



01 • 2013

January

In this issue:

- HIPH Council
- Meeting Ministry of Finance – excise tax application to coal losses
- Meeting Ministry of Finance's VAT Department
- Energy WG
- Statistics Committee
- Economic Committee
- PUDS about steel rebars market
- PPTS Steering Committee

HIPH Council

December 20, 2012 saw the HIPH Council meet in Katowice.

The Council listened to the Board's update about:

- Steel market situation after 11 months of 2012.
- Financial performance of HIPH in 2012 – initial report.
- Status and outcomes of the Coalition work (steel makers, HIPH and law firms) on:
 - ♦ Unfair practices in intra-Community steel trading,
 - ♦ Efforts to get excise tax relief for natural gas,
 - ♦ Reduce electricity cost charges,
 - ♦ Indirect electricity cost compensation under EU ETS scheme.

Worse steel market condition in H2 2012 manifested itself in weaker demand, dropping steel prices and ever growing scale of intra-Community VAT fraud.

The Council deemed it necessary for the Council to continue their endeavours in all afore-mentioned areas and accepted the Activity Plan 2013 presented by the Board

Meeting the Ministry of Finance - excise tax application to coal losses

On January 7, 2013 we attended the working meeting upon the invitation by Mr W Bronicki, Department Director, Excise Tax and Games, Ministry of Finance, dedicated to issues relating to excise taxing coal product losses. Coal and coke used, inter alia, in metallurgical processes are relieved from excise tax

(Tax Relief for Certain Citizens and Companies Act dated September 16, 2011); however, losses arising during storage and transportation are subject to the excise tax. The Industry representatives indicated that, the bulk measurement method applied in the provisions shows losses higher than in reality (by volumetric method). The industry participants filed for sanctioning the volumetric measurement method (e.g. by way of a ministry of Economy regulation), thus allowing for solving the issue in 2013. The Ministry of Finance would consider the correction of loss accounting for 2012. The meeting was attended by AMP S.A., power sector (IGCP, PTEZ, TGPE), chemicals (Anwil) and FOEEiG.

Meeting Ministry of Finance- VAT Tax Department

January 16, 2013 saw the Ministry of Finance holding a meeting with: HIPH, steel rebars makers and Ernst & Young. Mr Tomasz Tratkiewicz, Department Director, VAT, was presented the steel rebars VAT fraud scale including its negative consequences for the state budget and the steel mills. In spite of many efforts undertaken by both fiscal agencies and non-fiscal institutions the magnitude of the VAT fraud keeps growing. It poses a threat to the operating existence of national mills. The meeting was designed to persuade the MF that the reverse charge mechanism be applied to steel rebars trades. The declaration was obtained in the meeting that MF would make a decision in short term to address this solution and, when approved, would apply with the EC for such mechanism implementation. Meanwhile, actions should be initiated to improve problems identified so far, notably information flows between the VAT Department and Fiscal Controls Department. Dir Tratkiewicz was handed over a steel rebars trade fraud report drafted by Ernst & Young.

Energy WG

January 21 saw the meeting of the Expert WG on Energy to discuss, and obtain opinions on,:

1. key aspects of the bid for offers announced on 4.12.2012 by PSE Operator SA for systemic services to be

rendered by industrial buyers of electricity, relating to demand reductions on TSO (Transmission System Operator) instructions;

2. issues relating to the compensation possibility to steel mills as large electricity buyers to get compensation of electricity cost increases due to EU ETS operation.

The mills showed interest in participating in the domestic electricity system, but the tender conditions offered by PSE-Operator are not acceptable. Draft compensation establishing provisions were discussed including compensation granting principles and procedures. In light of legislative provisions compensation would not be applied to auto-generators (electricity generators for own needs).

Statistics Committee

The Statistics Committee met on January 23, 2013 at Eurofer's premises in Brussels to discuss:

- Availability of trade statistics relating to third countries;
- Prior Surveillance System;
- Position on customs tariff codes change for coke;
- Information about Croatian iron & steel industry.

Eurofer let know that thanks to German and English federations commercial data could be obtained from Algeria, Russia and India.

On December 31, 2012 Prior Surveillance system of import licences ceased to operate. Eurofer was assured by EC that a new form of quick and precise third-countries steel imports information be introduced and made available by the Commission in mid February.

CN Code changes for coke were to consist in integrating all coke types based on hard coal into one single code while liquidating lignite coke code and transferring it into "Others". The opinion on changes to be made from 2014 will be issued by Eurofer's Raw Materials Committee.

Economics Committee

During Eurofer's Economics Committee held on January 24 in Brussels discussed were:

1. changes to sectoral steel use matrix.
2. present steel market condition and forecasts in EU for 2013-2014
3. EU (27) steel market report in 2012.

The new steel use matrix changes relate to:

- construction (expanded by steel structures sector),
- automotive (besides passenger cars, auto parts and engine manufacturing and sales will be reported),
- home appliances (extended by data on radio and television and other electronic appliances for domestic use),
- other transport equipment (to include manufacturing data on ships, wagons, and locomotives as well as remaining

transportation equipment).

Thus, the percentage shares of various industries changed to the sectoral steel use. The reports shall be based upon data of 2010 (2010=100). The steel sectoral use matrix in Poland the shares of various industries are as follows: construction 44.1%, mechanical machinery 10.1%, automotive 7.3%, electronics equipment and home appliances 5.2%, other transport equipment 6%, tubulars 8.9%, metals products 15.9% and "sundries" 2.5%.

Reported will be: hot rolled strip (wide and narrow), quarto plate, cold rolled coil and sheet, galvanised coil, organic coated coil, heavy sections, rebars, wire rod, merchant bars and remaining goods.

12 country reports were presented, situation in Poland was presented by HIPH Chairman. The collective report about EU-27 was drafted by EUROFER in reliance upon data submitted by national associations (status as of January 18, 2013). Upon comments by the Economics Committee, the report was amended and is available on Eurofer's webpages.

PUDS about steel rebars market

January 31 saw another meeting of the boards of HIPH and PUDS with concerned member companies. The agenda was about finding ways to counteract unfair practices in the intra-Community rebars trading.

It was agreed that a fast implementation of the reverse charge mechanism is needed to reduce and/or eliminate such illegal practices in Poland. Program and organisational details were arranged for the co-hosted event on 'Carousel Frauds on Polish Construction Market – Steel Rebars Example. The operating modi, magnitude of the fraud and penalisation as well as preventive ways' will be held on 27.02.2013 in Warsaw.

The Conference is designed to improve the awareness of the steel rebars consumers and is targeted at final users, notably cutters & benders and builders.

PPTS Steering Committee

January 8 saw the meeting of the Steering Committee of Polish Steel Technological Platform at the Institute of Ferrous Metallurgy in Gliwice, to develop recommendations for the sectoral program for the National Research and Development Scheme (NCBiR). The objective was to discuss possibilities for the steel community to apply for funds from the National Research and Development Scheme (NCBiR) for the Sectoral Program implementation. Prof. J. Paduch presented principles of sectoral program (SP) establishment including an SP application proposal under the working title: Steel and Steel product Manufacturing and Conversion. The meeting expressed their willingness to initiate activities designed to set up the sectoral Program.