



Belgian Steel Federation

# Belgian Steel in 2013



A N N U A L R E P O R T



In 2013, the world economy has gradually been recovering, albeit in highly different degrees from one region to another or even within one and the same zone, as was the case in the EU.

The upturn in the international economic climate stays however hesitant and fragile : it is depending upon the confirmation of the revival in the United States, the persistence of the growth in China and the emerging countries, as well as on the ability of the EU – and especially the Eurozone – to keep up a rise in industrial activity during several consecutive months.

In the steel industry globally, the on-going buoyancy of production and consumption in China, India, the Middle East and most of the emerging economies has resulted in new world record figures.

The EU steel industry however received no positive impulse from the main consuming sectors (construction, automotive, equipment goods) and registered another 2% decline. The Belgian and European steel producers are facing an internal demand which has been clearly regressing since 2008, coupled with a sharpening international competition. Despite the downturn in consumption, the EU steel imports went up by 7% in 2013, whereas the exports to non EU countries fell by some 12%. The EU steel trade surplus has slumped by 50% in just one year's time.

Furthermore, the Belgian and other EU steel companies are increasingly being confronted with unfair trade practices (e.g. dumping), a substantial rise in energy prices, unilateral and disproportionate environmental requirements and constant excess production capacities, especially outside the EU. All these factors together are jeopardizing the profitability of the companies, they are putting a burden on their future and they will inevitably lead to severe restructurings and job losses in the sector and its related activities.

On the other hand, account is to be taken of the facts that the EU has pledged to bring the share of industrial activity in GDP from 15% to 20% by 2020 and that it is absolutely critical the EU has a strong and dynamic steel industry in order to boost an industrial revival. Therefore, the political authorities have no option but to facilitate the necessary and urgent restoring of the competitiveness of the industrial companies.

In this context, the priority concerns of the EU and Belgian steel sector, as well as of the other process industries, are focusing on 5 key development issues:

- 1) elaboration of an ambitious yet pragmatic environmental policy. In the absence of an international agreement with quantifiable commitments, the European authorities have to allow the adoption of appropriate measures to neutralize the impact of unilateral constraints;
- 2) finalization of an energy policy pursuing cost-efficiency, sustainability and security of supply by means of a broad energy mix. In Belgium, an "energy standard" must urgently be established in order to correct any costs and charges that are exceeding European averages;
- 3) adjustment of the labour cost handicap in companies belonging to sectors – such as the steel industry – that are exposed to international competition. The productivity gains are shrinking and can no longer compensate for the recurrent wage increases resulting from the automaticity of the present consumer price index mechanism;
- 4) preservation, in our highly competitive global market suffering from production overcapacities, of efficient WTO conform tools that guarantee the defence of the legitimate interests of the European steel industry. It is appropriate to be enabled to oppose the spreading of unfair trade practices such as dumping, tariff and non-tariff barriers or the export restrictions on raw materials that have been decreed by the authorities of certain countries;
- 5) fostering of research, development and innovation programmes.

Efforts in this regard are essential to offer actual solutions to the challenges of today's society (energy efficiency, environmental protection, resource savings, mobility, ergonomics, ...). They are also needed to be able to pick up a lead on the competitors through the development of new steel grades and qualities supplying innovative application possibilities to the steel using sectors. This objective requires substantial investments, which will provide positive effects for business and performance in time.

Many innovations find wide applications in several steel using sectors : e.g. metal solar energy collectors with in-home heat distribution are a key to substantial improvement of energy efficiency in the building sector, and the development of steel grades with high mechanical yield and increased anti-corrosive properties is benefitting the automotive industry. Such accomplishments should be urging the authorities in charge to enhance their efforts in favour of research, to stir young people's interest in scientific and technical education and to preserve the high quality capacities of our universities and research centres.

An additional hike of the payroll tax exemption for researchers would be a strong incentive for innovation in the industry and in the steel companies.

2013 was a hard year for the Belgian steel industry, as is being evidenced by the numerous and fundamental restructurings leading to business models that better fit the market evolution. The inconstancy of the context in which the industry, and especially the steel companies have to evolve, brings about a constant rethinking of the outlining of the activities and the operational models as well as a search for more flexibility.

Restructurings are fully part of a company's life cycle and are an indispensable tool for both proactive and reactive integration of change.

Initiatives to curb the reorganizations of the companies are particularly damaging for investments and business growth. As restructurings are a constant factor, an important role is set aside though for the information and consultation procedures concerning the company's strategies, the accompanying measures and the management of professional transition.

In June 2013, the European Commission has presented its "Steel Action Plan". This Plan

- comes in appropriate time, given the steel market crisis and the mainly economic, social and environmental-related challenges that come on top of it;
- emphasizes the strategic place of the European steel sector in the whole of the EU economy;
- outlines a new industrial policy aimed at maintaining a competitive, sustainable and innovative steel industry in the EU;
- formulates recommendations in 7 key domains: climate policy, energy, adequate trade defence instruments, access to raw materials, R&D/innovation, guidance of restructurings and employment promotion.

With this Plan, the European authorities send a clear signal that the steel industry is a strategically important sector for the European economy and its industrial revival.

Steel is indeed intended for many sectors of the manufacturing industry, namely automotive, construction, (renewable) energy, mechanical engineering, household appliances, and even consumers goods such as tins and cans.

Thanks to the international economic upturn and the gradual softening of the austerity measures, the Eurozone is, after 6 consecutive quarters of decrease, gearing towards a growth that should reach some 1% in 2014 and that is expected to strengthen step by step in the following years.

Geert VAN POELVOORDE  
*Chairman*



# social affairs

## Social dialogue

Two topics have dominated the intersectoral social negotiations 2013-2014:

- on the one hand, the vital drive back of the competition handicap of the Belgian companies hindered in their businesses due to the drifting of the salary cost, evaluated by experts of several official bodies at 16,5% compared to the 3 neighboring countries, which are our main clients ;
- on the other hand, the urgent necessity to work out and finalize a legal solution in order to respond to the ultimatum dictated by the Constitutional Court to resolve the discriminant qualified differences between the blue and white collars regimes.

The stiff disagreement from several union organizations about the way to deal with the discussions, paralyzes the consultation mechanism within the so-called 'Group of Ten'; so the Government intervened through regulations consisting in

- 1) the enforcement of a compulsory salary norm (Royal Decree of April 28, 2013) : zero norm, except indexations and salaries scale increases. The State Council (Decree of September 27, 2013) has validated the legal adoption process of the regulations ;
- 2) the identification of the two first steps in the harmonization of the regimes, namely the new lay-off schedule from January 1, 2014 onwards and the abolition of the unrefunded first day of sick leave (Law of December 26, 2013).

At the sectoral level, the conclusion and signing in December 2013 of the social agreement 2013-2014, respectively blue/white collar, is the positive outcome of social dialogue. In difficult circumstances, the social partners finally succeeded in achieving an indispensable balance bridging their specific basic principles and social mechanisms matching the respective points of concern of the companies and their workers.

The collective conventions resulting from these agreements include mechanisms testifying notably the sustained attention for

- the thematic end of career arrangement (unemployment with company benefit, short working, ...);
- the use of essential tools by the companies in order to tailor their activities to the market evolution (cyclical

unemployment, request for dispensation from replacement of redundant employees, calls for interim workers, ...).

Working groups with a regular follow-up, focused on specific subjects, are set up.

The agreements are the foundation for a sectoral framework of which the implementation is taking place on company level according to their own specific situations and needs.

GSV, in accordance with its representation and advocating task for the benefit of its members, continuously grants attention to the restructuring and shutting down of production units or plants. Furthermore, GSV has intensified its lobby work at several levels of authority in order to enforce the adjustment of the regulatory framework with the evolution of the industrial activity, as well as to object to some legislation proposals aiming to hinder or prevent the indispensable process of adjustment in the companies to the new market realities.

## Education and Coaching

The social sectoral agreement confirms the pursuit of the ongoing commitments of the steel companies for education and training, both formal and informal, in which on-the-job training has a key function. Their training programs are largely spread out to all employees, including the high-risk groups.

Thus, the legal obligations grounded on European CVTS surveys are correctly fulfilled.

GSV is in favor of a more pragmatic approach concerning the revise of the compulsory ordinance foreseeing an increase of the training efforts.

## Health & Safety

Health and safety regulations are fully implemented on the workplace in all management processes.

The policy in this field is focused on intensifying awareness campaigns, continuing training sessions, risk analysis and prevention measures addressed to all staff members and subcontractors.

Thereto, the steel companies yearly organize an action day dedicated to health and safety, including the exchange of best practices.







# production - consumption



## One ton out of two produced in China, one in ten in the EU

After the relative slowdown in 2012, world crude steel production, again, rose sharply in 2013 increasing by more than 3% up to 1.607 million tons; roughly 50% has been produced in China against only 10% in the EU27. Ten years earlier, the part produced in the EU still reached 20%.

Driven by considerable needs, production has been particularly dynamic in Asia, except South Korea, in the Middle East and in Africa. China, with 779 million tons, increased its production by more than 48 million tons. All other regions show a decline. This is especially the case of the EU and North America, still facing the aftermath of the economic and financial crisis that has affected them, but also through a knock-on effect, some emerging countries such as Russia, Brazil or Turkey who have suffered from the slowdown in international demand.

Belgium has not escaped from this ambient context. In 2013, crude steel production reduced by about 3% to 7,1 million tons, a third of which produced in electric steel plants.

	Mt	2013/2004	2013/2012	World = 100
China	779	186%	7%	49%
EU27	166	-18%	-2%	10%
Japan	111	-2%	3	7%
USA	87	-13%	-2%	5%
India	81	9%	5%	5%
Russia	69	6%	-1%	4%
South Korea	66	39%	-4%	4%
WORLD	1.607	51%	3%	100%



## New decline of EU steel consumption in 2013 and loss of market shares

The improvement of activity – too slight and too late – of certain steel consuming sectors, such as the car industry and metal-working, during the second half was unable to prevent the European steel industry to record a further decline of apparent steel consumption to 141 million tons in 2013. It will be waiting for confirmation in 2014 and 2015 of the positive forecasts with regard to the evolution in the building and mechanical engineering sectors in order to see a revival of EU consumption towards 150 million tons, still far away from the summit of 202 million achieved in 2007.

In 2013, the EU remained net exporter of steel with some 31 million tons exported and an import of 24 million tons.

Nevertheless, Europe recorded a loss of market share in the EU that brought about a drop of its domestic deliveries, while, after two years of decline, imports increased by some 10%.



## EU Steel Action Plan

Confronted with this tendency upheaval as well as facing the substantial growth of world capacities estimated at 2.150 million tons end 2013, European steel industry continues to prepare its future and modulate its position. She also participated at the European Commission works for the adoption of the Action Plan for a competitive and sustainable steel industry in Europe. This Plan, approved June 11, 2013, intends the organization of 40 actions, among which 20 concern only the steel industry. By means of this Plan, the Commission clearly highlights the steel sector's contribution to the economic and social development of the region.

It deals with various chapters, such as :

- Strengthening steel demand from the main steel consuming sectors
- Improving access to foreign markets and ensure fair competitive terms at international level
- Reinforcement of competitiveness by means of appropriate policies on energy, climate, resources and energy-efficiency
- Stimulating innovation
- Facilitating restructuring and supporting the needs of appropriate skills

Furthermore, a High-Level Group is created to ensure a direct consultation between main steel actors and the Commission. In June 2014, an evaluation is planned in order to estimate the degree of implementation and booked progresses of the Steel Action Plan.



# sustainable development



## The steel industry : foundation of the industrial value chain

Steel industry is contributing to the realization of innovative solutions for improvement of sustainability, reduction of CO<sub>2</sub> emissions and optimization of energy efficiency in the most various applications such as the automotive industry, buildings, civil engineering, mechanical and metal constructions, energy, domestic appliances, ...

Thanks to its recurrent recyclability, steel – the most recycled material in the world – is totally in line with the concept of circular economy. In the EU, more than 45% of steel production is originating from the melting of scrap, coming from investment or consumption products at the end of their life time.



## The indispensable industrial revival in the EU requires a rethinking of energy and climate policies, very ambitious indeed but nevertheless pragmatic.

By 2020 the European Commission aims to increase up to 20% the industry's contribution to the gross domestic product.

In this prospect, the cost of energy supply is a decisive factor for the international competitiveness of the industry. Therefore, this cost has to be brought back to a level that eliminates the actual discrepancy compared to the current conditions available for our main competitors.

The achievement of a European internal energy market is essential and must go together with security of supply and the reduction of additional costs.

In this respect, the fixing of the targets and choices concerning renewable energies – windmills, photovoltaic and biomass – must be based on technical feasibility and cost effectiveness.



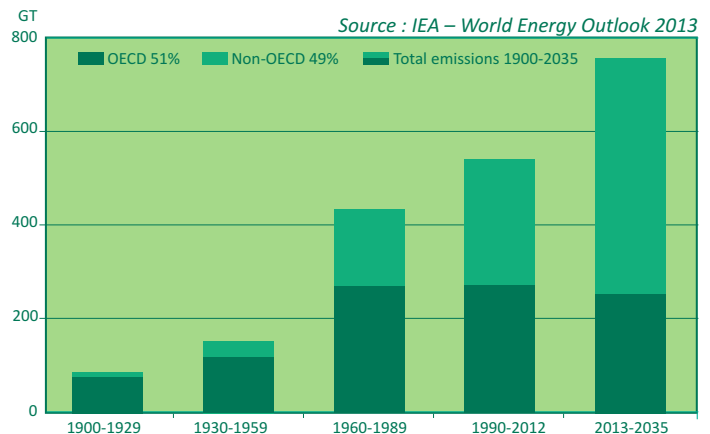
## In Belgium, industry is insisting on the urgent institution of an energy norm.

The permanent comparison of price developments for electricity and natural gas in Belgium, against those in the neighbouring countries must enable the competent authorities, on federal as well as on regional level, to correct immediately any competitive handicap. This analysis should consider the whole of components of the prices charged, including rates for transport/distribution, additional costs and fees.



Europe represents yet no more than barely 15% of global CO<sub>2</sub> emissions : a EU unilateral commitment will only have a very limited effect on climate change but will be destructive for the industrial infrastructure in the EU.

## Cumulative energy-related CO<sub>2</sub> emissions

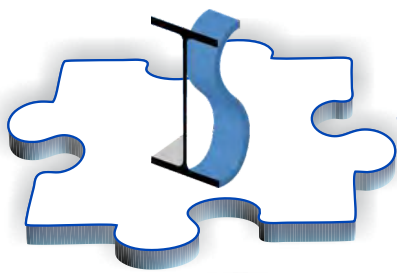


*Non-OECD countries account for a rising share of emissions, although 2035 per capita levels are only half of OECD.*

Consequently Europe must by priority strive to a global comprehensive agreement on climate policy, providing similar constraints for all industrial players all over the world. In the meantime, the competitiveness of the EU industry must be protected in an appropriate way. At least the best performing installations must have no direct or indirect costs resulting from the climate policy, which – at the level of the emission trading system – requires :

- an allocation of free emission allowances for 100% of the needs, based on technical and economical achievable benchmarks ;
- a full compensation of CO<sub>2</sub> costs that are passed through by the power sector in their electricity prices.

In the absence of a global “level playing field”, Europe also must allow the Member States to fully exempt energy intensive industries, exposed to global competition, from surcharges relating to decarbonisation policies such as the promotion of green energies.



# steel information and promotion

[www.infosteel.be](http://www.infosteel.be)

Active in Belgium and the Grand Duchy of Luxembourg, Infosteel promotes the qualitative use of steel in the construction industry. Infosteel is supported by more than 600 members who are mainly from professional circles in the steel industry : steel producers, construction companies, design companies and architects, surface treatment manufacturers, wholesalers and software companies. In 2013, around a hundred new members affiliated.

Infosteel shares its knowledge and expertise through study days, training courses, publications, network activities and free support from its help desk (fire safety, Eurocodes, corrosion and sustainable production). The promotion and communication campaign organized by Infosteel is based on four main themes :

## 1) Professional events with media coverage

### - Steel Construction Day 2013



Steel Construction Day 2013



Steel Construction Competition 2013

More than 200 professionals from the world of construction (architects, consultant engineers, metal construction companies, business people, teachers and public authorities) came together at the Luxembourg Chamber of Commerce on November 27, 2013. This biennial event, organized in cooperation with Business Federation Luxembourg (FEDIL) and the Luxembourg Metal Technology Industry ("ILTM Construction Métallique"), is the opportunity for professional stakeholders to make their work known and recognized. Besides company stands, well-known speakers dealt with the new design, technical and economic issues of steel construction as part of sustainable development.

### - Steel Construction Competition 2013

in which 29 projects took part. A panel of experts chose 9 nominees and awarded 6 prize-winners for 2013, who were able to benefit from a press campaign.

### - Project visits

are a growing success and allow every year innovative steel projects to be discovered : visit to the Den Top primary school in Sint-Pieters-Leeuw and the new "Bruxelles Environnement" head office at the Thurn & Taxis site.



Rendering : © Cepezed

New "Bruxelles Environnement" head office ("Passive" office building with metal structure and façades)

## 2) The transfer of technical skills

Seminars and training courses are oriented towards following subjects :

### • Commercial Buildings Study Day :

For the first time, a study day has been devoted to a specific market segment of high-end façade systems and steel structures.

### • EN 1090 and the CE mark :

3 study days were organized in October 2013.

### • Working Groups :

Working groups composed of members met to tackle specific subjects, such as sustainable construction, façades, EN 1090, etc.

### • Infosteel diligently supports standardization and the development of major technical themes by taking an active part in technical committees set up by the federal and regional authorities.

## 3) The 'European IPO Steel Network'

Infosteel is a founding member of this network for promoting steel, bringing together Centres for Information and Steel Promotion in Europe (IPOs).

Infosteel is developing its initiatives in partnership as part of a widespread distribution of knowledge on steel applications and sustainable development.

The association has cooperated in organizing exchange meetings with the main European organizations that are representative of the sector.

## 4) The distribution of information and support for design

### • 3 editions of its magazine info\_steel promote the multiple advantages of steel construction, as well as the results of the Steel Construction Competition 2013.

### • The [www.infosteel.be](http://www.infosteel.be) website, with an increasing number of visitors, has reached more than 15,000 visits monthly.

### • The Help Desk service provides free support, and its team of experts has dealt with questions mainly relating to Eurocodes, fire resistance, sustainable construction, corrosion and many other detailed technical subjects.



© Photo: INCA Associated Consultant Engineers – Passenger concourse, Luxembourg railway station



# centre for research in metallurgy

www.crmgroup.be

Founded in 1948, CRM is the collective Research Centre for the steel industry and metallurgy with locations both in Liège and Gent.

Its activities are mobilizing a wide range of technical expertise covering the entire value chain of the complete steel cycle from raw materials, their processing and formatting to the recycling of metal products and by-products at the end of life. The Centre offers its industrial members innovative technological solutions and new product concepts and assists to apply them worldwide.

Since 2011, year of the rapprochement between CRM asbl and AC&CS (Advanced Coatings & Construction Solutions) to form the "CRM Group", an in-depth reorganization was carried out to lead to the establishment in 2013 of five operational units bringing together all of the group activities, as well as a single unit containing all materials characterization laboratories :

1. Metal Production & Recycling
2. Metal Transformation & Basic Properties
3. Surface and coatings of metals
4. Metal Application & Construction
5. Industrial solutions (engineering, pilot lines, measuring & controls, ...)

CRM Group is ISO 9001 certified and several characterization laboratories are labeled ISO 17025.

Among the significant activities of 2013, it may be noted the industrial development of cooling and lubrication techniques in hot and cold rolling, in order to reduce energy consumption and the wear of cylinders while improving product quality. These original techniques have been largely developed on the CRM pilot line.



Hot rolling pilot mill available at CRM Gent in collaboration with OCAS (MPC joint-venture)

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## belgian steel in figures

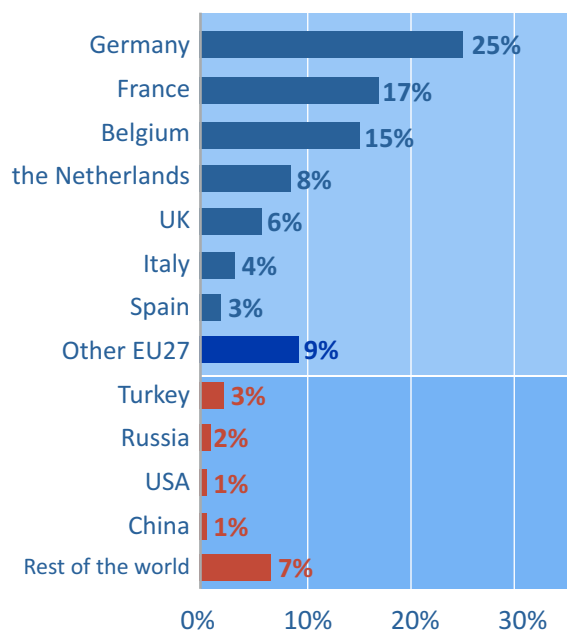
### Steel production (in Kt and %)

	2011	2012	2013	2013/12
Crude steel (all steel)	8.026	7.301	7.127	-2%
of which <i>Oxygen converter</i>	5.253	4.647	4.738	2%
of which <i>Electric furnace</i>	2.773	2.654	2.389	-10%
of which stainless	1.241	1.241	1.332	7%
Hot rolled strip	8.465	7.476	6.988	-7%
Cold rolled	4.703	4.406	4.524	3%
Coated flat products	3.485	3.642	3.674	1%
Plate	585	568	510	-10%
Wire rod	879	872	796	-9%

### Other key figures of the sector in 2013

	2011	2012	2013e	2013/12
Employment (on 31/12)	14.197	13.319	11.802	-11%
Turnover (M€)	9.500	8.800	8.300	-6%
Value added (M€)	1.300	1.100	950	-14%
Exports (M€)	6.200	5.900	5.400	-8%

### Subdivision of deliveries in 2013







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GSV is the professional organization representing the Belgian steel industry.

on 01.01.2014

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