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## Commission working document

### Consultation on the future “EU 2020” Strategy

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The European steel industry welcomes the Commission’s *Consultation on the future ‘EU 2020’ Strategy* and the Commission’s aim “for Europe to lead, compete and prosper as a knowledge-based, connected, greener and more inclusive economy, growing fast and sustainably, creating high level employment and social progress.” We also welcome the view that “to achieve this, Europe needs [inter alia] a strengthened and competitive industrial base”.

The global dimension in the EU 2020 Strategy has particular relevance for an international sector like the steel industry. The EU is the second steel producer in the world (200 million tonnes per year) after China, more than double the production of the USA. Over the last 20 years, its output has remained balanced, avoiding excess production while focusing on productivity improvement and production of high value added products and services. Steel is the most internationally traded product after oil. European steel industry therefore needs a level playing field with competitors from third countries.

The Commission considers that the EU 2020 Strategy should be focused on the following priorities:

- 1) Creating value by basing growth on knowledge,
- 2) Empowering people in inclusive societies,
- 3) Creating a competitive, connected and greener society.

We support these priorities. However, they are insufficient for achieving the objectives of a sustainable development, growth and a “greener” economy in Europe.

#### **Two priorities must be added to the EU 2020 Strategy**

- 4) **Securing a level playing field** for European companies with competitors from non-EU countries,
- 5) **Providing ‘Better Regulation’** – a workable legislative framework which does not foil competitiveness of European businesses and that reduces the administrative burden for the economy.

**There is in particular a lack of clarity of the future role of energy- and carbon-intensive industries in Europe and of the importance the Commission is giving to them for the prosperity and sustainable development of the EU.**

In its *Manifesto of the European Steel Industry for the European Commission 2010 to 2014* ([www.eurofer.eu](http://www.eurofer.eu)), the European steel industry sets out the basic conditions which are needed for achieving the EU 2020 objectives and which must be fully addressed by the Strategy:

- The EU 2020 strategy needs to state clearly that, if the EU wants to stay a world leader in innovation, in environmentally friendly and carbon lean technologies and if it wants to provide sufficient jobs to its citizens, it must ensure that the supply and value chain stays intact. This means that its primary industries, such as the steel industry, have a long term

perspective in Europe. An economy exclusively or principally relying on services is not able to provide long-term prosperity to its citizens.

- The EU 2020 strategy needs to clarify that the European primary industries will remain the backbone of Europe's prosperity. Europe's primary industries are highly innovative. For example, European steelmakers are developing and manufacturing in Europe thousands of different new steel solutions, in close cooperation with the downstream users, providing the foundation for European innovation, durability, CO2 reductions and energy savings in applications as varied and vital as automotive, construction, machinery, electronic appliances, household goods and wind turbines. Steel is also 100% recyclable and therefore contributes significantly to the long-term conservation of fundamental resources for future generations. There is and there will be no windmill in Europe without steel. Europe already is the world leader in wind energy technology as it is in steel technology. If we want to stay the world leader in wind energy technology, and make windmills more efficient and durable, we must also stay the world leader in steel technology and secure steel production in Europe. The same accounts for energy lean technologies in many other sectors which do need steel for delivering efficiency.
- Primary materials such as steel, chemicals, paper and cement are energy and carbon intensive and are therefore responsible for a large part of global GHG emissions. However, global production of primary materials will significantly increase, and by this global GHG emissions. The EU 2020 must put straight that the successful development and deployment of breakthrough technologies in Europe will enhance global solutions. The Commission must make a clear commitment that the reduction of production in Europe in order to achieve its climate change objectives would be the wrong approach. It must emphasize that the EU's climate change policies must not lead to relocation of European production to third countries. Only if Europe can prove that it can achieve its GHG objectives without reducing production in European energy-intensive industries, it will be successful in its ambitious plans for growth and a greener economy, and successful in promoting comparable reductions in emissions in countries worldwide.

**In order to support the 5 priorities as stated above, the EU 2020 Strategy** should focus on:

- **Providing more support for R&D in breakthrough technologies** such as ULCOS (Ultra Low CO2 Steelmaking) which aims at reducing CO2 emissions from steelmaking by 50% by 2050 or the development of new steel solutions (for example high strength and ductility steel). The EU is still far behind the US and Japan in funding of R&D. The strategy must set a clear objective that support for R&D at European and national level is set at a competitive level comparable to other industrialised countries. The EU's research framework programme must be used primarily for the development and demonstration of new technologies. Particular support should be given to the economically risky and very expensive pilot and demonstration phases. This will not only help Europe reduce its own emissions but also provide for alternative technologies and reductions in emissions worldwide.
- **Providing adequate European measures to overcome the problem of skill shortage in the manufacturing industries** and developing new skills for new jobs in these industries in the light of both technological and demographic changes (emphasizing life-long learning). For this, and for achieving the Commission paper's priority for "empowering people in inclusive societies", adequate financial support from the European Structural Funds is needed. In a decade, the European steel industry has encountered serious skill shortages. The European Metalworkers' Federation (EMF) and EUROFER have conducted a Sectoral Social Dialogue Committee on Steel since 2007 to contribute to the viability and perspectives of the European steel sector. Both social partners have decided to focus their work on the

anticipation of skills requirements; they have also considered exchanging information with the European Institutions to contribute to preserving the competitiveness of the EU steel industry in the framework of specific legislation.

- **Ensuring a level playing field with non-EU competitors** in climate change policies. Emerging economies alone account for more than 60% of global CO<sub>2</sub> emissions from steelmaking, the full participation of their steel industries in any international agreement on climate change is therefore indispensable. Until such an international agreement provides for equal, verifiable and enforceable CO<sub>2</sub> reduction objectives, the EU ETS must continue to allocate 100% of emissions allowances free of charge to sectors at risk of carbon leakage, based on achievable benchmarks. The EU must also compensate for the ETS-related increase in electricity costs and, if necessary, provide for border adjustment. How can a level playing field be reached if the Commission sets benchmarks under the ETS that even the most efficient installation in Europe cannot achieve while competitors from third countries will have to do little or nothing to reduce their emissions?
- **Delivering 'better regulation'** by reducing administrative and financial burdens of EU environmental legislation, whilst improving the levels of environmental protection. The Commission needs to keep legislation simple, reduce the volume of new measures, avoid duplicate or contradictory regulation and excessive reporting requirements, and take account of national particularities and the subsidiarity principle. The combined effects of the directives on Integrated Prevention Pollution and Control (IPPC, Industrial Emissions), National Emission Ceilings (NEC), Ambient Air Quality (AAQ) and the discussions around a potential SO<sub>2</sub>/NO<sub>x</sub> emissions trading scheme are examples where better regulation has failed so far.
- **Taking vigorous action to secure open markets** and strictly enforce EU trade laws in order to ensure fair competition from non-EU countries. The EU is the most open major market in the world, while non-EU countries use many kinds of trade restrictions or distortions to give artificial advantages to their own industries. European trade defence laws and practices must be used to their fullest extent against dumped and subsidised products if the European economy is not to suffer potentially irreparable damage.
- **Securing competitive energy prices in Europe** comparable to those available to competitors outside the EU. The 3rd Energy Package needs to be quickly implemented in order to liberalise the European energy markets and to encourage the expansion of trans-European energy networks. This will facilitate competition and build a real Europe-wide common energy market. Any unilateral EU measures leading to higher energy prices in Europe, such as those resulting from the EU ETS, energy taxes or renewable fees, must be avoided, capped or compensated for. This is particularly important in order to ensure the continued recycling of steel scrap in the EU's energy-intensive electric arc furnaces.
- **Establishing an effective EU strategy for access to raw materials.** The Commission should develop its communication on 'The Raw Materials Initiative' (2008) into an integrated strategy. Priority must be given to the establishment of a level playing field for access to metallurgical raw materials in the EU's trade policy as well as in the framework of the EU's external relations with third countries. In particular, EU action must include the application of EU competition rules to guarantee real competition and oppose further concentration in the international raw materials markets.