EUROFER
The European Steel Association

2011 • Annual Report

Steel is one of the most attractive, most robust and most sustainable materials in the world. Thousands of different types of steel facilitate and improve our daily lives in innumerable applications. Steel sets trends in lifestyle: it is the material of design and innovation in many aspects of our lives, for example in vehicles, buildings, medical devices and household equipment. Steel is also 100% recyclable and therefore contributes significantly to the long-term conservation of fundamental resources for future generations.

EUROFER, the European Confederation of Iron and Steel Industries, founded in 1976, and located in Brussels, represents 100% of steel production in the European Union. Its members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations in Switzerland and Turkey are associated members.

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

The European steel industry is a world leader in its sector with a turnover of about EUR 190 billion and direct employment of about 360 thousand highly skilled people, producing 200 million tonnes of steel per year. More than 500 steel production sites in 23 EU Member States provide direct and indirect employment and a living for millions of European citizens.

For more information, please consult our website:

www.eurofer.eu

Content

Introduction

It is perhaps difficult to remember, given the dire straits in which much of the European Economy is now mired but at the beginning of 2011 the economy was doing well, bolstered by strong exports, and an investment-driven improvement in domestic demand which boosted industrial output. Recovery in the general economy was very much industry-led demonstrating, hopefully, to policy makers the need for Europe to maintain a balanced economy of both services and industry. Certainly it is true that we hear now increasingly frequent public declarations by politicians in Europe of the need for industry and the imperative of reversing the de-industrialisation of Europe. This is a long-delayed but certainly welcome development.

Unfortunately the economic recovery was short-lived. Already by the second quarter underlying problems of the European economy, combined with the systemic problems in the Eurozone led to fiscal tightening and austerity measures, as well as a growing risk-aversion in the financial sector and in business as a whole. The European debt crisis soon began to be seen as the major risk factor for the real economy. Slowing economic growth was compounded by a cooling in China and in other emerging economies.

The European steel market followed this trend fairly closely with 2011 starting well for the sector. It remained relatively robust into the second quarter of the year which led to an overall positive trend for the year as a whole but which nevertheless hid the deceleration in the second half of the year.

In policy terms manufacturing industry continues to be challenged by Brussels.

Phase III of the ETS clearly shows that in policy terms one size does not fit all. It is clear that the unilateral European climate targets will not live up to politicians declarations, that there will be carbon leakage from the steel sector and from most other industrial sectors in Europe, that therefore ETS as it currently exists is not fit for purpose for sectors such as steel and that therefore looking to 2020 and beyond we need to start reflecting about a more rational approach to decarbonisation.

The efforts by the Commission and parts of the European Parliament throughout the year to win approval for the set aside of carbon allowances to artificially boost carbon prices simply demonstrates that the ETS does not work. It neither provides an incentive for green investments nor does it protect the competitivity of the EU's own industries, nor lead to any emissions reductions on a global level. It is time to think again.

With its proposal for an Energy Efficiency Directive the Commission opened another field of concern for our industry. European energy prices and in particular electricity prices - already among the highest worldwide - is a major threat to Europe's energy intensive industries. This new proposal may open the doors for new price increases and significant additional costs for our sector further lessening Europe's attraction as a location for industry.

Wolfgang Eder
President

Gordon Moffat
Director General

General Economic Development

The EU economy started 2011 on a positive tone: growth was bolstered by strong exports and an investment-driven improvement in domestic demand. Mild weather conditions in early 2011 were also supportive to the strengthening in economic dynamics.

GDP growth slowed significantly in the second quarter of 2011. The temporary boost from weather conditions tapered off whereas the negative effect of austerity measures through fiscal tightening and subdued government consumption on domestic demand became more pronounced. Meanwhile, slowing global economic growth dampened dynamics in international trade, thereby reducing EU export opportunities. This was compounded by the Euro's relative strength versus the US dollar.

In the first half of 2011, risks to the outlook for the EU economy were rather diverse, ranging from the internal risk of Eurozone indebtedness to external risks such as rising commodity, energy and food prices fuelling inflation, the instability in the Arab world and also the unknown impact of the devastating earthquake in Japan.

However, from mid-2011 onwards, internal risks in the EU came to the fore as the Eurozone's debt crisis started to eat its way into the real economy. Corporate and consumer confidence came down sharply on fears of a further intensification of the sovereign debt crisis and the crippling effect of austerity on economic growth. By the 4th quarter of 2011, Belgium, Czech Republic, Italy, the Netherlands, Greece, Portugal and Slovenia were already in recession. Some other countries may follow suit in the first quarter of 2012.

The main forward looking indicators improved again somewhat towards the end of the year, signalling that economic and business conditions could start to recover in the course of the first half of 2012, assuming that a further deterioration of the Eurozone debt crisis is prevented.

Meanwhile, industrial production and order data suggest that in spite of weaker sentiment, the manufacturing sector kept its strength during 2011. Order books have filled up during 2011and should cushion the negative impact of weaker investment in the first half of 2012.

Generally speaking, business conditions in the automotive and engineering sectors across the EU have remained relatively benign up to early 2012. Construction activity in the EU improved mildly in the EU in 2011; however, since the improvement was driven by the residential sector and particularly by renovation and modernisation projects, consumption of constructional steel products remained overall weak. Moreover, large differentials in performance at the country level continued to persist. In Germany, France, Poland and Sweden construction activity expanded at a healthy rate up but in contrast, activity in Spain remained extremely depressed. Momentum in this sector will be slow with widely differing prospects at the country level in 2012.

Steel Market

Crude Steel Production

In 2011, crude steel production in the EU amounted to 177 million tonnes, a rise of 2.5% compared with 2010. Monthly production was particularly robust in the first half of the year. From mid-2011 onwards, the weakening trend in steel consumption in combination with especially steel distributors reducing their product inventories forced EU steel mills to adjust production downwards. Consequently, EU steel output ended 2011 on a weak note. As this trend was seen in most regions, the share of the EU in total global crude steel output remained at 12% in 2011.

Crude steel production ('000 metric tonnes)
Source: EUROFER

	2009	2010	2011	%
Austria	5662	7206	7474	4.2
Belgium	5635	7973	8026	4.5
Bulgaria	726	744	835	0.5
Czech Republic	4594	5179	5583	3.2
Finland	3078	4030	3986	2.3
France	12840	15414	15780	8.9
Germany	32670	43830	44284	25
Greece	2000	1821	1934	1.1
Hungary	1403	1678	1732	1
Italy	19848	25750	28726	16.2
Latvia	692	655	568	0.3
Luxembourg	2141	2548	2521	1.4
Netherlands	5194	6651	6937	3.9
Poland	7129	7993	8779	5
Portugal	1587	1351	1351	0.8
Romania	2686	3613	3645	2.1
Slovakia	3747	4588	4242	2.4
Slovenia	430	606	665	0.4
Spain	14358	16343	15504	8.8
Sweden	2778	4817	4829	2.7
United Kingdom	10079	9706	9478	5.4
EU 27	**139278**	**172496**	**176880**	**100**

Supply-Demand Balance

Real steel consumption in the EU grew 6.6% in the whole of 2011, as activity in the steel using sectors strengthened gradually further following the sharp downturn in early 2009. However, in the course of the year there was a marked deceleration in the year-on-year growth rate in real consumption.

Apparent steel consumption rose 7.2% in 2011. Following double-digit year-on-year growth in the first half of the year, growth slowed in Q3 and became negative in Q4. This weakening trend mirrors steel purchasers waiting at the side-lines after summer due to rising concerns about the economic situation and downstream business conditions and more difficult access to financing and credit. Forward buying in Q1-2011 - particularly in the distribution chain - on fears of rising raw materials translating into higher steel prices later in the year had resulted in high deliveries and stocks rising steadily up to mid-2011. First evidence of destocking in the distribution chain could be seen in September. Ample supply and short delivery times combined with continued destocking resulted in steel buyers being very selective in their sourcing strategy and weaker bookings in the final quarter of 2011.

The EU market started 2012 on a positive note. End-users but particularly steel service centres and distributors came back to the market, rather to replenish selectively their depleted inventories than because of a marked acceleration in activity.

EU mills in late 2011 adjusting their output to lower demand levels and a reduction in third country imports of most steel products has been supportive to a relatively healthy supply-demand situation at the start of the year.

As a result, Q1-2012 apparent steel consumption is expected to have reached a better level than in the final quarter of last year, but is still forecast to be down on the same period of 2011. This pattern is expected to repeat itself in the 2nd quarter, albeit with a smaller y-o-y drop in demand. The outlook for H2-2012 is for the downward trend in demand to reverse into a gradual strengthening of apparent consumption.

Trade volumes

In 2011, total steel imports from third countries into the EU rose 23.9% to 29 million tonnes. Particularly in the second quarter, import pressure was very high. Total third country imports rose 45% y-o-y to a monthly level of just under 3.1 million tonnes, the highest level in three years' time. Flat products registered the most pronounced increase in imports in 2011, rising 27% compared with 2010; cold-rolled sheets, organic coated sheets and quarto plates were the most affected products. Meanwhile, semis imports rose 17% and long products imports 16% in 2011. With respect to the main countries of origin, China remained a dominant third country supplier for several products, most notably hot-dipped galvanised sheets and organic coated sheets. Meanwhile, nearby steel producer Turkey stepped up its flat

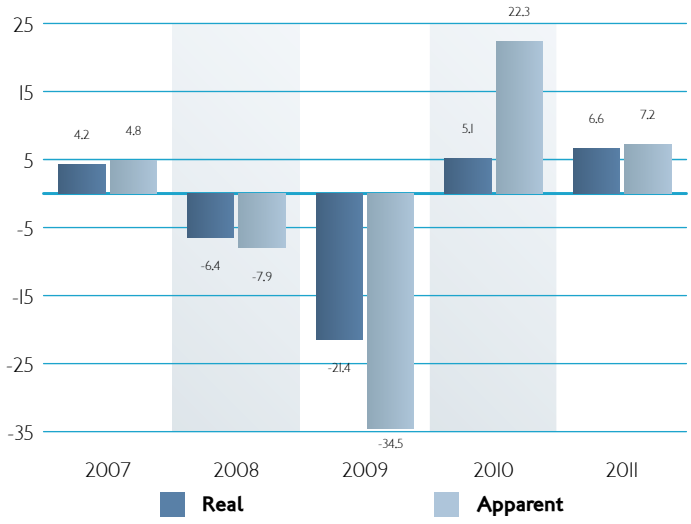
product deliveries to the EU steel market. In the first half of 2011 Turkey was the largest supplier of hot-rolled wide strip to the EU. Other countries such as the Russian Federation and Ukraine kept a strong presence in the EU flat product markets as well.

Total exports in 2011 stabilised at the year earlier level. The trade balance shows net imports of 1.9 million tonnes as a result of a trade deficit in semis (7.5 million tonnes) and flat steel products (1.9 million tonnes) and net exports to the amount of 7.5 million tonnes.

Sharply weakening order intakes from domestic customers forced many steel mills to look for sales opportunities abroad. Consequently, the EU became a net exporter of steel products in the final quarter of 2011.

The top export destination in 2011 was again Algeria, accounting for 29% of total EU exports to third countries. The United States, Turkey and Switzerland were relatively important markets for EU exporters as well; their combined share in total exports was 23% in 2011.

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

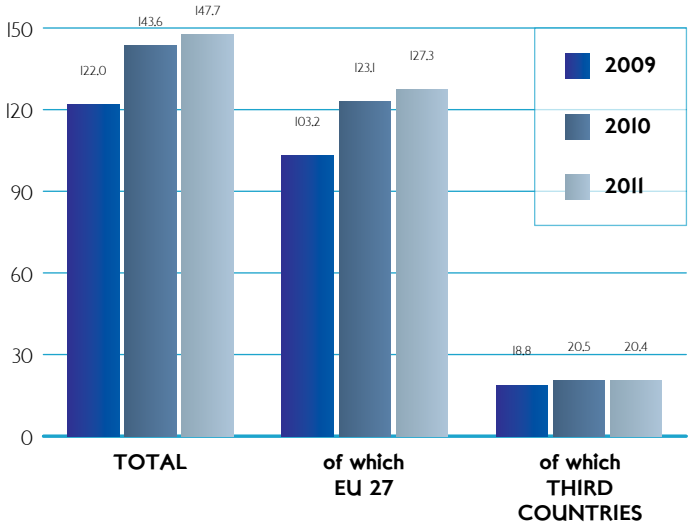


Deliveries of Steel (all qualities except stainless steel)

Market conditions in the EU market were rather benign in the first half of 2011 but started to weaken during the summer. Supply pressures increased as the market entered the seasonally weaker holiday period while deliveries – particularly from imports - were still coming in. Inventory corrections, weaker demand and high levels of uncertainty prevented the market from rebounding in the second half of the year.

Total Steel Deliveries	**+2.9%**
of which to the EU27 market	+3.4%
of which to export markets	-0.5%

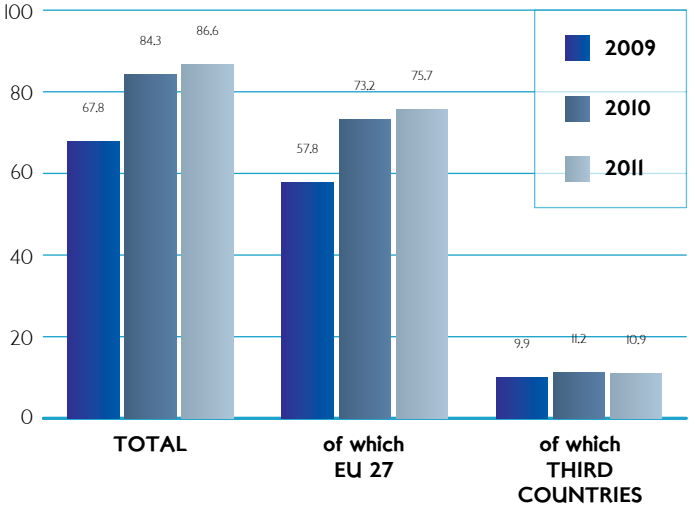
Carbon Steels: Total Deliveries (million tonnes)
Source: EUROFER



In 2011, total flat product deliveries increased by 2.7%. Deliveries by EU mills to the domestic market increased 3.4% compared with 2010. While deliveries of hot-rolled coil and quarto plate to the automotive industry improved further, coated sheet shipments stagnated around the year earlier level whereas deliveries of cold-rolled sheet declined. Export deliveries fell by 2.7%.

Total Flat Product Deliveries	**+2.7%**
of which to the EU27 market	+3.4%
of which to export markets	-2.7%

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

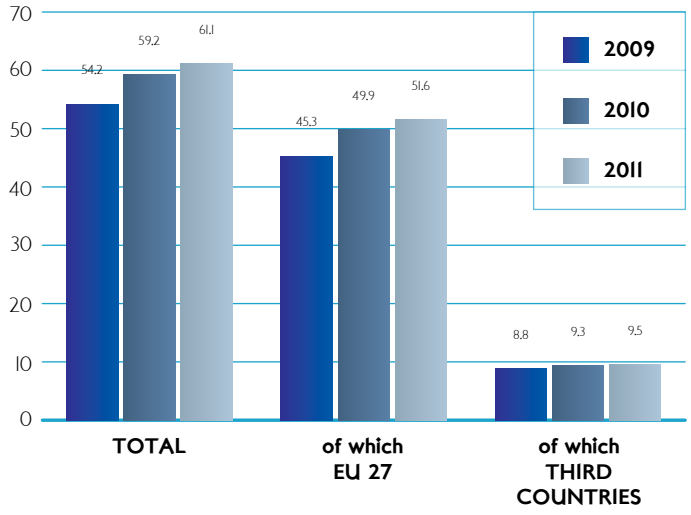


Steel Market

Deliveries of long products to the domestic EU market increased by 3.4%. Construction sector related demand remained weak in 2011, impacting mostly on deliveries of rebar and sections. Shipments of long products with a more diversified client base such as wire rod and merchant bars increased by 4% respectively 11% in 2011. Export deliveries declined 2.7%. On balance, total long product deliveries increased by 3.2%.

Total Long Product Deliveries	**+3.2%**
of which to the EU27 market	+3.4%
of which to export markets	+2.2%

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



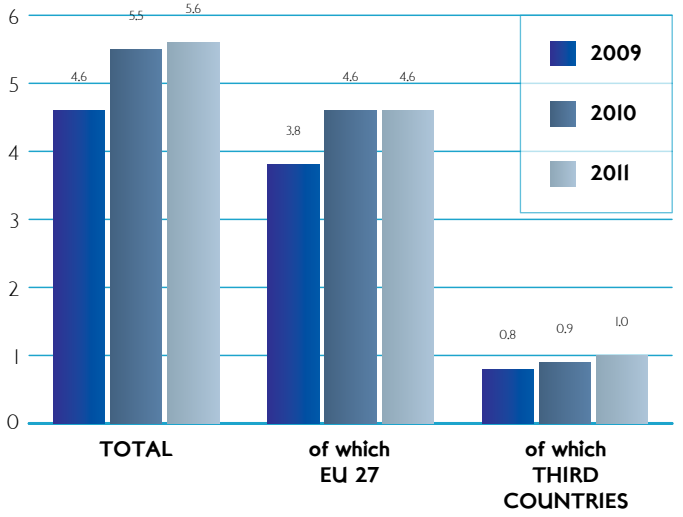
Stainless Steels

The European market supply of stainless steels increased by 3.2% in 2011, driven by sustained demand propelled by a re-stocking phase in the supply chain in the first half-year. Yet, a slow-down was recorded in the 2nd half-year, partly as a consequence of speculation on decreasing alloy costs and de-stocking movements. Total deliveries of stainless steel finished products by Community producers on the EU market only grew by 1% year-on-year. In contrast, imports from third countries grew by 14.7% between 2010 and 2011. Consequently, stainless steel melting by the Union producers only increased by 0.7% in 2011 to reach 7.5 Million tonnes.

The pressure from imports was particularly obvious in the flat products segment: whereas apparent consumption stagnated in 2011 vs. 2010, imports from third countries, notably Asia, grew by 11% while domestic deliveries actually decreased by 2%. In the hot rolled long products segment, market supply in the Union improved by 16% year-on-year. Domestic supplies participated in this growth with a +13% vs. the previous year whereas imports rose by 41%. In this range too, the continuous erosion of the European mills' market share is a serious matter of concern for EUROFER member companies.

Real demand of all stainless steel products in the EU grew by 8.2% in 2011 (source: ISSF). Owing to the continuation of recessionary conditions in several EU countries, real demand in 2012 is expected, at best, to remain stable at the level of 2011. Apparent demand in 2012 is also forecast to remain flat or to increase slightly in line with re-stocking.

Stainless Steels: Development of Deliveries (million tonnes)
Source: EUROFER



Alloy Special Steels (other than stainless)

In the 1st half-year 2011, both domestic deliveries to the Community market and exports of alloy special steels remained well-oriented. This was not only due to underlying real demand but also to re-stocking purchases by distributors and consuming industries. Demand softened gradually as from the 3rd quarter 2011 until year end as the re-filling of inventories had presumably been completed in most market segments. Yet, the reductions of operational capacities introduced in 2009 enabled most producers to face this temporary slowdown of order income. Total deliveries by EU alloy special steels producers increased by 14.2% in 2011. Domestic deliveries to the EU increased by the same rate whilst imports from third countries, which had decreased further to the crisis in 2008 / 2010, surged by an shocking

Steel Market

+9I%. Apparent consumption in the EU increased by I7.2%.

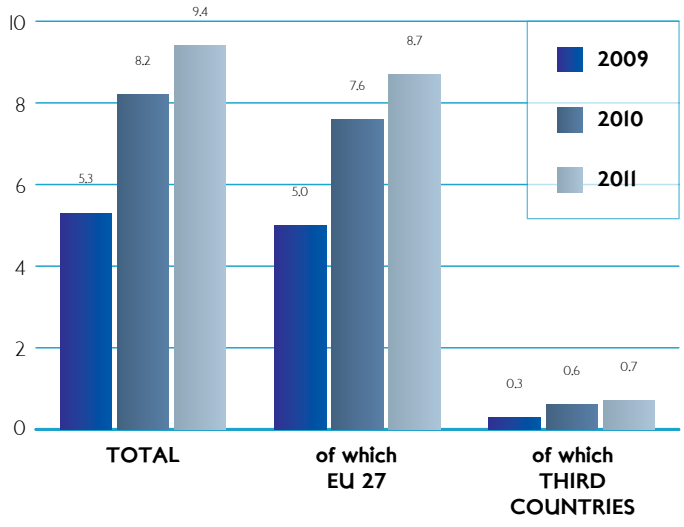
The main drivers of demand in 20II were the strong performance of the German passenger cars and mechanical engineering sectors, sustained activity in the energy-related industries and export business.

All in all, the EU market supply of alloy engineering steel long products increased by I7% in 20II, whereas exports by European producers to non-EU markets grew by 20%. EU imports of alloy engineering steels practically doubled, year-on-year, with PR China, Russia, Turkey and the Ukraine as main drivers of the import flow.

The EU producers' total deliveries of tool and high speed steels increased by II.4% 20II – a further recuperation after the encouraging performance of 2010. This was only based on higher supplies to the Community market (+I7.6%) whilst export business plummeted (-0.8%). A significant growth of tool steels imports from PR China was also recorded in 20II.

At the start of 2012, the market outlook for alloy special steels appears to be somewhat weaker than in the first half-year 20II. Nevertheless, with underlying real demand believed to gain some strength in the second part of the year, most producers expect stable business and activity levels in comparison to 20II.

Other Special Steels: Development of Deliveries (million tonnes)
Source: EUROFER



Trade

EU Trade Cases

Europe is an open market and imports are part of the market. EUROFER supports free trade but also fair trade. The beginning of 2011 saw a very large increase in imports, largely of flat products. This increase was out of all proportion to the rise in steel demand and undermined market conditions. EUROFER therefore was forced to act in the defence of its industry.

Following complaints filed by EUROFER, the Commission initiated anti-dumping (AD) and anti-subsidy (AS) investigations against imports of Chinese organic coated sheets (OCS) on 21th December 2011 respectively 22th February 2012. The complaints provide comprehensive evidence that these imports were sold at dumped and massively subsidised prices and costs causing serious injury to the European OCS producers.

On 28th April 2011, further to a complaint filed by EUROFER, the Commission imposed definitive anti-subsidy measures against imports of stainless steel cold-finished bars from India. The investigations confirmed the existence of high injury margins and severe EU price undercutting by Indian exporters.

In 2011, EUROFER continued to support the European Industrial Fasteners Institute (EIFI) in its trade actions against the surge of unfair imports from Asia. This implied an expiry review of AD measures against Taiwan and PR China, anti-circumvention proceedings against several countries and filing AD / AS complaints against imports from India.

In addition, representing the interests of the steel industry as a consumer, EUROFER successfully intervened in the EU anti-dumping investigations on imports of Chinese magnesia bricks and Indian graphite electrodes on the basis of the user interest which resulted in the termination of these two metallurgic raw material and input cases.

EUROFER has further expanded and fine-tuned its import monitoring system including in-depth screening of third-country steel protectionism enabling appropriate responses against unfair import surges.

Bilateral Agreement with Russia

The bilateral steel agreement with Russia includes a steel import quota regime into the EU with flexibility (yearly automatic increases of +2.5%). When the Russian Parliament ratifies the negotiated Russian WTO accession package, Russia will become a full WTO member effective mid-July 2012 which will automatically terminate the quota. The quota arrangements have had an extremely positive influence on EU-Russian steel industry relations with the EU industry refraining from trade actions on the one hand and the Russian industry engaging in ever-closer integration into the EU market within steadily increasing limits. It was a win-win situation. The ending of this arrangement creates a great deal of uncertainty given the spare capacities of commercial grade products in Russia. As a consequence, in close relation with the Commission, EUROFER will closely monitor the development of Russian steel trade post-quota including an in-depth investigation into the role of Russian government support to the industry and market conditions.

Proliferation of Third Country Steel Trade and Market Distortions

In 2011, the worrying trend of growing steel protectionism in third countries continued in the area of market access, subsidisation and restrictions on exports of metallurgic raw materials in countries such as India, Brazil and Russia. In particular India further increased iron ore export tariffs (up to 30%) as well as flat steel import duties while pursuing its intention to impose national mandatory steel product certification.

In this respect, the EU and the USA achieved a break-through victory in their WTO dispute with a decision declaring Chinese raw material export restrictions including coke in breach of WTO rules.

On these subjects EUROFER intensified its representations to the Commission and EU Member States (STIS Trade Committee) for a vigorous pursuit of undistorted third country market access for European steel and European access to metallurgic raw materials markets through the use of legal and diplomatic action together with ambitious market liberalization through multilateral and bilateral free trade agreements.

Raw Materials

Iron Ore

Continued strong demand from Chinese mills – owing to high daily production levels in January and February – in combination with reduced global iron ore supply due to the Indian government raising export duties on fines and lumps to 20% resulted in bullish pricing trends in early 2011. However, the iron ore spot price surge reversed in March on weakening sentiment in the Chinese steel sector. Also uncertainty with regards to the effects of the devastating earthquake in Japan on the economy in general and steel demand in particular contributed to softer global demand conditions. There was a modest rebound in pricing in April, but spot prices remained below recent peaks, reflecting increasing uncertainty concerning global steel market demand fundamentals. In the remainder of the year, spot prices remained relatively stable at an elevated level. Intensifying supply constraints in India kept the seaborne iron ore market relatively tight, putting more pressure on alternative sources such as Australia, Brazil and South Africa. Slowing global crude steel output in the second half of 2011 did not result in a major downward correction of spot prices. On balance, the iron ore price indices used by the large suppliers in their quarterly price contracts rose by 14-15% in 2011.

Coking Coal and Coke

In early 2011, global supply of metallurgical coal was impacted by serious floodings in Queensland, Australia, which affected output in several mines as well as rail services in the region. Due to fears for longer-term supply constraints, coking coal prices reacted nervously, temporarily nearing the record level of 350 US$/tonne. Coking coal production recovered steadily from the second quarter onwards. As a result, prices eased somewhat in April, coming back to around 325 US$/tonne. Meanwhile, buying interest in the spot market remained limited as Chinese buyers were cutting back imports because of high spot prices and the availability of cheaper domestic coal. However, despite thin trading, the suppliers appeared to be reluctant to reduce prices more significantly. From mid-2011 onwards, steel mills in the EU and the US started to reduce output in line with hesitating demand. Also in India, China and elsewhere in Asia there was a lack of buying interest. Spot hard coking coal prices came down to 260 US$/tonne in late September. Slowing demand and rising supply started to pressurise the market and pushed prices further down to around 215 US$/tonne at the end of 2011. On balance, the hard coking coal price index rose 26.5% in 2011.

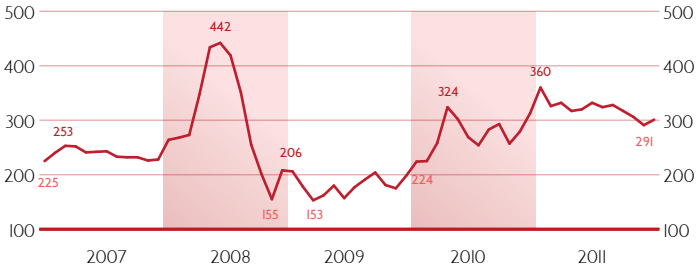
Scrap

Strong Turkish buying at the start of 2011 in combination with tight supply and rising iron ore and coking coal prices driving up the cost of hot metal production resulted in a sharp increase in scrap prices. However, the surge already tapered off in February as demand from Turkey cooled down due to the negative impact of the geo-political instability in the North African region on the outlook for steel demand while easing supply in Europe. From March to well into the third quarter of 2011 scrap prices remained relatively stable, showing only minor upward and downward corrections on moderate changes in the scrap demand-supply balance. After the summer maintenance shutdowns, the scrap market failed to revive, as European mills started to adjust output to weaker demand levels. Many mills were reported having low stocks of scrap, but limited restocking as much as possible due to increasing uncertainty on business prospects. Also scrap buying by Turkish mills remained soft on weak domestic and export demand for finished steel products in the Middle East and North Africa. In the whole of 2011, scrap prices of the most widely used qualities increased by 16-18% compared with 2010.

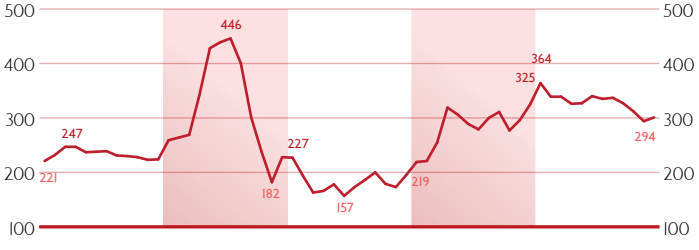
Scrap graphs

EU Scrap price index (2001 = 100) based on the average price in France, Germany, Italy Spain and United Kingdom.
Higher / Lower value of each year

Demolition Quality: Price Index EU Market Source: EUROFER

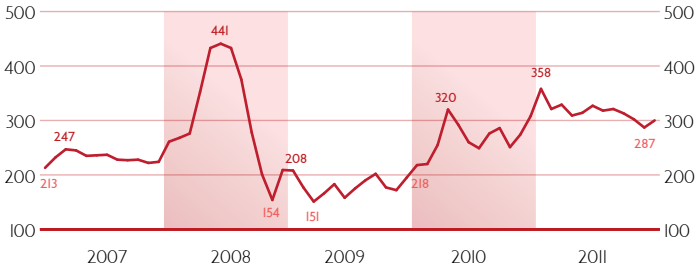


New Arisings: Price Index EU Market Source: EUROFER

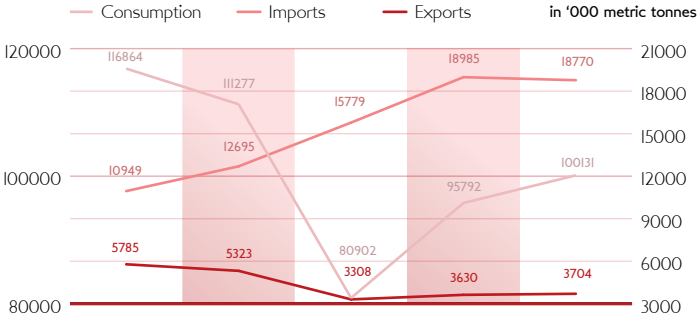


Raw Materials

Shredded: Price Index EU Market Source: EUROFER



Imports, Exports & Consumption Source: EUROFER



Climate Change

EU Emissions Trading Scheme: free allocation

EUROFER takes legal action against the Commission decision on benchmarks

The steel industry position on European climate policy notably concerning the ETS for the third trading period 2013-2020 is a matter of record. The steel industry is prepared to contribute to the carbon reductions which we all agree are desirable. Indeed the European steel industry is very much part of the solution for a prosperous sustainable low-carbon European society. The technical innovative solutions required for Europe to meet its targets are only possible with the contribution of the steel industry and industry as a whole. However, we do not believe that unilateral isolated emissions reduction schemes like the ETS work for globally traded products such as steel and we do not believe that the European ETS will result in a worldwide reduction in emissions, quite the contrary.

We believe also that the present system risks reducing significantly the international competitiveness of European manufacturing which will result not in decarbonisation but in de-industrialisation.

The implementation of the current policy is doing little to allay these fears. The political understanding when the revised climate change directive was adopted in 2008 was that the best performers in industries such as ours would get 100% free carbon allowances based on benchmarks. The active engagement of EUROFER and DG Enterprise at European level effectively countered the extremely negative positioning of DG Climate action which would have imposed a massive shortfall in free allowances on the steel industry. DG Enterprise did succeed in obtaining more than 93% of what we were due. Unfortunately, these efforts were not further supported and improved by Environment ministries in the member states which meant that the industry best performers remain under-allocated, at significant cost to the sector.

We believe that the Commission has improperly applied the provisions of the directive, particularly those of Article 10a1 which specifically provides for free allocation for electricity produced from waste gases which is the core issue which has led to the unlawful withholding of a significant proportion of free allowances from the industry.

We, as an industry, cannot accept this situation. While we continue to engage constructively with all departments of the Commission we have also declared our intention to defend our interests and have filed in July 2011 an action for annulment of the Commission decision on free allocation rules at the European Court of Justice.

Compensation for electricity price rises

The revised ETS Directive contains a mechanism which allows Member States to grant financial compensation to sectors at risk of carbon leakage due to CO_2-costs passed through in electricity prices. This compensation scheme must comply with applicable EU state aid rules.

In May 2011, the Commission's competition department (DG COMP) launched a public consultation on the issue. EUROFER provided sound arguments as to why steel was exposed to leakage because of indirect CO_2 costs. Steel is a globally traded commodity. Asymmetric CO_2 costs cannot be passed through into prices.

On 20 December 2011, DG COMP released draft guidelines for State aid in the context of the amended ETS. The paper states that most of the steel sector (the activities under NACE 27.10) is eligible for financial compensation. However the approach pursued reduces the maximum compensation amount to an unacceptable level: the state aid Member States are allowed to grant would be capped at 80% of the compensation needs (based on electricity efficiency benchmarks). EUROFER also contests the way the electricity benchmarks are currently defined, in particular for electric arc furnaces. The Commission guidelines are expected to be released officially in the second quarter of 2012. In the meantime EUROFER continues to engage with the Commission and the member states.

The Commision's Low Carbon Roadmap 2050

Further to the Council's commitment to a long-term target of reducing developed countries' greenhouse gas emissions collectively by 80-95% by 2050 compared to 1990 levels, the Commission published on 8 March 2011 the Roadmap to a Competitive Low Carbon Economy by 2050. The paper - exploring the most cost-efficient ways to reach the 2050 target under various scenarios - is questionable in many aspects: the models used are not transparent and are run on biased assumptions systematically underestimating the negative effects of the measures under consideration on industry and employment. Equally consideration of the technologies which would be required to achieve such a reduction sector by sector is completely absent. EUROFER

Climate Change

advocates a bottom-up sector approach which examines the technical possibilities available to industries to further reduce emissions. In this respect, a Steel Road Map is being prepared which will detail what the industry can do in this period post-2020.

The Council conclusions on the Roadmap 2050 were rejected in June 2011 by a blocking minority of member states and as such, the process was put on hold in the second half of 2011.

The set-aside

In the Communication accompanying the Roadmap as well as in the impact assessment of the draft Energy Efficiency Directive, the Commission suggests setting aside an amount of phase III (period 2013 – 2020) allowances so as to keep the carbon price at such a level that it effectively incentivises green investments. The carbon price is currently at a low level because of the economic downturn. There is no agreement on the set-aside in the Council.

Manufacturing industry is strongly against such an interference in the operations of the ETS which is supposed to be a market-based instrument. Artificially raising the carbon price will simply make it more difficult and expensive for industry to meet the 2020 reduction targets which are already set.

International climate negotiations

The international climate negotiations reached a critical stage in COP-17 in Durban as the end of the Kyoto protocol commitment period is looming (2012).

The Durban agreement is not legally binding with targets but is an agreement on launching a process with a view to setting up such a deal under a defined timeframe. Under this new framework, both developed and developing countries will be required to cut down their GHG emissions under terms that have to be agreed by 2015 in a Protocol that will have to come into effect by 2020. As such, while Durban was not a complete failure, it did not result in the conclusion of a binding international agreement which would have mandated emissions reductions on a global level. Such cuts remain to be agreed and will not be implemented before 2020.

Energy

In 2011, EU energy policy was one of the hot topics for the EU steel industry. Amongst other initiatives, the European Commission presented in spring its Energy Efficiency Plan 2020, in April a proposal to amend the EU Energy Taxation Directive (ETD), in June a proposal for an Energy Efficiency Directive (EED), and in December it published its Energy Roadmap 2050. Intense discussions on renewable energies continued and nuclear energy came in the focus again after the tragedy of Fukushima

EUROFER informed its members about the developments on EU level and helped them to understand the implications for the steel industry and implementation at national level. However, the core energy issue was undoubtedly the Energy Efficiency Directive.

Commission proposal for an Energy Efficiency Directive

On 22nd June 2011, the European Commission presented a proposal for an **Energy Efficiency Directive** repealing the EU directives on Cogeneration (2004) and Energy Services (2006) as these had "failed to fully tap the energy saving potential". The new proposal aims at delivering at least half of the EU's 2020 energy efficiency target of 20%. Initially the proposal was not foreseen to target industry which is already covered by the Emissions Trading Directive (ETS) and the Industrial Emissions Directive. However, several provisions may severely affect the steel industry and therefore the proposal was one of the key issues in EUROFER's activities vis-à-vis the EU institutions in 2011:

The key provisions are:

a) Member States must set up **Energy efficiency obligation schemes** ensuring that "either all energy distributors or all retail energy sales companies" (obligated parties) achieve annual energy savings equal to 1.5% of their energy sales among "final customers". They may exempt small energy distributors and sales companies or chose for alternative systems to fulfil the 1.5%. The steel industry may be affected both as 'obligated party' if delivering energy products to final customers (e.g. electricity from waste gases) and as 'final customer' of energy suppliers (energy price increases and pressure to reduce energy consumption).

b) Member States must ensure that new thermal **electricity generation installations** with a total thermal input exceeding 20 MW recover heat with a high-efficiency cogeneration unit, and are sited where waste heat can be used by heat demand points and take account of the availability of suitable heat loads for cogeneration. If an existing installation is substantially refurbished or its permit is updated, "conversion to allow its operation as a high-efficiency cogeneration installation is set as a condition in the new or updated permit or licence", provided the waste heat can be used by heat demand points. **Installations generating waste heat** that are built or substantially refurbished must capture and make use of their waste heat. The installations have to be connected to district heating and cooling networks and may be required by the member state to bear the respective charges and costs. Member states may make exemptions from those rules if "a cost-benefit analysis shows that the costs outweigh the benefits in comparison with the full life-cycle costs".

EUROFER asked for an explicit exemption for energy intensive industries or ETS sectors from these provisions. Although such exemptions are uncertain to be adopted, it can at least be expected that much more flexibility will be given to Member States, with a wide range of possibilities for exemptions from the provisions.

It is expected that the proposal will be adopted in a first reading agreement between the European Parliament and the Council in the beginning of the second half of 2012.

EUROFER is continuing to push for amendments to reduce the impact of the sector, engaging with the Commission, Parliament and member states.

Environment

Resource Efficiency

In 2011, the Commission released its roadmap to a resource efficient Europe. The roadmap recommends an integrated approach across many policy areas at European and Member States levels and focusing on the resources under most pressure. The instruments employed will include legislation, market-based instruments, refocusing of funding instruments and promotion of sustainable production and consumption. Clear targets and indicators providing predictability and transparency for all will be developed by 2013. The key issue for the steel industry is the competition between materials as a consequence of the objective for resource efficient, environmentally friendly production and products.

EUROFER's President and Director General met Environment Commissioner Potočnik on 14th September 2011 for an exchange of views on the topic. In a press release of 20th September 2011, EUROFER welcomed the Roadmap. The responsible unit of DG Environment was informed that EUROFER would like to be fully involved in the discussions towards the implementation of the Roadmap. Meanwhile, EUROFER has asked for a seat for the metals industry on the European Resource Efficiency Platform (ca. 35 high level members coming from policy, civil society and business).

The 7th Environmental Action Progamme – framework for environmental policy making in the EU – foreseen to be released in October 2012, will build on the actions set out in the Resource Efficiency Roadmap.

Air

Industrial Emissions Directive (IED) / Iron and Steel BREF / Revision of the Large Combustion Plants (LCP) BREF

On 21st November 2011, the BAT conclusions of the Iron and Steel BREF (Best Available Techniques Reference Document) were adopted by the IED Article 75 Committee. Thanks to the persistance of EUROFER and its membership, in the end, satisfactory BAT conclusions were obtained. Because of bad experiences with the translations into the EU languages of these BAT conclusions, EUROFER has asked for an official translations procedure with involvement of the industry sector at stake. EUROFER has also pointed out the distortion between sectors due to the decoupling of the entry into force of the IED and the date by which the reconsideration and updating of permit conditions by the competent authority applies (for existing iron and steel installations, maximum 26 months instead of 48). At the kick-off meeting of the Seville Technical Working Group (TWG) dealing with the revision of the LCP BREF, EUROFER succeeded in obtaining the establishment of a dedicated chapter for Iron and Steel process gases. As such, Best Available Techniques Associated Emission Levels (BATAELs) for gases from the steelmaking process will be set in the BAT conclusions to be expected in 2015. Meanwhile, the Commission announced that the existing Monitoring Reference Document will become a Reference Report that may be of use to BREF authors and Seville TWG members when working on vertical BREFs. Co-ordination on BREFs and IED implementation issues will remain to be secured by the EUROFER Industrial Emissions Working Group. In order to properly deal with the Baseline report on soil (implementation of IED), the EUROFER Soil Working Group will be reactivated in the first half of 2012.

Convention on Long Range Trans-boundary Air Pollution (CLRTAP)

In 2011, the convention introduced Particulate Matter 2.5 (PM 2.5) as pollutant (dust particles with a diameter less or equal to 2.5 µm) and set Emissions Limit Values for NO_x, SO_2 and dust consistent with those of the IED. Negotiations on the revision of the Gothenburg Protocol as such should be finalised at latest in September 2012. The Annex II of the Protocol will define the ceilings by countries. The Heavy Metals Protocol revision – which will include Emissions Limits Values for cadmium, lead and mercury for our sector processes - should also be finalised in 2012. EUROFER participates in relevant UNECE meetings, in general looking for consistency with existing European legislation.

Thematic Strategy on Air

The review of the Thematic Strategy on Air started in 2011 and should be finalised by the end of 2013. Particular Matter (PM) and black carbon where identified as important elements of the current revision with a specific project focusing on PM10 and PM2.5, Heavy Metals and Poly Aromatic Hydrocarbons. EUROFER is part of the Stakeholders Expert Group.

Water

The Commission's proposal on Priority Substances (PS) leaves out Zinc and Free Cyanides but proposes the creation of a substance "watch list", a monitoring programme with

possible inclusion in the PS list. The final legislative act is expected by the 4th quarter of 2012. The EUROFER Water Working Group will continue giving special attention to this. EUROFER will also closely follow the further developments on the Nickel Environment Quality Standard (Ni EQS) and further coordinate with other associations when appropriate. Our Fe EQS project – run by the Iron Platform and EUROFER – together with the UK Environment Agency and this for the establishment of a practical Fe EQS is still on-going. We expect the publication of the UK Fe EQS by July 2012.

Waste

Revision of the European Waste List

The alignment of the Hazardous Properties definition with the CLP Regulation (Classification, Labelling and Packaging of substances and mixtures) could endanger the status of the processed and un-processed ferrous slags and of the spent refractories. EUROFER supports their non-hazardous status using solid technical argumentations from the slags REACH registration and via technical evidences on spent refractories. The final decision is expected for the first half of 2012.

Product Related Environmental Issues

Sustainability and Environmental Declaration of Construction Products

Concepts linked to the recyclability of materials, their environmental footprint, sustainability in general have become relevant for the (future) marketing of steel and in particular for the market of steel construction products. EUROFER joined the Metals for Buildings Platform (MFBP) - an Alliance with other EU Metals Associations - promoting the high recyclability of metals and its proper metrics, measuring it with existing EU standards and environmental certification schemes. Furthermore, EUROFER made a draft project proposal for the establishment of EUROFER Environmental Product Declarations (EPDs) for steel construction products with peer reviewed steel specific Product Category Rules (PCRs). A "go-ahead" for this project is expected to be given during the first half of 2012.

Chemicals

REACH and CLP

During 2011, EUROFER Chemicals Policy and Chemicals Expert Working Groups have dealt with amongst others the review of REACH, the authorisation process for Substances of Very High Concern (SVHC), the update of the registration dossiers, the making of extended Safety Data Sheets and the publication of the Classification and Labelling inventory. EUROFER will continue looking into the prioritisation of SVHC and the dossier evaluation process, handled by the European Chemicals Agency (ECHA).

Communications Activities

EUROFER holds 1st European Steel Day

On the occasion of its 35th anniversary, EUROFER organised the first European Steel Day on 19th May 2011 in the Square Centre in Brussels.

Approximately 400 participants attended the event, bringing together representatives from the European institutions, EU member states, the EU steel industry, as well as from other sectors.

At a high-level Conference representatives of the European institutions and the steel and automotive industries delivered a clear message: the importance of the steel industry for Europe's future. This message was supported by a movie "Steel – made in Europe", which was delivered at the beginning of the Conference, demonstrating that the European steel industry is an integral part of the most important European value chains, providing the foundations of innovation, durability, CO_2 reductions and energy savings in Europe and worldwide.

Commission Vice-President Antonio Tajani (EU Commissioner for Industry and Entrepreneurship) emphasised the importance of the steel industry in the future economy of Europe: "without the innovation and the products it provides, many future technologies will quite simply be inaccessible. Contrary to what some people believe, industry – and of course the steel industry – is not the problem; rather, it is a good part of the solution".

From left to right: moderator Stephanie Flanders (BBC), Antonio Tajani, Karl-Heinz Florenz MEP, Fabrizio Barbaso, Deputy Director General of the Commission's energy department, Günther Apfalter, President of Magna Europe, the world's third largest automotive supplier, Wolfgang Eder

EUROFER president Wolfgang Eder (CEO of voestalpine) stressed the need to find smart solutions to the challenges the EU steel industry will have to face in the future in terms of energy, mobility and the environment.

The European Steel Day was accompanied by the EUROFER General Assembly which adopted changes to EUROFER's statutes, by an exhibition on innovations in steel and ten workshops on various subjects in the fields of sustainability, environment, energy, trade and social affairs.

EUROFER gets new identity

EUROFER's General Assembly on 19th May 2011 decided to change the name of our organisation from the "European Confederation of Iron and Steel Industries" to "The European Steel Association". The name EUROFER remains. The mission of EUROFER remains unchanged. The new name simply reflects the structure of the membership of the association which is composed primarily of the steel producers themselves as well as the national steel associations. EUROFER's logo has been adapted in accordance with the new name of the organisation.

EUROFER
The European Steel Association

Social Affairs

Employment in the EU Steel Sector

The employment level in the European steel industry has stabilized: 362948 (2011) compared to 367655 (2010).

Sectoral Social Dialogue Committee on Steel

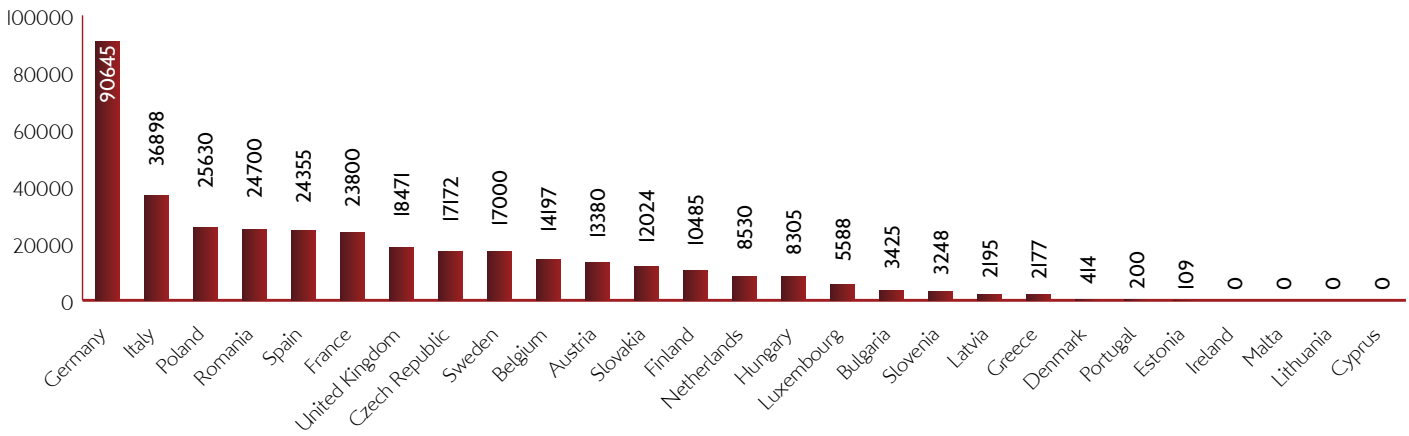
Since 2006, the social partners in the European steel industry, the European Metalworkers' Federation (EMF) and EUROFER have been addressing issues of common interests in the frame of the Sectoral Social Dialogue Committee on Steel, mainly through three major working groups:

Structural Change: Joint analysis concerning the competitiveness of the European steel industry and the importance of an adequate Industrial Policy has been carried out in depth. Exchanges of views on the steel market situation as well as the sector's outlook have been followed up and Research and Development activities, such as the ULOCS project, have been discussed.

Training and Education: In July 2011, the results of the joint EMF-EUROFER project proposal to the European Commission (August 2010) were presented in a Conference in order to assess the possibility of creating a formal EU steel sector council on jobs and skills (the so-called "Phase 1"). Further discussion will be held on the feasibility to set up a European body in charge of skills and jobs for the steel industry ("Phase 2").

Health and Safety (H&S): The possibility of initiating, together with EUROFOUND, a new project on health and safety in the EU steel industry related to stress at workplaces has been assessed and will be decided upon in the first half 2012.

Employment in the EU steel industry (EU 27 • end 2010: 367655)
Source: EUROFER



Statistics

Since the statistical information on steel that is still available from official sources is extremely limited (except external trade statistics), EUROFER pays special attention to ensuring an optimal functioning of its own voluntary system of monthly production and commercial surveys that was set up with member companies and national associations. In this context, it has been a constant endeavour for EUROFER in 2011 to further improve the accessibility of its statistical repository through the Intranet and Extranet tools reserved to members.

Consequent to the discontinuation of the official enquiries on scrap consumption, fuel and energy consumption, investments and capacities in the steel industry (annual data collection foreseen by the expired Commission Regulation 48/2004), EUROFER has integrated these surveys into its voluntary reporting system, so far with the participation of a core group of national associations.

External trade statistics remain an essential tool for the Community steel industry to assess market trends and monitor its competitive position in a globalised market. Therefore, EUROFER is committed to the preservation and, wherever possible, the improvement of these statistics. For this reason, in June 2011, EUROFER submitted a revised modernisation proposal on the steel products chapter in the Harmonised System (HS), the worldwide classification of goods, to the European Commission DG TaxUD for possible inclusion in the next HS review cycle (2017).

Transport

Rail transport picked up a little in 2011 compared to 2010 with an increase of some 9% in Europe. Rail however remains behind road which still represents nearly 80% of traffic flow while river transport remains at 7%. The single wagon remains a fundamental element of rail freight activity, mainly for the steel industry. ArcelorMittal and the SNCF have agreed to set up a multi-lot multi-client system which means they can claw back a part of the tonnage delivered up till now by the single wagons.

On a European level, the rail freight situation remains full of contrasts, it is becoming more and more difficult in Belgium, and is marginal in Spain (4% of the market). It continues to be more and more difficult in Italy, where the halt of the single wagon seems henceforth irreversible. Even Switzerland does not escape the gloom as it sees, for reasons of the cost of this mode of transport, a certain amount of withdrawal of state support for this activity.

Sweden, for reasons of geographical distance, Germany helped by its economic structure, and the UK because it uses entire trains, remain the strong performers in Europe.

Faced with these difficulties and the forecasts of the release of the fourth rail package, EUROFER has committed to organising a Task Force which brings together the loaders and not the associations. Many large companies have worked to put together a position paper, for the steel industry, ArcelorMittal, Thyssen and Tata Steel, for the car industry, Peugeot and Volvo, for the chemical industry BASF and Arkema, for sand, SIBELCO and BILLERUD for the paper industry.

EUROFER which has been greatly involved in the project will pursue activities throughout 2012 meeting with the Commission in order to promote our transport priorities.

EUROFER has also signed with ERA (European Railway Agency) a memorandum of agreement, regarding the monitoring of merchandise. This protocol will allow the loaders to obtain necessary information for the organisation of traffic flows. EUROFER has asked to be included in the different groups which will be set up in order to contribute to the debate.

With regards to road transport, France by decree, has just authorised road transport up to 44T with five axles. This decree will be enforced from the 1st January 2013 assuming no appeal resulting from the change in government. Other countries are thinking of moving to 60T, such as Germany (still blocked at 40T), while the Netherlands are at 50T and Italy is at 44T.

In 2012, EUROFER in addition to its work with the European Commission, has maintained its participation at the European Shippers Council (ESC) and to a lesser degree with Business Europe, where the creation of a transport lobby will be discussed.

Annexes

Directory

President	Wolfgang Eder	-	voestalpine
Board	Karlheinz Blessing	-	Ag der Dillinger Hüttenwerke
	Flavio Bregant	-	Federacciai
	Jan Czudek	-	Trinecke Zelezarny AS
	Philippe Darmayan	-	Aperam
	Edwin Eichler	-	ThyssenKrupp Steel Europe
	Enrique Freire Arteta	-	Siderurgia Nacional
	Heinz-Jörg Fuhrmann	-	Salzgitter AG
	Robrecht Himpe	-	ArcelorMittal
	Hans Jürgen Kerkhoff	-	Wirtschaftsvereinigung Stahl
	Karl-Ulrich Köhler	-	Tata Steel Europe
	Horacio Malfatto	-	NLMK Europe
	Valeriy Naumenko	-	ISD Dunaferr
	Bo-Erik Pers	-	Jernkontoret
	David Rintoul	-	U.S. Steel Košice
	Fabio Riva	-	Riva Group
	Francesc Rubiralta Rubio	-	Celsa
	Sakari Tamminen	-	Ruukki
	Gonzalo Urquijo	-	UNESID
	Hans Zoellner	-	CMC Zawiercie
Director General	Gordon Moffat		

Annexes

Members

Companies

Acciaieria Arvedi	http://www.arvedi.it
Acerinox	http://www.acerinox.es
Aperam	http://www.aperam.com
ArcelorMittal	http://www.arcelormittal.com
Badische Stahlwerke	http://www.bsw-kehl.de
Celsa Group	http://www.gcelsa.com
CMC Zawiercie	http://www.cmcpoland.com
Deutsche Edelstahlwerke	http://www.dew-stahl.com
Dillinger Hütte	http://www.dillinger.de
Duferco Belgium	http://www.duferco.be
Evraz Vitkovice Steel	http://www.vitkovicesteel.com
Feralpi Group	http://www.feralpi.it
FNsteel Group	http://www.fnsteel.com
Georgsmarienhütte	http://www.gmh.de
Halyvourgiki	http://www.halyvourgiki.com
Helliniki Halyvourgia	http://www.hlv.gr
ISD Dunaferr	http://www.dunaferr.hu
ISD Huta Czestochowa	http://www.isd-hcz.com.pl
Lech-Stahlwerke	http://www.lech-stahlwerke.de
Liepâjas Metalurgs	http://www.metalurgs.lv
Lucchini Group	http://www.lucchini.it
Marienhütte	http://www.marienhuette.at
Metinvest Trametal	http://www.trametal.it
Nedstaal BV	http://www.nedstaal.nl
NLMK Europe	http://www.eu.nlmk.com
Outokumpu	http://www.outokumpu.com
Ovako Group	http://www.ovako.com
Riva Group	http://www.rivagroup.com
Ruukki	http://www.ruukki.com
Saarstahl AG	http://www.saarstahl.de
Salzgitter AG	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
SSAB	http://www.ssab.cm
Stahlwerk Thüringen	http://www.CSN-sections.com
Štore Steel	http://www.store-steel.si
Tata Steel Europe	http://www.tatasteeleurope.com
ThyssenKrupp AG	http://www.thyssenkrupp.com
Trinecké Železárny	http://www.trz.cz
U.S. Steel Košice	http://www.usske.sk
voestalpine	http://www.voestalpine.com
Vorskla Steel Denmark	http://www.vorsklasteel.com

Annexes

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
BULGARIA	**Bulgarian Association of the Metallurgical Industries - BAMI**
CZECH REPUBLIC	**Hutnictvi Železa**
	http://www.hz.cz
FINLAND	**Metallinjalostajat**
	http://www.teknologiateollisuus.fi/
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
ROMANIA	**Uniunea Producatorilor de Otel din Romania – UniRomSider**
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

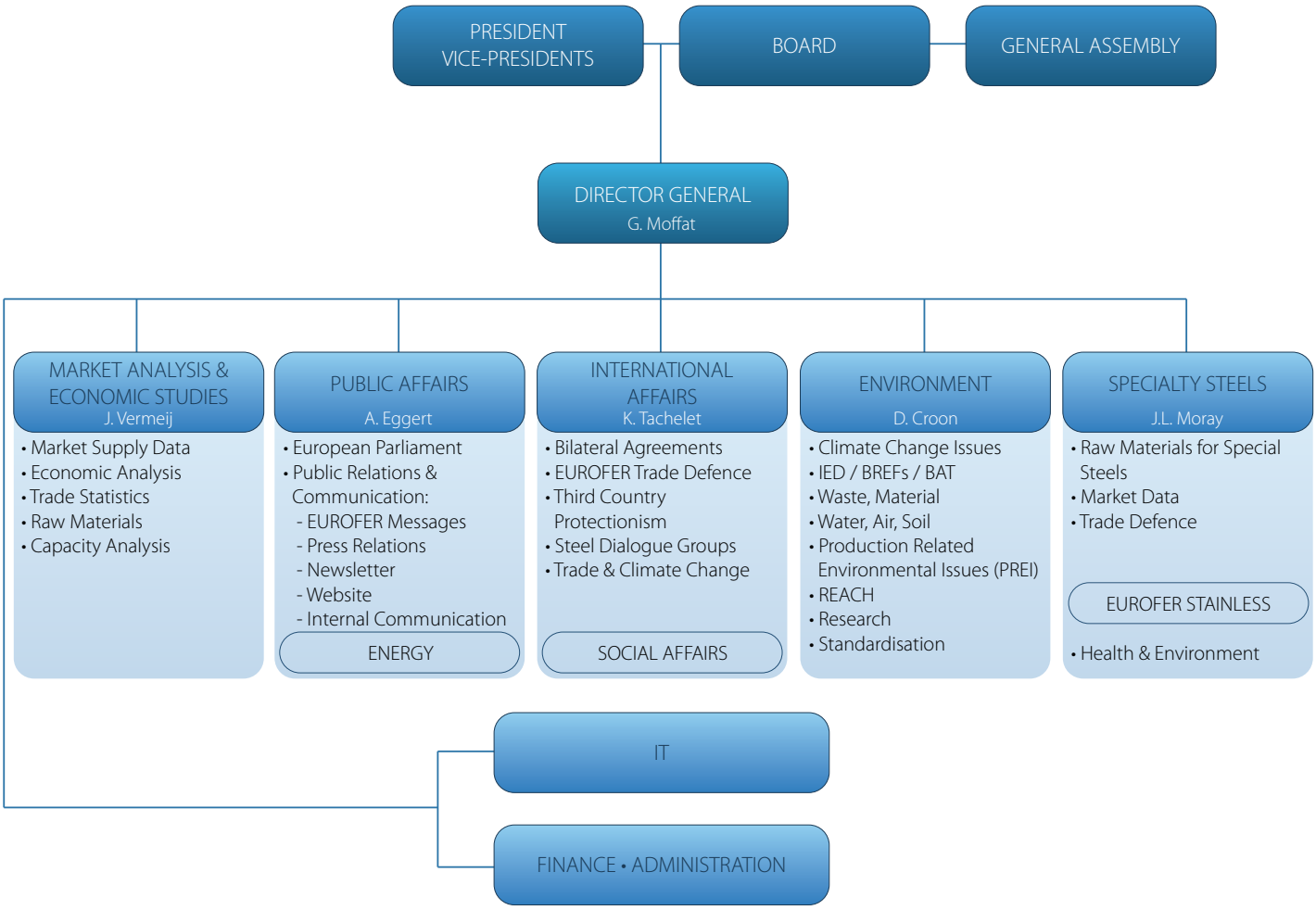
Çolakoglu Metalurji	http://www.colakoglu.com.tr
Demir Çelik Üreticileri Dernegi - DÇÜD	http://www.dcud.org.tr
Diler Demir Çelik Endüstrisi ve Ticaret	http://www.dilerhld.com/diler_demircelik/index.html
Erdemir - Ereğli Demir ve Çelik Fabrikalari	http://www.erdemir.com.tr
HABAŞ - Sinai ve Tibbi Gazlar 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
Isdemir - Iskenderun Demir ve Çelik Fabrikalari	http://www.isdemir.com.tr
Kremikovtzi	http://www.kremikovtzi.com
Swiss Steel	http://www.swiss-steel.com

Annexes

Committees

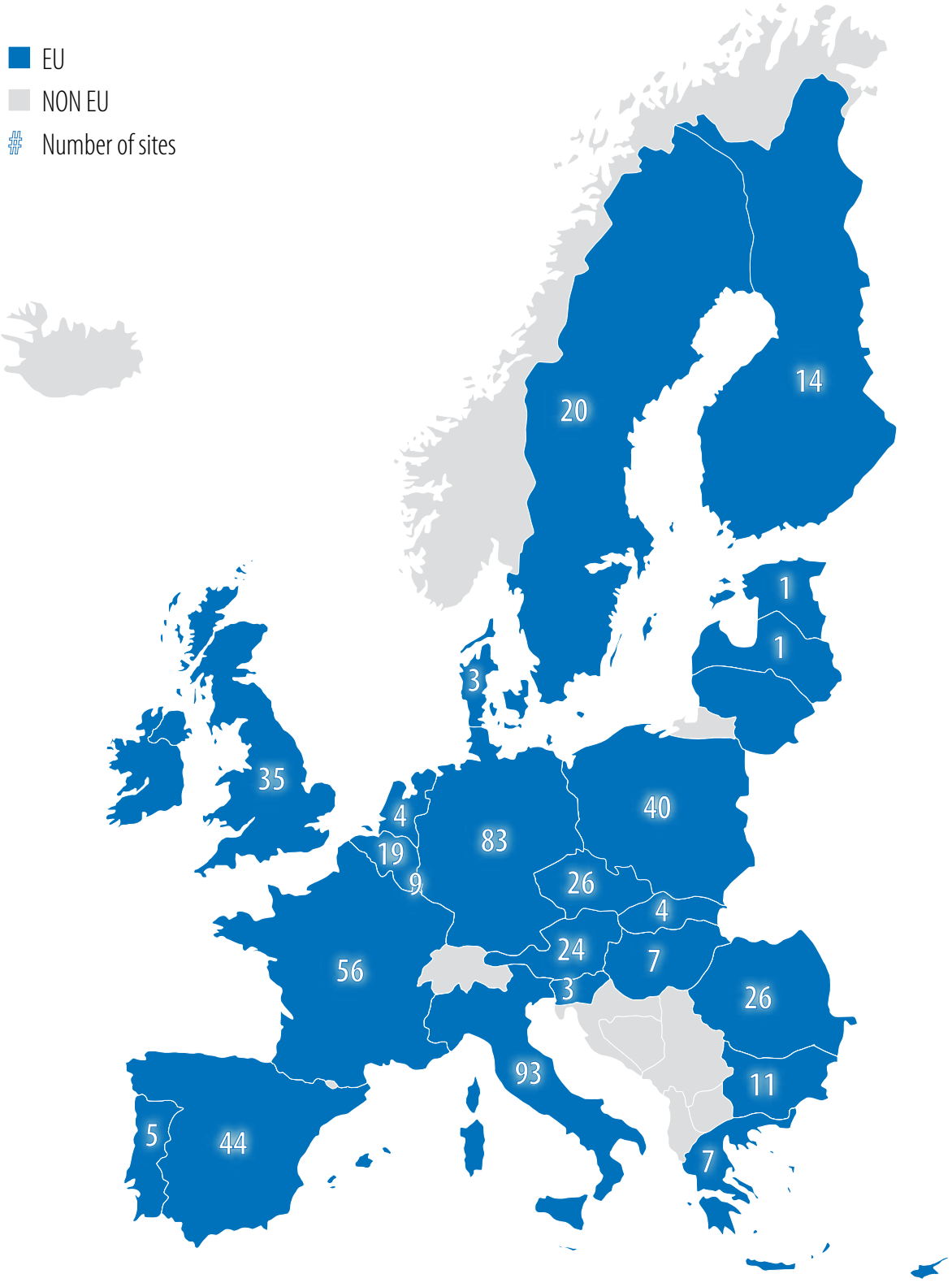
Alloy Engineering Long Products
Climate Change
Communications
Economic Studies
Energy
Environment
EUROFER Stainless Steering
EUROFER Stainless Health & Environment Group
External Relations
Human Resources
Investments and Capacities
Market Trends
Market Analysis
Public Affairs
Raw Materials
REACH Cluster
REACH Implementation
Research
Scrap
Standards
Statistics
Tool & High Speed Steels
Transport

Organigramme



Annexes

European steel production sites



Integrated iron and steel works and rolling mill, Electric steel works and rolling mill

Published by

EUROFER
The European Steel Association

© EUROFER 2012

This brochure is for information use only. EUROFER assumes no responsibility or liability for any errors or inaccuracies that may appear. No part of this brochure may be reproduced in any form without the prior written permission of EUROFER.

All rights reserved.

Designed by

EUROFER (Gautier Hankenne)

Photography by

Cover & page 14: © Outokumpu Oyj

Pages 5 & 21: © AG der Dillinger Hüttenwerke

Page 9: © ArcelorMittal Group

Pages 12, 19 & 20: © Tata Steel

Page 17: © CELSA Group

Page 18: © EUROFER

EUROFER
The European Steel Association
ASBL

Avenue Ariane, 5
B-1200 Brussels
Tel: +32 (2) 738 79 20
Fax: +32 (2) 738 79 55
Email: mail@eurofer.be
http://www.eurofer.eu/