

This edition contains

- ETS: Council and EP open negotiations for a first reading agreement
- Weakening demand-supply threatens EU steel market balance
- Investigation goes on for AD measures imposition
- SO₂ & NO_x trading scheme for IPPC installations
- States-of-affairs of the revision of the IPPC directive
- Social dialogue for future viability & employment prospects
- Revision of the Model Grant Agreement
- Guidance for the REACH implementation
- Forthcoming events
- Staff news
- **Special enclosure: The Commissions' Sustainability Package**

Climate Change / ETS: Council and EP open negotiations for a first reading agreement

In its vote on 7 October the European Parliament Environment Committee approved the basic principles of the Commission proposal for a Revision of the EU Emissions Trading System (ETS), which provides the measures for the third ETS trading period 2013-2020:

- a 21% reduction of the industry's CO₂ emissions by 2020 compared to 2005 levels ("the cap")
- auctioning of the emission allowances as of 2013 with transitional measures for manufacturing industries: 15% auctioning in the first year increasing to full auctioning in 2020; sectors which are exposed to international competition and which therefore may be at risk of delocation to countries outside the EU ("carbon leakage") may receive - until 2020 - "up to 100%" of the allowances for free

EUROFER sharply criticizes both provisions: firstly the cap, which neither takes into account the potential of the various sectors to reduce emissions nor early action taken by the EU steel industry from 1990 to 2004 with a CO₂ reduction of over 20%; secondly the uncertainty of the quantity of free allowances for sectors exposed to international competition, which must be fully 100%, including the compensation for the ETS related increase of electricity prices, in order to prevent carbon leakage.

Nevertheless, the Committee improved the proposal in several aspects, notably providing free allocation for the sustainable use of co-generation gases (waste gases), from which about 50% of CO₂ emissions from steel making arise.

On 6 November the Council and the EP will start negotiations for a first reading agreement to be adopted by the EP on 4 December, just before the opening of the political negotiations at the international climate change conference in Poznan/Poland (1-12 December 2008). You will find the latest EUROFER position on www.eurofer.eu

Market Review / Weakening demand-supply threatens EU Steel market balance

The EU economy considerably slowed in the 2nd quarter of 2008, reflecting strengthening global headwinds and fading internal EU dynamics. EU economic prospects sharply deteriorated recently due to the deepening global financial crisis, meaning that the EU economy is on the brink of or already in recession. Economic fundamentals may not start to improve again before late 2009. However, against the background of the unprecedented uncertainty regarding the effects of the financial crisis, the risk of a steeper downturn is certainly not to be underestimated.

Activity in the EU steel sectors is expected to deteriorate significantly over the coming quarters. Particularly during the 1st half of 2009, weakening domestic and international demand will result in new orders rapidly to dry up and output to decline in most sectors. The most badly affected sectors are construction and particularly automotive.

The EU steel market will enter a period of temporary instability and oversupply in the coming months. Until business confidence picks up again, steel buyers will limit purchases and keep stocks as low as possible. The supply-demand balance is also threatened by supply side risks. Recent import data and licence applications for imports into the EU show continued high or rising levels, with those from China on a rising trend since the 2nd quarter of 2008.

Anti-Dumping / Investigation goes on for AD measures imposition

On 31 October the Commission decided not to impose provisional measures in the AD procedure on imports of stainless steel cold-rolled products (SSCR) from China, South Korea and Taiwan, but to continue the investigation into the final stage of the procedure. The deadline for final measures has been set for 13 March 2009.

The investigation on SSCR is the second of the three steel AD investigations initiated end of last year including also AD procedures on imports of hot-dipped metallic coated sheets from China and wire rod from China and Turkey.

For more information: www.eurofer.eu

Industrial Emissions / SO₂ & NO_x trading scheme for IPPC installations

Before summer 2008, the Commission published specifications for a call for tender on the study "Market based instruments for reducing air pollution: Assessment of the possible development of an EU wide SO₂ (sulphur dioxide) & NO_x (nitrogen oxide) trading scheme for IPPC installations". The study aims at

- defining which IPPC installations would be potential candidates for a trading scheme. Large combustion plants (LCPs) will be included in the assessment while steel industry and other industrial sectors are considered as potential candidates
- defining environmental constraints for the trading scheme
- deriving cost functions
- defining options for trading scenarios

- simulating and modelling impacts of the trading scenarios

The study shall also assess competitiveness issues and the risks of leakage.

In November 2008, the Commission will nominate a consultant, who will have to submit the first interim report within a 3 months period. The involved sectors are asked to provide him with information, inter alia on the costs of reducing emissions.

EUROFER has established a SO₂/NO_x Trading Task Force. The first meeting is scheduled for 18 November 2008.

Industrial Emissions / State-of-affairs of the revision of the IPPC* directive

The EP Environment Committee's vote initially foreseen for 5 November has been postponed to 18 December 2008 but may well be further postponed to January 2009.

EUROFER's point of view is that both the Commission concept [derogation needed for setting Emission Limit Values (ELV's) in the permit that are falling outside the Best Available Techniques Associated Emission Levels range(s)] and the alternative European Safety Net (ESN) approach [no ELV's in the permit can be put above the ESN] as proposed by the EP rapporteur Holger Kraemer need to be left open for further negotiations whilst taking on board the improvements requested by Business Europe/IPP Alliance (of which Eurofer is an active member).

EUROFER is strongly opposing amendments of several MEPs asking for a SO₂/NO_x emission trading system or CO₂ emission limit values (ELVs) for large combustion plants.

The rapporteur and shadow-rapporteurs are currently working on compromise amendments which - if adopted - would make many of the 533 tabled amendments obsolete. EUROFER and the IPPC Alliance of energy intensive industries, of which EUROFER is a member, are anticipating the discussions as much as possible. The IPPC Alliance will also establish a voting list and explanatory note, supporting a comprehensive voting recommendation established by EUROFER.

* *Integrated Pollution, Prevention and Control*

Social affairs / Social dialogue for future viability & employment prospects

In June 2006, EUROFER and the European Metalworkers Federation (EMF) decided to establish a sectoral social dialogue, an initiative supported by the Commission. The aim is to deepen the constructive dialogue they had so far and contribute jointly to the future viability and employment prospects of the European steel sector. These reflections of mutual interest are carried out by the Sectoral Social Dialogue Committee on Steel (SSDC), through an extensive work programme.

In this framework, 3 ad-hoc working groups are active in the domains of

- Health and Safety at Work
- Training and Life Long Learning
- Structural Change

In the Framework of the Structural Change WG, two joint positions have been recently produced to give

recommendations to the EU decision makers and contribute to policy developments at European level, one on the Revision of the EU Emission Trading System (ETS), and one on the Competitiveness of Metals Industries.

More information: www.eurofer.eu & ec.europa.eu

Research / Revision of the Model Grant Agreement

Contracts under the Research Framework for Coal & Steel (RFCS) are based on the so-called Model Grant Agreement (MGA). Due to the revision of the Technical Guidance Document, the existing MGA is going to be revised. For this purpose, the Commission has formed a WG composed of Commission officials and members of the coal and steel Advisory Groups. This will be prepared and accompanied by a EUROFER Shadow WG, chaired by Wim Moonen (Corus).

A proposal has been presented by the Commission with the aim of closing the consultation by the end of 2008. A first review of the proposal indicates the urgent need for amendments due to the discernable tendency to introduce "framework-like" elements, e.g. "consortium agreements". Since RFCS-projects are rather small in comparison to Framework Projects the procedural alignment could make RFCS projects - which are currently the only regular source of research funding - inoperative.

Based on the results of the Shadow WG, a EUROFER position paper will be drafted and all available channels and means employed to achieve a satisfactory outcome.

Chemicals / Guidance for REACH implementation

At the end of October 2008, EUROFER published the update of the REACH Guidance, providing members with basis information on the way to implement REACH for the iron & steel industry. This document together with relevant documents on REACH are available on the EUROFER website www.eurofer.eu/reach, i.e. the EUROFER position papers, but also documents on workshops and congresses, pre-registration procedure and what is mostly appreciated the possibility to ask questions on REACH issues.

The most current Q&As have been gathered by EUROFER in a document to be circulated and put on the website in November.

Forthcoming Events

25-27 November 2008, Brussels: Conference on *Energy-intensive industries & Climate Change*. Gordon Moffat, EUROFER Director General will participate in the Panel Discussion on *Allocation of allowances - what can Energy Intensive Industries expect in phase III ?* Further information: www.integer-research.com/EI

Staff news

In November 2008, Maria Miguel Diez becomes a permanent EUROFER staff member, having successfully completed her 6 months probation period. She will continue to assist the EUROFER Environment Department in IPPC and REACH related issues. Maria previously worked in the environment department of Deloitte in Spain.

Special enclosure: The Commissions' Sustainability Package

November 2008

Issue 2

On 16 July 2008 the European Commission adopted an *Action Plan on Sustainable Consumption and Production (SCP) and Sustainable Industrial Policy* and a correlated "Sustainability Package I" (to be followed by a part II). The action plan (a Communication) is an umbrella for the single proposals made under the "Sustainability Package". The Communication summarises these and adds additional non-legislative activities led by the Commission.

The legislative proposals are the recast of the Ecodesign Directive, the review of the EU Ecolabel Directive and the review of the EMAS Regulation.

The Communication on Green Public Procurement is the only formal non-binding element.

The rest of the Action Plan announces Commission activities on LCA data, retailers and consumers, resource efficiency, support for eco-innovation, industrial policy initiatives, helping SMEs, promoting Climate Change related Global Sectoral Approaches (GSA), promoting international Good Practice and the promotion of international trade in environmental goods and services.

Proposal for a revised Eco-Design Products Directive: it should establish a framework for the setting of Eco-design requirements for Energy Using Products, and expand the scope to cover energy related products. These will be identified according to their impact on energy consumption and criteria. This proposal therefore complies with the overall objective to ensure the free circulation of products while improving their environmental performance.

The establishment of a sole framework will ensure efficiency and consistency by using a common methodology for setting requirements for such products at EU level. For those listed in a work plan, implementing measures will be created. These measures will cover the whole life cycle of products, as well as the environmental impacts at every production phases. The potential improvement of the environmental impacts will also be taken into consideration.

Proposal for a regulation revising the EU Ecolabel Scheme: the regulation should encourage the sustainable production and consumption of products, as well as the sustainable provision and use of services, by setting benchmarks comparing products and services within a same category. An Ecolabel logo would then help consumers in choosing performing products.

The benchmarks will also provide public purchasers with environmental criteria to be used as recommendations for potential future minimum standards on products. The criteria should be based on the most significant environmental impacts during the products' life cycle, in particular the impact on climate change, on nature and biodiversity, energy and resources consumption, waste generation, emissions to all environmental media, pollution through physical effects and use, and release of hazardous substances.

Proposal for a regulation revising the European Management and Audit Scheme (EMAS): the aim in revising EMAS is to increase the participation of organizations committed to improving their environmental performances, as well as to encourage new ones to join the initiative. The objective is that EMAS becomes the best indicator to measure improvements in environmental performances and

compliances with environmental legislation. The scheme will remain voluntary and EMAS will continue to be based on a standard environmental management system, as embodied in the ISO 14001 standard.

Measures proposed by the Commission to improve EMAS:

- increase the participation of companies by reducing the administrative burden and costs for small and medium sized enterprises
- enhance the promotion and support of EMAS by the Member States and EU institutions to increase the awareness of its benefit among organisations and citizenships
- harmonize the system throughout the European Union with a single set of rules
- extend EMAS to the rest of the world so that companies could use it in their contacts with non-EU organizations
- ease the use of the EMAS logo and allow that it be more widely used
- simplify the legislation for a better understanding on how the scheme works and what are the participation obligations

Communication on the implementation of Green Public Procurement (GPP): the Commission's objective is to provide guidance on how to reduce the environmental impact caused by the public sector consumption and to use GPP to stimulate innovation in environmental technologies, products and services. By 2010, the average level of GPP should be identical to the best performing Member State's in 2006. Consequently, the Commission proposes that 50% of all tendering procedures be "green" by 2010.

Among the 10 priority sectors for GPP implementation are: construction, food & catering services, transport & transport services, energy, office machinery & computers, clothing uniforms & other textiles, paper & printing services, furniture, cleaning products & services, equipments used in the health sector.

Proposals for a revised Energy Labelling Directive & for a regulation for an Environmental Technology Verification Scheme: these two dossiers will be disclosed by the Commission as "sustainability package II", probably in November.

The Product Related Environmental Issues (PREI) Working Group of EUROFER will evaluate the relevance of the single elements of this package by mid-November. Based on this analysis, the PREI WG will propose an adequate level of EUROFER engagement. After a first evaluation, the Eco-Design dossier is expected to have the most pronounced impact on the steel industry - although only indirectly via the customers of the steel industry.

Further information on the Action Plan on Sustainable Consumption & Production and Sustainable Industrial Policy: ec.europa.eu.