

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the Council and the European Parliament on the competitiveness of the metals industries — A contribution to the EU’s growth and jobs strategy’**

COM(2008) 108 final — SEC(2008) 246

(2009/C 175/19)

On 22 February 2008 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

*Communication from the Commission to the Council and the European Parliament on the competitiveness of the metals industries — A contribution to the EU’s growth and jobs strategy*

COM(2008) 108 final.

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 18 November 2008. The rapporteur was Mr ZÖHRER and the co-rapporteur was Mr CHRUSZCZOW.

At its 449th plenary session, held on 3 and 4 December 2008 (meeting of 3 December 2008), the European Economic and Social Committee adopted the following opinion by 160 votes in favour, 6 against, with 7 abstentions.

## 1. Conclusions and recommendations

1.1 The tremendous real added value generated by the metals industry and downstream production makes a vital contribution to the development of the European economy as a whole. The metals industry faces global competition and in recent years has continually undergone radical changes and restructuring.

1.2 Future restructuring will be closely linked to the increasing globalisation of the value-added chain of the metals industry (from raw materials to processing). This will require a new approach in industrial policy geared towards innovation, skills and fair global conditions for competition.

1.3 The Committee essentially agrees with the Commission communication’s analysis of the characteristics of the sector. However, it should be noted that the metals industry is not a homogeneous sector and it is difficult to make generalisations. Many of the Commission’s proposed measures are a little too general. The Committee calls on the Commission to draw up a timetable with a concrete set of measures covering individual sub-sectors as a follow-up to the Communication.

1.3.1 The Committee proposes that studies on individual sectors be carried out which, building on the experiences of the ECSC, are accompanied by monitoring and social dialogue.

1.4 As regards energy policy, the Committee calls for market and price transparency measures to ensure secure supplies on the basis of long-terms contracts. Gaps in the supply networks must be closed. Furthermore, the Committee points to the significance of renewable energies and the contribution that industry itself makes to electricity and heat generation.

1.5 In respect of environmental policy, it is mainly a question of finding solutions which reconcile climate protection goals with employment, growth and global competitiveness. In order to avoid any competitive disadvantages for the European metals industry, the Committee calls for:

- priority to be given to international agreements
- measures to promote the spread of the best and most energy-efficient technologies
- consideration to be given to investments already undertaken
- the capacity of individual sectors to cut emissions to be taken into account, with due consideration for technical standards
- a speedy decision to acknowledge the dangers of carbon leakage.

1.5.1 The Committee supports the Commission’s plans on the IPPC directive, waste legislation, REACH and standardisation but expects these individual proposals to be fleshed out.

1.6 Recycling raw materials and reducing material intensity, i.e. research into ‘replacement materials’ will take on increasing importance in future (because of the significance for environmental protection and for reasons of trade policy).

1.7 The Committee supports the Commission's commitment to stepping up innovation, research and development and improving skills. An example of this is the ULCOS project (Ultra Low CO<sub>2</sub> Steelmaking) — part of the European Steel Technology Platform (ESTEP). The Committee proposes that the efficiency of existing programmes be reviewed in the second half of the 7<sup>th</sup> framework programme and expects better coordination and support. Significant investment is needed in the area of education and training to improve the skills base.

1.8 For a metals industry facing global competition, trade policy matters are extremely important. The Committee agrees with the Commission that there should be close dialogue with third countries on trade policy matters. However, trade policy instruments which are consistent with WTO rules and are designed to combat practices that disadvantage or discriminate against the EU metals industry should continue to be available.

1.9 The metals industry is facing some far-reaching social challenges, such as:

- further restructuring
- ageing workforce
- increasing skills requirements
- safety and health protection.

The Committee is a little surprised that the Commission does not offer any concrete measures or recommendations on social aspects in its Communication. The Committee calls on the Commission to (further) promote social dialogue in the sectors concerned, as this is the right place to discuss these matters.

## 2. Justification/content of the Communication

2.1 This Communication assesses the competitiveness of the metals industries and makes recommendations on the way forward. It follows on from the 2005 Commission Communication on EU industrial policy which announced several sectoral initiatives, including a Communication assessing the impact of raw materials and energy supply on the competitiveness of the European metals industry <sup>(1)</sup>, and takes into account the 2007 mid-term review of industrial policy <sup>(2)</sup>.

2.2 As an intrinsically high-energy intensive sector, the metals industries are directly influenced by the Community policies on energy and climate change. The European Council underlined in March 2007 'the great importance of the energy intensive sector' and emphasised that 'cost efficient measures are needed to improve both the

competitiveness and the environmental impact of such European industries'. In this context, the Commission's climate action and renewable energy package of 23 January 2008 acknowledges the specific situation of energy-intensive industries which are directly exposed to global competition.

2.3 The Commission proposes a package of 16 measures in the areas of energy, environment, standardisation, innovation, research and development, skills, external relations and trade policy.

## 3. General comments

3.1 As in its opinion on the Commission Communication — Implementing the Community Lisbon Programme: A policy framework to strengthen EU manufacturing — towards a more integrated approach for industrial policy (COM(2005) 474 final) of 20 April 2006, the Committee broadly welcomes the Commission's sector-based measures to raise competitiveness and safeguard jobs.

3.2 The metals industry is one of the most important sectors in the value-added chain of many industries. According to industry estimates, the downstream sectors of the steel industry, for example, have a turnover of EUR 3 157 billion and employ 23 million workers (see appendix 1). Unfortunately, there are no estimates for other branches of the metals industry. Steel products are widely used as very important construction materials, especially for energy efficient infrastructure. Therefore the ability of the EU to further develop and adapt to climate change highly depends on the stability of steel supply on the EU market.

3.2.1 In view of the current crisis on the financial markets, the Committee believes it is especially important to emphasise that the tremendous real added value generated by the metals industry and downstream production makes a vital contribution to the development of the European economy. The leading role that the European metals industry plays in many areas is also the basis for the competitiveness of other branches of industry. This know-how must be maintained and further developed in Europe.

The metals industry is exposed to global competition and in recent years has continually undergone radical changes and restructuring. Although this has made the metals industry more competitive, it has also led to massive job losses. However, this restructuring cannot be explained purely on technological grounds or by the desire to improve productivity. Part of it also stems from the fact that certain manufacturing procedures have been outsourced beyond Europe (e.g. production of raw aluminium) whereby energy costs, environmental obligations and proximity to raw materials have played a role. This process is not complete and further restructuring should be expected. Such restructuring will be closely linked to the increasing globalisation of the value-added chain of the metals industry (from raw materials to processing).

<sup>(1)</sup> COM(2005) 474 final, Annex II.

<sup>(2)</sup> COM(2007) 374 final, 4.7.2007.

3.3 Owing to their high energy intensity, these industries are particularly affected by the current debate on climate protection. At issue is not just the question of maintaining competitiveness but also safeguarding jobs in the industries concerned. In its conclusions of 3 June 2008, the Competitiveness Council thus called on the Commission and Member States 'to continue to pursue actively discussions with industry and with third countries on the question of sectoral approaches, so as to encourage the taking of effective measures to reduce greenhouse gas emissions, thereby also addressing carbon leakage'.

3.4 Furthermore, the Committee agrees with the Commission's analysis of the characteristics of the sector. However, it should be borne in mind that the Communication is based on preparatory work which began as early as 2004 and that the metals industry is not a homogeneous sector.

3.4.1 However, there is still a lack of clarity as regards the definition of the sectors in question. The Commission refers to NACE code 27 for the definition, while the data in the documents (Communication and Annex) represents only part of the sub-sectors (primary industry and semi-manufactured goods). The Commission should come up with a more precise description here especially as it is difficult to make all-inclusive statements given the diversity of the various sub-sectors (26 industry sectors in five groups according to NACE 27) and the different structures (in the raw materials industry the majority are large businesses and in processing there are many SMEs).

3.5 In its Communication, the Commission proposes a series of measures aimed at improving conditions for the industries concerned. These must be seen in the context of other, seemingly contradictory political goals of the Community, which must be dealt with at the same time. The Committee finds it regrettable that many of the proposals are a little too general and calls on the Commission to draw up a timetable as a follow-up to the Communication with a concrete set of measures covering individual sub-sectors. This is essential primarily because investment decisions in the metals industry are medium to long term and will be influenced by these measures.

3.5.1 The Committee proposes cooperation with stakeholders to carry out studies on demand, production and technology trends in individual sectors which, building on the experiences of the ECSC, are accompanied by permanent monitoring and social dialogue. The steel industry serves as an example here. The ECSC Treaty provided for the collection of data on iron and steel which went well beyond the scope of general industry statistics. Since the ECSC Treaty expired in 2002, the European steel industry has successfully managed, at least on a transitional basis, to continue to collect some key statistics not covered by general industry statistics. This was made possible at European level by means of Regulation (EC) No 48/2004. The Committee is in favour of extending this temporary Regulation and recommends that similar comprehensive statistics be collected for other areas of the metals industry as well, since it is becoming increasingly apparent that general industry statistics do not provide enough information to be able to conclude that there is a specific need for policy action.

#### 4. Specific comments on the Commission's proposals

##### 4.1 Energy policy

4.1.1 As the Commission rightly states, fluctuations such as the recent rapid increase in gas and electricity prices and restrictions in securing long-term supply contracts are affecting the competitiveness of the EU metals industry.

4.1.2 Measures must be taken to provide for better forecasting of price trends, to guarantee more market transparency and to facilitate a free choice of energy providers. This must be supported by both legislation and an acknowledgement of the compatibility of practices with Community law.

4.1.3 Reviewing the possibilities for long-term supply contracts is one of the most important ways of making supply conditions more predictable. The extent to which energy providers can or cannot take part in the EU Emission Trading Scheme should also be borne in mind here.

4.1.4 Solutions to closing the gaps in energy transport infrastructure (trans-European networks) are essential if unrestricted access to the energy market is to be guaranteed for all the businesses concerned.

4.1.5 In the longer time, the further expansion of renewable energies will be a key factor in ensuring an independent supply for EU industries. Metal industries contribute to the success of the EU policy to increase generation of energy (electricity and heat) from Renewable Energy Sources. The steel making process together with coke ovens is a source of valuable gases — the blast furnace gas, converter gas (BOF) and coke oven gas. The gases contain different proportions of carbon oxide (up to 65 % in converter gas), carbon dioxide, nitrogen and hydrogen (up to 60 % in coke oven gas). Instead of being wasted and burned in torches, they should be used effectively to generate electricity and/or heat. To a large extent, this is already happening today, but there must be an effort to further develop these technologies.

4.1.6 Furthermore, the Committee points out that it has expressed its views on energy policy in several opinions (most recently CCMI/052 and various TEN opinions).

##### 4.2 Environmental policy

4.2.1 The metals industry is already affected by a large number of EU rules on environmental policy, the implementation and observation of which consistently present industry with the challenge of agreeing various objectives (prevention of exhaust emissions, for example, is partly associated with increased energy consumption, something which in turn is detrimental to energy efficiency). It goes without saying that parts of the metals industry belong to the energy-intensive sectors which are exposed to significant cost-based competition from around the world. The industry is a major emitter of CO<sub>2</sub>. If the Commission's proposed measures on climate change — and especially the expansion of the ETS — were applied to the metals industry without any further restrictions, that could lead to investments being relocated

(which is already the case today) and job losses (risk of carbon leakage). However, the desired impact on climate change will be unachievable as long as all countries do not subscribe to these targets.

4.2.2 Top priority should therefore be given to concluding binding, international agreements with clear criteria for effectiveness and monitoring, with a view to avoiding competitive disadvantages for European industries and counteracting climate change at global level.

4.2.3 Vast sections of the metals industry have already invested massively in energy-efficient technologies. The European steel industry, for example, is playing a leading role in reducing CO<sub>2</sub> emissions, with many businesses from this sector having reached the limit of what is technologically possible as far as cutting emissions in production is concerned. Therefore the goal to reduce GHG emission by 21 % in 2020, in comparison with 2005 emissions, should be addressed to ETS sectors (power sector and energy intensive industries) as a whole, and the distribution of efforts between the sectors should take into account industry's ability to reduce emissions within technological constraints, without affecting its manufacturing capacity.

4.2.3.1 The Council has established that the planned international agreements will result in a considerably more ambitious target of up to a 30 % cut in CO<sub>2</sub> emissions. The Committee stresses in this connection that it should be made clear in which areas these cuts are to be made. It goes without saying that this cannot be achieved purely in the sectors currently covered by the ETS. The Committee believes that measures in areas such as building insulation, transport and traffic organisation and general energy efficiency should also play a prominent role here.

4.2.4 The Committee believes therefore that the priority of any measures should first of all be to promote the best and most energy-efficient technologies and then research and development to improve these technologies and develop new materials. Technical standards must also be taken into account both in measures at EU level and in the negotiations on an international climate protection agreement.

The Commission should draw up a relevant plan as soon as possible incorporating all the planned measures and steps to avoid any further uncertainty in industry. The Committee refers in this connection to Article 10b) of the Commission proposal on the ETS<sup>(3)</sup>.

4.2.5 As regards the IPPC Directive, the Committee supports the Commission's harmonisation plans, which, among other things, will help to produce simpler and better legislation. However, as the basis for the certification and operation of industrial sites, the

codified Directive must take account of individual progress in technological development. The competitiveness of the EU metals industry must not be put at risk by obligations that are not commensurate with the technological possibilities.

4.2.6 The Committee agrees in principle with the Commission's proposals on waste legislation, REACH and standardisation but expects these individual proposals to be fleshed out.

#### 4.3 Innovation research and development and skills

4.3.1 The Committee supports the Commission's commitment to stepping up innovation, research and development and to improving skills.

4.3.2 The European Steel Technology Platform -ESTEP- contributes to shape the future by suggesting ambitious R&D programmes (Strategic Research Agenda known as SRA) for a sustainable competitiveness. The priorities of this SRA aim at reducing the environmental burden of processes and to develop modern value-added products which are more efficient throughout their life cycle. ULCOS (Ultra low CO<sub>2</sub>-steelmaking) for example is the first large project of ESTEP aiming at reducing drastically the CO<sub>2</sub> emissions. It is currently the most ambitious worldwide and it is already a great success as four promising routes have been selected and have now to be tested at industrial scale and be associated with Carbon Capture and Storage (CCS) technologies. ESTEP also contributes indirectly to both the climate change and Energy issues by inventing fully recyclable light steel solutions, e.g. for the automotive and construction sectors and efficient new solutions for the development of energy sources for the future (e.g. wind energy).

4.3.3 On the other hand, as staff education and training are essential to create a sustainable industry in Europe, significant investment is needed to improve the skills base; for example by hiring talented people from University and by developing life-long learning, in particular e-learning. The support of both EU and Academia is necessary to achieve this social objective<sup>(4)</sup>.

4.3.4 However, it proposes a review of the effectiveness of current programmes. For example, the European Steel Technology Platform's 'SRA' has produced some disappointing results following the 7th framework programme's first call for tender (less than 10 % success rate) because these calls do not appear to cover the Agenda's priorities. Better coordination and support is expected in the second part of the FP7.

<sup>(3)</sup> COM(2008) 16 final of 23.1.2008

<sup>(4)</sup> It should be noted here that there are already initiatives in the metals industry to promote/increase worker mobility in the European metals sector, such as the EMU pass ([www.emu-pass.com](http://www.emu-pass.com)).

#### 4.4 External relations and trade policy

4.4.1 The Committee welcomes the Commission's strategy of giving high priority to supplying industry with raw materials. However, it should be noted here that this is not just a simple question of external relations and trade policy, as the Committee indicated in its opinion on the *Non-energy mining industry in Europe* (CCMI/056). It should be pointed out here that recycling raw materials and reducing material intensity, i.e. research into 'replacement materials' will take on increasing importance in future (not only for reasons of trade policy but also because of the importance for environmental protection).

4.4.2 Particular consideration should be given to the fact that in many raw material sectors there is a concentration of just a few international companies which are able to dictate prices.

4.4.3 The Committee shares the Commission's view that there should be close industrial dialogue with third countries on trade

policy issues. However, trade policy instruments which are consistent with WTO rules and designed to deal with practices that disadvantage or discriminate against the EU metals industry must continue to be available and clear signals should be sent out that these will also be used if no progress is made through dialogue.

#### 4.5 Social aspects

4.5.1 Given challenges such as the ageing workforce (above all, in the steel industry), skills requirements and ongoing structural change, the Committee is surprised that the Commission has not presented any measures or proposals to industry on the social aspects referred to in its Communication.

4.5.2 Particular attention should be drawn to the subject of safety and health protection, since the metals industry belongs to those industries that are exposed to a heightened risk.

4.5.3 In this connection, the Committee points once again to the importance of social dialogue.

Brussels, 3 December 2008.

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