

## Opinion of the European Economic and Social Committee on the Action Plan for the European Steel Industry

COM(2013) 407 final

(2014/C 170/15)

Rapporteur: **Mr Rolin**

Co-rapporteur: **Mr Kotowski**

On 3 July 2013, the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

*Action Plan for the European Steel Industry*

COM(2013) 407 final.

The Consultative Commission on Industrial Change (CCMI), which was responsible for preparing the Committee's work on the subject, adopted its opinion on 21 November 2013.

At its 494th plenary session, held on 10 and 11 December 2013 (meeting of 11 December 2013), the European Economic and Social Committee adopted the following opinion by 156 votes to 5 with 9 abstentions.

### 1. Conclusions and recommendations

1.1 The EESC welcomes the Action Plan for the European Steel Industry unveiled by the European Commission on 11 June. The EESC considers the Steel Action Plan as a first step forward, recognising the steel sector as a strategically important sector for Europe and a motor for growth. However, its success will depend on how these statements are translated into reality.

1.2 The Action Plan is a specific proposal but it will take many months or even years to implement. However, given the speed of the fall in production and revenues this year, 'just-in-time' actions are required to help workers affected by the crisis and bring back a positive investment climate in the sector and its downstream chains. Failure to take this kind of action may result in further closures and more job losses. In this context, the EESC calls on the European Commission to publish as soon as possible a roadmap with precise timelines for the implementation of the Action Plan. The roadmap should be discussed with the social partners at the next meeting of the High Level Group.

1.3 The action plan is rather vague regarding the concrete action to be taken and does not adequately address the cyclical dimension of the crisis. To ensure that the sector remains strategic for the European manufacturing industry and employment and to prevent it from shrinking further, the EESC calls on the European Commission to take urgent measures including:

- Undertaking a detailed evaluation of existing capacity, with the involvement of the social partners;
- Taking measures to facilitate the use and transport of scrap and to prevent illegal exports;
- Deploying the EU structural funds on a massive scale, as well as ensuring that a sufficiently sectoral focus is taken when allocating them;
- Developing temporary measures (for instance like the 'kurzarbeit' in Germany) with public support and/or strengthening existing measures to ensure that workers are retained in the steel industry;
- Boosting demand in steel downstream sectors, inter alia by immediately implementing the proposed measures for the car and construction industries. In general, the right balance must be struck between fiscal consolidation — austerity measures — and active industrial policies which generate investments and jobs<sup>(1)</sup>. Relying on the automotive and construction sectors will not be sufficient to boost steel demand;
- Providing much more support, including public support, for investment in developing new technologies and processes to trigger further upgrading of installations and plant;

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<sup>(1)</sup> CESE 1094/2013- CCMI/108.

- Introducing a sustainable model of steel production to underpin the European steel industry. European sustainability standards such as the Steel Construction Products Mark (SustSteel) should be developed and promoted as a matter of urgency;
- The European Globalisation Adjustment Fund should not offer ex-post measures but concentrate on anticipating change, for instance by facilitating the introduction of new technologies and helping workers to adjust to new technologies.

1.4 Immediate focus must also be put on achieving sustainable European climate, energy and trade policies allowing the transition of the sector to a low carbon/energy- and resource-efficient economy without the cost burden being borne by the EU steel industry alone. This will be also achieved by promoting ambitious RD&I policies e.g. in the framework of Horizon 2020 and by actively supporting the deployment of new cleaner, resource- and energy-efficient technologies.

1.5 The EESC supports the general objective of combating climate change and supports action by the EU in this respect. However, careful consideration must be given to special features of the sector, in particular those relating to technological limitations, as well as to the efforts that have already been made. Targets for the steel industry need to be technically and economically feasible. They must be set in such a way that, as a minimum, the best performers in the EU have no additional costs resulting from EU climate policies, notably the EU ETS, at least until a comprehensive international agreement on climate change is reached with the same objectives and measures for the steel industry worldwide.

1.6 Temporary compensatory measures to offset ETS-related increases in electricity prices across the EU should be maximised throughout Europe during and beyond the third trading period. The EESC calls on the EU Commission to investigate this matter further and to take appropriate measures rapidly.

1.7 The EESC supports the idea of setting up a European scheme to finance the deployment of new and innovative technologies in energy-intensive industries, to be funded by earmarked revenue from the sale of ETS allowances.

1.8 The introduction of breakthrough technologies such as ULCOS should continue to be promoted. For the EESC, it is very important to closely monitor data on CO<sub>2</sub> emissions and the energy efficiency of steel plants.

1.9 Reciprocity and creating a level playing field globally must be a priority for the EU Commission. Given the absence of a level playing field and the proliferation of protectionist trends in emerging economies, the EESC calls on the EU Commission to take more robust measures to defend the European steel industry, including the use of trade defence instruments, in a targeted and rapid manner.

1.10 The EESC welcomes the adoption of a quality framework for anticipation of change and restructuring, setting out the best practices in this field. It believes that this framework should be used by the different stakeholders as a European minimum standard to anticipate and manage change in a socially responsible manner by promoting training, upgrading skills and supporting retraining when necessary. It also has to be an opportunity to make the European steel sector more attractive for young and highly qualified people. Moreover, long-term solutions should be developed to respond to the generational change. The social partners at all levels can play a proactive role in this respect.

1.11 In order to manage the transition towards a more competitive EU steel industry in a socially responsible way, the EESC believes that the steel sector should have the same access as other sectors to available European, national and regional funds.

## 2. Introduction

2.1 As highlighted by the European Commission in its action plan for a competitive and sustainable steel industry in Europe, 'the EU is the second largest producer of steel in the world, with an output of over 177 million tonnes of steel a year, accounting for 11% of global output'. The industry is widely spread across Europe, with at least 500 production sites in 24 Member States.

2.2 The EESC reiterates that the European steel industry is the backbone of Europe's prosperity and an indispensable part of the European supply chain, developing and manufacturing thousands of different, innovative steel solutions in Europe and thus providing direct and indirect employment and a living for millions of European citizens.

2.3 Unfortunately, it is now clear that this industry is being hit extremely hard by the economic crisis which is currently affecting all European countries. The steel industry is reliant on sectors such as the automobile and construction sectors, which have experienced a sharp drop in activity since 2008. This in turn has led to a decrease in demand for steel in Europe.

2.4 The decline in demand for steel in Europe has become apparent through the temporary or permanent closure of production facilities and the loss of over 60 000 jobs in the sector.

2.5 It is vital for Europe to take swift action in order to rein in the current crisis which is affecting the steel industry. It is for this reason that the EESC welcomes the European Commission's recent initiative to take action to support the European steel industry.

2.6 This is the first time that the Commission has proposed a comprehensive action plan for steel, eleven years after the expiry of the European Coal and Steel Community (ECSC) Treaty in 2002. This is the result of common efforts made by the Commission and the social partners to push forward the issue of industrial policy both in general and with regard to the main manufacturing sectors. It is also the first step towards a real industrial policy integrating policies such as trade, R&D, environment, climate and energy.

2.7 The plan puts forward a series of measures and recommendations in the fields of demand, energy and energy efficiency, climate policy, competition, trade, raw materials, research and innovation and social aspects such as access to the European structural funds to alleviate the social cost of anticipation and management of change and promotion of youth employment to boost the sector's competitiveness.

2.8 The social partners in the steel sector have contributed to this long-term strategy in the framework of the EU Social Dialogue Committee by developing a comprehensive view of the challenges facing the European steel industry. This common analysis served as a basis for the High Level Roundtable, initiated by the EU Commission with a view to developing the Action Plan for a competitive and sustainable steel industry in Europe.

2.9 Steel is the strategic backbone of European manufacturing industry and remains a driver of technological innovation which is vital for value creation in downstream sectors such as the automotive industry, construction, aerospace and energy, etc. It is vitally important for Europe to have a robust steel sector if it is to achieve its target for industry to account for 20% of GDP compared with the current 15,2%<sup>(2)</sup>.

2.10 The European steel industry has many assets in the form of modern plant, advanced products, demanding clients forcing constant product innovation, an important domestic market and a skilled workforce. However, today it faces major challenges: low demand, increasing energy costs, reliance on imported raw materials and often unfair competition.

2.11 The action plan is a document containing the most important items relating to the steel sector with particular emphasis on a list of possible actions to be implemented at the various institutional levels and by the main stakeholders.

2.12 As foreseen by the EU Commission, a formal High Level Group will oversee the implementation of the plan and its impact on the sector's competitiveness, sustainability and employment situation.

### 3. Comments of the European Economic and Social Committee

3.1 The EESC is pleased to note that the alarming situation faced by the European steel sector is on the agenda of the EU Commission. A consultation of the social partners and Member States has given them the opportunity to express their views on the sector and its shortcomings, as well as to propose possible solutions to maintain a robust steel sector in Europe. These consultations culminated in the drafting of the Action Plan for a competitive and sustainable steel industry in Europe.

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<sup>(2)</sup> COM (2012) 582 final.

3.2 The plan is the first step towards helping the steel sector to confront today's main economic, social and environmental challenges, creating a 'new' industrial policy framework to preserve a competitive steel industry and maintain its workforce in Europe. The statements made in the Action Plan are optimistic, but ultimately its success will depend on how these statements are translated into practice. Unless it is based on a clear short, medium and long term strategy and is provided with the necessary legal, financial and logistical instruments, its potential impact will not be realised.

3.3 From the EESC's point of view, the implementation of the plan should make it possible to:

- Create the framework conditions to maintain international competitiveness and sustainable development of the European steel industry in the short and long term. The ability of the industry to respond to changed economic circumstances is influenced by policies on research and innovation, environment, energy, trade, competition and consumer needs. The plan should aim at shaping these policies so that they adequately address the challenges facing the steel industry.
- Support the steel industry — which has been and continues to be severely affected by the economic crisis — in order to deal with the economic downturn. Since the crisis began the steel industry has reacted decisively to the drop in demand for steel by introducing permanent and temporary cuts in production capacity. 15,5% of jobs in the steel industry have been shed since 2008 (source: EUROFER).
- Ensure that the future of the steel industry in Europe is not threatened. Production facilities which have been stopped and blast furnaces that have been left idle may very well not be replaced or put back into operation. The EESC believes that, once demand picks up, the EU economy faces the very real risk of becoming a structural steel importer.
- Improve the business environment and regulatory conditions for steelmaking in Europe. Raw materials, energy prices and regulatory costs in Europe are amongst the highest worldwide. Gas prices in the EU are three to four times higher than and electricity prices are double those in the US. The gap is forecast to widen if no measures are taken.
- Support the workers and regions which have also been hit hard by the crisis but also improve the way in which change is planned and managed by promoting training, upgrading skills and supporting retraining when necessary. Thousands of jobs have been shed and many more are still under threat. In addition, there has been a general increase in the number of temporary jobs, making it more difficult to transfer essential skills and know-how. In some cases this may affect production quality or put the safety of workers at risk.

#### *General*

3.4 One of the main objectives of the Commission's industrial policy communication is to ensure that the industrial sector accounts for 20% of EU GDP by 2020. The EESC supports this objective as it would also benefit the steel sector. However, this objective is likely to be very difficult to achieve without easier access to financial institutions such as the European Investment Bank and the European Bank for Reconstruction and Development.

3.5 The market situation will force steel producers to continue carrying out difficult structural changes (the possibility of mergers, takeovers and bankruptcies cannot be excluded). Costly investment in innovation, innovative steel grades, improving the range of finished goods offered, further reductions in costs by type, and the introduction of services using steel from own production are essential but difficult or impossible for many steelmakers to finance at the current time.

*The right regulatory framework*

3.6 According to a recent study commissioned by the Commission on the assessment of cumulative cost for the EU steel industry regulatory, costs in normal times are not the main drivers of the gap in cost competitiveness. However in times of crisis EU regulatory costs may have a significant impact on the competitiveness of the steel industry<sup>(3)</sup>. The regulatory framework should be assessed both in terms of costs as well as benefits.

3.7 The social partners in the steel sector must be closely involved in the assessment of the regulatory framework.

*Boosting demand for steel*

3.8 As highlighted by the EU Commission, 'in the EU, steel demand depends on the economic and financial status of a few key steel using industries — for example the construction and the automotive sectors'<sup>(4)</sup>. Unfortunately, the current economic crisis is putting a real strain on demand from these sectors and is therefore causing a drop in gross demand for steel.

3.9 The EU Commission is relying on its 'CARS 2020'<sup>(5)</sup> plan and on the initiative to support sustainable construction<sup>(6)</sup> in order to stimulate European demand for steel. Given the urgency of the current situation within the steel industry, these plans are not concrete enough and will not be sufficient to have a short-term impact on the steel sector.

3.10 Demand for steel can be also boosted by facilitating the launch of major future-oriented infrastructure and improving the purchasing power of European citizens, with the aim of triggering a recovery in the domestic market.

*A level playing field at international level*

3.11 Over the last decade, the EU steel industry has been increasingly penalised by unfair trade practices, third country protectionism and over-concentration of raw material producers. It is therefore urgent to assess the possibility of tackling all of the unfair practices to which the European steel industry has fallen victim in a targeted and rapid manner. It is all the more urgent that this be done given the surplus capacity of the sector on a global scale, leading some third countries to use unfair commercial practices to export their surplus produce.

*Energy, climate, resource and energy efficiency policies to boost competitiveness*

3.12 The European steel industry will only have a future if companies are at the forefront of worldwide technological developments, especially the application of the latest production technologies relating to CO<sub>2</sub> reduction and energy efficiency, if economically viable.

3.13 The steel industry is an energy-intensive industry which is currently faced with high energy prices compared to most of its international competitors. As a highly capital-intensive industry, the stability, predictability and global competitiveness of energy prices are key for the long-term development of the sector.

3.14 The action plan rightly focuses on the contribution of steel products/materials to CO<sub>2</sub> reduction. As far as production processes are concerned, with current technologies the industry is close to its limits and therefore cannot reach the milestone targets proposed by the Commission up to 2050. Significant improvements can only be reached with breakthrough technologies. RD&I and resources to finance R&D are therefore of paramount importance. In this context, the EESC welcomes the Commission proposal to support, in the framework of Horizon 2020, R&D and demonstration and pilot projects for new technologies for cleaner, more resource- and energy-efficient technologies.

3.15 Although with current technologies the industry is close to its limits, not all plants have exhausted their potential for energy- or resource-efficiency improvements based on existing technologies. Companies should be encouraged to invest in Best Available Technologies.

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<sup>(3)</sup> Centre for European Policy Studies, *Assessment of Cumulative Cost Impact for the Steel Industry*, 2013.

<sup>(4)</sup> COM (2013) 407.

<sup>(5)</sup> COM (2012) 636 final.

<sup>(6)</sup> COM (2012) 433 final.

3.16 Resources and energy prices are currently driving trends in innovation. While the chief responsibility for investing in RD&I lies with the steel industry itself, stronger support for R&D, pilot and demonstration projects and the deployment of new technologies is necessary. As raw materials and energy represent the main burden in terms of costs, the challenge is to lower the cost gap with the EU's main competitors.

3.17 The crisis and severe budget constraints have seriously jeopardised the possibility of compensating steelmakers in some Member States, which is likely to create an unfair situation across Europe.

#### *Innovation*

3.18 During the last few decades, the European steel industry has maintained a competitive advantage over its competitors, due to efficiency improvements, product innovation and substantial labour productivity gains. However, in the current situation additional gains in this area are difficult to achieve as long as the market situation and regulatory business environment does not improve.

3.19 The development of new economically viable technologies needs to go hand-in-hand with an improvement in competitiveness of European steel companies vis-à-vis their global competitors. Less intensive production in terms of energy and raw materials will lead to a decrease in costs, thereby making the European steel industry more competitive.

#### *The social dimension: restructuring and skill needs*

3.20 The plan identifies the problem of future skills shortages mainly as a result of the age pyramid, but does not take into sufficient account the 'loss' of know-how and skills due to restructuring. Furthermore, the generational change will require systematic solutions, notably in view of the sharp rise in unemployment among young people.

3.21 The promotion of temporary measures to support workers is essential to deal with the economic downturn and retain the workforce and skills vital for the future of the steel industry.

#### *The High Level Group*

3.22 Given the urgency of the situation faced by the European steel sector, it is disappointing to note that the Commission is only planning one meeting of the High Level Group per year. Due to the current volatility of the sector, constant updates will be needed in order for informed decisions to be made.

3.23 Finally, within the 12 months that follow the adoption of the action plan, an assessment of the impact of this plan on competitiveness in the European steel industry needs to be carried out. In order to ensure the most precise and objective assessment possible, it is crucial to include the social partners in discussions. There is a need for greater cooperation between employers' and workers' representatives at European, national, local and company levels to commit to implementing the plan.

Brussels, 11 December 2013.

*The President*  
*of the European Economic and Social Committee*  
Henri MALOSSE

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## APPENDIX

**to the opinion of the European Economic and Social Committee**

The following amendment, which received at least a quarter of the votes cast was rejected during the plenary session (Rule 54(3) of the Rules of Procedure):

**Point 1.11**

Delete further specification of the funds as follows:

1.11 In order to manage the transition towards a more competitive EU steel industry in a socially responsible way, the EESC believes that the steel sector should have the same access as other sectors to available European ~~national and regional~~ funds.

**Reason**

The shortened wording avoids more detailed specification of the funds and provides sufficient flexibility for the operators without introducing potential market distortions in the sector.

**Outcome of the vote:**

Votes in favour	70
Votes against	77
Abstentions	12

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