Mobilisation of the European Globalisation Adjustment Fund: redundancies in the steel sector in Belgium

2014/2071(BUD) - 05/09/2014 - Non-legislative basic document

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

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 financial contributions from the European Globalisation Adjustment Fund (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, the EGF 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 Belgium and stated that:

Belgium: EGF/2013/002 BE/Carsid: on 2 April 2013, Belgium submitted application EGF/2013/002 BE /Carsid for a financial contribution from the EGF, following redundancies linked to the closure of the production plant of Carsid SA ('Carsid') located in Marcinelle near Charleroi. The application was supplemented by additional information up to 4 July 2014.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, the Belgian authorities argue that the sector of the production of continuously-cast crude steel (which includes billets, blooms and slabs), in which Carsid operated, has undergone serious economic disruption, in particular a rapid decline of the EU's market share.

Between 2006 and 2011, the production of continuously-cast crude steel in the EU-27 decreased from 197.1 million tonnes to 170.8 million tonnes (13.4 %; 2.8 % annual growth), whereas, at worldwide level, production increased from 1 149.6 million tonnes to 1 438.3 million tonnes (+ 25.1 %; + 4.6 % annual growth).

This has led to a decrease of the EU-27's market share in the production of continuously-cast crude steel. By comparison, during the same period, China's market share increased from 35.5 % to 46.8 % (+ 32.0 %; + 5.7 % annual growth), whereas the market shares of the five other largest producers (which account together for around 25 % to 30 % of worldwide production) either decreased, although to a lesser extent than for the EU-27 (Japan, USA, Russia), or increased moderately (South Korea, India). These data therefore show a **rapid decline of the EU's market share** in the sector of the production of continuously-cast crude steel at worldwide level.

The effects of these changes in trade patterns have been worsened by other factors such as a decrease in demand in steel in the automotive and construction sectors in the EU as a consequence of the economic crisis and a relative increase of production costs (raw materials, energy, environmental constraints, etc.). These factors have harmed the competiveness of the EU's steel industry and have led to a high number of job losses in the steel sector in recent years due to plant closures and restructuring by several steel manufacturers in Europe. For instance, between 2008 and 2013, the number of persons employed in the metallurgic industry (NACE Rev. 2 division 24 'Manufacture of basic metals') in the EU-27 decreased by around 280 000 from 1.44 million to 1.16 million (19.4 %).

Background to the Belgian application: the application is based on the intervention criteria of Article 2 (a) of the EGF Regulation, which requires at least 500 redundancies over a period of four months in an enterprise in a Member State. The application relates to 939 redundancies made during a period of four months from 28 September 2012 to 28 January 2013. All the redundancies have been calculated from the date of the employer's individual notice to lay off or to terminate the contract of employment of the worker, as laid down in the first indent of the second paragraph of Article 2 of the EGF Regulation ('method 1').

Having examined this application, the Commission has concluded, in accordance with the applicable provisions of the EGF Regulation, that the conditions for a financial contribution from the EGF are met.

On the basis of the application from Belgium, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 911 934**.

Financial implications: considering the maximum possible amount of a financial contribution from the EGF and the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount of the requested contribution (EUR 911 934), which represents 50% of the total costs of the proposed measures.

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 requested amount under the Belgian application.