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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Belgium following redundancies in its 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 provides that the EGF shall not exceed a maximum annual amount 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) are laid down Regulation (EC) No 1927/2006 of the European Parliament and of the Council on the European Globalisation Adjustment Fund.

On 27 September 2013, Belgium submitted application EGF/2013/007 BE/Hainaut steel (Duferco-NLMK) for a financial contribution from the EGF, following redundancies linked to the closure of Duferco Belgium SA ('Duferco') and to staff reductions at NLMK La Louvière SA ('NLMK') which are both located in La Louvière.

In this context, the Commission examined the application for mobilisation of the EGF to assist Belgium and concluded the following:

Belgium: EGF/2013/007 BE/Hainaut steel (Duferco-NLMK): on 27 September 2013, Belgium submitted the application. It 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 steel has undergone serious economic disruption, in particular a rapid decline of the EU's market share. According to data referred to by the Belgian authorities, between 2006 and 2011, the production of crude steel in the EU-27 decreased from 206.9 million tonnes to 177.7 million tonnes (14.1 %; 3.0 % annual growth), whereas, at worldwide level, production increased from 1 249.0 million tonnes to 1 518.3 million tonnes (+ 21.6 %; + 4.0 % annual growth). This has led to a decrease of the EU-27's market share in the production of crude steel, measured in volume terms, from 16.6 % in 2006 to 11.7 % in 2011 (29.4 %; 6.7 % annual growth).

By comparison, during the same period, China's market share increased from 33.7 % to 45.0 % (+ 33.6 %; + 6.0 % 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 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 %).

Since the start of the EGF in 2007, there have been four EGF applications in the steel sector.

Belgium introduced its application under the intervention criteria of Article 2(b) of the EGF Regulation, which requires at least 500 redundancies over a period of nine months in enterprises operating in the same economic sector defined at NACE Rev. 2 division level and located in one region or two contiguous regions defined at NUTS 2 level in a Member State.

The application relates to 708 redundancies made during a period of nine months from 22 January 2013 to 22 October 2013 (which includes 381 redundancies at Duferco and 327 redundancies at NLMK). Duferco and NLMK are located in the same NUTS level 2 region (BE32 Prov. Hainaut) and operate in the same sector of economic activity (NACE Rev. 2 division 24 'Manufacture of basic metals').

On the basis of the application from Belgium, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 981 956**, representing 50% of the total cost.

FINANCIAL IMPLICATION: considering the maximum possible amount of a financial contribution from the EGF, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above.

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 2015 budget specific commitment appropriations, as required in Point 13 of the Interinstitutional Agreement of 2 December 2013.