU competitors but among EU competing sectors as well. In this respect it is of utmost importance to consider the additional inclusion of sectors like aviation and the exclusion of sectors like plastics or incineration for instance.

Before considering the inclusion of any additional sector to the scheme two important criteria have to be borne in mind: the abatement costs and the facility to pass on those extra costs on the customers. A fair scheme should only encompass incumbents facing the same order of magnitude and having the same ability to pass on the costs, otherwise the system we observe now with sectors winning a lot by not reducing emissions will be pursued.

Any discussion must consider potential impacts on those companies that are already within the ETS, in particular on the price of allowances and the impacts on the international competitiveness, as well as the timing.

The "review" process and the second phase (NAPs II)

The "review" must be unfortunately understood as a "fine tuning" for the 2nd allocation period as no fundamental change can be expected from the ET directive. However, some deeper consideration about the post 2012 period must be taken into consideration especially in case of failure in the participation challenge.

In terms of consequences on business, we have to face two issues between now and 2012: without change to the ET directive, industry will suffer the same consequences for a longer period (8 years as against 3) and the double nature of the impacts:

a) direct impacts arise from the allocation method (especially for the process related emissions)

b) indirect impacts (electricity prices) result from the ability to pass on the costs on customers (opportunity costs leading to huge windfall profit)

It is essential that the direct and indirect impacts and the functioning of the scheme are assessed thoroughly and regularly by the Commission in close cooperation with the Member States.

The review must:

- minimise the impact on the competitiveness of European business;
- eliminate, as far as possible, inconsistencies, constraints and barriers, and bureaucracy in the ETS;
- not increase, through changes, the impact on those installations subject to the EU ETS phase I.

The problem of rising electricity prices (and gas prices as a consequence) must also be adequately and urgently addressed by EU and national decision makers even if the solution is to be found outside the scope of the current ET directive itself.

Technology and Environment

Participation challenge and post 2012

Global warming is a global challenge. For this reason, installing the EU ETS in isolation will impose disadvantages to the EU economies which in turn could weaken the EU position in the global market. In other words EU needs to review its climate change policy if the other Parties are not ready to adopt further actions. The European steel industry opposes continuation of the EU ETS if other Parties are not ready for further action on global climate policy. Should the EU continue with unilateral actions such as EU ETS, shifts of production to other regions will happen. This will not lower the global CO_2 emission situation (carbon leakage) but debilitate the European industrial base.

EUROFER does not want to continue with the EU ETS in its present form.

A right balance between all instruments should be maintained in any future regime. Industry initiative and well designed market based instruments under fair conditions as well as regulatory measures should be envisaged and discussed beforehand with industry.

Any instrument, and particularly market based instruments, should be global and meet the following criteria:

1. Allow any efficient installation to grow
2. Avoid distortion of competition on a global basis
3. Take into account the economic and technological potential to reduce Green House Gases (GHG) within a sector.
4. Promote cost effective emissions reductions

Promotion of market based instruments should only be considered if it can be clearly demonstrated that they can deliver the environmental objective at a lesser cost and without damage to the competitiveness of the European industry. The recent experience is not encouraging and is even leading to unintentional side effects (increased electricity prices). In the development of the European GHG emissions trading scheme, insufficient recognition was given to the fact that there were already policies and measures in place.

Emissions trading at installation level is not necessarily appropriate to every sector: any new scheme should result in an exemption for all irreducible industrial processes related emissions. The impact of the EU ETS on process emissions has not been addressed adequately so far.

Comments on the further guidance document (22 December 05)

We deplore the way in which the regulatory framework is determined by the EU Institutions and by the Commission in this particular case (the absence of consultation with industry as a key stakeholder in the develoment of a fair and workable scheme).

Firstly, it is really astonishing to note that, in a paper adopted under the Comitology procedure, an EU Body writes key messages that support a "policy of deindustrialisation". Indeed, justifying the outcome of an environmental policy with statements such as "... the parallel decline of the secondary sector experienced in European economies..." with the implication that EU industry will continue to decline and relocate is totally out of keeping with the objectives of the Lisbon Agenda and should not have found a place in such a guidance paper.

Secondly, it is surprising that the impact on the price of electricity that lead to a huge wealth transfer as a result of the so-called opportunity costs is not discussed or even acknowledged in the guidance. The Energy Council recently addressed this issue and invited the Commission to make the ETS more effective, while taking into account the need to promote competitiveness and an affordable energy supply. One can only deplore those recommendations being fully ignored.

Thirdly, this guidance document includes several instances where the Commission deviates from the principles of the Directive by reinterpreting notions or by reintroducing provisions which failed under the co-decision procedure. The following two examples illustrate our concerns:

a) The technological potential to reduce emissions is one of the key annex III criteria. This criterion is now considered in a totally new manner, which is difficult to accept for sectors emitting process related emissions that cannot be reduced (by chemical or metallurgical transformation). The cement, lime and steel sectors have, on a number of occasions, explained to the Commission their concerns. Instead of improving the system and making clear recommendations to all MSs on a harmonised approach that sets no cap on the process related emissions, the Commission is proposing deterioration and considers it inappropriate to maintain special provisions at installation level. It should be remembered that the initial objective of the ETS is to offer companies a choice between cutting emissions or buying allowances and not to force them to close capacity or cut back production. Thereby, organising a carbon leakage outside the EU as a result.

b) Reintroducing a linear cap (pathway to Kyoto) in several Member States is completely out of date as it would both distort the internal market and prevent the growth of some efficient installations in Europe. The first criterion of annex III speaks about consistency versus Kyoto Protocol "the total quantity of allowances to be allocated shall not be more than is likely to be needed ...» and makes no reference to any linear cap such as the one mentioned here.

A certain number of statements contained in this guidance either go beyond the Directive itself or try to reinterpret it. Perhaps the deindustrialisation of the EU and the relocation of the current, or increased, emissions is an intended outcome of the scheme? It will be necessary for the national decision makers to be sufficiently critical of this guidance when preparing the NAPs for phase II.

Details can be found at the following addresses:
http://www.eurofer.org/positionpaper/compet/OECD12-01-2005doc.pdf
http://www.eurofer.org/positionpaper/compet/MRGRev15-04-2005doc.pdf
http://www.eurofer.org/positionpaper/compet/AEIIECGuidance170206.pdf

Integrated Pollution Prevention and Control (IPPC)

EU common rules on permitting for industrial installations set out in the IPPC Directive (96/61/EC), are aimed at minimising pollution from various point sources throughout the EU.

In 2005 EUROFER continued its participation in forums and working groups organised by the EU Commission to exchange information (Information Exchange Forum or IEF) in order to develop Best Available Techniques (BAT) Reference Documents (BREF).

The last relevant vertical BREFs for the steel industry are the one for Surface Treatments using solvents and Surface Treatment of Metal and Plastics. The former will likely be adopted in 2006 while the latter has just been recently adopted in June 2005.

Technology and Environment

Generally good agreement was reached and no split views were reported. The BAT conclusions laid down in the document were practical and applicable.

The European IPPC Bureau (EIPPCB), the EU Commission and the industry stakeholders finally agreed on the procedure which will be followed during the revision of the existing BREFs.

EUROFER is already much involved in the revision of the Iron and Steel BREF which was adopted in 2000. Early November 2005 more than 25 experts from the EU steel industry have been appointed in the Technical Working Group which will be involved in the revision process. Complementary to those experts more than 50 other people are coordinating their inputs in the different shadow exercises EUROFER has initialised already early February.

All together they have been able to establish a single wish list, on time, upon request of the EIPPCB.

The process will occupy steel industry experts for another 2-3 years with a revised I&S BREF not expected before 2008.

In November, the EU Commission published its Communication on the implementation of the IPPC Directive (COM (2005) 540 final). The Commission commented on the various ways Members States transposed the Directive, pointed out the limited number of IPPC permits delivered and urged Member States to take a planned and proactive approach towards meeting the Directive's full requirements by 30 October 2007.

In addition to some more specific comments, the Commission highlighted having received around 100 replies to its 2003 Communication on the IPPC Directive. The very large majority of stakeholders did not call for radical changes in the Directive but asked for regulatory stability. However, a number of replies suggest technical amendments to improve the Directive.

Despite this, the Commission has amazingly decided to embark on an in depth review of the IPPC Directive. Besides some technical review, the Commission has the intention, through several studies conducted in 2006 to assess various ways to streamline existing legislation on industrial emissions and to assess the development of incentives, for example through market-based instruments (e.g. emission trading schemes, taxes and charges), to encourage operators to go beyond regulatory requirements imposed under the IPPC Directive and to support innovative environmental technologies!

EUROFER, as a Member of the Advisory Group set up by the Commission in consultation with Member States and other stakeholders, will convey the key messages from its members in this respect throughout the review process, which will be concluded by the end of 2006.

The EU steel industry supports the IPPC Directive with its integrated approach taking environmental objectives (including cross-media effects), local conditions and economic aspects into account in a balanced manner. Through the regular updates of the BREF notes and permit adaptations e.g. when increasing capacities or when substantial changes are observed in a given installation, the implementation of the IPPC directive drives continuous improvement in environmental performance.

Without presuming the results of the study to streamline industrial emissions legislation, the steel industry continues to support the spirit of the IPPC and consequently would support scenarios which preserve the fundamentals i.e.:

a) The integrated approach;

b) The emission limit values "based on BATs" and the flexibility of techniques (duty of results not of means);

c) The flexible approach where technical characteristics of the installation concerned, its geographical location and the local environmental conditions are taken into account

Product Related Environmental Issues

The EU Commission's communication on IPP (Integrated Product Policy), released in June 2003 (COM(03)302), aims to develop practical tools to assess a product's environmental performance and to reduce their environmental impact. This is expected to be achieved through a number of Commission initiatives to investigate possible approaches to IPP rather than developing new legislation.

Life Cycle Assessment

LCA has been identified as one of the key tools in achieving this objective. While the steel industry believes that LCA can be a useful business to business tool, the current LCA methodologies and databases are still under development and therefore unsuitable for inter-material comparisons. LCA should not be used in isolation as there are many tools that can be used for the environmental appraisal of materials. Under the umbrella of IPP, the Commission is developing a European Platform on Life Cycle Assessment to promote life cycle thinking in business and policy making. Within this platform, EUROFER is a member of the European Reference Life Cycle Data System Business Advisory Group, and as such provides advice and expertise to the Commission for the development of a web-based Life Cycle Inventory (LCI) database. EUROFER will provide Steel industry LCI data on this site.

EUROFER IPP Project

EUROFER is taking a pro-active approach to IPP and is undertaking a shadow project to run in parallel with the Commission's pilot projects in order to contribute to the IPP discussion and to develop a steel industry approach to IPP. This forms part of the open dialogue that is ongoing with the Commission. The EUROFER IPP project is aimed at developing a broad range of eco-design information for steel industry products (both carbon and stainless steel), focusing on product and technical information as well as environmental data, including LCA. EUROFER has conducted a number of interviews with key actors in the supply chain (customers of the European Steel Industry) to ensure that their specific requirements and expectations are identified and addressed. The sectors covered include automotive, construction and home appliances. These interviews cover the full life cycle of a range of steel applications in Europe and are the basis for the development of product specific eco-design packages. The manufacturers of these products will then be equipped with a practical information package containing the relevant eco-design information which will satisfy existing and future requirements. A thorough approach to the environmental considerations of product development is a determining factor in achieving sustainable development through eco-design.

LCA also plays a large part in the project – an LCA of each of the case study products will be developed and will become part of the eco-design package. In order to produce a comprehensive LCA, a methodology is being developed to account for steels' high recyclability at the end of its life and the beneficial use of co-products from the steel making process. This latter aspect will allocate an LCI to the production of materials such as blast furnace slag which can then be used by other industries. A Material Flow Analysis of the material steel is also being undertaken – this involves studying the

flow of the material steel throughout society, in terms of production, imports, exports, use, storage and recycling and will focus on EU25. This will result in more accurate, up-to-date data being used in the LCAs with respect to the lifetime of steel products in Europe and the recycling rates of steel in each market sector.

Thematic Strategy on the Sustainable Use of Natural Resources

On December 21, 2005 the EU Commission adopted its Thematic Strategy on the Sustainable Use of Natural resources. The overall objective of the strategy is to reduce negative environmental impacts generated by the use of natural resources in a growing economy i.e. decoupling, within a time horizon of 25 years. The strategy does not set any specific target but rather sets out an analytical framework with a view to allowing the environmental impact of natural resources uses to be routinely factored into public policymaking.

The strategy includes actions to

- improve our understanding and knowledge of European resource use, its negative environmental impact and significance in the EU and globally
- develop tools to monitor and report progress in the EU, Member States and economic sectors
- foster the application of strategic approaches and processes both in economic sectors and in the Member States and encourage them to develop plans and programmes
- bring together all available information and expertise in order to provide relevant information to policy makers

The Commission proposes that each EU Member State develop national measures and programmes on the sustainable use of natural resources. Member States should also include mechanisms to monitor progress and, where possible, develop targets.

Of particular interest to the Steel Industry is the Commission's intention to develop sectoral initiatives in the context of the EU Strategy for Growth and Jobs, together with initiatives announced in its recent Communication on industrial policy. The sectoral initiatives should strengthen competitiveness, reduce negative environmental impacts, improve productivity and be a driver for innovation.

Another of the key actions in the strategy is the development of a set of indicators by 2008, building on work already undertaken in environmental and material flow accounting and life cycle inventories. The indicators should

- measure progress in efficiency and productivity in the use of natural resources, including energy
- evaluate how negative environmental impacts have been decoupled from resource use
- measure progress in reducing the ecological stress of resource use by the EU (eco-efficiency indicator)

The indicators should further be as aggregated as possible and easy to understand. Ideally the indicators should help to identify the uses of natural resources that contribute most to negative environmental impacts and to prioritise policymaking, in particular in determining the sectors that should be engaged in the development of sectoral initiatives.

Task Force on Indicators

In order to be able to participate in the discussions with the EU Commission and other stakeholders and contribute actively, EUROFER has decided to create a Task Force on Indicators in the context of the Resources Strategy.

The task force will collect information on existing indicators at national, EU and international level, both within and outside the steel industry and analyse the opportunities and threats they present. It will also evaluate the usefulness of the existing approaches in terms of responding to the Commission's strategy as well as outline the scope of possible future actions and estimate the subsequent work load. The Task Force is expected to deliver its final recommendations by the end of 2006.

Waste

Taking sustainable use of resources forward: A Thematic Strategy on the prevention and recycling of waste

In December 2005 the Commission released the "Thematic Strategy on prevention and recycling of waste" together with a proposal for a revised Waste Framework Directive. The process started in May 2003 when the EU Commission issued the communication "Towards a Thematic Strategy on Waste Prevention and Recycling". Since waste related issues are an area of very high priority for the European steel industry, EUROFER has been active during the process of developing the strategy through participation in stakeholder meetings and consultations.

The Strategy and the Directive are under consideration by the European Parliament and the Council. The strategy only for an opinion, while the directive is undergoing a co-decision procedure.

The long term goal of the Strategy is for Europe to become a recycling society that seeks to avoid waste and uses waste as a resource. In order to achieve these objectives the Commission proposes to emphasize the full implementation of existing legislation and simplify and clarify existing legislation. As a first step to achieve this objective, the Commission proposes to revise the 1975 Waste Framework Directive (75/442/EEC).

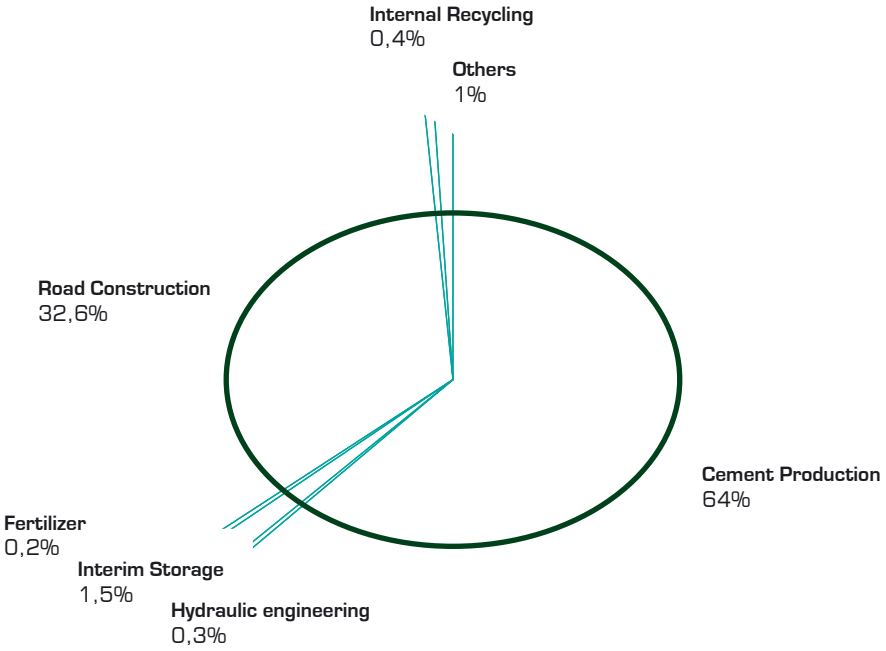
Furthermore, the Commission introduces the concept of life-cycle thinking into Waste Policy by introducing an environmental objective in the Waste Framework Directive. The relation between the life-cycle thinking and the current waste hierarchy has been widely debated and questioned as being environmentally justified. The Commission has stated that the waste hierarchy should remain but that life-cycle thinking should be seen as complementary. It should be used in specific cases where it can be proved that it is better from an environmental point of view to treat a waste with one of the "lower ranked" options of the hierarchy even if other options are available.

In order to clarify the legal situation regarding industrial by-products, the Commission will publish a Communication containing guidelines, based on the jurisprudence of the European Court of Justice and addressing the issue of when by-products cease to be considered as waste. However, the steel industry together with several other industry sectors does not believe that these guidelines alone will provide the legal certainty required and are asking for an introduction of a definition of by-products in the Waste Framework Directive together with an exclusion from the scope. The definition should recognise that by-products never enter the waste area since they are produced under controlled conditions in order to fulfil market requirements.

Technology and Environment

Use of Blast Furnace Slag in 2004: 27,2 mio t

Source: Euroslag



Data from: A, B, D, E, F, FL, I, L, NL, UK, S

The proposed revised Waste Framework Directive

The key elements of the proposed revision of the Waste Framework Directive for the European steel industry are:

- The introduction of a recycling definition
- The lack of a definition of by-products
- The possibility for certain waste streams to be considered as non-wastes
- The use of economic instruments in the waste field

The definition of recycling:

The Commissions has included a definition of recycling in their proposed directive. The proposed definition is similar to the various existing definitions in the specific waste streams directives (End of Life vehicles 2000/53/EC, Waste Electric and Electronic Equipment 2002/96/E C, Packaging and Packaging Waste 94/62/EC). Even though consistency is a good thing, the current existing definitions are being interpreted differently in different Member States.

In EUROFER's opinion a recycling definition should be unambiguously material based, meaning that a material remains available to undertake a new cycle giving birth to the same material (steel to steel, paper to paper, plastic to plastic, etc). Therefore, EUROFER proposes to clarify the wording of the proposed recycling definition in order to reduce the use of natural resources by encouraging recycling

practices throughout Europe without undermining other methods of material recovery.

Waste / non-waste

The Commission is planning to establish criteria for certain waste streams in order to define when waste ceases to be waste. The criteria will include parameters such as: low environmental risk, potential environmental benefit and a solid market for the recycled products.

EUROFER appreciates the introduction of this article giving the possibility to define criteria for when waste ceases to be waste. However, the steel industry finds it important to decouple the end of waste and the end of re-use or recycling. Several waste materials are recovered in several process steps. The waste material is first recovered (for instance by sorting which is a key step) into a secondary raw material (like processed scrap) which is then recycled into a final product (like new paper or new steel). In order to ensure that the material is recycled, the recycling process should be completed within the manufacturing process. Otherwise the secondary material could be used for other purposes after the waste recovery operation (e.g. incineration).

The use of Economic Instruments

The Directive is encouraging the use of different economical instruments in the Member States. One tool that is mentioned is the imposition of taxes on raw materials. EUROFER strongly opposes any such taxes since the market price of primary resources is a part of a global system in which Europe has little influence. Therefore any economic measures in Europe alone will only create distortion of competition.

Water

In October 2005 EUROFER started a new working group dealing with water related issues. The task of the group is mainly to follow the implementation of the Water Framework Directive in the Member States and the development of various legislative proposals in relation to that directive. The prioritised issues that have been identified by the working group are mainly the forthcoming proposal for a directive setting Environmental Quality Standards for surface waters, the revised Groundwater Directive and the revision of the Priority Substances and Priority Hazardous Substances list.

Review of the Priority Substances and Priority Hazardous Substances list

According to Article 16 of the Water Framework Directive (2000/60/EC), the Commission shall propose a list of substances to be regulated at a community level. The selection of substances to be included in such a list should be based on a risk characterisation were the substances shall be prioritised according to the risk they cause to the aquatic environment. The first list, containing 33 priority substances, was established in 2001. The substances of main concern for the steel industry are nickel and Poly Aromatic Hydrocarbons (PAH). As well these substances, other metals like lead, cadmium and mercury listed.

The list shall be reviewed every fourth year and the Commission will start the first review process in 2006 with the aim to have it finalised by 2008/2009. As a first step towards a revised list the Commission has hired a consultant to propose a methodology for the review process and for possible future data gathering. It is likely that more substances of concern for the steel industry, like other metals, might appear in the coming review.

Technology and Environment

Directive on Environmental Quality standards for surface waters

According to Article 16 of the Water Framework Directive, the EU Commission shall develop strategies against pollution of surface waters. The objective is to identify "Priority Substances" and "Priority Hazardous Substances" (PS and PHS) and set EU wide Quality Standards (EQS) for these substances. In order to meet the EQS values, pollution control measures need to be taken where necessary. In addition, the emissions of PHS substances to water are to cease by 2020.

The EU Commission is currently developing a "Directive on Environmental Quality Standards and pollution controls in the field of water policy". The substances for which the EQS are to be set are the 33 substances identified as Priority Substances under the Water Framework Directive. There are four metals on the list; nickel, lead, cadmium and mercury. In addition an EQS is to be set for poly aromatic hydrocarbons (PAH) which are also of concern for the steel industry. The EQS directive should have been finalised already in 2004 but has been delayed for several reasons and is now expected during the first half of 2006.

Early indications suggest that the EQS values will be set for metals and PAH at very low values. As there are ongoing Risk Assessments for nickel and lead under the Existing Substances Regulation (793/93/EEC), the metals industry has argued that the outcome of these Risk Assessments should be taken into account before setting any values for these substances. Another concern regarding this future directive is the requirement for cessation of the Priority Hazardous Substances (e.g. lead and mercury). As metals are present in natural resources, they are introduced in many production processes and cannot be destroyed or transformed as other substances may.

The EU Chemicals Policy

REACH

In 2005, the REACH proposal was discussed in both the European Parliament (EP) and the EU competitiveness council. In advance of the EP plenary vote, held during November 2005, EUROFER members sought support for our proposed amendments through contacts in both the council and the EP. This activity resulted in all of EUROFER's key amendments being adopted by the EP.

During the same period, the EU competitiveness council undertook a detailed review of REACH and, throughout the year, the UK Presidency consolidated various amendments proposed by member states into a new coherent compromise text, which included the Anglo-Hungarian OSOR (One Substance One Registration) concept. During December 2005, a modified version of the UK Presidency's compromise proposal was adopted as a Council Political Agreement.

A joint EU Commission and industry complementary Business Impact Study (BIS) on REACH was finalized and presented to a High Level Group, in May 2005, at a meeting hosted by the Luxembourg Presidency. The complementary BIS adopted a case study approach to critical substances in specific supply chains (i.e. in the automotive, electronics, flexible packaging and (in)organic sectors). The (in)organic sector BIS consisted of 4 case studies involving supply chains in the cement, non-ferrous metals, paper and steel industries. In the steel case study, iron ore was selected as the critical substance used in integrated steel production. The consultants KPMG undertook the case studies, while a Commission Working Group consisting of key stakeholders (i.e. the EU Commission, industry, trade unions and the NGOs) ensured that the process was transparent and conducted in accordance with the agreed

methodology. The study indicated that, although affordable and unlike to result large-scale withdrawal of inorganic substances, REACH presents specific workability issues for the (in)organic sector that need to be addressed. For SME formulators, however, the complementary Business Impact Study indicates that there is a likelihood of substances being withdrawn due to insufficient short-term financial resources and that may result in significant disruption to SME supply chains.

The EU Commission's REACH Implementation Programme (RIP) continued the development of IT software and guidance documents for member states, the proposed new chemicals agency and industry.

Health Risk Assessment Guidance for Metals (HERAG)

Within the context of the coming new chemicals legislation in the EU (REACH), the metals industry has initiated two projects to ensure that appropriate methods and guidance are available for proper risk assessment of metals, alloys and inorganic metal compounds as the guidance currently available was developed for organic chemical substances and is, in many respects, either inadequate or inappropriate for the assessment of metals. The first of these projects was for environmental risk assessment (Metals Environmental Risk Assessment Guidance, MERAG) which was jointly sponsored by ICMM (International Council Minerals and Metals) and Eurometaux. EUROFER has been represented on the steering group for MERAG. The sister project for the health risk assessment guidance for metals (HERAG) is co-sponsored by EUROFER, ICMM and Eurometaux.

The MERAG and HERAG projects have been carried out by consultants with considerable experience of metals risk assessments and they will provide the metals and alloys industries with comprehensive, metals-specific guidance based largely on collated knowledge from the conduct of the existing individual voluntary and regulatory initiated risk assessments of metals. It is expected that the outcomes of these two projects will be included as Annexes to the official technical guidance for REACH that will be published by the EU Commission. The scientific "Fact Sheets" that are being developed for individual metals-specific topics will also be presented to the global metals industry via the OECD and regulatory bodies in other regions.

Classification and Labelling - Risk Assessment

On request from the membership, EUROFER decided to start a new working group to cover classification and labelling of metals and metals compounds under both the Dangerous Substance and Preparation Directive (these will both be replaced by Global Harmonised System, GHS over the next few years). There is also a need to monitor the consequences for the steel industry, due to a classification decision, and its effects on other regulations dealing with major hazards (Seveso Directive), air, water and soil.

It was also suggested that this group should provide updates on the ongoing risk assessments for the membership and provide a platform for discussion on what implication they might have for our industry. Following this decision, it was agreed that the existing Zn Working Group would be merged into the CI&L WG to provide a good start to the work of the group with the accumulated knowledge the Zn working group has gained through the past years.

In September an extra meeting of the Technical Committee for Classification and Labelling (TC C&L), chaired by the European Chemical Bureau (ECB), was held to discuss the classification of Borates which has been on the Commission Agenda since 2004. At the meeting, previous decision to classify

Borates as reproductive toxicant category 2 was confirmed based on a questionable animal study on dogs and despite epidemiology data from Turkey showing no proven significant effect.

Zinc

Risk Assessment

The risk assessment of five Zn compounds under the EU Existing Substance Regulation (ESR) has been in progress since 1995 and at last in December 2004 a final Risk Assessment Report (RAR) was submitted by the Netherlands Rapporteur. Subsequently, there was strong pressure on the Rapporteur from the Commission and the other Member States to get the report approved and close the Zn file. However, at the Technical Committee for New and Existing Substances (TC NES) meeting early 2005, the result wasn't as overwhelmingly positive as the Rapporteur had hoped for; only 3 Member States supported the report as it was written and 2 member states gave a dissenting opinion which resulted in the process being halted. It was clear that the report still lacked adequate scientific justification to back up some of the conclusions made, especially for the Predicted No Effect Concentration (PNEC) value in water and in sediment where no consideration had been made of the natural variations of Zn concentrations as shown by regional monitoring. The Zn industry, with the support of EUROFER, has therefore continued their advocacy activity, in pointing out the inconsistencies in the RAR to the Netherlands Rapporteur. However, in March 2006, the Rapporteur stated its unwillingness to discuss the RAR further and advised industry that any remaining questions would be addressed during the risk reduction phase.

Risk Reduction Strategy

The risk reduction strategy has been contracted out to Risk & Policy Analyst (RPA, UK) by the Netherlands Rapporteur, even though this work normally requires the risk assessment to be completed first. RPA have analysed the work completed so far by the Rapporteur and given industry recognition for their reasoning regarding water and sediment. Following this, EUROFER organised a meeting in March 2005, together with the Zn industry, to further clarify some of the concerns of industry. RPA has now included the monitoring data industry has collected in their report. Nevertheless, it is likely that risk reduction measures will be recommended and that they would have an impact on the steel industry, i.e. lower limits for Zn into water from the sites. Under these circumstances, industry would seriously consider a challenge to the Rapporteurs conclusion for water and sediment.

Nickel

Risk Assessment

In 1996 nickel and nickel sulphate were listed on the third priority list for risk evaluation. The basis of the listing appears to have been concerns expressed by the Danish Environmental Protection Agency (D-EPA). These substances are high production volume substances and known dermal sensitisers. In 2000, three further high production volume nickel substances were listed on the 4th priority list. The listing of further soluble nickel salts was made on the basis that they are high production volume chemicals and that all soluble nickel salts have similar toxicity; therefore generic risk assessments of all soluble nickel salts could be made.

In December 2004 a draft final risk assessment report concerning human health was circulated to TC NES and, after being revised, a final RAR was presented in early autumn 2005. This report concluded that risk reduction measures are needed to control identified risks associated mainly with soluble

nickel compounds. In contrast, the conclusions related to metallic nickel remained largely unchanged, although the results from ongoing research are still awaited. However, early indications suggest that lowering of the current occupational exposure limits may be necessary. The nickel industry has been collecting data both on occupational levels of nickel one could expect in the working environment and also the social economic consequences of any lowering of the current occupational exposure limits.

The environmental part of the risk assessment is expected in 2006.

EUROFER SSPG staff have been monitoring the progress of the nickel risk assessment through its discussions in the regulatory arena and liaising with Nickel Institute colleagues in the preparation of position papers etc in order to ensure that conclusions that may impact on the stainless steel industry are fully justified by the science.

Metallic and Trivalent Chromium

Health Risk Assessment

The International Chromium Development Association (ICDA) has undertaken voluntary assessments of the health and environmental risks associated with metallic chromium and trivalent chromium compounds. The health risk assessment has been conducted by the Finnish Institute for Occupational Health. The SSPG have contributed to this work via a consultant toxicologist. The health risk assessment is now in its final stages and it is anticipated that hazard classification are not justified for metallic chromium and the majority of trivalent chromium compounds.

Environmental Risk Assessment

A steering committee, co-chaired on behalf of the SSPG by a consultant toxicologist, has also been formed to manage the environmental risk assessment of metallic chromium and trivalent chromium compounds. Euras and Ecolas were selected as consultants for this ongoing project. Data collection is currently underway and input from all stainless steel operating sites is required to prevent the application of risk assessment default values that could have a severe impact on future plant operations.

Stainless Steel Producers Group (SSPG)

Throughout 2005, the primary focus of the EUROFER SSPG has been on existing and proposed EU legislation that may have implications for the stainless steel industry. This objective was further strengthened by a closer cooperation with the EUROFER Technical Directorate, who took the responsibility to report directly to SSPG members on those environmental issues (i.e. air, soil and water) that have a general impact on the steel industry. Under the same arrangement, SSPG staff agreed to co-ordinate activities related to the EU « New Chemicals Policy » (REACH).

Construction Products in Contact with Drinking Water (CPDW)

As each EU member state has its own criteria for the approval of CPDW, the EU Commission has proposed a European Acceptance Scheme (EAS) to promote a European-wide open market for CPDW as well as ensuring a high level of health protection for EU consumers through the supply of safe drinking water. The EAS will specify a range of tests appropriate to each material to determine its suitability

for drinking water applications. CEN (the European standards organization) has been given a mandate to develop these test methods. Metallic materials will be assessed using a test rig constructed from stainless steel, which will simulate long-term exposure to drinking water and determine metal release in terms of the maximum permissible levels of metals in drinking water as specified by the Drinking Water Directive. As stainless steels for CPDW cannot be assessed in this manner, an alternative electrochemical test method has been proposed to, and is currently under consideration by, the Commission Subgroup on metallic CPDW.

Metallic materials suitable for drinking water contact applications will be included in composition lists within the EAS. Proposals for a broad range of stainless steel grades for inclusion in the EAS composition lists have been submitted for consideration by the Commission Subgroup on metallic CPDW. Once the basis for the electrochemical test method has received tentative approval, the development, validation and standardization of the test method will commence as part of CEN's EAS mandate.

EU Commission progress on the EAS has been slow and completion of the project is not envisaged before the end of 2007.

Toxicity Potential of Stainless Steels

Work continued on the investigation of the inhalation toxicity potential of stainless steels: a programme of work designed to establish the actual toxicological properties of nickel-containing stainless steels. This work is designed to address/counter any proposed increase in the EU carcinogenicity classification of metallic nickel and/or the classification of metallic nickel powder for respiratory toxicity. Although the International Stainless Steel Forum (ISSF) now funds this work, EUROFER SSPG staff continues to be involved in the management of the project. Following preliminary studies, a more extensive study on metal release from stainless steel powders exposed to a range of artificial biological media was undertaken by the Royal Institute of Technology in Stockholm, who also studied the influence of various surface finishes on metal release from stainless steel in the massive form. Metal releases are low from all grades and all physical forms of stainless steel so far studied. The work continues with in vitro toxicological studies currently being undertaken on stainless steel powders. Early indications from tests using lung tissue are encouraging and little, if any, cell response appears to be induced by the presence of stainless steel powder.

Life Cycle Inventory (LCI) on Stainless Steel

Since the original LCI study, based on data collected for 1997, the EU stainless steel industry has undergone certain structural changes as well as significant process developments. Thus, our existing LCI data is increasingly less representative of the current environmental performance of the industry. As well as internal drivers for an update of the European stainless steel LCI data, there is an increasing interest within the EU in the use of "life cycle" data in regulatory activities (e.g. integrated product policy, eco-design of energy using products, greening of public procurement). In particular, the Commission is planning a public access database of existing LCI studies. The steel industry has been approached to join as one of the industry partners and to provide its data for inclusion in the planned database.

Throughout 2005, a small SSPG LCI working group has undertaken a review of the existing data, process routes and associated flows and, in addition, software options. This work culminated a call for

tenders from four major LCI contractors. During 2006, a formal proposal will be presented for final approval of the SSPG Presidents and, subject to approval, it is envisaged that data collection would commence in 2006.

EIMAG (European Industry Metallic Alloys Group)

EIMAG (European Metallic Alloys Group) continues, under the joint chairmanship of the SSPG and the Nickel Institute, to address alloys-related issues associated with hazard classification and the development of the EU new chemicals policy REACH.

During December 2005, the European Council added a definition of an alloy to its REACH comprise text and included a statement in Annex 1 that, "when assessing the risk of one or more substances incorporated in a special preparation (e.g. alloys), the way substances are bonded into the chemical matrix shall be taken into account". Furthermore, a declaration that requires the Commission to develop a suitable methodology for the assessment of special preparations was attached the minutes of the European Council meeting held on 13th December. In response, the Commission has requested EIMAG's assistance in organizing a workshop on this subject to be held during September 2006.

EIMAG is also preparing for the repeal of Dangerous Preparations Directive and its replacement by the introduction of the United Nations Global Harmonised System (GHS) for classification and labelling of chemicals and mixtures into EU legislation. It is anticipated that the Commission will launch an internet consultation during early 2006.

Human Resources

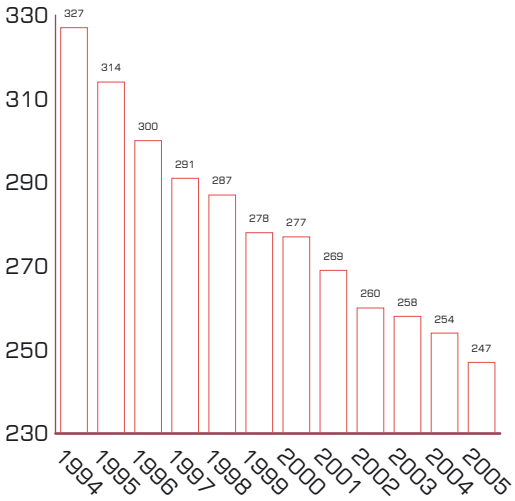
Evolution of Employment

The continued increase in the prices for raw materials and energy during 2005, meant that European steel producers had to adjust production to bring the European market back into balance. This put renewed pressure on the industry to control its costs and maintain its international competitiveness. In this context, total ECSC workforce in the steel industry (EU 15) declined to approximately 247000 (i.e. by more than 7000 people).

However, such a decline in employment is taking place in an environment where natural attrition is playing an evermore important role due to the age structure of the steel industry workforce in many European countries. Accordingly, for many companies, the key issue is the need to attract highly qualified and motivated personnel to their ranks. The "People" working group of the European Steel Technology Platform has started to address this issue.

Employees in the Iron and Steel Industry in the EU15 ('000)

Source: 1994-2002: Eurostat;
After 2002: National Steel Associations



EUROFER Guarantee Fund

Following the creation of a €2 million Guarantee Fund, through a "Fiduciary and Management Agreement" with the EU Commission, EUROFER has used this potential to issue 127 EUROFER Guarantees that permitted the disbursement of €11.635.581 in loans and equity agreements to SMEs in Belgium, France, Germany and Great Britain.

During 2005, six of the beneficiary companies defaulted and the corresponding guarantees were called. In the course of the same period, EUROFER paid 6 guarantees for a total amount of €118008.

	Guarantees called	Guarantees paid
Belgium	1	0
France	3	0
Germany	0	0
Great Britain	2	4
Total Amount	**€ 69 542**	**€ 118 008**

Statistics

Since the collection of official production statistics for steel products became a responsibility for Member states in January 2003 (in accordance with the Prodcom Regulation) Eurostat, the Statistical Office of the European Communities, has no longer been in a position to publish meaningful results that would meet the needs of the steel industry. The key reasons for this unfortunate situation are the long delay by several Member states in returning the information and the excessive constraints generated by legislation on statistical confidentiality.
Along with other European branch organisations, notably those which took the initiative of putting forward the "Alliance Position Paper on Industry Request for Proper Representation at CEIES and Reliable Sector Statistics", EUROFER has repeatedly advocated a change in the rules that would at least enable Eurostat to publish a comprehensive feedback on Community-wide total results for Prodcom. So far, these approaches have been unsuccessful. Eurostat's decision to remove the requirement of monthly reporting from the 2006 Prodcom list was a further setback for statistical information users in the steel industry.

Annual statistics on scrap consumption, fuel and energy consumption, investments and capacities in the steel industry are being collected by Member states in accordance with the EU Commission Regulation 84/2004 covering the enquiry period 2003 - 2009.
Feedback from Eurostat on the 2003 and 2004 yearly results was not available by June 2006. Should an official Eurostat publication not be forthcoming, the EUROFER Statistics Committee will consider the possibility of an alternative pooling of national returns that may be made accessible through member organisations.

In a situation where the official system has largely failed to deliver the expected steel statistics, the proper running of its own voluntary system of monthly production and commercial surveys is a crucial activity for EUROFER.
In 2005, further efforts were devoted to the extension of this private system to members in the EU accession countries. In view of the need to improve the forward-looking perception of market developments, specific surveys on stock levels in the steel industry and with steel service centres / distributors were also launched.

In 2005, EUROFER had exploratory contacts with the EU Commission Directorate General for Taxation and the Customs Union with regard to its draft proposal for the revision of the steel industry products classification in the Harmonised System which is the trade nomenclature used on a worldwide basis. The EUROFER catalogue of proposals was finalised by year end. It integrates a full set of new proposals for stainless steels, worked out in the framework of the International Stainless Steel Forum (the branch organisation operating at global level).
The EUROFER file will officially be submitted, in the appropriate format, to the EU Commission and Member states prior to further discussions at the World Customs Union which are to take place from the end of 2006.

EDIFER

EDIFER is the programme within EUROFER that aims to provide the next generation standard for electronic information exchange between the European Steel Industry and their trading partners using current and emerging technology solutions such as EDI, Internet and Web Services, in an interoperable, secure and consistent manner for all parties involved.

The EDIFER committee define the business processes for the ordering, shipping and invoicing cycles. For each of the processes a set of transactions (business documents) where defined in a syntax neutral content and as XML messages. This has lead to the official publication, during 2005, of the European Steel Industry Exchange Language (ESIDEL) standard version 1.1, including change requests against the version 1,0 received from the user community. This standard, which covers all the business processes in the supply chain of steel products, contains 31 business transactions and provides for each of the transactions, the XML message, the supporting implementation documents, and examples. Taking into account that UN/CEFACT is the recognized platform, providing a global solution for semantic interoperability leading global standards that have the buy-in of the business community, the EDIFER Committee will promote the ESIDEL standard to UN/CEFACT.

The following actions will be prioritised in the coming years:

- To handle any future issues that arise and requests for enhancements of the ESIDEL version 1.1 based on experience from existing users and interested parties,
- To continuously review and upgrade of the existing EUROFER user implementation guides of EDIFACT messages,
- To be involved in the development of the world-wide UN/CEFACT standard for E-commerce, through active participation in CEN workshops and in the UN/CEFACT Forum,
- To cooperate with other sectors like steel stockholders, automotive, chemical, electronic, white goods, in order to create a common set of user implementation guides of XML information exchanges covering the supply chain,
- To produce the ESIDEL version 2,0 based on the UN/CEFACT framework that encompasses Modelling Methodology, Core Components Technical Specifications, Business Requirements Specifications and Naming and Design Rules.
- To cooperate with the Japan Iron and Steel Federation (JISF) and the Australian steel industry in the migration of the ESIDEL standard to a UN/CEFACT Business Standard for the worldwide steel industry.

All the publications, as well as information regarding the ongoing work on the ESIDEL standard, are available on the EUROFER website at http://www.eurofer.org/edifer/index.htm. Interested parties can actively participate in the development of these topics by providing their comments and suggestions to the published documents.

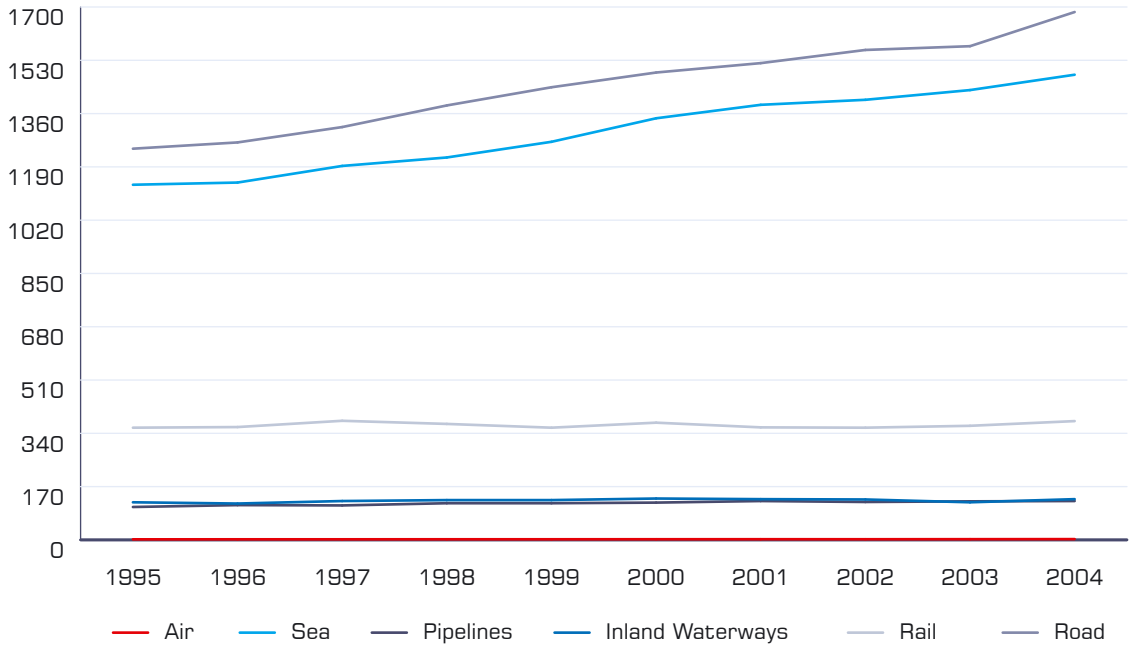
Transport

Evolution of Freight Transport in the EU

Figures published by the EU Commission show that transport of goods in the EU grew by 2,8% per year between 1995 and 2004. However, while the growth of freight transport by road was 35% and short sea shipping increased 31% over that period, the corresponding figures for rail and inland waterways were only 6% and 9%, respectively. Accordingly, the share of road transport continued to progress during those 10 years at the expenses of rail and inland waterways. The available information concerning the evolution during 2005 seems to indicate a stronger performance of inland waterways and a stabilisation of the share of rail freight transport.

EU-25 Performance by Mode for Freight Transport 1995 - 2004 (billion tonne-kilometres)

Source: European Commission - Directorate-General for Energy and Transport in co-operation with Eurostat



EU Performance by Mode - Modal split (%)

Source: EU Commission - Directorate-General for Energy and Transport in co-operation with Eurostat

	Road	Rail	Inland Waterways	Pipelines	Sea	Air
1995	42.1	12.1	4.0	3.6	38.2	0.1
2000	43.0	10.8	3.8	3.4	38.8	0.1
2004	44.3	10.0	3.4	3.3	39.0	0.1

Transport

The unsatisfactory average performance of rail freight, however, hides two notably differing trends, depending on the countries concerned. Individual national figures point to the fact that rail freight has registered much better results in those EU countries that have already gone through an in depth reform of their railways companies and have more fully opened their network to competition. In contrast, countries that have delayed restructuring and liberalisation have experienced stagnation or a decrease of their rail freight traffic.

The continuing poor quality of rail freight services, particularly in terms of punctuality, does not help rail freight to win back market share either. In particular, it should be stressed that punctuality has remained at an unacceptably low level compared with road freight. In this context, it should be all the more important that shippers and their clients could trace the goods on board of freight trains during their journey. Unfortunately, in many cases, this information is not available, especially when freight trains cross internal European borders!

In addition, a narrow approach to unprofitable business chasing, by traditional train operators, combined with strong competition from new entrants on the attractive full train business, threatens the continuation of the so called "single wagon" shipments that, for some industries like the European steel industry, may represent up to 50% of their total rail freight shipments. If not reversed, this evolution is likely to drive substantial tonnage away from the railways and essentially to the roads, as they offer the only alternative with sufficient capacity, at a competitive price and with a good quality of service.

Such developments would clearly run counter to the major transport policy objectives of the European Union, i.e. to avoid congestion and to significantly reduce pollution.

Main Issues in 2005

2005 was dominated by the discussion of three proposals of the EU Commission: the Third Railway Package, the Port Services Directive, and the so called "Eurovignette". In addition, the EU Commission launched the mid-term review of its 2001 white paper "European transport policy for 2010: time to decide"

The third Railways Package

The Third Railways Package, adopted by the EU Commission in March 2004, was discussed by the Council of Ministers and the European Parliament in the course of 2005. It involved 4 legislative proposals. Two of them were relevant for rail freight:

A proposal for a directive on the certification of locomotive and train drivers engaged in the carriage of passengers and goods in the Community. European drivers' certification would enhance the performance of rail transport by avoiding unnecessary stops prompted by the need to change train drivers at the internal borders of the EU.

A proposal for a Regulation on the quality of rail freight services: this proposal established mandatory minimum clauses for transport contracts, including a requirement for the parties to provide for a system of compensation in the event of delay; such compensation could not be less than 5% of the cost of transport.

EUROFER, as well as most of the stakeholders, opposed this last proposal on the grounds that compensation had to be left to free negotiation of their contract by the interested parties. As a consequence, the European Parliament rejected that proposal, and the Third Railways Package was adopted without it.

The Ports Services Directive

In October 2004, the EU Commission, in response to the dismissal by the European Parliament of an earlier proposal with the same purpose, adopted a new proposal aimed at the introduction of more competition in port services. The principle of liberalising port services was supported by the European steel industry. It shared UNICE's view that the Commission's proposal was far from perfect, but represented a step in the right direction as "a modern business approach, more efficiency and free and open markets within ports are key requirements in making ports and maritime transport an attractive and competitive alternative in the transport supply chain" EUROFER further supported UNICE in stressing:

- "The need for an impact assessment to assess the effect of this proposal in advance of the coming into force of this directive;
- The fact that a single, one size fits all, solution, as this directive proposed, is not appropriate to solving the lack of competition that currently exists in European ports because it assumes that the situation in all ports is the same when this is obviously not the case;
- The need to establish where competition (in and between ports) does and does not exist in the EU with a view to the application of this proposal only where it is required (i.e. where competition does not exist)".

However, this proposal was rejected for a second time by the European Parliament.

The "Eurovignette" Directive

On 14 December 2005, the European Parliament approved an amended Eurovignette Directive proposal that the Council of Ministers would sign on at the beginning of 2006. The aim of the Commission's 2003 proposal was to "increase the efficiency of the operation of Europe's roads". This would to be achieved by a new charging framework that would gradually be imposed on transport users (vehicles over 3,5t), incorporating both the internal costs (investments, maintenance, etc...) and the external costs (pollution, congestion, and health and safety) generated by their activities. This proposal represented a key element of the European transport policy's central approach to rebalance the use of transport modes within Europe. It is to be noted that the European parliament, contrary to the views of the Council of Ministers:

- Approved the imposition of charges for external costs on users and directed the Commission to present, within two years of the entry into force of the Directive, a methodology for the calculation of those external costs. This methodology would be integrated in a revised Directive to be proposed by the Commission. In the absence of such a revision, three years after the presentation by the Commission of the requested methodology, Member States will be authorized to add to the existing tolls (already reflecting the costs of the infrastructures), a surcharge to a maximum of 60% of the infrastructure costs.

- Decided to earmark the proceeds of the tolls for the maintenance of the infrastructures concerned, and/or the transport sector in general.

EUROFER supported the Eurovignette Directive to the extent that:

- It generally opposes distortions of competition among member States. Accordingly, EUROFER is in favor of as homogeneous as possible a tolling approach across Europe. It thus support the request from the European parliament to the Commission to draw a common model for tolling
- EUROFER is convinced that, further to the optimisation of the use of the existing infrastructures, their development is critical to ensuring that congestion is as limited as possible in the future. However, it is clear that insufficient financial resources have hindered, up till now, the necessary actions in this field. Accordingly, EUROFER strongly supports the earmarking of tolling revenues to infrastructure maintenance and development.

This is particularly important because the European steel industry is very concerned that the reforms will increase transport costs, in general. Such an outcome has the potential to significantly affect the EU's international competitive position. In this context, it would be unacceptable if the supplementary costs incurred were used for something other than the modernization and development of transport infrastructures.

Mid-Term Review of EU Commission's White paper

In EUROFER's view, the European transport policy framed in the 2001 white paper: "European transport policy for 2010: time to decide" was based on the assumption that the continuation of current trends would lead to the congestion of the European transport network. Accordingly, shifting the growth of freight transport from road to rail, inland waterways, and motorways of the sea was viewed as critical to maintaining an efficient European transport system.

To this end, the EU Commission proposed a series of legislative and regulatory initiatives, in order to revitalize rail and inland waterways freight transport, and to develop motorways of the sea and trans-European networks. By the end of 2005, most of the envisaged initiatives had been translated into new regulations (the various railways packages, and the Eurovignette, for example) but might not yet have had sufficient time to bear fruit.

In particular, it is noticeable that the various measures adopted have not yet led to significant changes in the respective shares of the different transport modes. Furthermore, it is not unlikely that the threats to the future of "single wagon" shipping will induce a continuing loss of market share for rail freight, essentially to the benefit of the road.

Currently, the uneven implementation of the first railways package, liberalising international rail freight, via Member State legislation, translates into undue delays faced by new operators in obtaining the necessary security certificates needed to operate on national railways. In addition, obtaining international freight paths has remained more complicated and time consuming than necessary.

On the other hand, while it is clear that opening rail freight operations to competition is the preferred approach to improve the quality of services and, theoretically, puts a ceiling on transport costs, it is a process that will take time to deliver the expected results. Indeed, newcomers to the market tend to concentrate their efforts on those journeys that lend themselves to the lucrative block train business. However, by reducing margins on the most profitable market segment, they bring additional

pressure on existing operators that may drive them to abandon their traditional services on less profitable lines, or "single wagon" operations. Furthermore, increased competition per se does not resolve the historical priority benefiting passenger transport at the expenses of freight (i.e. one of the causes of poor quality of service in rail freight). This does not address, either, the outstanding maintenance deficit that characterises many secondary lines, which reduces the speed and frequency of freight trains on those lines. However, the development of interoperability across national networks, traction equipments, and wagons, combined with the new drivers' certification should facilitate international operations, and contribute to significantly improved service quality, albeit at a high cost.

Accordingly, EUROFER is of the view that while the necessary initiatives should be taken by public authorities to ensure a full and thorough implementation of the various railways packages, stakeholders need to deal with a series of other key issues in order to avoid a negative spiral of the rail freight market share. The development of dedicated corridors for rail freight operations, focusing on "last mile" service (required by 70% of trainload) by making traction between shippers' plants and shunting stations easier, facilitating access by industrial companies to rail freight operations, appropriate solutions to the "single wagon" issue, support for a stronger European dimension to infrastructure management and rail freight operation have the potential to strengthen the part played by rail freight in European transport.

EUROFER is also concerned that Member States have been short of money to develop transport infrastructures. Furthermore, the discussions on the EU budget for transport (2007-2013) point to a significant reduction compared with the EU Commission's proposal. The consequence is likely to be postponement or cancellation of some projects, including investment priorities for the Trans-European Network (TEN).

The "Single Wagon" Issue

What does "single wagon" mean?

Single wagon shipping takes place as soon as "block trains" are not used. However, the number of wagons composing a block train is not harmonised within the EU. Accordingly, a block train may vanish into a collection of single wagons, when crossing some EU border.

How important is "single wagon" to the steel industry:

The European steel industry has recourse to "single wagons" for around 50% of the loads it moves. It is vital when key clients require that an important share of their deliveries are made by train

Why is the "single wagon" business threatened?

The implementation of the railway packages, with the opening of rail freight to competition, has caused the no longer subsidised incumbent rail freight companies to adjust. They have done this in different ways:

- Some companies have chosen to increase their tariffs (in particular for single wagons) rather than proceeding with drastic cost-cutting policies;
- Some companies have decided to put an end to their support to single wagon shipping;
- Some companies have decided to close a series of shunting stations and "private" railways serving industrial facilities;
- Some companies have significantly limited their support to multimodal transport through the closure of dedicated subsidiaries and by implementing unrealistic tariffs.

How has the issue been addressed?

The European steel industry has acted as a catalyst to mobilise representative organisations of rail freight users, rail freight operators and rail infrastructure management companies, together with their respective members, raise their awareness of the issue, understand its strategic importance for key industries, and start a constructive dialogue to find positive solutions for maintaining "single wagon" operation, at competitive prices throughout Europe.

Transport

In this respect, the European steel industry believes that it is urgent to identify those projects with the highest potential to limit/postpone congestion of the European transport network and to concentrate the scarce European resources on these projects.

On the other hand, EUROFER welcomes the renewed attention paid to the potential of inland navigation as an effective, reliable, and environment friendly mode of freight transport. It will, hopefully, meet the conclusions of a steel industry workshop (http://www.eurofer.org/positionpaper/transport/inlandWater.pdf) that stressed the need to:

- Address the structural problems faced by the Barge business, to meet their need for qualified workers, and stimulate investments in new boats;
- Develop investments in infrastructure, whether it is for maintenance, enhancement of existing waterways, or the creation of new infrastructures;
- Improve harmonisation throughout Europe, in various domains ranging from schedules for access to locks, to taxation, international regulations, or a pan-European information system;
- Find balanced approaches to resolve the environmental problems that limit the development of transport on those inland waterways that cross wildlife refuge territories.

While the European steel industry is the most important rail freight shipper, it also moves considerable tonnages on the road. Its strong interest in the availability of a reliable train haulage system is closely matched by its concern for keeping a competitively priced road transport structure.

In this respect, further harmonisation in various fields, throughout Europe, is a priority. For this reason, the European steel industry opposes the introduction of national measures to automatically pass fuel price increases on to the clients.

The regulation on driving time and rest periods discussed in 2005 and the mandatory use of digital tachographs planned for May 2006, by defining a set of common rules, will usefully contribute to such harmonisation.

However, much remains to be done to bring into line national regulations on a series of issues like:

- the free circulation of 44 tonnes heavy trucks throughout Europe
- the operation of freight transport on Sundays or during holidays periods

In the end, the extent to which the European transport policy will have the capacity to avoid the congestion of transport networks, in the future, remains unclear.

At this stage, the opening of freight transport by rail to competition has brought mixed results and the quality of service lags far behind what is achieved by inland waterways and road transports. In addition, the potential for a continuing decrease of rail haulage market share is still significant.

Furthermore, financing difficulties at both European and national level make it questionable whether the necessary investments will be forthcoming in due time, stressing the need for additional important work to optimize the use of existing infrastructures.

It is in this context that the European steel industry has to stress the already high cost of transport in Europe and the risks that current and future reforms will further increase these costs. This would run counter to the development of a highly competitive economy, as fostered by the Lisbon Agenda.

Communication

Publications

Accompanying the development of the European Steel Technology Platform, launched in March 2004, EUROFER published the Strategic Research Agenda of the Steel Technology Platform (A vision for the future of the steel sector - April 2005) both in the form of an executive summary, and as a full report.

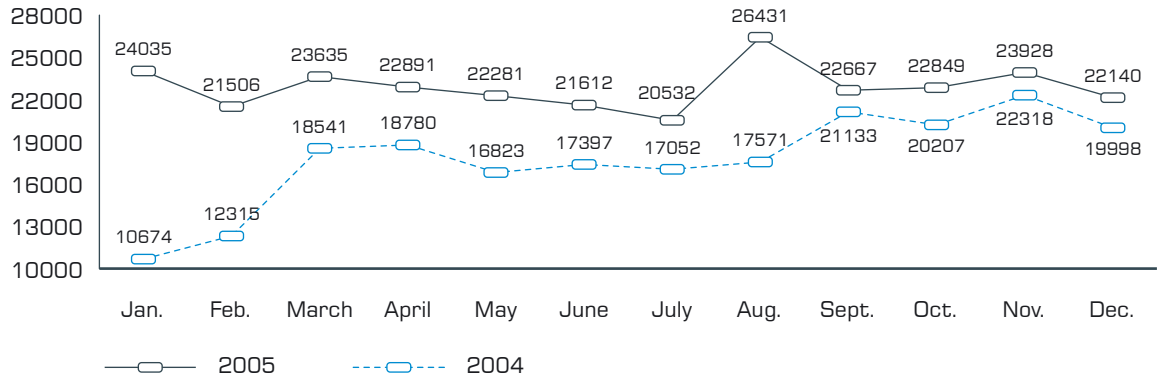
EUROFER issued, as well, a new publication: "Steel on the Move - transport of steel in the European Union", to inform on the importance of transport for the steel industry, and on the industry's views and concerns with respect to the actual transport situation and the development of European policies in this field.

EUROFER Website

The number of visitors to the EUROFER website continued to grow significantly in 2005. The average number of visitors was 22876 per month, a 29% increase compared with the 17734 monthly average of 2004. The best performance was registered in August, with 26431 visitors. The scrap statistics and the market reports continued to prove a big success.

EUROFER Website: Visitors in 2005 compared to 2004

Source: Urchin



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Companies

Alphasteel	
Arcelor	http://www.arcelor.com
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Georgsmarienhütte	http://www.gmh.de
Halyvourgia Thessalias	http://www.halyvourgia.gr
Halyvourgiki	http://www.halyvourgiki.com/english/
Helliniki Halyvourgia	
Mittal Steel Europe	http://www.ispat.com
Mittal Steel Ostrava	http://www.novahut.cz
Mittal Steel Poland	http://www.ipssa.pl
JSC Liepâjas Metalurgs	http://www.metalurgs.lv
Lech-Stalhwerke	http://www.lech-stahlwerke.de
Marienhütte	http://www.marienhuette.at
Nedstaal Staal	http://www.nedstaal.nl
Riva	http://www.rivagroup.com
Saarstahl	http://www.saarstahl.de
Salzgitter	http://www.salzgitter-ag.de
Sidenor	http://www.sidenor.gr
Siderurgia Nacional - Empresa de Produtos Longos SA	
SIJ - Slovenian Steel Group	http://www.sij.si
Štore Steel	http://www.store-steel.si
ThyssenKrupp Steel	http://www.thyssen-krupp-steel.com
Trinecké Železárny	http://www.trz.cz
U.S. Steel Kosice	http://www.usske.sk
Vitkovice Steel	http://www.vitkovice.cz
voestalpine	http://www.voestalpine.com
ŽDB, Bohumin	http://www.zdb.cz

National Associations

AUSTRIA	**Fachverband der Bergwerke und Eisen erzeugenden Industrie**
	http://www.wk.or.at/bergbau-stahl
BELGIUM	**Groupement de la Sidérurgie - GSV**
	http://www.steelbel.be

CZECH REPUBLIC	**Hutnictvi Železa**
	http://www.hz.cz
FINLAND	**Metallinjalostajat**
	http://www.teknologiateollisuus.fi/english
FRANCE	**Fédération Française de l'Acier**
	http://www.ffa.fr
	Chambre Syndicale des Producteurs d'Aciers Fins et Spéciaux
	http://www.spas.fr
GERMANY	**Wirtschaftsvereinigung Stahl**
	http://www.wvstahl.de
	Edelstahl - Vereinigung
	http://www.stahl-online.de/stahl_zentrum/edelstahl_vereinigung_e_v.htm
GREECE	**Hellenic Steelmakers' Union - ENXE**
HUNGARY	**Magyar Vas-és Acélipari Egyesülés**
	http://www.mvae.hu
ITALY	**Federacciai**
	http://www.federacciai.it
POLAND	**Hutnicza Izba Przemysłowo-Handlowa**
	http://www.hiph.com.pl
SPAIN	**Unión de Empresas Siderúrgicas - UNESID**
	http://www.unesid.org
SWEDEN	**Jernkontoret**
	http://www.jernkontoret.se
UNITED KINGDOM	**UK Steel**
	http://www.uksteel.org.uk

Associate Members

Companies

Çolakoglu Metalurji	http://www.colakoglu.com.tr
Diler Demir Çelik Endüstrisi ve Ticaret	http://www.dilerhld.com/diler_demircelik/index.html
Erdemir - Ereğli Demir ve Çelik Fabrikalari	http://www.erdemir.com.tr
HABAŞ - Sinai ve Tibbi Gazlar Istihsal Endüstrisi	http://www.habas.com.tr
Içdas Çelik Enerji - Tersane ve Ulasim Sanayi	http://www.icdas.com.tr
IDÇ - Izmir Demir Çelik Sanayi	http://www.idcsteel.com
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Mittal Steel Galati	http://www.sidex.ro
Kremikovtzi	http://www.kremikovtzi.com
Swiss Steel	http://www.swiss-steel.com

National Associations

BULGARIA	**Branch Chamber of Ferrous and Non-Ferrous Metallurgy**
ROMANIA	**Uniunea Producatorilor de Otel din Romania – UniRomSider**
TURKEY	**Demir Çelik Üreticileri Dernegi – DÇÜ**
	http://www.dcud.org.tr

Published by

EUROFER
European Confederation of Iron and Steel Industries

Designed by

EUROFER (Gautier Hankenne)

Photography by

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