

Steel industry: dying or alive and well?



In January, the European Commission presented a proposal of the EU's 2030 energy and climate framework, setting out a goal of a Europe which, by 2030, emits 40 percent less CO2 compared to 1990, generates 27 percent of its energy from renewables, and employs a reserve mechanism to regulate its carbon market.

The European Council - comprising the heads of state or government of the 28 EU member states - has since agreed that the final decision on 2030 key elements, including measures to increase energy security, will be taken no later than this October.

Steel is the foundation of Europe's economy and its major value chains, such as automotive, construction, mechanical engineering, domestic appliances, as well as low carbon energy sources. It is therefore indispensable to Europe's skills base, innovation, resource efficiency, environmental protection, employment and growth.

Slovakia is one of the most industrialized countries in the EU, with more than 25% of GDP generated by the industry.

The metallurgical sector itself contributes 6% of GDP, and employs almost 25% of the total workforce in industry.

The European steel industry, however, is facing increasing economic and political pressure. We have suffered greatly from the crisis, with steel demand now at 30 percent below pre-crisis levels, the loss of 65,000 jobs, and output that has shrunk by more than 15 percent. Moreover, other world steel producers, such as China or Russia, have strengthened their position in the global steel market.

Under the circumstances that we expressed in our sector's CEO letter to EU leaders, sent out prior to their March summit, it is a matter of crucial urgency that a balance is restored between EU industrial, energy and climate policies, not only to preserve

the competitiveness of our industry, but also to guarantee regulatory stability, consistency and predictability for industrial investment and innovation in Europe.

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The 2030 framework must avoid a unilateral approach that prioritizes climate objectives over economic growth and jobs. It is vital to address and reform the EU Emission Trading System (ETS), in order to prevent so-called carbon leakage. The existing measures safeguarding companies under EU ETS will be largely phased out by 2021 (only 25% of benchmark free allowances) and free allocation will be wholly phased out in 2027. Yet the new 2030 CO2 reduction targets for EU ETS sectors are already being proposed, putting our industry at serious risk of being completely exposed to international competition while having to bear huge additional costs as a result of European policy. Therefore, until a

comprehensive international agreement on climate change has established a global level playing field for industry, the EU ETS must be re-designed in a way that provides installations in sectors exposed to carbon leakage with full compensation of direct carbon costs through free allocation. This should be based on realistic best performer benchmarks, real production and no correction factors, as well as with full compensation of CO2 costs passed through in electricity prices.

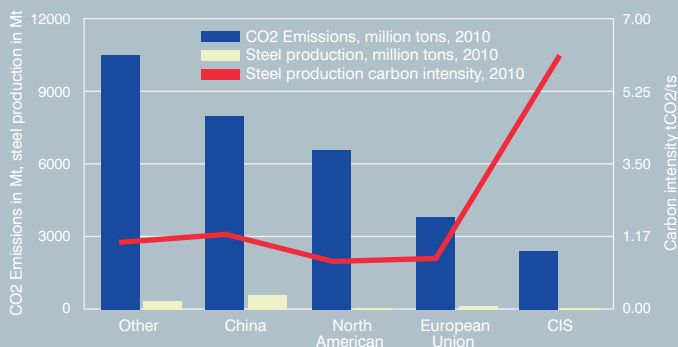
Our industry also needs secure access to globally competitive energy sources, greater access to raw materials and lower compliance regulatory costs. The energy market in the EU is largely distorted. A recent report by the European Commission confirmed that European industry pays two to three times higher prices for electricity and gas compared to our main competitors outside the EU, but it also showed that our industry is a global leader in energy efficiency and carbon intensity of production. For us, this is a crucial finding as it proves that we are not an enemy of the EU's environmental policies and climate objectives, but rather just the opposite - we are part of the global solution on how to tackle climate change.

There are solutions for a win-win EU energy and climate policy, without damaging Europe's manufacturing industry. We look forward to the European Council in October adopting such a solution. It is essential that steel is made in Europe.



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CO2 Emissions compared to steel production and carbon intensity of production



CIS: Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine
Other: Asia, Africa, Middle East, Australasia, South America

Source: International Energy Agency statistics CO2 Emissions, World Steel Organization 2010 Steel production statistics tables

