Action Plan for a competitive and sustainable steel industry in Europe

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PURPOSE: to present an Action Plan for a competitive and sustainable steel industry in Europe.

BACKGROUND: 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 European steel sector finds itself in a very difficult situation. Significantly, overcapacity is not only a European problem. It finds itself with the **simultaneous effects of low demand and overcapacity in a globalised steel market** whilst at the same time being confronted with **high energy prices** and needing to invest to adjust to the green economy and produce innovative products.

The ongoing economic crisis has led to a **marked downturn in manufacturing activity** and associated steel demand, which remains 27% below pre-crisis levels, resulting in up to **40 000 jobs lost** in recent years. Consequently the pressure to **restructure and reduce production capacity** will remain one of the main challenges for this industry in the foreseeable future.

Steelmaking capacity is expected to continue to increase in the next two years with the OECD estimating that globally it will increase by 118 million tonnes to a level of 2 171 million tonnes by 2014. The Commission considers it essential that **Europe remains an important steel producing region for economic, social and environmental reasons as well as for security of supply**.

CONTENT: this Communication represents the **Commission's response to the crisis in the steel sector** and sets out targeted actions to ensure that the operating environment is conducive to a competitive and sustainable steel industry, so that it is able to solve the structural problems it faces, compete globally and develop the next generation of steel products vital for other key European industries.

Only the **right policy and regulatory framework** combined with targeted action by the Commission, Member States and industry will help the steel sector overcome its difficulties, increase its competitiveness and produce the innovative steel products necessary to maintain and gain market share.

The Commission proposes an **Action Plan for steel** in order to identify and assess the challenges facing the steel industry. The Action Plan focuses on the following:

(1) Adapting the regulatory framework: the cumulative effects of various policies and legislation can have an impact on a business' capacity to innovate and take investment decisions. Measures include assessing by end 2013 the overall regulatory burden on the steel industry from different policies and its impact on competitiveness. In this context, the Commission is carrying out a **cumulative cost assessment on specific sectors** such as steel or aluminium. Stricter **environmental targets**, the use of **harmonised rules**, **standards** and **public procurement** can also provide a major boost for innovation.

(2) Boosting demand for Steel: the world steel industry currently finds itself with approximately 542 million tonnes of excess capacity. Out of this, almost 200 million tonnes are located in China. Presently, overcapacity is estimated at approximately 80 million tonnes in the EU, compared to EU total production capacity of 217 million tonnes. The Commission intends to boost demand for steel in the **key steel using industries** – for example the **construction** and the **automotive** sectors which account for a combined share of approximately 40% of steel demand.

(3)Improving access to foreign markets: the Commission intends to: (i) use, within its **comprehensive trade strategy,** its various trade policy tools and instruments (e.g. trade negotiations or TDI) to ensure European steel producers' have access to third country markets; (ii) take action against **unfair trade practices** in the steel sector; (iii) continue to provide timely reports on the evolution of steel imports from non-EU countries; (iv) **engage with the main non-EU producing countries**, in order to have an overview of the sector, its trends and to develop common approaches to the challenges that it is facing worldwide.

(4) Ensuring affordable energy costs and dealing with the climate change issue: the steel industry estimates that energy costs represent up to 40% of total operational costs depending on the segment of the value chain. The share of renewables in the energy mix has an impact on the price of electricity. It is therefore important that the **cost of renewable energy** comes down and that national support schemes are cost effective.

The Commission is also willing to:

- consider, upon request, issuing a Guidance letter on the competition assessment of **long-term electricity contracts** in case of novel or unresolved questions;
- conduct an analysis of the composition and drivers of energy prices and costs in Member States with a particular focus on the impact on households;
- analyse the **impact of the Emissions Trading Scheme on electricity prices** in the EU;
- examine the need for measures to address the risk of **carbon leakage** for specific sectors, in context of the 2030 climate policy discussions;
- develop proposals for the **EU's 2030 climate policy framework** in a way that fully considers cost-efficiency and potential impacts on the costs for industry.

(5) Boosting innovation: the Commission shall consider supporting, in the framework of Horizon 2020, in accordance with applicable state aid rules, R&D, demonstration and pilot projects for new technologies for cleaner, more resource and energy-efficient technologies. It invites: (i) Member States to explore the necessity and viability of **earmarking funding sources** to establish specific programmes to fund R&D&I projects in the steel sector and favour the creation of clusters; (ii) invites the European Investment Bank to consider **long-term financing applications for steel projects.**

(**6) Addressing skills needs and easing restructuring**: in this context of deep change and restructuring, the **European Social Fund** (ESF) and the **European Globalisation Adjustment Fund** (EGF) should be fully used to support the skills upgrading and updating of workers of the sector and to help positive and quick professional transitions for those who risk being made redundant.

Lastly, the Commission proposes to formally create a **High-Level Group**, which would oversee the implementation of the plan. This process would entail an annual high-level meeting. Its main aim will be to provide a European platform of mutual information, dialogue and exchange of best practice.