



**IN THIS ISSUE**

- **Association's appeal to Regional Development Ministry on emission allocation**
- **New hot rolling mill launched in MSP Krakow Branch**
- **Dumping duties on Polish reinforcement bars in exports to USA**
- **The Ukraine attempts to increase quotas for SB2 and SB3**
- **EU-China Metal Working Group**
- **Preferential rules of product origin in EU Trade Contract with ACP countries**
- **The energy efficiency in Poland**
- **Regeneration of Post-Industrial Areas**
- **New Member of the Polish Steel Association**

**Association's appeal to  
Regional Development Ministry  
on emission allocation**

On 12 July 2007, HIPH's Board addressed another letter, this time to Ms Grażyna Górska, Minister of Regional Development, with a copy to Deputy Prime Minister, Mr Gosiewski and to the Ministers of Environment, Economy, Transport and Construction applying for support in our efforts to grant the emission allowances at the level of 14.5 million tonnes per year for the sector. Such amount was calculated on the basis of indices of the unit emission and the production forecasts for 2008-2012 confirmed by steelworks. The allocation amount proposed by the government as a result of "the average emission in 2005 and 2006 multiplied by the emission reduction ratio" is unacceptable – it prevents not only development but also survival. We informed the Minister that the accomplishments from privatisation period, organisational changes and privatisation of steelworks made the steel industry a modern sector with the opportunities of further development in a sustainable way. Techniques and technologies applied in the steel industry meet BATs, the sector records profits and settles its liabilities (including the state budget ones) while the owners implement vast investment programme adjusting successfully their product offer to the market. The industries which relocate to Poland manufacture consumption goods involving steel (machinery, automotive, white goods sectors and others) while the National Development Strategy implements at a rapid pace. The industry share in the value added generated by the Polish economy grows making our country attractive for foreign investors. The Polish market is also perspective in consumption of steel products. Since 2004, steel consumption has been growing by a dozen or so percent per annum. Domestic supplies cannot meet demand, nearly in half they are supplemented by imports. Good condition of the steel sector translates into profitable operation of the suppliers of raw materials (coal and coke), electric and heat energy and others. In order to look into the future positively, formal conditions for the sector's

performance cannot get worse. Some concern appears after EC reduced limit of emission allowances for 2008-2012 by 26.7% compared to the amount applied for by the Polish Government. The emissions in the steel sector is a process. Insufficient emission allowances will lead to lower competitiveness of the steel businesses and will result in the reduced steel supplies from domestic production which will have some impact on the speed of implementation of the NPR infrastructural projects. When allocating the emission allowances to the industrial branches, an economic objective should not be missed, which is multiplying the national revenue. Processing industries (including the steel sector) are vital donors to the state budget. The restructured and modernised industrial sectors, which have already born the burden of restructuring (also with public money), should be given a chance of sustainable development – the steel sector is such an industry. Full text of the letter with justification has also been sent to steelworks, the NAP II beneficiaries.

**New hot rolling mill launched  
in MSP Krakow Branch**

On 28 June 2007, the first hot rolled coil in the new rolling mill was released.  
Congratulations!



The event was attended by about 200 direct participants (contractors, investor's representatives and workers of the new rolling mill) and indirect witnesses – it is hard to state precisely the number as the interest in the products of the new rolling mill is huge. For 27 July 2007, the main launching celebrations are scheduled. We are aware that some time is needed for reaching full production capacity but already today we cross our fingers for success and express our appreciation for the achievement. This investment will move Poland forward to "the first league" of the world producers of modern and high quality sheets and strips.

### **Dumping duties on Polish reinforcement bars in exports to USA**

On 10 July 2007, the USA International Trade Commission ("ITC") decided to keep in force dumping duties on exports of reinforcement bars to USA from six countries including Poland. We kindly remind that the Association have asked domestic producers of the bars to participate in the proceeding but unfortunately, they did not show any interest and eventually Polish producers did not take part in the proceeding. For revoking the duties on Polish exports, there was shortage of one voice (voting results were 3-3 which according to the USA law means the duties will be maintained). The duties were revoked only for South Korea exports. Justification of the decision will be published within a few weeks. We are able to share the presented hereby information thanks to courtesy of the White and Case LLP Chancellery from Washington.

### **The Ukraine attempts to increase quotas for SB2 and SB3**

The Ukraine intends to increase the 2007 quota by 400,000 tonnes including the product group SB2 (wire rod) by 150,000 tonnes and the product group SB3 (other long products) by 250,000 tonnes. The steelworks gave a negative opinion about it. We have summarized them into 4 conclusions:

1. Additional quota for the Ukraine will apply for long products which constitute basic product and the main source of income for Polish steelworks.
2. The competition in the Polish long products market is very tough. Wire rod import is on a rapid increase year to year. In 2006, wire rod was imported to Poland in the amount of 244,000. If the trend for the first 4 months continues, then at the end of 2007, wire rod imports will account for 540,000 and import growth dynamics will exceed 90%.
3. According to data received from steelworks at the end of June 2007, very big stocks of long products were recorded leading to significant reduction in domestic sales in spite of the price reduction by about PLN 500 per tonne.
4. Large part of the Ukrainian imports to the EU enters the Polish market (about 13%). Therefore, the Polish Government should oppose the quota increase on forum of the Steel Committee 133. HIPH Board made such a motion to Ministry of Economy.

### **EU-China Metal Working Group**

On 3 July 2007, during the Metal Working Group sitting in Brussels, a discussion on trade balance in steel and non-ferrous metals

between EU and China was held. The EU delegation comprised the representatives of EC, Eurofer, Arcelor Mittal, Eurometaux, Wirtschaftsvereinigung Stahl. HIPH represented a Polish association. The Chinese delegation consisting of 4 members was headed by YU Dong-ming. A. Carvalho, Head of Unit in EC DG Enterprise, opened the meeting saying that priority for the coming years in the EU industrial policy will be reducing CO<sub>2</sub> emission in the whole Europe and increasing the energy efficiency in the EU economy. He characterized the main guidelines for the industrial policy and described measures for meeting the goals emphasising the so called "green" aspects. When briefing on the trade policy, he highlighted the importance of China in the policy. The material and investment aspects are crucial in this collaboration. The Chinese delegation presented a speech on the state of restructuring of their steel industry. Apart from investments, liquidation of inefficient and outdated production capacities are the priorities. Mr Carvalho suggested for EU to share its experiences in this respect. HIPH President offered to show Poland's experiences from the restructuring programme. The proposal was met with interest – upon discussing with Eurofer, it will be introduced to EC.

### **Preferential rules of product origin in EU Trade Contract with ACP countries**

In response to the letter of Ministry of Economy dated 9 July 2007 on preferential rules of product origin to be introduced by the EC to Trade Contract with ACP countries, the Association presented the following standpoint: Only part of the steel companies support maintaining the high 60% value added thresholds. The remaining members did not give any opinion which was caused probably by the fact that bilateral trade between Poland and the ACP countries is still minor and the deadline for opinions was very short.

### **The energy efficiency in Poland**

On 17 July 2007, at the initiative of Ministry of Economy, Energy Department, a consultation seminar was held in Warsaw on "Energy Efficiency in Poland: new Act, new instruments". Subject of the consultations was the possibility of implementing the Long Term Agreements (LTA) under the new Act on energy efficiency. The consultant's role was played by a Dutch firm, SenterNovem. Representatives of the energy recipients and the energy producers were invited. The outlines for the discussion were Dutch experiences in promoting the energy efficiency and in the effective period of Long Term Agreements as well as a briefing

provided by Ministry of Economy on the current status of works on a new Polish Act on energy efficiency against political initiatives and legislative solutions of the European Union. In Holland, the Long Term Agreements are signed by the Government of the Kingdom of the Netherlands with a representation (self-governed organisation) of a given branch of industry. There is a condition for the self-governed organisation to represent 80% of the energy consumption in a given sector. A Long Term Agreement is signed for four years. At the end of each year, reports are made on the implementation of the Agreement. According to Ministry of Economy, Polish activity plan for energy efficiency contains stimulating mechanisms ("white certificates") and to pro-saving mechanisms (voluntary obligations). In the opinion of Ministry of Economy, draft on energy efficiency will be ready in October 2007 with an effect in May 2008. Once the draft is received, the Board will disseminate it among the Members of the Association for their evaluation.

### **Regeneration of Post-Industrial Areas**

We took part in a conference: "Regeneration of post-industrial areas" held in Katowice on 28 June 2007. The French and German experiences in regeneration of post-industrial areas in the Nord Pas de Calais and North-Rhine Westphalia regions were introduced. The German project was realized for 27 years at the cost of 1.760 billion EUR, of which: 440 million EUR were allocated to the settlement of land ownership issues, 690 million EUR were spent on the actual land regeneration, 250 million EUR were spent on new roads construction, 130 million EUR were allocated to preservation and restoration of historical structures, 250 million EUR were spent on experts' remuneration and additional fees. Unfortunately, the regeneration programme for degraded and post-industrial sites in the Silesian Voivodship is still an idea only.

### **New Member of the Polish Steel Association**

**Polski Koks S.A.**

**Welcome as our Member!**