Wirtschaftsvereinigung Stahl
im Stahl-Zentrum

Policy statements by the steel industry in Germany for Germany's Presidency of the EU Council of Ministers during the first half of 2007

Düsseldorf, October 2006

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Ladies and Gentlemen

The steel industry is one of the sectors that has exhibited dynamic growth in recent years. With demand for steel and innovative products being high worldwide, the industry is optimistic about the future. This is the basis for sustainable economic development. Our industry employs extremely well-trained specialists and engineers. Integrated in powerful and successful value-creation-oriented and customer-oriented logistical chains, the steel industry is well equipped for the future.

Nevertheless, the continued competitiveness of the steel industry in Europe depends on ensuring that the necessary political conditions are created. Germany's Presidency of the Council of Europe during the first half of 2007 provides an opportunity for bold and far-reaching reforms. These policy statements indicate areas of activity that are, from our point of view, very important for ensuring that society can continue to profit from a powerful steel industry in future.

President
German Steel Federation
Chairman
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Demands

A. Industrial policy

- § European policy must return to focusing on economic and industrial needs. All measures that are suitable for achieving the core aims of the Lisbon Strategy should receive particular support.
- § It must be ensured that industrial competitiveness is at the centre of European industrial policy. Therefore more unnecessary legislation should be rescinded and far fewer legislative plans initiated – and those that exist must be accompanied by impact assessments.
- § The High Level Group (HLG) for competitiveness, energy and the environment should be integrated in legislative considerations.

B. Energy and climatic policy

- § There must be an open discussion as part of the review of the Emission Trading Directive for post-2012. It is necessary to discuss how the hitherto inherent defects can be overcome by a fundamental restructuring to ensure a lasting competitiveness of energy-intensive industries.
- § The conditions required for developing more competitive electricity and gas markets should be improved.

C. Environmental policy

- § Clean air preservation must be orientated on the best available techniques. The integrated approach of the Council Directive concerning integrated pollution prevention and control must be developed further.
- § Clear definitions must be given for waste, (by-)products and secondary raw materials. The closed cycle-waste-management-system set up by the industry, and functioning well, is must be accepted and supported.
- § The administration effort required by the REACH regulation, in particular, should be regularly re-examined. REACH should only exist in a specific form if it can proof to offer appropriate benefits.

D. Foreign trade policy

- § The effective EU trade defence instruments must be supported. Any weakening of potential defences against unfair imports from third countries would considerably endanger the competitiveness of European industry.
- § The Doha Round of the WTO must be brought to a successful conclusion. Parallel to this, it should support the EU's industries in the opening up of new markets not only through multilateral, but also with bilateral trade agreements.

E. Raw materials policy

- § A free access to the sources of important raw materials has to be secured. The European Commission must be asked to act wherever an assured supply of raw materials for the industry faces acute risks.

F. Research policy

- § Steel should be permanently integrated within the Framework Programmes for Research and Development.
- § The definition of small-to-medium enterprises (SMEs) in the Framework Programmes for Research and Development must be extended.

G. Transport policy

- § The current proposal to enhance the security of the supply chain must be withdrawn or fundamentally rewritten. The benefits of the introduction of these regulations would be out of all proportion due to the extremely high costs they would involve.
- § All railway networks in EU countries should be opened for competitors. It is especially important to use more precise European definitions to prevent barriers (exaggerated safety demands) to new competitors.

A. Industrial policy

A.1 Progress in growth and employment

Demand:

European policy must return to focusing on economic and industrial needs. All those measures that are suitable for achieving the core aims of the Lisbon Strategy (a programme whose goal is to make the EU the world's most competitive and dynamic economic area within 10 years) should receive particular support during Germany's Presidency of the Council. The most important points are: greater investment in research, education and innovation; flexible employment markets; more open services markets; fewer bureaucratic hurdles for steel companies; and greater harmony between economic growth and environmental protection. The Lisbon Strategy must be better implemented. Germany's Presidency of the Council must use the spring summit meeting in 2007 to achieve concrete results with clearly defined implementation dates and targets for specific dossiers.

The background:

The balance, six years after agreement at Lisbon, is sobering. The EU appears paralysed while the USA and the leading economies of Asia are developing rapidly. In February 2005, the EU Commission determined that there were serious weaknesses in implementation. Europe's Council of Ministers confirmed this critical verdict at its spring summit in 2005, and refocused the Lisbon Agenda on the aims of growth and employment. The EU's Commission evaluated the member states' national reform programmes in January 2006 and demanded ambitious steps for greater investments in research and development, as well as in employment and energy policy. Furthermore, the Council of Europe readjusted the Lisbon Strategy again at its spring summit in 2006. The steel industry welcomes this refocusing of the Lisbon Strategy and the analyses of national reform programmes by the EU Commission. The EU must, however, do everything necessary for the implementation of these aims and finally act. Implementation can only be achieved by improving the conditions under which companies produce. This is indispensable for the steel industry to remain competitive.

A. Industrial policy

A.2 Approve fewer laws and regulations and improve assessments of their consequences

Demand:

Germany’s Presidency of the Council should be used to ensure that industrial competitiveness is at the centre of European industrial policy. For its implementation, more unnecessary legislation should be rescinded and far fewer legislative plans initiated – and those that are must be accompanied by impact assessments (carried out by independent economic experts) and the creation of an effective system for determining their bureaucratic costs.

The background:

The EU Commission has withdrawn approximately 70 legislative proposals and intends to combine, simplify or annul existing regulations. We welcome these actions and intentions. This is a first step towards improving competitiveness, but it is not enough. Information on the economic consequences of legislative measures is vital for making efficient political decisions. Four years ago, the EU Commission decided to carry out significant impact assessments. They were intended to be implemented on all proposals and initiatives of political importance since early 2005. Thus the number of impact assessments actually carried out has risen (from 21 in 2003, to 29 in 2004, and 77 in 2005). We explicitly welcome this development. Nevertheless, improvements are required here: the assessment must be carried out by an independent authority in good time. This is the only way to prevent the risk of political initiatives being given “cosmetic treatment”. The determination, as accurately as possible, of the bureaucratic costs caused by legislation is of particular importance. This is especially significant for basic industries. The European Commission wants to reduce the bureaucratic costs resulting from EU legislation by about 25 per cent in coming years. This is the same target as that adopted by the Netherlands in 2003. The steel industry recommends the so-called Standard Costs Model as the basis for determining the amount involved. It is based on the formula: working time multiplied by working costs multiplied by the number of companies affected.

A. Industrial policy

A.3 High-ranking groups of experts point the way

Demand:
Germany's Presidency of the Council should be used to ensure that the High Level Group (HLG) for competitiveness, energy and the environment looks into central dossiers in good time, i.e. in co-ordination with the legislative process. The specialist, detailed advice of the HLG should be integrated in legislative considerations.

The background:
In its industrial policy memorandum of 5 October 2005, the EU Commission defined the aim of improving conditions for producing industries and thus strengthening the competitiveness of industry. The HLG was founded for this purpose, with high-ranking representatives from the member states, industry and the EU Commission, with a mandate for two years (until November 2007). Its aim is to provide recommendations to the body politic. Up to now, six working parties have been formed by this HLG (topics: the functioning of electricity and gas markets; the EU emission trading system; competitiveness of, and access to, cost-effective energy inputs for energy-intensive industries; energy efficiency; long-term energy for the EU; drivers for investments in innovative technologies, in power generation and in energy efficiency). From the point of view of the steel industry, the results so far differ widely. Thus, for example, the report from the group for emission trading has been negatively received because the current system is also to be retained for post-Kyoto 2012. On the other hand, the first results of the group on energy markets are seen as positive because, among other things, it treats the rapid implementation of liberalised electricity and gas markets as an urgent task.

For the steel industry, the HLG offers an opportunity to fundamentally improve European legislation. The Commission's approach of examining the interrelationships of industrial, energy and environmental policy legislation, and enhancing its coherence, is welcomed. The steel industry wants to participate at all three levels (the HLG itself, advisory groups, and working parties) to increase its influence. The aim must be to improve Europe's competitiveness.

B. Energy and climatic policy

B.1 Trading of CO_2 emission rights requires fundamental examination

Demand:

Germany's Presidency of the Council must be used to insist on a discussion, whose results are not pre-determined, as part of the review of the Emission Trading Directive for post-2012. Instead of being enchained by the regulatory framework of the existing directive, it is necessary to discuss how the hitherto inherent defects can be overcome by a fundamental restructuring to ensure a lasting competitiveness of energy-intensive industries.

The background:

The review process for the Emission Trading Directive starts in Brussels in autumn 2006. Its further development is to be discussed in detail on the basis of the experience gained so far. This is indispensable for the steel industry, which operates in global competition.

This discussion must be exploited to fundamentally re-examine emission trading. Initial experience with this largely untested instrument has revealed structural defects. These include the massive increase in electricity prices through windfall profits for the energy suppliers. The body politic has so far failed to find any solutions for this undesirable effect, even though it has dominated the emissions trading scheme so far. A restructuring of the directive is therefore urgently required. The energy-intensive industries are also confronted by further problems that will only get worse during the coming years. For one thing, absolute emission caps are not suitable for reflecting production growth. More flexible mechanisms are necessary. For another, a way must also be found to take into account the limited technological potentials for the long-term reduction of emissions. Therefore more all-embracing considerations, and an orientation on the worldwide average, must be undertaken for the individual sectors. If, instead, the existing directive is retained, the body politic will have missed the last opportunity for years for an important change of course.

B. Energy and climatic policy

B.2 Allowing competition on the energy markets

Demand:

Germany's Presidency of the Council must be used to push for a further improvement in the conditions required for developing more competitive electricity and gas markets.

The background:

The European Commission's Sector Enquiry has identified clear competitive deficits in the energy markets. Current dramatic price developments based on these deficits damage the competitiveness of the industry and make further measures essential. The aim must be to achieve a substantial reduction in energy prices. The steel companies, particularly electric steel works, are reliant on this. European policy can make a considerable contribution. On the one hand, competition must be encouraged through the integration of a European single market via an expansion of cross-border grid connections. The proceeds from auctions at the coupling points must be ring-fenced and utilised to expand cross-border connections. On the other hand, all possible measures for diversifying the supplier side must be taken. In particular, any further formation of oligopolies in the European market by means of mergers must be prevented by a rigorous European anti-monopoly authority.

If, as a result of the current regulations on grids, the intended market inputs fail to materialise in the medium term, an ownership unbundling of grids must be considered as a further step, as this is the only way to ensure that the structure of grid access is really free of discrimination for all potential grid users. An independent grid operator has no interest in keeping new suppliers out of the market.

C. Environmental policy

C.1 Orienting clean air preservation on the best available technology

Demand:

Germany's Presidency of the Council must be used to state that scientific knowledge should be taken into account when emission requirements are determined. The steel industry demands:

- the removal of the PM10 daily mean value with, at most, a slight reduction of the annual average value,
- an improvement of the scientific basis for PM2.5 and; until this is completed, limitation of the PM2.5 regulation to sustainable target values,
- that any previous loading (background) that cannot be influenced by industry is taken into account,
- that IPPC plants are excluded from measures beyond the application of best available techniques (BAT).

Germany should push for a constructive further development of the integrated approach of the Council Directive concerning integrated pollution prevention and control. Trading systems cannot be combined with this approach. There must be an acceptable solution to the discrepancies between the demands on emission and immission prevention.

The background:

The Environment Ministers Conference believes Germany is focused on ambitious and increased emission demands during their Presidency of the EU Council. The demands made of small incinerator plants and car exhaust emissions should be made more stringent, the large scale plants of the producing industries requiring permits corresponding to the IPPC directive are thus not the focus of attention. Industry expects Germany to create conditions for greater competitiveness in Europe by also considering the stated needs of industry.

C. Environmental policy

C.2 Driving the conservation of resources

Demand:

The discussion on waste regulations (strategies on the sustainable use of natural resources, on the prevention and recycling of waste, and proposed revision of the waste framework directive) will continue during the first half of 2007. The steel industry demands that:

- markets for by-products must be strengthened
- clear boundaries are defined between waste, (by-)products and secondary raw materials,
- the closed cycle waste management system set up by the industry, and functioning well, is accepted and supported,
- the recyclability of the material steel is recognised and included under sustainability viewpoints (e.g. evaluation in the life cycle assessment).

The background:

For many years the steel industry has been conserving resources as a result of its large mass and energy flows. For a large amount of products markets could be made available. They replace primary raw materials and can lead to saving energy, i.e. the use of granulated blast furnace slag for the production of cement. Output has been considerably increased by means of process improvements, material savings have been achieved through product and material innovations, and the scrap metal available on the market is used as a secondary raw material in steel production. An integrated management of solid matter, water and energy in the ironworks has led to considerable savings of primary resources. The high standard achieved must not be hindered by the inappropriate mass of regulation.

The main topics adopted by the Environment Ministry Conference, the rejection of waste prevention plans and a refusal to broaden waste management plans and reporting obligations, are explicitly supported. It is vital, however, that the fundamental aspect of resource conservation is included in order to strengthen the industry.

C. Environmental policy

C.3 The global orientation of environmental quality standards in the EU

Demand:

The condition of the environment is characterised by the surroundings as a whole, i.e. also by humans and their activities. This results in strong regional and local variations in conditions. The Environment Ministers of the individual states in Germany (the *Länder*) have accepted this with regard to soil and asked the Federal Environment Ministry to support the position that there is no need for a directive and strategy for soil conservation on the European level. The steel industry expressly supports this position. It demands that:

- this fact is also applied to the environmental quality standards for air and water, and appropriately taken into account,
- the derivation of environmental quality standards is built upon prevention based on scientific knowledge, and made transparent,
- the application of standards is made dependent on the corresponding measurement process and measurement density, as well as on the defined use of the environment.

The background:

Historically, employees have settled near production plants. This has resulted in a structure in which steel production plants are frequently located in heavily populated areas. Emissions from these plants are to be limited using the best available technology. They have continuously undergone considerable reduction.

The use of environmental quality standards must take these historical structures (use of the environment) into account. The derivation of standards is not transparent. They must not be based on the results of some individual studies. There is a lack of clear boundaries, rules and evaluations for the quality of protection required for the particular medium.

C. Environmental policy

C.4 Unbureaucratic implementation of REACH

Demand:

Application of the REACH draft regulations will bring up many problems. The extent to which the steel industry will be affected is also unclear. The steel industry expects support from Germany's Presidency of the Council:

- in the creation of appropriate evaluation methods for steel as an iron-bearing alloy,
- in exemption from the registration/notification obligation of the secondary raw material, iron and steel scrap, which is always and repeatedly used for sustainable resource conservation in the steel cycle, and
- in the registration requirements for complex minerals such as metallurgical slag from iron and steel production.

The background:

The REACH regulations are fundamentally based on experiences with principally organic chemicals. There are thus considerable difficulties when these are carried over to inorganic solids, such as those involved in the steel industry. The fact that inexperienced sectors are affected (hitherto uninvolved in the registration of chemicals), brings about special insecurities.

The administration effort required by the REACH regulation, in particular, should be regularly re-examined. REACH should only exist in a specific form if it can be proved to offer appropriate benefits.

D. Foreign trade policy

D.1 Preventing a weakening of the EU's trade defence instruments

Demand:

Germany's Presidency of the Council must be used to support effective EU trade defence instruments. Any weakening of potential defences against unfair imports from third countries would considerably endanger the competitiveness of European industry.

The background:

The WTO-compliant use of antidumping instruments, in particular, is an indispensable measure for protecting and restoring fair competitive conditions for the EU's third-country imports. Therefore trends within the European Commission to rethink the rules for handling trade defence instruments in the EU in response to increasing globalisation are a matter of great concern to German and European industry. Trade Commissioner Mandelson is evidently considering making them more difficult to apply: thus antidumping cases against individual nations would only be possible if, for example, the imports to the EU of a particular product have a considerably higher market share than the former 1%. The decision on whether, despite proven dumping and injury, a measure is in the interests of the Union is also to be made less in the interests of industry than was the case in the past, and with greater stress on user and consumer interests. The steel industry is not alone in Europe in totally rejecting such plans. Antidumping law in the EU is already one of the most liberal worldwide. In particular, an increase of the 1 % de minimis threshold would in many cases rob entire industrial segments – including the steel industry – of the possibility of reacting to unfair third-country imports, although exports from the EU to third countries are increasingly being rigorously combated by means of antidumping instruments, often ignoring WTO rules.

D. Foreign trade policy

D.2 Further liberalisation of world trade

Demand:

Germany's Presidency of the Council must be used to contribute towards bringing the Doha Round of the WTO to a successful conclusion. Parallel to this, it should support the EU's industries in the opening up of new markets not only through multilateral, but also with bilateral trade agreements.

The background:

The German steel industry unconditionally supports open markets and free and fair world trade. Unfortunately, the world trade in steel in a number of regions is still characterised by considerable state interventions. Distortions are caused, in particular, by still considerable import duties in developing and threshold countries, while most industrial nations – including the EU – have abolished any import duties on steel products since 1.1.2004. Moreover, a fair world steel trade is still impaired by state subsidies. Finally, it is regrettable that no WTO member has so far followed the long-standing example of the EU, to structure trade defence instruments such as antidumping processes far more liberally than foreseen by the minimum standards of the WTO. Ambitious duty-reducing formulae and a further harmonisation of trade defence instruments are, in addition to other important topics, on the agenda of the WTO's Doha Round which now threatens to collapse. This failure must be vigorously prevented – as otherwise the past successes achieved by the GATT and the WTO will suffer lasting fundamental damage. On the other hand, the serious position facing the Doha Round compels the body politic in Brussels, and in the member states, to increase their efforts to complete other bilateral free trade agreements. This is particularly the case given the fact that Japan and the USA, in particular, have already undertaken wide-ranging activities in this area, principally in the Asian region. German and European industry cannot afford to face closed doors in Asia and other areas while important competitors obtain free access to the world's markets, regardless of the result of the Doha Round.

E. Raw materials policy

E. 1 Assuring free access to the sources of raw materials

Demand:

Germany's Presidency of the Council must be used to speak up for free access to the sources of important raw materials and insist that the European Commission acts wherever an assured supply of raw materials for industry faces acute risks.

The background:

During the last two years the European Commission has reacted to the dramatic developments on the international raw material markets and made wide-ranging investigations and analyses, such as, for example, "Examinations of the effects of the economic situation regarding the supply of raw materials and energy on the competitiveness of the EU's metal industry". However, there has as yet been no clear action to support the industry in its attempts to safeguard raw material supplies in the long term. In particular, the steel industry in Germany and Europe is greatly concerned about the rapidly growing trend of many important raw material countries cutting off the domestic markets, and the general rise in "raw material protectionism". The experiences of recent years have shown that national single-handed efforts are less effective at combating the supply risks, while a determined political process on the European level promises greater chances of success. Whereby it has been shown that, in particular, bilateral economic negotiations with leading producer nations offer a suitable platform for discussing specific problems of raw material supply for the EU user industries. The steel industry thus explicitly supports the intensive dialogue between politics and commercial business on the central issues of "raw material supply security", and supports the formulation of negotiation recommendations to the body politic –always required whenever the economic rules of supply and demand are set aside, and free and fair competition is limited or distorted.

F. Research policy

F. 1 Permanent integration of steel research in the material and production research of the Framework Programmes for Research and Development

Demand:

Research on materials and process development are indivisibly connected to one another. Germany's Presidency of the Council must be used to work towards the permanent integration of the material steel within the Framework Programmes for Research and Development.

The background:

The EU-25 produced about 186 m. tonnes of steel in 2005, which was approx. 20% of the world's steel production. Steel production is growing rapidly in China and India, in particular. High-tech products are increasingly becoming the centre of attention in order to be able to maintain the EU-25's leading position in international competition. High-tech products with improved strength, corrosion, and joining properties must meet the increasing demands of the user sectors, for example in automobile and steel construction or in the energy exploration and the power generation industry. Only a small proportion of the potential possibilities of the material can be exploited with the properties of the steels hitherto available. The further development of new steels and their production through efficient process technologies must be intensified and supported in future. This has not been the case up to now in the sponsorship of the EU's material research within the Framework Programmes. Steels are not represented here as an individual material class.

F. Research policy

F. 2 Expansion of the definition of small-to-medium enterprises in the Framework Programmes for Research and Development

Demand:

Germany's Presidency of the Council must be used to work towards expanding the definition of small-to-medium enterprises (SMEs) in the Framework Programmes for Research and Development.

The background:

The EU Commission continues to support SMEs in the Seventh Framework Programme for Research and Development. Excellent, thematically open, research programmes have been selected for this purpose. Unfortunately, participation in these programmes is limited to companies with at most 250 employees, with sales of maximum EUR 50 m. or profits not exceeding EUR 43 m. As a result of this narrow definition, however, numerous highly innovative SMEs with 250 to 1,500 employees are prevented from participating. This unfortunate situation could be corrected by expanding the definition of small-to-medium enterprises.

G. Transport policy

G.1 Proposed regulations to improve the security of the supply chain are completely unsuitable

Demand:

The current proposal of 27.02.2006 {COM (2006) 251} for regulations issued by the European Parliament and the Council to enhance the security of the supply chain must be withdrawn or fundamentally rewritten. The benefits of the introduction of these regulations, which are on the whole questionable, would be out of all proportion with the extremely high costs they would involve – which would have to be almost exclusively borne by business.

The background:

The proposed regulations are intended to protect the supply chain of goods transport on road, rail and inland waterways from terrorist attacks. Companies are to be able to achieve the status of a "secure operator" on a voluntary basis. In order to gain this label, a company must prove that it has fulfilled a wide-ranging catalogue of demands.

The steel industry rejects the proposed regulations. The voluntary character of certification as a "secure operator" is, in practice, open to question: internationally active companies will have no alternative but to apply for such a status. In content terms, neither the urgent need for such regulations has been proven nor has the practical suitability of the intended measures been demonstrated. With the implementation of these regulations, however, European business would face annual costs of a magnitude considerably higher than, for example, the gross domestic product of some EU member states, such as Slovakia. The European Union cannot afford such an anti-industry policy. Serious terrorist risks in goods transport would be better combated with appropriate measures, adapted to meet concrete local circumstances.

G. Transport policy

G.2 Improving competition for rail-borne goods transport

Demand:

The European Commission must make greater efforts for an effective opening up of all railway networks in EU countries for competitors. This is of decisive significance for the steel industry, in particular, as one of the largest potential customers. It is especially important to use more precise European definitions to prevent barriers to new competitors being caused by exaggerated safety demands.

The background:

In recent years, the European Commission has been heavily involved in the development of competition in the rail freight sector. But even after the statutory opening up of all rail networks for cross-border goods transport, it must be pointed out that no noteworthy competition actually exists in several countries. In France, in particular, the regulations for awarding the necessary safety certificates are evidently aimed towards preventing, or considerably delaying, the market entry of potential competitors to the state-owned railway SNCF Fret. But it is precisely here, in this central transit country, that competition is essential – because the quality of the performance offered by SNCF Fret is entirely unsatisfactory.

A vital prerequisite for a future-oriented rail system in Europe is that effective competition forces the former national railway undertakings into making comprehensive improvements in efficiency. The continuing protection, and not just in France, of national railway networks against competitors massively damages the rail system throughout Europe. The particular strength of rail freight is transport over long distances – in practice, however, much of the international traffic most suitable for rail transport must be forwarded by other goods carriers. It is therefore essential that the EU Commission uses more binding legislation to force all EU countries to ensure fair access to their national railway networks.