Mobilisation of the European Globalisation Adjustment Fund: redundancies in the steel industry in Romania

2014/2043(BUD) - 07/05/2014 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Romania following redundancies in the steel industry.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) within the annual ceiling of **EUR 150 million** (2011 prices) over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF for applications submitted until **31 December 2013** are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council on establishing the EGF.

To recall, this Fund was established to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.

In this context, the Commission examined the request for mobilisation of the EGF with a view to assisting Romania and stated that:

Romania: **EGF/2012/010 RO/Mechel**: on 21 December 2012, Romania submitted application EGF/2012/010 RO/Mechel for a financial contribution from the EGF, following redundancies in SC Mechel Campia Turzii SA and one downstream producer (SC Mechel Reparatii Targoviste SRL) in Romania. The application was supplemented by additional information up to 4 March 2014.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Romania argues that the sector of the manufacture of finished and semi-finished steel products, in which Mechel Campia Turzii and Mechel Reparatii Targoviste were active, has undergone serious economic disruption as a result of a rapid decline of the EU market share in the steel products sector and the market share growth of countries such as China.

For the steel industry as a whole, the production of crude steel in the EU-27 decreased from 206.9 million tonnes in 2006 to 177.6 million tonnes in 2011, leading to a decline of the EU-27's market share from 16.6% in 2006 to 11.7% in 2011, whereas, during the same period, China's market share increased from 33.7% to 45%.

In the period 2009-2011, apparent consumption of steel (crude steel equivalent) in the EU-27 increased from 127 million tonnes to 168.7 million tonnes (+32.9%). A similar trend was recorded for the apparent consumption of finished steel products which increased by 32.0 % in the EU-27 compared to 21.4 % at worldwide level.

In the EU-27, much of this regain in demand was absorbed **through imports** (increase of 37%), by comparison, imports of such products in China decreased by 26.9%.

These data demonstrate that the EU has recorded a substantial increase of imports into the EU of finished and semi-finished steel products in recent years as well as a relative decline of exports of such products, both of which add up to a loss of EU market share in the sector of finished and semi-finished steel products, in which Mechel operated.

To date, the steel sector has been the subject of five EGF applications.

Background to the request from Romania: Romania submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers.

The application cites 825 redundancies in Mechel Campia Turzii and one downstream producer during the four-month reference period and a further 688 redundancies outside the reference period, but related to the same collective redundancies procedure.

After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

On the basis of the application from Romania, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is **EUR 3 571 150**, representing 50 % of the total cost.

BUDGETARY IMPLICATION: considering the maximum possible amount of a financial contribution from the EGF under Article 12 of Council Regulation (EU, Euratom) No 1311/2013, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount of EUR 3 571 150.

The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

The Commission presents separately a transfer request in order to enter in the 2014 budget specific commitment appropriations.

Appropriations allocated to the EGF budget line in the 2014 budget will be used to cover the amount needed for the present application.