Waste to Energy Plants

There are currently existing or planned projects within Local Authorities for the Construction of Waste to Energy Plants. The GMB would like to see the Welsh Government and the wider Welsh Public Sector amend their procurement policy to demand that such projects are built under the NAECI Agreement, which is the National Agreement between employers and Trade Unions in the Engineering and Construction Industry in the UK. The effect of this would make it more likely that contracts would be awarded to indigenous companies using local labour and offering greater support to the use of domestic steel in such projects. Currently, Local Authorities are awarding contracts to non-indigenous companies employing foreign labour who are often exploited and in some cases, do not have the necessary skills. Additionally, these projects are more likely to be built using non-domestic steel.

Europe's Steel Industry is in deep crisis. The UK Government has insisted that it is unable to intervene to support UK Steel as a result of EU Rules. However, other European countries support their foundation industries within the rules because they believe they are so strategically important to their general manufacturing base. If a complaint is launched against National or Regional Action, EU State Aid Rules are restrictive but not prohibitive. It is possible to gain approval. This may be qualified for a specific reason beyond simply supporting the Industry, relating to environmental or Public Health concerns, the investment in research and development or training, which would be lost with the closure of the works. Labour MEP's all currently calling for a review of state aid rules to allow Regional cohesion and employment to factor in the Commission's criteria.

Below you will find examples of the ways that other EU Governments have intervened to support their domestic Steel Industries, and other Energy Intensive Industries. There are examples of Regional Governments taking initiatives in Germany and Spain.

<u>Temporary Renationalisation</u>

In early 2015, the Italian Government temporarily renationalised the IIva Steel works in Taranto, Southern Italy. The Italian Government cited the unabated toxic emissions and very poor environmental standards, which had led to unusually high rates of cancer in the area around the plant. It is estimated that it will cost €1.8 bn to make IIva complaint with the Industrial Emissions Directive's standards. This decision is currently subject to a complaint from EUROFER (European steel industry association) under state aid rules.

<u>Investment in Strategic R&D Facilities</u>

The French Government are providing state-aid to the ArcelorMittal plant at Florange, in France to support their on-going R&D work, this follows on from a long running industrial dispute over the closing of two blast furnaces. This public support comes to a total of €20-50 million over 4 years with a further 33 million been raised in public-private investment.

<u>Support for Energy Efficiency/Environmental Technologies</u>

In 2010, the European commission accepted German state aid of €19.1 million for an energy-saving steel production project run by Salzgitter Flachstahl GmbH, a subsidiary of the Salzgitter AG Group. The aid will allow Salzgitter to produce steel through an innovative production process, Direct Strip

Casting (DSC), which consumes less energy than alternative processes. The aid is in line with EU guidelines on State aid for environmental objectives, because of balance, the positive effects for the environment largely outweigh potential distortions of competition.

Loan Guarantees

In 2010, before the May elections (which saw a change in Government), the UK Labour Government was willing to provide Sheffield Steel producer Foragemasters with an £80m loan to develop new technologies as part of a supply chain for nuclear reactors. While ultimately the new Government withdrew this offer, the reasoning for a change of heart was ideological and not related to European State-Aid rules.

Taking a Public Stake in a Steel Company

Following the sale of 20.5% of shares in 'NLMK Belgium Sogepa Holding SA' for 91.1 million euros (€123 million), the Belgian Public Authorities have a Shareholding in a new company producing steel which owns steel plants in Belgium, France and Italy. NBH employs about 1,000 people in Belgium, while the European division employs 2,530 people in total. The engagement of the Belgian Public Authorities has helped strengthen the commitment of the Russian Group, and transformed the company carrying the steel business in Public Private joint venture with the financial support of the Walloon Region.

Compensation for Energy Costs

A range of German Government Industry Policy interventions provide German Industry as a whole, including its energy intensive industries, with a range of long established reliefs from energy and climate change-related duties, levies and taxes:

- Over the period 2010-2012 Germany's support for its Ells were worth 26bn euros, or some 8bn euros (£6.4bn) a year.
- Support covers thousands of firms. Unlike the UK package, support is not confined to specific sectors.
- At company level, in Germany compensation is available for 90% (or in the case of larger and energy intense consumers, 100%) of electricity taxes.

In Sweden, the PFE programme aims to encourage, through incentives (reductions in the amount of energy taxes), energy-intensive industries to improve their energy efficiency. This is a long-term agreement involving the Swedish Government, the energy-intensive industries and Trade unions. The duration of this program is 5 years. 117 Industrial Companies are involved in this project (i.e. 250 plants). The Swedish Energy Agency monitors and controls the programme. The Programme Board, established in 2005 brings together representatives from Government, Business, Trade Unions and Employers, as well as research centres. Both with an advisory and regulatory purpose, the Board meets four times a year. After only two years of existence, more than 900 measures were implemented or underway. These measures cost the companies €100 million but benefited from a rapid return on investment (two years on average). They have saved about 1 TWh per year of electricity, i.e. from 500 kT to 1 million tons of CO_2, and a total of €55 million. In 2010, it doubled its objectives.

Using the Powers of the Official Receiver to Support Employment & Attracting Buyers for Troubled Plants

In November 2014, the Italian Government agreed to sell Italy's second-largest steelmaker Lucchini's Piombino complex to family-owned Algerian conglomerate Cevital. Lucchini was previously owned by Russia's Severstal but was declared insolvent in 2012 and placed into special administration. The company received two offers for its core assets in Piombino, one from Cevital and the other from India's JSW Steel. The Government administrator said the Cevital offer was more attractive as it foresaw full employment at Piombino. The Piombino complex employs about 2,000 people and can produce up to 2.5 million tonnes of steel a year.

A key concern in the UK Steel Industry is about the loss of skills and the consequent loss of industrial capacity in the case of an upturn in the cyclical market. Statutory labour market instruments to support shortened working time at companies hit by the crisis, often interacting with collective agreement, have proved to be an effective instrument to cushion the employment impact of the crisis in a number of European countries. In the case of closure, EU funds are available for the workforce. Here is a short overview of some measures used:-

"Kurzabeit" (short time working)

When flexibility through sectoral agreements and plant agreements are exhausted, many EU countries have short-time working, which as a statutory labour market instrument comes to the fore. As an example in Germany, it guarantees employment by stipulating hours that fall short of the regular working hours regulated in collective agreements, while compensating for losses in income due to temporary inactivity for certain groups of employees such as construction or seasonal workers. Losses of income due to a decrease in working time are compensated by state subsidies issued by the Federal Agency for Labour (Bundesagentur fur Arbeit). In the case of complete temporary inactivity, 60 or 70 per cent – according to family status – of the last net wage is borne by the state, while the rest is paid by the employer. The employee retains all social security entitlements such as health, accident, pension and nursing care insurance. Conditions for the deployment of short-time work include economic difficulties, such as sharp declines in demand.

Solidarity Contracts

In Italy, solidarity contracts are agreements between the company and the Trade Unions which aim to reduce working hours in order to maintain company employment levels during a crisis. The 2013 IIva solidarity contract led to a reduction in the overall number of workers considered 'redundant' as a consequence of the restructuring process: 3,749 workers compared with the 6,417 affected originally. The maximum reduction in monthly working hours has been 34% (equivalent to the work of 3,749 'redundant' workers) and was distributed between all 11,000 employees at the Taranto plant starting from March 2013. Furthermore, the solidarity agreement foresees the setting up of an inter-ministerial table, including the Ministries of Welfare, Environment and Economic Development, in order to monitor the progress of the authorisation's instruction at the Taranto Plant and the surrounding areas. The Trade Unions, the Region of Puglia, the local bodies and the agencies that monitor the reclamation process participate in the meetings, which were originally planned to occur every six months, or when requested by one of the parties.

European Globalisation Adjustment Fund

EGAF provides support to people losing their jobs as a result of major structural changes in world trade patterns due to globalisation e.g. where a large company shuts down or production is moved outside the EU, or as a result of the global economic and financial crisis. The EGAF has a maximum annual budget of EUR 150 million for 2014-2020 and can fund up to 60% of the cost of projects designed to help workers made redundant find another job or set up their own business. As a general rule, the EGAF can be used only where over 500 workers are made redundant by a single company (including its suppliers and downstream producers), or if a large number of workers are laid off in a particular sector in one or more neighbouring regions. EGAF cases are managed and implemented by National or Regional Authorities and projects can run for up to 2 years. Individual workers made redundant can benefit from EGAF projects. Over 2014-2020, this can include the self-employed, temporary workers and fixed-term workers. The UK has never applied to use EGAF funding because of the UK rebate. Here are some steel and sectoral examples:-

- In 2011, when the sector was hit by harsh economic conditions, the Dutch printing sector made a sectorial application to this fund - €5.8m helped 1,764 workers made redundant by 101 enterprises.
- In mid-2014, Romania asked for €3.6 million from the European Globalisation Adjustment Fund (EGF) to help 1,000 former workers of the steel products manufacturer SC Mechel Campia Turzil SA and the downstream producer SC Mechel Reparatii Targoviste SRL to find new jobs.
- In late 2014, Belgium asked for €911,934 from the European Globalisation Adjustment Fund (EGF) to help 752 former workers of steel producer Carsid S.A. to find new jobs. The redundant workers are mostly in the area of Charleroi in the Walloon Region.

The GMB would encourage the Welsh Assembly Government to support action for anti-dumping of non-domestic steel:-

- Current framework for anti-dumping action

  An industry or a member state can request an investigation into an alleged case of dumping. The Commission may correct any damage to EU companies by imposing anti-dumping measures in the form of duties on imports of the product from the country in question. The duties can be fixed, variable or a percentage of the total value (ad-valorem). They can last up to 6 months (provisional measures) and, if the EU Council decides to make them definitive, 5 years. EU anti-dumping follows the 'lesser duty' rule: duties cannot exceed the limit of what is strictly necessary to prevent an injury for an EU industry, meaning that it can be lower than the actual dumping margin.

  Before imposing any anti-dumping measure, the Commission must first carry out an investigation to determine if dumping is taking place from the country/countries concerned, if a material injury has been suffered by the EU industry, if it is the dumping that is causing the injury, and if it would be against the economic interests of the EU to impose measures. Investigation must not last more than 15 months.

- <u>Legislative Reform</u>

The Commission proposed in 2013 a set of amendments to TDI Regulations, most importantly creating an exemption to the 'lesser duty' rule in imposing higher duties on imports from countries which use unfair subsidies and create structural distortions in their raw material markets.

The European Parliament adopted the Commission proposal with several amendments, notably limiting the maximum duration of investigations for both anti-dumping and anti-subsidy to 9 months, granting Trade unions the possibility to request an investigation, and adding a further exemption to the lesser duty rules to cover cases of social and environmental dumping.

Informal negotiations between the European parliament, Council and Commission were stopped by the Council in November 2014, as member states were unable to adopt a common position. The rotating Presidency of the Council, at the time Italy, asked the commission to "reflect on the way forward". Negotiations have not yet resumed.

A group of 14 countries led by the UK and supported by the Scandinavian countries, Baltic countries and Germany (intermittently), succeeded in forming a blocking minority over the issue of the 'lesser duty' rule. This group is opposed to anti-dumping in principle, and could only agree to it in the first place provided that any EU instrument would be tightly limited by the 'lesser duty' rule.

As the European Parliament adopted its first reading position, the only way to revive this process would be for the Council to adopt its own first reading position, with mind to reaching a second reading agreement with the Parliament. This objective is not mentioned in the Commission's most recent "Trade Strategy" (October 2015). The Competitiveness Council on the European Steel Industry of 9 November 2015 did call for taking a "constructive approach" to the modernisation of TDI, but only the Foreign Affairs/Trade Council is competent over this matter (i.e. foreign affairs and trade ministers).

There is evidence of good practice amongst Governments of other European countries that the GMB feel could be implemented by the Welsh Assembly Government in order to protect the continuation of the Steel Industry in Wales and secure the skills and the livelihoods of the Welsh Steel Workers.

JG/RG
15.02.2016