



IN THIS ISSUE

Meeting of Power Sector Experts Team

Letter to President of URE

Meeting of External Relations Committee

Meeting of the Chamber's Council

Trade Directors Forum

Meeting of Environmental Protection Team

Seminar „Clean Development Mechanism – opportunities of implementation of CDM projects”

Important information

Meeting of Power Sector Experts Team

On 30 August 2007, Katowice hosted a meeting of Power Sector Experts Team which operates at the Association. During the meeting, the following issues were discussed: operational programme for the Forum of Electricity and Gas Recipients (Forum 3E+G), of which HIPH is a co-founder, as well as status of works on power efficiency law and assumptions of the law. The discussion concerned stimulating and providing the Polish government with opinions on liberalisation of electricity market, i.e. liquidation of KDT and the announced privatisation of power groups. Team Members expressed their concern about the current market situation and successively growing prices of conventional electricity and the share of mandatory purchase of renewable energy with heat. Another issue was a price increase of electricity resulting from the change in location of establishment of the excise duty obligation. It was agreed that the Association will issue a letter to the President of URE (Energy Regulatory Office) with the steel sector's standpoint on the electricity prices for big recipients in 2008.

Letter to President of URE

On 12 September 2007, Polish Steel Association addressed the President of the Energy Regulatory Office, Mr Adam Szafranski, with a letter presenting standpoint of the steel sector on the electricity prices for big recipients in 2008. Content of the letter is enclosed below: ... "As an organised representation of big energy recipients in Poland's steel sector, we find liberalisation of the electricity market in Poland to be a chance of eliminating barriers of a free competition on the energy market. Liquidation of KDT, the announced privatisation of energy groups, balancing export with import, resignation of attributing particular recipient groups to specific tariff group is a step forward to the right direction. Nevertheless, alarming is the current situation on the market – price offers for the purchase of conventional energy in 2008 and projections of legislative solutions. Price of

electricity successively grows. It is reflected in: an increase in conventional energy prices (so called black energy), a high excise duty, a rising share of the mandatory purchase of electricity produced in association with heat, a rising share of the mandatory purchase of electricity generated from renewable sources. Particularly alarming for the end-receiver is a rapid increase in prices of conventional energy proposed in offers for 2008. They imply that the price of conventional energy next year will hover from 145 to 150 zł/MWh. It means 17 % increase compared to 2007 prices (the average tariff and contracted price in 2007 amounts to ca. 128zł/MWh). Today, when the share of electricity import in its domestic consumption reaches ca. 1.4% and a positive balance in foreign trade reaches 11.1 TWh, the recipients are subject to prices dictated by local entities. In such a situation, there is still a long way to go for having the market prices of electricity in Poland. Moreover, while the Energy Regulatory Office intends to withdraw from accepting the energy prices in tariffs presented by Distribution Companies, it is hard not to be afraid of further price increases for conventional energy in 2008. We are appealing to the Energy Regulatory Office to undertake measures to spread in time (a few years) an increase of electricity prices predicted in 2008".

Meeting of External Relations Committee

A meeting of the Eurofer External Relations Committee was organised by the HIPH's Management Board in Cracow on 5-6 September 2007. Subject of the meeting was the situation on the EU market in terms of foreign trade between European Union and the third countries. Rapidly growing imports of steel products mainly from China, Turkey and CIS caused the necessity of constant monitoring and negotiating under so called Contact Groups. Regular talks are held with China, Turkey, Brazil and the USA. The lack of satisfactory results from the talks with China on limiting exports to the EU can lead in the near future to launching EU mechanisms of the market protection especially against import of sheets (hot-rolled and cold-rolled), quarto sheets, zinc-coated (HDG) and organic-coated sheets as well as wire rod, tubes and closed cold-bent sections. As

regards Turkey, the biggest attention is paid to the imports of tubes, closed cold-bent sections and reinforcement bars. Below there are some other issues discussed:

- applications of Russia and the Ukraine for increasing quotas for 2007-2008;
- restructuring programme for the steel sector in Turkey;
- introduction of antidumping duties on import of ferrosilicon and silicomanganese - in spite of the Eurofer's objection, the European Commission introduced duties upon request of the EU producers of ferroalloys.

Before the meeting, Members of the External Committee visited a new hot rolling mill at the Cracow branch of ArcelorMittal Poland S.A. We wish to express our gratitude to the Board and the Management of the Cracow branch of ArcelorMittal Poland S.A. for their help in organising the meeting and their allowance for visiting the production line in the hot rolling mill by foreign guests.

Meeting of the Association's Council

Another meeting of the Council of Polish Steel Association was held in the seat of the Company CMC Zawiercie on 21 September 2007. The meeting touched upon the following issues:

- situation in the production and trade of steel products after 8 months of 2007;
- the governmental and European assessment of restructuring process in Polish steel industry;
- the current status and development prospects of the Company CMC Zawiercie;
- ecology in the steel sector and cooperating industries;
- international trade in steel

The situation of the steel sector after 8 months of 2007 was assessed as positive. Although a drop in the production of crude steel and rolled products was recorded in July and August of 2007, since the beginning of 2007 their production has been bigger than in analogical period in 2006. Troublesome can be a faster-than-exports increase of imports of steel products. Apparent consumption was 24% higher than in similar period of previous year while the import share in consumption amounted to 56%. Mr W. Szulc from the Iron Metallurgy Institute presented a report on the completion of restructuring programme in the Polish steel industry in 2006. According to the Polish government and the European Commission, the restructuring programme was completed positively. Mr Jerzy Kozicz, President of CMC Zawiercie, provided information on the current status and development prospects for the Company. The main target market for CMC Zawiercie is the

local market and the markets of the neighbouring countries. The annual value of investments made by CMC Zawiercie exceeds PLN 100 million with the social and safety policy being also important for the Company. President of HIPH raised the following ecological issues:

- CO2 emission allowances system
- integrated permits
- international trade in steel scrap
- domestic legal regulations on the noise at night time and their impact on IPPC admitted for steelworks.

An invited guest, Mr Robert Kalinowski, Counsellor to the Minister of Economy, presented some information on international trade in steel from the point of view of the current agreements between EU and the third countries, the protection proceedings and trade balance between EU and the third countries. The Council of the Association was informed by the President, M. Misiakiewicz, about the breakdown of an electric furnace in steel mill of Huta Batory Sp. z o.o. and possibilities of providing ad-hoc assistance by steelworks to ensure delivery of charge for the production needs of the Steelwork's tube making plant.

Trade Directors Forum

On 20-21 September 2007, Ustroń hosted another, organised for the HIPH members by the Management Board of the Association, Trade Directors Forum. The situation in the steel and iron sector as well as the cooperating industries after 7 months of 2007 was discussed, the markets for steel products in Poland and European Union were assessed and the prognosis for 4th quarter of 2007 was made. According to Forum participants, the 1st half of 2007 was good for producers and distributors. In 3rd quarter the situation worsened and imports increased. Even with the prices reduced by domestic producers, the wholesalers were very careful in making new purchases (full stocks, uncertain situation for the next months and easily accessible purchases of imported products). In 4th quarter, the market should become stable and a slight downward price correction for some of the steel products is possible. All in all, the year 2007 should be good for the majority of producers. For distributors it expected to be worse than in 2006 but better than in 2005.

The Forum raised other issues such as the threats associated with increased imports of steel products from the third countries to EU (mainly from China and Turkey) and the market protection mechanisms against the imports possible for implementation on the European market. The information was given on the usage of import licenses for steel products in 2007 agreed under bilateral agreements signed

between EU and Russia, the Ukraine and Kazakhstan. Trade Directors of two new HIPH Members, i.e. Polski Koks SA and PMO Komex Sp. z o.o. introduced profiles of their companies and gave opinions on the current situation on the coke and refractories market.

Meeting of Environmental Protection Team

Under the periodically organised series of meetings, a meeting of the Environmental Protection Team was held in Ustroń on 4-5 October 2007. The meeting was attended by Dr Michał Andrijewski from the Specimen and Chemical Substances Bureau, Ms Monika Lesz, Deputy Director of the Global Environmental and Climate Change Problems Department, the Ministry of Environment and Ms Monika Skuła, National Administrator of Emission Trade Allowances System. During the meeting, present activities of the HIPH's Members were discussed:

- REACH – current legislation
- CO2 – allocation of emission allowances for installations

Seminar „Clean Development Mechanism – opportunities of implementation of CDM projects”

On 1 October 2007, the Association took part in the seminar: “Clean Development Mechanism – opportunities of implementation of CDM projects” organised by the National Administrator of Emission Allowances Trade System. The seminar was aimed at introducing a guidebook, “Opportunities of implementation of CDM projects in China”, and launching a dialogue among experts, entrepreneurs, non-governmental organisations and the society in the subject of Clean Development Mechanism and promotion of activities relating to CDM projects. We inform that National Administrator of Emission Allowances Trade System made the guidebook: “Opportunities of implementation of CDM projects in China”, prepared in cooperation with Atmoterm S.A., available on the website www.kashue.pl

Important information

We wish to notify as follows:

- Przedsiębiorstwo Automatyki Hutniczej VAI Polska Sp. z o.o. has changed their name to SIEMENS VAI Metals Technologies Sp. z o.o.
- Mittal Steel Poland S.A. as of 2 October 2007 has changed their name to ArcelorMittal Poland S.A.