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### *Outlook 2009*

The outlook for 2009 is grim due to the strongly negative impact of the financial crisis, reduced credit supply and risk aversion on investment, private consumption and international trade. This will translate into a continuation of recessionary conditions for the global economy.

The economic, fiscal and monetary support announced by the European Commission and national governments will not prevent a serious economic downturn in 2009, but should be supportive to stabilising confidence. This will be a vital precondition for the potential improvement in economic fundamentals still generally expected towards the end of the year.

The 2009 outlook is very bleak for almost all steel using sectors, particularly in the first half of the year. While declining investment and private consumption in the EU and abroad will directly hit construction and automotive demand, the downturn will spread further into the main supplier networks, largely paralyzing the steel value chain. Depressed end-user fundamentals will keep real steel consumption at a subdued level. Apparent consumption is expected to see a further sharp weakening in the first half of 2009. A general mild rebound is on the cards for the fourth quarter of the year in line with the global economy picking up some speed again.

EUROFER's priority is to seek to support the industry through this difficult period, maximising access to the economic stimulus programmes being put in place in Europe and, longer-term, defining the availability of national and European support for the development of the new technologies which will be necessary for the industry to meet the challenging EU emissions reductions targets.

### *Karl-Ulrich Köhler new EUROFER president*

On 1<sup>st</sup> of January 2009, Dr. Karl-Ulrich Köhler, Executive Board Chairman of ThyssenKrupp Steel AG, took over the presidency of EUROFER. He was elected unanimously by the Board and General Assembly of EUROFER on 19<sup>th</sup> December succeeding Philippe Varin, CEO of Corus, who headed the association from 2006 to 2008.

Born in 1956, Köhler studied metallurgy in Clausthal, Germany, where he gained his doctorate in 1988. In 2005 he was awarded an honorary professorship by Freiberg University.



Köhler began his professional career already in 1980, at Thyssen Stahl AG in Duisburg, before he moved to Hoesch Stahl AG in 1988. Following the merger of the flat steel activities of Thyssen and Krupp Hoesch Stahl AG, Köhler was appointed

Executive Board Member of ThyssenKrupp Stahl AG in September 1997 and became its chairman in 2001.

For more information: [www.thyssenkrupp-steel.com](http://www.thyssenkrupp-steel.com)

### *"Europe without Barriers", the motto of the Czech EU Presidency*

On 1<sup>st</sup> of January 2009, the Czech Republic took over the EU Presidency for six months. Under the symbolic motto "Europe without Barriers" the Presidency strives for "a Europe without internal economic, cultural and value barriers for individuals, entrepreneurs and economic entities; a Europe open to the world but not defenceless against illegal activities". In its [Work Programme](#) the Presidency's priority areas are set on "Economy, Energy, and the European Union in the World", with a specific focus on solutions to the economic situation. Other issues are, inter alia:

- Climate Change / Environment: mechanisms for the financing of measures against climate change; biodiversity and soil protection. An international conference will focus on eco-labelling, audit scheme - EMAS and Community eco-management, entitled *Towards e-Environment*.
- External Relations: it will give priority to the strengthening of cooperation between the EU and the Eastern European and Southern Caucasian countries, on energy, economic, trade and environmental key topics.
- Trade policy: it will promote liberalisation and seek to limit protectionist tendencies as free trade is seen as a tool for solving the contemporary crisis.
- Transport: it will focus intensively on the proposal for a Directive on the charging of heavy goods vehicles ('*Eurovignette*' Directive). It also plans to engage a discussion on the proposal for a regulation concerning a European rail network for competitive freight.

## ***Construction Products / EP first reading on a regulation replacing the EU construction products directive***

On 21/22 January 2009, the European Parliament Committee on the Internal Market and Consumer Protection (IMCO) will vote on amendments to the Commission proposal for a Regulation laying down harmonised conditions for the marketing of construction products.

The proposal was adopted by the Commission in May 2008 (COM(2008)311) in order to further promote the free circulation and use of construction products in the Internal Market, and to replace the Construction Products Directive (89/106/EEC). The Proposal in particular aims at introducing a "common technical language" for expressing the performance of construction products, thus simplifying and clarifying the present situation. A clarification of procedures leading to CE marking is introduced as well, so to reduce costs for manufacturers, whilst ensuring that the declaration of performance accompanying the product is accurate and reliable. Specific measures are also introduced to reduce the burden on SMEs.

Due to the relevance of this regulation for steel products, EUROFER asks the Parliament and the Council to clarify and improve the conditions for drawing up the declaration of performance and the procedures leading to harmonization and CE marking. EUROFER also asks to ensure effective market surveillance and sustainable use of natural resources. EUROFER position paper: [www.eurofer.eu](http://www.eurofer.eu)

The EP is expected to finish its first reading in the week of 9<sup>th</sup> of March 2009. Commission proposal and EP documents for the vote in IMCO can be downloaded on [www.europarl.europa.eu](http://www.europarl.europa.eu)

## ***Industrial Emissions / SO<sub>2</sub> & NO<sub>x</sub> trading scheme for IPPC\* installations***

The Commission has officially announced the launch of the study on the "Assessment of the possible development of an EU-wide NO<sub>x</sub> and SO<sub>2</sub> trading scheme for IPPC installations".

The Commission confirmed that a consortium led by the consultant ENTEC UK Ltd. will perform the study that will run for 12 months. The other members of the consortium are the consultants Met.no, IVL, EERA, Okopol, IHE and Garrigues.

In order to get the data required for this study, the consultants might contact the sectors in the scope of the study in the course of the next weeks and months. The Commission intends to organize a meeting with Member States and stakeholders on the progress of this study in the course of March 2009.

The technical annex to the terms of the Call for Tender, describing the background, objectives and tasks of the project can be downloaded at: [circa.europa.eu](http://circa.europa.eu)

\* *Integrated Pollution, Prevention and Control*

## ***Transport / Rail freight as an integrated part of the environment***

EUROFER organized on 5 November 2008 the conference "Rail freight as an integrated part of the environment" during which representatives from the steel, chemical and automotive industries debated with representatives from the European Commission, European Parliament, EU Member States, and rail operators.

The principal conclusion of the conference was that a sustainable solution should be given in favour of block trains of goods and single wagons (representing respectively 50%, 60% and 90% of the total rail transport for the steel, chemical and automotive industries).

The audience welcomed EUROFER's suggestions for the period 2009-2012 so as to increase the rail freight competitiveness within the EU, inter alia: introduction of longer trains, re-launch of an investment policy promoting the ITE (Installation Terminal Embranché), investment in new carriage and new technology (e.g. polyvalent wagons), or the introduction of rail freight tariffs close to those of the road sector. More information can be found on [www.eurofer.eu](http://www.eurofer.eu)

## ***Forthcoming Events***

**28 January 2009, Brussels:** In the framework of the Sectoral Social Dialogue Committee (SSDC) on Steel, the social partners (European Metalworkers' Federation and EUROFER) will organise a workshop focussing on retention, recruitment and workforce development in the steel sector. This one-day event is part of the Objectives and Work Programme for 2009-2010 of the SSDC. Further information: [www.eurofer.eu](http://www.eurofer.eu)

**12 March 2009, Hong Kong:** The *International Stainless Steel Forum (ISSF)* annual Conference is gathering the world's major stainless steel companies as well as national and regional associations. Gordon Moffat, Director General, will represent EUROFER. Further information: [www.worldstainless.org](http://www.worldstainless.org)

**19-20 March 2009, Shanghai:** *7th International Steel Market and Trade Conference* organised by the China Iron & Steel Association and the Metallurgical Council of the China Council for the Promotion of International Trade. Gordon Moffat will speak on "EU steel market and steel demand outlook". Further information: [www.mc-ccpit.com](http://www.mc-ccpit.com)

**25-28 March 2009, Budapest:** In the light of the challenges the steel industry is facing in the coming years, the Conference and Exhibition *Energy Efficiency and CO<sub>2</sub> Reduction in the Steel Industry* no doubt will raise great interest from industry representatives and politicians. Bernhard Kohl, EUROFER's Environment Director, will chair the session on Politics. For further information: [www.eecrsteel.com](http://www.eecrsteel.com)

## Special enclosure: EU Emissions Trading System

January 2009

Issue 3

### The EU agrees on the Climate Change Package

On 17 December 2008, after months of difficult negotiations with the Council and the European Commission, the European Parliament adopted the EU climate change package. The package, which aims at a 20% reduction of EU greenhouse gas (GHG) emissions by 2020 compared to 1990 levels, and 30 % if other developed countries commit themselves to comparable emissions reductions, contains in particular the following legislative documents:

- Directive on the promotion of the use of energy from renewable sources
- Directive to improve and extend the GHG emission allowance trading system of the Community (ETS)
- Decision on the effort of Member States to reduce their GHG emissions to meet the Community's GHG emission reduction commitments up to 2020
- Directive on the geological storage of carbon dioxide
- Regulation setting emission performance standards for new passenger cars

Provisional versions of documents: [www.europarl.europa.eu](http://www.europarl.europa.eu)

### EU emissions trading System (ETS)

Of the above legislation, the revision of the ETS directive will have by far the largest impact on the European steel industry. The agreement of the EU institutions on this leaves the basis of the initial Commission proposal unchanged:

- 21 % reduction of the industry's GHG emissions by 2020 compared to 2005 levels ("the cap").
- Auctioning as the basic principle for allocating emissions allowances (EUAs), with transitional free allocation in particular for manufacturing industries.

But all EUROFER key issues are now addressed in the final text, though the wording used is ambiguous and much effort will be needed to secure that the political will and objectives are honoured in the implementation phase:

- If implemented as discussed during the co-decision process, the directive should now put both BF-route and EAF-route under risk of "carbon leakage".
- Sectors determined being at risk of carbon leakage will receive free allowances to the extent of 100 % of their benchmarks, but subject to non-exceedance of a cap on the whole manufacturing industry.
- Sector caps are substituted by a cap on the manufacturing industry, which will provide more leeway to the steel industry.
- Free allowances are subject to the evaluation of the content of the international agreement - which may be concluded in Copenhagen in December 2009 - and in any event restricted to 2020.
- Member States will be able to give monetary compensation for electricity costs of sectors at risk of carbon leakage.
- Electricity produced from waste gases from existing plants will be exempted from the general principle of "no free allocation for any electricity production", and will be covered by benchmarks. On the negative side, New Entrants will not benefit from this exemption. This applies to sites which make a "significant extension" after 30<sup>th</sup> of July 2011.
- Any extra burden in case of an International Agreement will not be automatically introduced but will be subject to co-decision.

### Timetable for the implementation of ETS\*

31/12/2009	Determination of carbon leakage (CL) sectors. Every year sectors may be added to the list
30/6/2010	Publication of EU-wide quantity of allowances (EUAs) for 2013
	Adoption of a regulation on auctioning
	Report on the situation of CL sectors, which may be accompanied by a legislative proposal
~ 2010	Commission report 3 months after signing of an International Agreement (IA) by the EU, which may be accompanied by a proposal increasing the EU emission reduction target
	Upon approval by the EU of an IA "leading to mandatory reductions of GHG emissions comparable" to those of the EU, free allocation only takes place where justified in the light of that agreement
31/12/2010	Publication of an estimated amount of EUAs to be auctioned
	Implementing measures for free allocation, if feasible based on benchmarks. Starting point for benchmarks is the average performance of the 10 % most efficient installations in the EU in 2007-2008. Free allowances should be allocated for the electricity production of waste gases
31/3/2011	Commission assessment on effects of free allocation on the solidarity fund, which may be accompanied by a legislative proposal
30/9/2011	Member States (MS) publish a list of installations covered by the directive and any free allocation for each installation
1/1/2013	Start of Trading Phase III (2013-2020) the available quantity of EUAs decreases by 1.74% each year
	100 % free EUAs for CL sectors, based on benchmarks, until 2020
	80 % free EUAs for non-CL sectors, based on benchmarks, decreasing to 30 % in 2020 and 0 % in 2027
	70 % free EUAs for electricity generators of certain new MS, decreasing to 0 % in 2020
28/2/2013	On 28 February of each year, MS issue the quantity of EUAs to be distributed that year
31/12/2014	Revision of the list of CL sectors. Every year sectors may be added
31/12/2020	End of free allocation for CL sectors, except the quantity given to other industry sectors (30 % in 2020 decreasing to 0 % in 2027)
2027	100 % auctioning for all sectors

\* The table is not exhaustive. The directive foresees numerous other deadlines and more than 20 implementing measures.