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HIPH's Appeal to PGNiG

On 19 August 2009, the Management Board of the Polish Steel Association extended to the President of the Board of PGNiG an appeal concerning the new comprehensive contracts for natural gas for the steel sector companies. In our appeal we raised the arguments that the steel sector and the cooperating industries play a vital role in the network of the manufacturers of investments and consumer goods and deserve to be treated as a partner in the course of negotiating new comprehensive contracts for delivery of natural gas.

We stressed the fact that the iron and steel industry is for PGNiG an important Recipient of natural gas. In 2008, the consumption of this fuel by the sector amounted to 0.6 billion m³ which constituted 5% of domestic consumption. According to steelworks, compared to previous provisions, many disadvantageous changes were made to drafts of the new contracts.

Steelworks made numerous comments and proposals for amendments to the contracts concerned. Upon consultations with gas Recipients from the sector, Polish Steel Association as an organized representation of domestic steel manufacturers as well as enterprises and institutions cooperating with the steel sector made the following comments and suggestions in connection with the proposed provisions:

Provision 1 concerning the obligation of securing proper performance of the Contract by the Recipient

PGNiG - as security introduces threefold average monthly charge for gas fuel.

Sector's proposals with drawing from the need for the Recipient to contribute the amount of financial security by including instead the following provision in the Contract:

... security for the receivable is the debtor's

consent for voluntary seizure by a debt collector (a statement made by the Recipient in the form of notary deed).

Provision 2 concerning the date of ordering contractual power and monthly volumes of gas for the next year

PGNiG shortening the date to 16 August of a given gas year.

Sector's proposals maintain the current provision of the contract saying that.. the order for contractual power and monthly volumes of gas for the next gas year has to be determined by the Recipient by 31 October of a given gas year.

Provision 3 concerning the ordered volumes and contractual power in annual nomination

PGNiG it is possible to reduce or increase gas fuel and contractual power in annual nomination by not more than 3%

Sector's proposal the following provision shall be more precise: the change hovering within the range up to $\pm 3\%$ is guaranteed by the Seller and the consent is required for a change beyond or below this value...

Provision 4 concerning the collection of the ordered minimum annual volumes of gas

PGNiG introduces an obligation of making payment for the non-received volumes (75% of the average price for each 1m³ of gas being the difference between the minimum annual volume and the actual volume collected in a given year).

Sector's proposals reduction of the minimum annual volume of gas from 90% to 50% of the corrected annual contractual volume (ZRIU).

Provision 5 concerning deviation of receipts against weekly nomination

PGNiG introduces penalties for deviations exceeding 10%.

Sector's proposals reaching gradually this value starting with a 20% mistake margin.

Provision 6 concerning changes to payment dates

PGNiG introduces more restrictive payment dates than before.

Sector's proposal maintaining the previously valid payment dates due to difficult situation of enterprises in the sector caused by the global economic crises and the weakness of the steel market.

We emphasized the fact that PGNiG is not considering the possibility of transferring temporary surpluses of the ordered power within the steel sector or smaller Recipient groups.

Steelworks are applying for the admission of transferring surpluses of the ordered power (joint balancing of power) between specific gas Recipients. According to gas Recipients, the possibility of negotiating contract terms with gas supplier are very limited. A firm standpoint of gas Supplier, a monopolist, makes the Recipient lose while negotiating contract terms, adjusting them to the sector's specifics, especially with respect to changes in the ordered contractual power.

Provisions included in the proposed contracts are unilaterally favourable for PGNiG with the risk and costs fully burdening the gas Recipient and with no provisions burdening the Supplier in case of any negligence in the planned gas supplies. A large gas Recipient is still not a partner for PGNiG but a petitioner only.

Copy of the letter was received by: Mr W. Pawlak, Deputy Prime Minister of Poland, Ministry of Economy and Ms M.Kransodebska-Tomkiel, Head of UOKiK and Mr M.Swora, Head of URE.

Meetings with Voivodes

On 11 August 2009, the Management of the Board initiated a series of meetings with the Voivodes governing the regions in which the HIPH members, steel manufacturers, operate. The first meeting was organised with the Voivode of Silesia. The next meeting was held with the Voivode of Mazovia on 26 August 2009. The purpose of the meetings is to highlight the role and importance of the steel sector in the economic performance of particular regions.

Meeting of Sectoral Chambers

On 27 August 2009, the Management Board of HIPH organised a meeting with sectoral Chambers aimed at exchanging views of the sectors manufacturing investment and consumption goods as to the negative impact of the persisting world's economic crisis on the Polish economy. The meeting was attended by the representatives of: Mining Chamber of Industry and Commerce, Polish Economic Chamber of Non-ferrous Metals, Foundry Chamber of Commerce, Association of Cement Producers, Silesian Construction Chamber and Institute for Chemical Processing of Coal. The need was expressed for continuation of the measures to mitigate the impact of the crisis within the industrial branches taking into account its effects for the cooperation between the sectors in the whole economy. The following issues were discussed:

- current situation in the sectors represented by particular Chambers and Associations (market, output, financial results),
- legal and fiscal conditions supporting or disturbing the development of the represented industrial branches,
- importance of the governmental Stability and Development Package in mitigating the impact of the crisis on the industry,
- impact of the crisis on the social sphere in particular sectors,

- influence of EU ecological requirements (European Emission Trading System) and media prices (electricity, gas, energy resources) on the sectors' and their products' competitiveness against the imports from the third countries, According to the participants, locally made materials shall be promoted while following the rule of competitiveness. However, proper conditions are required in order to achieve it:
 - competitive prices of gas and electricity as well as a partner-oriented treatment of the Recipients by the Suppliers - monopolists,
 - tax incentives for industrial Recipients following the example of EU states (e.g. excise on electricity),
 - proper legal Acts on personal issues.
- The participants are to prepare the requests concerning the most important issues for the sector along with the corresponding proposals on how address them which will be introduced to the government at the meeting in the second half of September 2009.

Customs Duty on import of wire rod from China

On 27 July 2009, the European Commission decided to impose the antidumping customs duty on import of wire rod from China. Since 6 August 2009, import of this product to the EU has been subject to 24% customs duty and this regulation will be valid for the next five years. The duty excludes stainless steel wire rod.

Best Wishes for the New Chairman of EP

With regards to the election and the Inaugural Session of the European Parliament, we extended our congratulations and best wishes to the new Chairman of the Parliament, Professor Jerzy Buzek.