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Xth COMMITTEE (PRODUCTIVE ACTIVITIES, TRADE AND TOURISM)

FINAL DOCUMENT, PURSUANT TO ARTICLE 127 OF THE RULES OF PROCEDURE, ON THE

Communication from the Commission to the Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Action Plan for a competitive and sustainable steel industry in Europe (COM(2013) 407 final)

Adopted 21 December 2013

The Xth Committee (Productive Activities, Trade and Tourism):

- having examined the Communication from the Commission to the Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Action Plan for a competitive and sustainable steel industry in Europe (COM(2013) 407 final), in accordance with Article 127 of the Rules of Procedure;
- having received the opinion delivered on 19 December 2013 by the XIVth Committee (European Union Policies), which is appended hereto;
- having noted the valuable information and assessments obtained during the hearings which were held;
- having regard to:
 - the importance of the steel industry in Italy as regards both steel production for domestic use by the manufacturing and production sectors and its considerable significance in terms of employment;
 - the specific characteristics of the production structure in Italy, more than half of which, unlike the European average, is based on processing recovered ferrous scrap (bringing environmental benefits by comparison with production from iron ore) and the effort being made by a substantial portion of the national industry to adjust quickly to the future European standards concerning more environmentally sustainable production technology and the reclamation of contaminated sites;
 - the situation of the Italian steel industry: although it is characterised by specific problems such as the high energy costs which are typical of Italy and the continuing serious national economic crisis which is hitting consumption, it nonetheless has issues in common with the rest of the European steel industry, especially with regard to the management of international trade relations and, more broadly, trade policies for the sector at EU level;
- expressing its appreciation of:
 - (a) the European Commission's decision to set out a comprehensive strategy for boosting the steel industry which, while retaining a key role as part of manufacturing activity, is experiencing serious difficulties with regard to:
 1. the steady growth in the share of output accounted for by particularly aggressive and dynamic competitors, with China in the lead, which is also reflected in fierce competition for access to raw materials;
 2. the decline in internal demand in Europe attributable to a contraction in the activities of downstream sectors which are heavy users of steel products (especially automotive manufacturing and construction), with a consequent risk of plant closures and job losses;
 3. the sector's high production costs, particularly energy costs;

(b) the fact that the European Commission's initiative can set an example in the context of a broader, comprehensive European industrial strategy targeted at reversing the trend of declining manufacturing activity in Europe;

(c) the commitment shown by the Commission, and in particular by the Commissioner for Enterprise and Industry, to introducing appropriate measures and policies for the sector;

– highlighting the need for this document to be forwarded to the European institutions in the context of political dialogue;

– hereby issues a positive assessment

subject to the following qualifications:

(a) the overall coherence of the Plan as set out should be ensured, not least by the European Commission's ongoing measures to implement it, through the adoption of consequent initiatives on the various aspects identified (changes to the regulatory framework; boosting internal demand; 'smart' management of trade relations with markets abroad; containing the cost of raw materials; encouraging research and innovation; close attention to the social dimension), with the aim not only of maintaining the production levels of the European steel industry but also of encouraging its modernisation so as to increase its competitiveness through a shift to high-added-value steel products, in conjunction with production processes with a lower impact on the environment. These are key factors and should be regarded as priorities, not least in measures following on from assessments of possible over-capacity. Attention is drawn, in particular, to the positive contribution that steel production can make to the renovation and conversion of buildings and the replacement of motor vehicles, with obvious beneficial effects in terms of environmental friendliness; clearly, this requires close coordination with the decisions which will have to be taken in the context of European plans to support the construction and automotive industries;

(b) with regard to trade policies, the European Union must take a more forceful approach to instances of unfair competition when they arise and to those competitor countries which use protectionist measures and incentives for their own businesses. This must entail making an accurate, timely assessment of the impact of trade agreements which are supposed to be signed and identifying appropriate defensive instruments to counter wrongdoing;

(c) with regard to containing production costs (particularly energy costs), there must be an assessment of the possibility of direct measures to ease the costs weighing on some energy-intensive sectors such as the steel industry in connection with the innovations which ought to be made in production processes and the technology used, with the aim of reducing the environmental impact and increasing product quality and added value. That need is particularly valid in the case of Italy, which suffers in this respect owing to the cost differentials affecting steel companies as a result of:

1. the more favourable prices which may be obtained by the sector (in other EU Member States, as well) as a result of the increased room for manoeuvre allowed by the better state of public finances elsewhere;
 2. the disadvantage engendered by the growing competition for access to the raw materials used in the production cycle, particularly with regard to scrap, which is heavily used in the Italian steel industry, given the substantial exports of such materials from Europe to markets abroad; in some cases such exports appear to be illegal. In this connection, it should be noted that the use of scrap in steel production is wholly consistent with the need to encourage recycling instead of wasting materials, and the closest attention and priority should therefore be given to the proposal to introduce compensatory measures, in the interests of protecting European production, at the expense of exports of scrap from Europe to countries which have not signed the Kyoto Protocol on CO₂ content;
- (d) the instruments available, starting with Horizon 2020, should be strengthened and likewise the resources allocated to promoting innovation and research in the sector; this could include facilitating (possibly by means of a revision of the rules on State aid) restructuring projects aimed at modernising production plants instead of closing them with consequent job losses, whether by encouraging the development of new sustainable technologies which are clean in terms of energy, by protecting the high quality of European production or by updating and training the workforce to enhance the asset that the high professional quality of the industry's workforce represents;
- (e) starting with the steel industry, the framing of industrial plans should include the development, at European level, of appropriate instruments and practices geared to promoting sustainable and harmonious industrial development which takes account of the social and local context; those instruments and practices should be able to forestall and counter any kind of financial speculation relating to company ownership.

ANNEX

**OPINION OF THE XIVth COMMITTEE
(EUROPEAN UNION POLICIES)**

The XIVth Committee (European Union policies):

- having examined the Communication from the Commission to the Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Action Plan for a competitive and sustainable steel industry in Europe (COM(2013) 407 final);
- having regard to the information and assessments obtained during the hearings which were held;
- whereas:
 - the presentation of the Action Plan comes in the context of a broader EU strategy on industrial policy, the full implementation of which is an essential precondition for arresting the decline in manufacturing in the European Union and thus for boosting the European economy on a stable basis in the face of increasingly strong and aggressive international competition;
 - the Action Plan has the merit of recognising that, while the European steel industry is experiencing serious problems, it plays a key role in the operation and development of manufacturing industry in the European Union and is a major source of employment, providing 350 000 jobs directly and several million in ancillary sectors;
 - the success of the measures set out in the Action Plan assumes a more coordinated and integrated approach across a number of EU policies including, in particular, energy policy, environmental policy, competition policy and the common trade policy, research and innovation;
 - that success of the Action Plan cannot be achieved without the European Commission paying close attention to strategic production in Italy and Europe. We note, in particular, the position of Acciai Speciali Terni, which is the only integrated producer of stainless steel in Italy and, above all, a plant which is second only to a similar plant at Châtelet in terms of productivity, production quality and safety and environmental impact indicators. After the European Commission had launched proceedings for infringement of the competition rules it undertook to monitor the sale of the plant with the aim of safeguarding its level of operation and employment (3 500 employees and at least as many indirect jobs). However, following financial difficulties concerning its ownership the plant has now been on a standby footing for the past two years, seriously compromising its market position. It is therefore a matter of urgency for the European Commission to exercise, in this as in other similar cases, all the requisite scrutiny and checks on the various sales operations in order to ensure the integrity and full operability of this individual production site. This Committee is firmly convinced that competition is protected not only by controlling production volume but also by safeguarding the

efficiency of production sites, which may be compromised by what are primarily financial and accounting operations;

- in an energy-intensive sector such as the steel industry, high EU energy prices undermine the sector's global competitiveness. The steel industry must therefore be provided with sustainable energy at accessible prices, possibly by means of long-term supply contracts, and security of supply must be ensured;
- the assessment of cumulative costs in the steel sector shows that the costs associated with the application of EU rules have a significant impact on the profit margins of European steel producers;
- the European steel industry (which has cut its total emissions by around 25 % since 1990) is a key player in the shift to a knowledge-based, low-carbon and resource-efficient economy;
- producing steel from scrap reduces energy consumption by 75 % and that of raw materials by 80 %. However, exports of steel scrap from the European Union exceed imports, resulting in the loss of a substantial volume of valuable secondary raw materials;
- at a time when the economic crisis and budgetary constraints are severely limiting the resources available to the Member States, the Action Plan would be more credible and achievable in the context of a comprehensive overhaul of European budgetary policies and of going beyond the philosophy of austerity, given that substantial investment is a prerequisite for its proper implementation;
- highlighting the need to ensure the overall coherence of industrial policy for the sector, taking into account innovation, research, the environment and energy;
- highlighting the need for this opinion to be forwarded, together with the final document from the Committee responsible, to the European Parliament, the Council of the European Union and the European Commission, in the context of political dialogue;

hereby expresses

ITS FAVOURABLE OPINION

subject to the following qualifications:

1. the implementation of the Action Plan should include measures to address the short-term effects of the economic crisis on the steel sector, with particular reference to the reduction in production capacity, the closure of plants and job losses;
2. there should be specific measures aimed at planning and supporting industrial restructuring operations, with particular reference to the protection of workers; such measures are urgently needed because (as is happening in Italy) serious environmental and health risks have emerged;

3. to that end, the use of the European Globalisation Adjustment Fund and of other appropriate EU funds to reduce the social impact of industrial restructuring in the steel sector should be assessed;
4. the European Commission should introduce a mechanism for monitoring the steel market which is able to provide accurate information about the balance between steel supply and demand in Europe and worldwide and thus contribute to the transparency of the steel and scrap markets and to the framing of corrective, proactive measures that are made necessary by the cyclical nature of the steel industry;
5. the illegal markets in steel products and steel scrap should be tackled;
6. the appropriate trade policy instruments should be deployed against global competitors which make heavy use of protectionist measures and State aid. In this connection the Commission's proposal to carry out an impact assessment before signing free trade agreements, taking into account the European industry's value chain in the global context, is worthwhile;
7. starting with the steel sector, instruments and practices should be developed at European level to encourage effective forms of consultation between trade unions, public bodies at all levels and multinational undertakings when industrial structures and plans are drawn up, with particular reference to the need to promote industrial development which is sustainable and consistent with the local social context, and to forestall types of financial speculation relating to company ownership which are currently emerging in Italy, as elsewhere;
8. the rules on State aid and concentrations applicable to the steel industry should be overhauled with the aim of supporting restructuring projects focusing on innovation and on modernising productive plants instead of closing them, with consequent job losses, and also of safeguarding the high quality of European production;
9. the European Union's climate and environmental objectives should be reconciled with the competitiveness of the steel industry, while avoiding the risks of carbon emissions and leakage;
10. provision should be made for the use of innovative financial instruments such as risk-sharing finance facilities with the aim of making appropriate investments in research and development; likewise, there should be an assessment of whether it would be worthwhile for the European Investment Bank to provide a long-term financing framework for steel projects;
11. in order to address the high financial risks associated with the development, demonstration and deployment of innovative technology in the steel sector, there should be support for the creation of clusters, cooperation in the field of research and public-private partnerships;
12. in order to ensure the efficient operation of the European steel scrap market there should be maximum use of scrap as a means of ensuring access to raw materials,

reducing energy dependency, decreasing emissions and promoting the establishment of a circular economy;

13. there should be close coordination between the implementation of the Plan for the steel industry and the decisions that will have to be taken under the EU programmes for supporting the construction and automotive industries, so as to enhance the contribution of steel production to the renovation and conversion of buildings and the replacement of motor vehicles;

14. the extensive knowledge and high professional quality of the European steel industry's workforce should be enhanced by updating and training employees.