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**HIPH's appeal:**

**To the Ministry of Economy on EC  
decision concerning Polish NAP II and  
its effects for the steel industry**

On 18 April 2007, Polish Steel Association appealed to the Minister of Economy, Mr Piotr Wo niak, on the EC decision concerning Polish NAP II and its effects on the steel industry. In our address we put emphasis on the fact that ...."proposed by the Ministry of Environment and KASHUE methodology for emission allowances allocated to the sectors on the basis of algorithm constituting a product of average CO<sub>2</sub> emission in 2005-2006 and 0.9 ratio of emission reduction is harmful for the steel sector.

In 2005, the economic growth of the Polish economy was lower than this noted in 2004 as well as 2006. The production and consumption indices with respect to many domestic products were lower, too. The steel output in 2005 was by 21.3% and 20% lower compared to 2004 and 2006 respectively. Apart from reduced demand of the local market, the production drop in the sector was caused by stoppages resulting from the installations switched off for some modernisation works, investments launch under the governmental Programme of Restructuring of the Polish Iron and Steel Industry, or increased import of steel products supported by the exchange rates PLN/EUR/USD favourable for importers.

The Polish Steel Association being an organised representation of the steel sector, expressed its disapproval for the decision of the European Commission as well as the methodology proposed by KASHUE.

Poland wants its economy to grow in the years 2008 - 2012 in order to diminish its distance from the developed economies of the Western European countries. However, without the usage of EU funds allocated for Poland, i.e. the Structural Funds and Cohesion Fund,

Poland will not be able to maintain its high economic growth.

Decision of the European Commission of 26 March 2007 on such a drastic cut of the emission allowances for Poland limits the development opportunities of our economy, especially of the industrial sectors with process emission forcing them to reduce their production.

Because of that factor, the Polish Government should consider the economic objectives in addition to the ecological ones when allocating the emission allowances to the sectors. The sectoral allocation of the CO<sub>2</sub> emission allowances cannot be ruled by the principle: "we reduce all equally." Restrictions should not be applied to those sectors which underwent restructuring allowing for operation in accordance to the "sustainable development" principles. The steel sector belongs to those few industries which incurred huge restructuring costs (also with the state aid support) and thanks to that process solid grounds were created for its future growth. In the domestic steel industry:

- the outdated and ineffective production capacities were liquidated (around 8 million tonnes of crude steel),
- equipment and technologies were adjusted to the BAT standards,
- ecological objectives were met,
- efficiency and productivity was increased,
- no subsidies are used,
- business performance is profitable, the steel industry settles all its liabilities against cooperating firms, the state budget and the regional budgets; this translates into huge money per annum,
- full privatisation of steelworks has been completed,
- profitable production and modern products make the domestic steel industry a solid link in the value added chain of the whole of the Polish economy.

The growth of the steel sector was focused on the local market needs. The projects undertaken in the infrastructure and

construction will lead to the increased supplies of the steel products. The latest decision on selecting Poland as an organiser of the EURO 2012 championship is another challenge. If the emission allowances allocated to steelworks turn out insufficient, then we will have to transport steel to Polish construction sites from distant countries and the transport emissions will exceed those related to the steel production.

The allocation of CO<sub>2</sub> emission allowances to the steel sector for the years 2008-2012 should meet its current and future development needs. This is fundamental for smooth and effective performance of the projects included in the National Framework Strategy. It is also important for investors and steelwork owners in terms of their strategic plans.

I am appealing to You, the Minister of Economy, for including the Ministry of Economy in the process of allocation of CO<sub>2</sub> emission allowances for the sectors in such a way which will allow also to meet the economic objectives”...

### **To Ministry of Environment and Ministry of Economy on integrated permits for the steel sector entities**

On 27 March 2007 the Management Board of the Association appealed to the Minister of Environment to postpone the deadline for obtaining the integrated permits justifying, among others, that ...”An attribute of the steel production is large diversity and complexity of technology which affects the natural environment to different extent. The technical restructuring which took place in 1992-2006, significantly reduced the level of harmful impact of the steel industry on the natural environment. Thanks to modernisation and investments, the steel production and processing meets the international standards adhering to the requirements of Directive 96/61/WE, i.e. adhering to the BATs.

Some steelworks located in the city centres (Silesian steelworks) are not able to meet the admissible levels of noise at night (40-45dB) in spite of meeting the BAT requirements.

Under the current legal status, a competent body for issuing the integrated permits in accordance with the Environmental Protection Law (Official Journal 2001 No. 62, item 627) cannot issue an integrated permit if performance of the installation leads to exceeding at least one of the environmental

quality standards (sine qua non condition).

The Ministry of Environment points out the issue can be sorted out only by negotiating the adjustment programme.

While the steel sector enterprises negotiated their plans based on art. 208.2b and are in the course of their execution, the Ministry of Environment in the course of the procedure imposes the duty of applying the art. 422 which leads to undertaking a repeated ecological review and thus prolonging the procedure after 30 April 2007.

This may make it difficult for the entities to obtain integrated permits according to the deadline stipulated by the Act and make them incur an increased fee (introducing emission to the air). For utilising the environment, the partial permits are no longer valid.

Having regards to the above, the Polish Steel Association kindly appeals to the Minister for the following:

- prolonging deadline for obtaining integrated permit for installation in the iron and steel industry till 30 October 2007. The suggested deadline is in accordance with provisions of 96/61/WE Directive,
- changing interpretation on applying the art. 208.2b of the Act on Environmental Protection.

### **To Ministry of Environment on the cross-border movement of wastes**

On 19 April 2007, the Board of the Polish Steel Association appealed to the Minister of Environment, Mr Jan Szyszko, for help in changing the regulations in foreign trade of wastes, included in so called: “green list”.

In justification of the request, it was emphasized that: ...”the group of “green wastes” includes, among others, steel scrap, desired by the steel industry ironbearing material which, apart from its high content of iron, has a huge energetic and pro-ecological potential. 1 ton of steel scrap turned back to the production saves nearly 1 ton of CO<sub>2</sub> emission.

The administration procedures valid in Poland (the other 25 EU states do not have such irrational provisions), make it difficult to import scrap while leaving exports of this material fully liberal.

This makes Poland a net exporter of nearly 2 million tones of scrap per annum.

On behalf of the sector and in the national economy's interest, we appeal for prompt and full liberalization of the steel scrap import to Poland.”...■

### **General Meeting and ESTA Directors Committee**

From 19 to 20 April 2007, we participated in the General Meeting and the ESTA Directors Committee which took place in Camogli (Italy). On the first day of the General Meeting, ESTA General Secretary, Mr Marc Bodineau submitted report from ESTA performance in 2006, 2007 budget was approved and a new General Secretary was elected due to the retirement of Mr Bodineau. From 1 July 2007, duties of ESTA General Secretary will be taken over by Mr Patric Martinache. The main issues addressed by the ESTA Board in 2006 were as follows:

- successful completion of antidumping procedure on import of seamless tubes to the EU market from Russia, Ukraine, Croatia and Romania;
- joint standpoint of the EU producers worked out on the suggested by EC liberalisation of the protection measures against import from the third countries;
- protection measures applied by Russia against import of tubes with big diameters (>406,4mm);
- monitoring of rapid growth of tubes import from the third countries, mainly from China, to the EU customs area and notifying the Commission and the European Parliament about the treat. Tube import from China to the EU in 2006 increased five times compared to 2005. Growing interference of the politics in trade and dangers concerned were highlighted.

During CDD ESTA Committee the following issues were discussed:

- the antidumping and protection procedures with respect to steel tubes;
- ESTA standpoint against the EC proposal on reforms related to market protection measures (Green Book);
- USA's address to WTO on subsidising exports by Chinese authorities;
- statistics in production, trade and consumption of tubes in the EU;
- market trends and perspectives in 2007;
- new requirements in marking tubes used in the EU;
- ESTA strategy against dynamically increasing import from China.

The discussion emphasised the necessity of using all the ways to influence the members of the European Parliament and the Commission to take up measures by the EU which would limit massive import of cheap tubes from the third countries, mainly from China and Turkey. Attention was also paid to the necessity of obtaining the admission for applying CE mark (according to EN 10210 norm) by tube producers by 01.02.2008.■