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Council of HIPH

The December's meeting of the Polish Steel Association's Council was held at the HIPH's office in Katowice. Following the agenda, the Management of the Board briefed the Council about the preliminary results of the steel industry and the cooperating sectors in 2010 and introduced a preliminary 2010 performance report of the Polish Steel Association. Domestic steel consumption in 2010 will be up by 13% compared to 2009. As a result, crude steel production in Poland will increase by around 15%. The refractory market also noted some improvement. Its production and consumption is expected to grow by 14.8% and 9.5% respectively.

Unfortunately, the import share in domestic steel consumption rose up to 68% in 2010. The Board also presented to the Council a preliminary performance report for 2010 and a draft of the 2011 budget. The Council gave a positive opinion of both documents. The Council also gave their positive assessment of the proposed Framework Program for the Polish Steel Association's Performance in 2011.

EU ETS

On 15 December 2010, some important decisions on EU ETS were taken also for the steel sector during a meeting of the EU Council's Environment Committee. The benchmark level was agreed for coke, sinter (171 kg CO₂/t of sinter), hot metal (BF/BOF) - (1,328 kg CO₂/t of steel), for EAF carbon steel (283 kg CO₂/t of steel) and for EAF alloy steel (352 kg CO₂/t of steel).

The Committee decided that the reference fuel to determine the amount of emission allowances would be natural gas.

To defend interests of the domestic steel industry, the Polish delegation objected the benchmark level for EAF lowered

respectively by 2 and 5 kg CO₂/t of steel compared to the earlier proposed levels (the Polish steel industry is forced to rely on high carbon electrical energy); however, other countries did not support this standpoint. According to the EU procedures and legislative timetable, the European Parliament will express its opinion in this respect by March 2011.

OP Innovative Economy

Until 2002, the ECSC Treaty provided the main European legislative basis for the steel sector governing the public procurement, among others. Since 2002, the EU Treaty which contains only some of the ECSC Treaty's elements has been valid. The public procurement rules and procedures for the steel sector had been specified in, so called, Action Plan in the scope of Public Aid.

In general, it shall be noted that the legal framework valid today is in no way favourable for the steel sector. Moreover, the steel industry remains to be a sector excluded from the Innovative Economy Operational Program.

According to investors operating in the sector, maintaining the restrictions in the period of the new EU budget projection will have a negative impact on the competitiveness of the Polish steel industry.

Introduction of new production technologies with, so called, higher value added is a must of the present time.

The Management Board of the Polish Steel Association will make attempts to change the regulations. An initiative wider than just national is necessary to solve the problem.

Trade Directors' Forum

- On 9-10 December, the Trade Directors' Forum organised by the Management Board of HIPH took place. The agenda of the meeting addressed the following

issues:

- Condition of the steel and raw material market in Poland and worldwide after 10 months of 2010;
- Trends and import volume of steel products to EU after 10 months of 2010;
- State of the protection procedures conducted by EU and other countries in the world against the import of some steel products.

In the course of discussion, representatives of particular members of HIPH gave their own opinion on the steel and raw material market in 4Q 2010 as well as their prognosis for 2011.

According to them, the year 2010 was better than 2009 while 4Q was better than the previous ones, cash-flow of the purchasing firms improved and orders are now placed 4-6 weeks in advance.

In the 2011 prognosis, a careful optimism prevails, demand is slowly picking up and a visible increase of orders is expected from 2nd half of 2011. The attention was paid to a potential threat connected with rising prices and scrap access as well as difficult weather conditions in 1Q 2011.

The Management Board of the Polish Steel Association added the following two items to the agenda:

- A representative of Bank Gospodarstwa Krajowego informed about the possibility of using by Polish enterprises the export support instruments under the Government Export Support Program. The program is to stimulate the Polish export by increasing the competitiveness of Polish enterprises on the foreign markets. PLN 5.7 billion was allocated to the program until 2015. Its beneficiaries are the companies which export or carry out investment projects outside Poland.

A representative of an Austrian company, Uniconsult GmbH, presented a project of establishment of the economic platform: the Upper Silesia the Upper Austria aimed to enhance the economic cooperation between these regions.

The European Council for Employment and Skills

On 15.12.2010 we took part in a Seminar: "Towards a European steel council on jobs and skills? Identifying the actors" which was organised in Brussels under the EU project which is to establish the sector Council for Employment and Skills in the steel industry in the EU. The proposal of setting up such a Council was put forward to the European Commission jointly by EUROFER and the European Federation of Metal Workers (EMF). The main goal of the project is to identify the existing structures in particular member states including the organisations and institutions operating on the national and lower administration levels responsible for education and training of staff for the needs of the steel sector. The sector Council shall provide a platform for the exchange of information and experiences of employers and employees and become a coordinator of joint activity for education and training of staff for the steel sector. Assumptions for the project were introduced by Mr Manuel Hubert from the General Directorate for Employment of the European Commission (DG EMPL). The Polish side was represented by NSZZ Solidarnosc and HIPH. HIPH provided a briefing on the situation in the steel market in Poland and the employment changes in the steel sector. The second seminar will be held in March while a conference summarizing the project in July 2011.

Plenary Meeting of the Sectoral Social Dialogue Committee on Steel

Upon invitation of DG EMPL of the European Commission, we took part in a Plenary Meeting of the Sectoral Social Dialogue Committee Steel which was held in Brussels on 16 December 2010. It was attended by the representatives of European Commission, European Federation of Metal Workers (EMF) and

EUROFER. The meeting addressed the following issues: situation in the steel market and its perspectives, trade policy of the EU, climate change policy and the EU new industrial policy, research and development activity and work safety under the European Steel Techno-logical Platform (ESTEP) as well as education and training of staff for the steel industry. According to EUROFER, in spite of diverse economic situation in different EU members (for example, growth noted in Germany, Poland and Scandinavian countries while Spain, Portugal and Italy recorded a slump), the demand for steel will be on increase in 2011 2012 (export and domestic investments). The construction sector is still weak and the car sales will drop due to the end of the incentive system favourable for the buyers in 2011. Steel consumption in the machinery sector will be increasing. EMF noted a surplus of the production capacity in the EU steel sector as well as low (lower by 0.8% compared to the USA and by 1.5% GDP compared to Japan) outlays on research and development by the European investors.

A joint statement was presented by EMF and EUROFER regarding the EU policy on climate change and the objectives and working program of the Social Dialogue Committee for 2011.

Occasional Meetings Summarizing 2010

With satisfaction our Association participated in the occasional meetings summarizing the year 2010 organised by:

CELSA "Huta Ostrowiec" Sp. z o.o.

ArcelorMittal Poland S.A.

Severstal Silesia Sp. z o.o.

We congratulate the steelworks and institutions for their achievements this year and we wish even a bigger boom for our products in 2011. A Happy New Year for the Staff of our Member Companies and Institutions!