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In this issue:

- For EU funds under general rules
- Impact of moving to a higher reduction target
- Opinions for the Ministry of Economy
- Unfair practices on the reinforcement steel distribution market
- Excise exemption
- Trade Directors' Forum
- Meeting of the Council of HIPH
- Trilateral Team for Steel
- Conference "Energy for the Industry Services for the Power Sector"
- Launch of new investment project

For EU funds under general rules

Having sent a letter to the Prime Minister of Poland, Mr D. Tusk, the Management Board of the Chamber also addressed a letter to the European Association of Steel Manufacturers EUROFER (ref. HIPH/0291/ 2012) requesting to support the Association's efforts on the forum of the European Commission and the European Parliament when negotiating the EU aid for investments in the steel sector under general rules. So far, the steel enterprises were not eligible for the EU funds. EUROFER sent our appeal with the request for consultation to the enterprises and national associations. We are now awaiting response.

Impact of moving to a higher reduction target

Based on data provided by the members, the Management of HIPH sent to the Minister of Economy the sector standpoint on the matter concerned. We were appealing for taking into consideration the technical and economic CO₂ reduction capacities of the sector (over 20%) by 2020. An increase of the reduction target will force steelworks to make large financial outlays on the reduction of direct and indirect emissions. The pace of reduction of CO₂ emissions in the steel industry is determined by the availability of new technologies on the market as well as capacity of steelworks to finance R&D. These outlays will affect profitability of steel production and as a consequence, the competitiveness of domestic entities and will increase the risk of transferring the steel production outside the EU.

Opinions for the Ministry of Economy

Upon consultations with member entities of the Association, the Management Board of HIPH prepared and gave the Ministry of Economy its

standpoint on the following matters:

- impact of the Regulation of the Council of EU no. 333 of 31.03.2011 concerning steel scrap on the enterprises collecting and processing steel scrap. Scrap suppliers will be reluctant to give up the status of "waste" for scrap which will automatically make them subject to a strict REACH Regulation and the VAT Legal Act.
- reduction of the pollution emissions (SO₂, NO_x, VOC, NH₃, PM 2.5).

The technological investments completed in the steel industry significantly lightened the burden of steelworks on the natural environment. Over the last 15 years, total emission of GHG has been cut by 60%. The further emission reduction of substances, as drastic as proposed in the draft, namely: SO₂ - 59% and NO_x - 40%, will be difficult from the technical point of view and too costly under the present market conditions.

Other opinions were also given in respect of:

- compensations for the sectors exposed to carbon leakage,
- draft of assumptions for a Bill on GHG emission allowances trade system, copies of which have been placed on our website: www.hiph.org.

Unfair practices on the reinforcement steel distribution market

Having received numerous indications from domestic producers of reinforcement steel, the Management Board of HIPH addressed the Ministry of Finance with a letter (HIPH/0374/12) pointing out the unfair practices in trade of reinforcement bars (incorrect statistics and VAT extortion). We appealed to the Ministry for having a meeting with manufacturers of reinforcement steel. The Ministry of Finance referred us to the Tax Audit Office in Katowice being a competent body in respect of combating unfair practices in trade. As the problem goes beyond the country, on 15 March 2012, the Management Board of HIPH appealed also to EUROFER for taking protective measures, in cooperation with other associations and member countries, to prevent from the escalating unfair proceeding in trade of reinforcement steel on the internal European market. The issue has been taken up by EUROFER.

Excise exemption

On 2.04.2012 HIPH Office hosted a meeting with the President of OEEiG, representatives of member entities involved under the Coalition in the projects aiming to introduce tax exemption on gas and electricity used by the energy consuming enterprises.

The projects include:

- Assessment of the economic impact of the energy costs' increase on the industry and
- Rendering advisory services to support the domestic industrial energy consuming recipients.

In addition to issues related to the projects, participants of the meeting discussed the proposal of parametrisation of the electricity costs reduction system for energy consuming plants.

Trade Directors' Forum

On 15-16 March 2012, Trade Directors Forum was organised by the Management Board of HIPH in Ustroń. During the meeting, the raw material market as well as the condition of the domestic and global steel market in early 2012 including the coke and iron ore markets were discussed. The analysis was made in respect of the volume of steel products' import to the EU in 2011 and protection of the EU market from import from the third countries. Participants of the Forum, representatives of member entities of HIPH presented their prognosis for 2Q 2012.

Meeting of the Council of HIPH

On 22 March 2012, a meeting of the HIPH Council was held on the premises of the Company Celsa Huta Ostrowiec "Sp. z o.o. in Ostrowiec Świętokrzyski. The following issues were placed on the agenda among others:

- presentation of the performance reports of the Management Board and the Council along with the 2011 financial statement of HIPH,
- discussing and adopting the agenda of 25th General Meeting of Shareholders of HIPH,
- assessment of the steel, coke and refractory market in Poland and worldwide,
- performance report of the Management Board on combating unfair practices in trade of steel products.

A separate issue on the agenda was related to the information about the new agreement between the Chamber and the sector's organisations on taking up joint efforts for excise exemption on electricity and gas.

We thank you the Management Board of Celsa Huta Ostrowiec Sp. z o.o. for providing venue for the Council's meeting in the Company's office and for the possibility to visit the Factory.

Trilateral Team for Steel

On 27 March 2012, Trilateral Team for Social Conditions of Steel Restructuring met in Warsaw. On the Polish Government side, for the first time, the meeting was chaired by Ms Grażyna Henclewska. The agenda included, among others, assessment of the situation in the sector in 2011 and the 2012 perspectives

(information by HIPH).

Mr K. Zarba, the Head of Innovation and Industry Department in the Ministry of Economy introduced assumptions of the industrial policy of the Government. He emphasised that in the Government's industrial policy, the horizontal approach focused on innovativeness and competitiveness of the industry would prevail. He underlined a good collaboration with the Association and declared his support for HIPH's activities aiming to exclude the steel sector from the list of sensitive sectors.

Representatives of Social Insurance Board discussed the implementation of the Act on bridge pensions and the process of consultations regarding extension of the retirement age for women and men to 67 years.

The issue of the employees working in the steel industry on the basis of temporary contract was also raised.

Conference "Energy for the Industry Services for the Power Sector"

On 28-29 March 2012, a conference "Energy for the industry services and materials for the power sector" was organised in Bielsko Biala by Tauron Polska Energia S.A. and the Polish Steel Association. The conference was attended by representatives of the industries, management, specialists and other people dealing with the power related issues, power sector companies and their representatives.

In addition to the current situation in the steel and energy sectors and development programmes forecasted for the next years, the conference touched upon the following issues:

- Energy efficiency in Polish steelworks exemplified by the possibility of regulating the energy and power demand (speech by ArcelorMittal Poland S.A.)
- Steelworks' product offer for the energy sector (speech by Huta Pokój S.A.)
- Possibility of applying low caloric fuels in the steel and power industries (LindeGaz) and
- Review of legal changes in the power sector (CO₂, RES by TAURON PE)
- Investments using steel in the power sector (speech by TAURON - Distribution, Production, Heat),
- Controlability service, model assumptions versus reality (speech by TAURON S.A.).

The Conference gave an opportunity of tightening up the existing and establishing new business contacts and improving cooperation between the power industry and steel sector enterprises.

Launch of new investment project

ArcelorMittal Poland S.A. made an official launch of the new investment of a Pulverised Coal Injection into blast furnace no. 2 and a modernised sinter belt. It is an important event taking into account the present circumstances under which the European steel market is not doing very well. For the concern AMP S.A. it is another investment and a major logistic undertaking. Likewise previous investments, the latest one will lead to an effective implementation of the concern's strategy and will ensure profitability of all elements of the whole production cycle. It will also improve competitiveness of the domestic steel production. The investment is a proactive activity against the challenges of the climate change. Thanks to such investments, the industry's image in the region and the country can be further improved. The Association passed congratulations on this occasion.