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STAHL 2007

Following the previous years, STAHL Zentrum organised an international meeting of the manufacturers, users and suppliers of steel in Duesseldorf on 8 - 9 November 2007. The meeting's motto: "Wettbewerb um Zukunft Competition for the Future", reflects the atmosphere and merits of the discussion. The European steel industry has been facing the increasing global competition. However, due to its innovativeness, effectiveness, the industry is still competitive in the economic terms. Today's steel industry intends to tighten the cooperation with the end users by taking up new challenges and developing modern kinds of steel, improving the energy efficiency and reducing its impact on the environment. Similar opinion has been shared by representatives of ArcelorMittal – the concern performs a number of investment and modernization projects in order to strengthen its position in the market.

The speeches and discussions showed the necessity of closer collaboration between business and science.

When assessing the global competitiveness, the need was pointed out to follow the existing and to introduce new international regulations on "Fair competition".

The agenda of STAHL'2007 is presented in the website: www.hiph.org The information from the meeting will be provided to the Members successively.

41st IISI conference in Berlin

Everything started in Brussels 40 years ago. Since then, the IISI conferences has been taking place on a regular basis once a year (Europe, America, Asia). The problems discussed this year are very important for the future of the industry worldwide. In 2006, in Buenos Aires, the health and safety issues in the steel sector were considered to be the most vital. The meeting in Berlin was started with "Historical and Cultural Insights". The discussion was attended, among others, by Hans Dietrich Genscher, Vice Chancellor of Germany, G nter Verheugen (Deputy Chairman of EC), Michael Ghos (Economy Minister of Germany), prof. Anke Rita Pyzalla (Director of the Maxa Planck Institute), prof. Ekkehord Schulz (Board Member of ThyssenKrupp), Mathias Wissmann (President of the German Association of

Automotive Industry) and prof. Meinhard von Gerken (Architect of the company Von Gerkan, Marg und Partner).

The market rules, lack of protection, generally accepted legal regulations against unfair competition are the foundations for the performance of the industry.

The innovativeness, improvement of energy efficiency, emission trade and education are the sector's priorities.

The particular sessions of the conference presented speeches which can be summed up as follows:

- In the next 5 years, the leading role would be assigned to BRIC countries (Brazil, Russia, India and Chinas). As of the end of 2016, their share in the world's steel production will reach 70% (today: 45%).
- In order to acquire new, valuable personnel, the industry needs a positive image and a strict collaboration with schools.
- We can talk about the success in climate protection only when the concentration of greenhouse gases in the atmosphere is lower than 450ppm, which means 60% emission reduction for particular countries till 2050 including China.
- ULCOS (Ultra-Low CO₂ Steelmaking) is the project of ArcelorMittal setting out the long-term strategy for CO₂ emission reduction.
- Inseparability of the economic growth and the increased usage of raw materials shall be balanced with the reduction of their negative ecological effects. Today, the steel industry is an example of the sustainable existence and development.
- Materials from the IISI conference are available in HIPH.

Environment Friendly Energy

On 15 November, the Ministry of Economy in Warsaw hosted the Polish and Danish workshop conference on "Environment Friendly Energy".

In the first part, the representative of the Ministry presented the speech: "Poland's energy policy from the point of view of OZE, EE and clean technologies" while the Royal Danish Ambassador delivered a speech on "Danish global climate strategy for COP-14 and COP-15".

The speeches were an introduction to three workshops: "Energy efficiency", "CO₂ emission reduction" and "Wind energy". The organisers

intended to find a way for achieving so called the 3x20 target set in March 2007 by the European Commission based on the Polish resources and Danish experiences. HIPH President, using the opportunity, presented the accomplishments of the Polish steel industry (the technological, ownership and organisational transformation) which improved its competitiveness. The lack of consistent policy of the government (within ministries) on CO₂ has a negative impact on the future economic development. The "recovered" (thanks to the government programmes) industrial branches shall not be punished with smaller CO₂ emission allocations. The proposals of the President had been included in final conclusion of the conference.

Reply of URE President to the letter from HIPH

At the beginning of November, we received a reply from the former URE President, dr. Adam Szafranski to our letter ref. HIPH/2185/07 of 12 September 2007 in which we presented the viewpoint of the steel sector on the electricity prices for big recipients in 2008.

Below, the most important fragments of the reply are enclosed:

... "I want to explain that releasing the players on the electricity market from the obligation of submitting tariffs for URE President's approval, which is now being considered, is a consequence of the changes undertaken in the energy sector itself and on the electricity market. On 1st of July 2007, a legal detachment of the distribution system operators from the distribution companies and so called full opening of the market took place. The latter means all the domestic end users including these from the households have the right to purchase energy from any voluntarily selected seller... Other barriers for the development of the market competitiveness are being consequently removed, for example "Long-term contracts which should be terminated as of 1/01/2008 which will lead to launching as of 1/04/2008 a new system for the settlements and the release of a significant energy volume"...

... "One of the reasons for maintaining the previous position by the distribution companies were the requirements of the administrative and technical nature set for the recipients who wanted to change the seller such as unfavourable for the recipients balancing rules, the lack of standardised procedure for changing the seller, setting too high requirements for the measurement and settlement systems by the distribution companies. These barriers were removed as the first step by introducing proper changes in the approved in 2006 instructions of the transmission and distribution systems and then by organisational changes in the distribution sector"...

... "According to the general rules of price calculation, the final electricity price must cover three elements: cost of purchasing "black" energy, cost of purchasing energy resulting from the obligations set by the law and the company's own operational costs"...

... "Energy trading entities can in practise influence only their own operational costs through the reduction of margin applied when competing for customers"...

... "The price growth (or reduction) shall be influenced more by the recipients, especially those who can with their own behaviours actively react to the price fluctuations through efficient management of their own needs among others"...

... "The process of setting the energy prices after liberation of tariffs in the trading sub-sector shall progressively result in the settlement of energy prices at the level justified with the electricity needs of the recipients' and acceptable to them. The opinion about a negative impact of the regulated tariffs on the development of competition was expressed by the European Commission in a document "Energy Sector Enquiry" on the basis of experiences of the member countries. The effects of liberalisation are beneficial firstly to the large recipients who as the key and strategic customers have a favourable negotiating position in the course of concluding contracts for sales of electricity. In addition, the largest recipients who acquired at the earliest the rights to purchase energy from a chosen seller are best prepared from the organisational, technical (for example, in terms of the possessed measurement and data transmission systems) and trading point of view for operating under the market conditions"...

... "There is a threat that maintaining the approval for electricity tariffs could preserve the state existing prior to 1 July 2007 which resulted in exempting the energy sellers from all risk related to competing for customers."...

... "The performed analysis proved that none of the currently performing energy trading entities have enough market strength to independently influence the price level in the country. Besides, the way of appointing the distribution systems operators while ensuring their independency on the energy trading entities and the ownership supervision should guarantee choosing a proper strategy for their energy performance. In addition, the market behaviours, regardless liberalisation of energy prices shall be subject to a constant monitoring by the URE President who in collaboration with the UOKiK President in case of adverse development of the situation, is able to take up steps within his competences"...

CDD ESTA Committee

On 6 November 2007, Bratislava hosted a meeting of the ESTA Directors Committee. The following issues were raised in the course of the meeting:

- anti-dumping procedures being currently

undertaken with regards to steel tubes in the European Union and the third countries;

- status of works on reforming the market protection measures for EU (TDI) market towards the market liberalisation;
- statistics on the production, import from the third countries and apparent consumption of tubes in the first half of 2007 in EU;
- growing production capacities of the Chinese tube works and increase of tube export to EU;
- situation on the EU market and in particular member countries assessment and prognosis.

The representatives of Romania, a new EU member state, introduced information on the current state of the tube sector in their country. With respect to seamed tubes there is an investigating procedure underway towards imports from Thailand, Turkey and the Ukraine. On 26.09.2007 a new a-d procedure was started against Russia, Serbia, Bosnia and China.

With respect to liberalisation of the EU market protection measures announced by EC, ESTA jointly with 15 other sectoral associations (coalition of 16) appealed to the EC with a protest against such a liberalisation.

The analysis of EU statistics for the 1st half of 2007 showed production increase by 10%, increase in apparent consumption of tubes by 21% whilst 300% increase in import of seamless tubes from China was shown at the same time.

The negotiations conducted in July 2007 by EU delegation (including ESTA and Eurofer) with a Chinese steel association, CISA, did not bring any results and a high growth rate of tube export to EU continues to be recorded.

Launching of new production capacities in China will create a major threat for EU tube makers in the coming years. Nevertheless, the year 2007 shall be considered a good year for the EU tube makers.

The stocks kept by producers and wholesalers are full especially in Italy, Germany, Spain and Belgium. In the first quarter of 2008, one can expect slight price reductions.

The attention was paid to the significant increase of the costs of sea freight.

EUROFER European Commission

On behalf of the European steel makers, Eurofer addressed a letter to the European Commission regarding the merger plans of BHP Billiton and Rio Tinto, the suppliers of iron ore. The letter expressed concerns about the appearance of the company controlling nearly 40% of the iron ore market. As a result of this merger, more than 70% of the market would be controlled by only 2 companies. The concerns seem to be justified taking into account implications of this merger on the raw material prices. Eurofer recommends the European Union to take a closer look at this merger and assess whether it will be beneficial for the European industry.