Belgian Steel Federation

Belgian Steel in 2014

Annual Report

The year 2014 has been marked by multiple events hindering the establishment of an atmosphere of confidence, such as intense and extended geopolitical tensions, the persisting deflation spectre in some OECD countries, slowing growth in several emerging economies – notably in China – overall budgetary constraints, and the erosion of the culture of dialogue.
There are however underlying potentials for an economic upturn, as the United States and Germany are prospering and the unexpectedly sharp slump of the crude oil price is offering a welcome economic breathing space.
In the European Union, the Central Bank (ECB) and the Commission are joining efforts to boost the economy by means of an accommodating monetary policy – recently coupled with the buying of state bonds – and by putting forward an ambitious public and private investment programme for 2015-2017.
The massive injection of liquidities is having an impact on the Euro exchange rate and is thus enhancing the competitiveness of European business on external markets. The intervention will also facilitate the emergence of innovating projects in future growth areas, such as Research & Development and cross-border energy facilities and infrastructure works.

In the steel industry, the most striking phenomenon of 2014 is the sudden standstill of 25 years uninterrupted and uncurbed growth of steel production and consumption in China. Indeed, the onset of a shift in China's economic priorities towards the internal demand of consumer goods stands for a policy reversal that will lead to a progressive fall in the country's steel demand.

After two years of consecutive decline of steel demand in the EU, the slight improvement of 2014 mainly benefitted the imports from third countries, which progressed by 12% whereas the supplies by Belgian and European producers went up by only 1,5%.
In the EU as well as on third countries' markets, the EU member states' steel producers are suffering from the ever growing competitive pressure of oversupply from countries such as China whose steel industry is in structural overcapacity and which, moreover, is often inconsistent with international trade regulations. The steel producers of the countries involved should proceed straightaway to an essential restructuring of their industry, following the example of the EU producers' considerable efforts in this matter.

In the global steel market, where one third of the world's volume is being traded internationally, it is of vital importance free access is guaranteed to the private actors' markets as well as to public tenders. It is also essential the Belgian and European steel producers have unconditioned access to raw materials supply.

The development of new production capacities in industrializing countries and particularly the persistence of overcapacities at world level –particularly in China – are pushing an ever larger number of third countries to turn to unfair trade practices which are seriously disrupting the steel market with a worldwide knock-on effect.

Given the international context, the specific features of the steel sector and the rapid market evolutions, it is up to the companies to take the strategic decisions that offer the most interesting opportunities and that enable them to strengthen their competitiveness.

The European and Belgian federal and regional authorities though are requested to pay attention to the concerns of a European and Belgian steel industry that is playing a structuring role in the full range of the economic activities.

The authorities have thus the responsibility to:

- properly take into account the impact of the eventual grant of market economy status to China;
- display more determination and responsiveness towards the escalation of unfair trade practices;
- ensure that bilateral and multilateral negotiations contain clauses on the respect of the WTO regulations, as well as actual climate policy commitments;
- put into effect the plan to bring the share of industry in the EU's GDP to 20% by 2020;
- enhance the efforts of the official departments concerned with Research, Development and Innovation;
- guarantee the steel industry has better access to the Framework Programmes, regardless of the use of the revenues of the Research Fund for Coal and Steel;
- promote cross-border connections for energy supply.

2015 will be a key year in many instances.

The United Nations Framework Convention on Climate Change next December in Paris is being seen as the ultimate chance to reach a global agreement on greenhouse gas emission reductions.
Europe's unilateral commitments on emission limitation and energy efficiency improvement are technically and economically unreasonable and unachievable within the time limits set for this purposes.
Europe's plans are confronting the steel sector with exorbitant costs and are seriously jeopardizing the EU's reindustrialisation goals.

In energy matters, Europe totally lacks cohesion, integration and common regulation.
The steel sector is urging the Belgian authorities to work out and actually apply an energy standard in order to bring the Belgian price levels for each consumption profile in line with those of the neighbouring countries.

Out of the same concern for a recovery of the companies' competitiveness, the authorities are also requested to reduce all kinds of burdens on the companies and to initiate a modernisation of the social legislation, in order to foster a more dynamic labour market.

In 2015, Europe's steel demand is expected to grow by some 2%, thanks to a sustained performance in the motor vehicle industry and the beginnings of a recovery in the construction sector.

Imports will however continue to put pressure on the price levels.

The social tensions are due to deferrals and questioning of the magnitude of the problems. Today's consolidation efforts will however be the basis of tomorrow's revival.

Geert VAN POELVOORDE
Chairman

Social Affairs

Social Dialogue

In social matters, the year 2014 has been marked by several reforms which are now at various stages of achievement.

First of all, it has to be noted that on January 1st 2014 the Law on the Single Employment Status has come into force, implementing the Government agreement of 2013 on the harmonization of the statutes of blue-collar and white-collar workers.

This new regulation is an important step towards the harmonization of the statutes, as it is in fact the first legal text that definitely abolishes the differences between the lay-off schemes for blue-collar and white-collar workers.

As from January 1st 2014 only the length of service is determining the lay-off notice period. This period is considerably extended at the beginning of the professional career, but stabilizes after two years' service and develops more moderately after twenty years' seniority.

Due to this reform, the former sectoral notice period schemes for blue-collar workers also disappear and the sectors no longer have the possibility to derogate from the new lay-off notice terms.

In the wake of this important reform, several other changes have to be pointed out, such as:

- the abolition of the “working delay” (1 unpaid day in case of sick leave);
- the fact the multisectoral social partners introduced a regulation on dismissal motivation.

The introduction of new lay-off notice periods is an important issue for sectors with a high rate of blue-collar workers. The social partners and the Government thus have started up discussions on measures to compensate for the additional costs caused by the extension of the notice periods. For certain matters, these discussions are still ongoing (e.g. for the reduction of the employers' contributions for the blue-collar workers' annual vacations). Other adjustments in this context will have few or no useful impact on the steel sector (reform of the tariffs of external prevention services and reduction of the contributions to the Company Closure Fund for micro-companies).

A second issue, to be pointed out is the entry into force of a law of May 5th 2014 which also aims to bring harmonization, namely for the complementary pensions.

The law breaks down the performed labour into three time zones with different obligations and legal effects for the sectors and/or companies:

- the complementary pension schemes for work performed prior to January 1st 2015 are not involved as they are not seen as a cause of discrimination;
- from January 1st 2015 until December 31st 2024, the sectors and companies have to avoid the enlargement of actual discriminations and they are/will be fostered to bridge the differences;
- as from January 1st 2025, there may remain no discrimination in the complementary pension schemes for blue-collar and white-collar workers (it will still be possible to keep in force distinctions on objective criteria).

This reform is however not being coupled with measures intended for the companies in order to avoid a deterioration of their competitive position due to the costs they will have to bear to be able to respect the harmonization objectives within the prescribed deadlines.

Lastly, at the end of 2014, the social partners have finalized the important changes to the end of career retirement schemes (time credit, unemployment with company allowance regime,…) set out by the Government agreement. The changes mainly are intended to gradually raise the age threshold for access to the different schemes.

Training

Sectoral data collected through the years prove that the steel companies are seriously committed in this matter, by organizing formal and informal high-quality trainings. The companies mainly focus their training efforts on improving the skills that are needed in the sector to sustain its indispensable redeployment in an extremely competitive and evolving market.

Today's regulatory framework on training efforts is ill-adapted to the companies' realities and their training requirements. Indeed, the framework linearly lifts the efforts whereas the companies' training programmes have a rather multi-year perspective and must be adaptable to the companies' actual needs.

Moreover, the penalties that are foreseen when training efforts are deemed insufficient have been sentenced by the Constitutional Court (October 23rd 2014) as contrary to the equality and non-discrimination principle.

The Belgian Steel Federation is supporting the adoption of a new regulatory training tool that takes into account the companies' actual socioeconomic lifecycles.

Security

The steel companies pursue a longstanding health and safety policy that ultimately aims to produce a radical reduction of work accidents and professional risks in general.

These efforts are fruitful, as is testified by the work accident figures. Indeed, in ten years' time,

- the number of work accidents with at least one day of work disability has gone down by 70%;
- the frequency and severity rates have decreased respectively by over 56% and more than 65%.

Out of the principle that accidents have to be prevented at any time, the steel companies are making a continuous effort to build up a security culture on the workplace and throughout the full working process, not only for their own staff but also for their contractors.

In practice, on all the sites of the steel groups, new prevention standards are being introduced and awareness days are being organized for the full staff, contractors and suppliers.

Production - Consumption

2014 : The year Chinese steel production stood still

World crude steel production only faintly improved last year (0,8%) reaching a total volume of 1.662 million tons, which nevertheless represents a new historic record. This weak growth is due to economic slackness prevailing in several regions of the world, but especially to the stagnation of the Chinese production at its 2013 level.

	Mt	2014/2005	2014/2013	World = 100
China	823	131%	0%	50%
EU28	169	-14%	2%	10%
Japan	111	-2%	0%	7%
USA	88	-7%	2%	5%
India	83	82%	2%	5%
Russia	71	8%	4%	4%
South Korea	71	50%	8%	4%
WORLD	1.662	45%	1%	100%

The production of China which had increased by more than 131% in the past 10 years and even developed by about 90 million tons in 2013, remained in 2014 at a level of 823 million tons. Today, the implications of this new situation are already partially tangible and will undoubtedly have a decisive impact on the evolution of the global steel sector. The new capacity planned in China – 80 million tons only during the period 2014-2017 – will have a significant repercussion on the profitability of Chinese steel players in case no profound restructuring is undertaken and if no relay of the domestic demand appears. The search for new international markets but particularly the lightning development of existing currents, especially to the EU, have been largely engaged.

While still suffering from a morose economic context, the EU28 production increased by nearly 2% last year thus regaining the volume of 169 million tons produced in 2012. This same pattern prevailed in Belgium with a catch-up of the decline in 2013, total production in 2014 amounting up to 7,3 million tons of which 1,39 million tons of stainless steel.

Hesitant and fragile recovery of the EU steel consumption

EU steel consumption in 2014 developed hesitantly : an encouraging first semester followed by a slowdown in the second one. It made a progress of about 3% to reach 146 million tons but this is still far away from the peak of 200 million tons achieved before the 2008 crisis. Several steel consuming sectors such as the car industry, metal-working and tubes were well oriented. The building sector remained timid. However, situations in the EU are quite heterogeneous : Germany, the United Kingdom, Spain and Poland registering growth, unlike France, Italy and even the Netherlands.

At the beginning of this year, indicators appear to be better oriented in the EU than until recently. The decline of oil prices and of the euro-dollar parity, as well as the ECB policy can provide EU with the required impetus for a more dynamic recovery. However, dangers are lurking, in particular those related to economic deflation or the international situation in Ukraine.

EU bound to be more active in supporting its industrial sectors

In 2014, EU remained net exporter of steel. The surplus is however reduced to approximately 4 million tons finished products. Nevertheless, the Union lost market shares again with imports increasing faster than the domestic deliveries of EU producers. It is important for the EU to stay vigilant for a new growth of imports : expansion of 11% in 2014 succeeding a rise of 10% in 2013.

A constantly growing number of countries are taking measures in order to protect and benefit their industry. Our authorities, without however following the same methods, have to ensure a correct application of the WTO provisions and should not leave our companies working in circumstances of unfair competition. The 'Steel Action Plan' should enable the European steel industry to pursue its vocation as an innovative and structuring industrial activity for the different economic segments.

Sustainable Development

Energy supplies at competitive conditions are crucial for achieving the objective set by the European Commission to increase up to 20% the contribution of industry to the GDP by 2020.

The announcement of the implementation in the EU of a single market for energy, fully operational and connected, has a double objective: the reduction of the price gap compared to the conditions available to competitors outside Europe as well as the guarantee of security of supply.

In Belgium, the federal and regional government agreements recommend the control of energy supply costs, thus responding to the request of the industry for introducing an energy norm. Regular comparison of electricity and natural gas prices with those in neighbouring countries (Germany, France, the Netherlands) must include all components, including transport and distribution tariffs as well as the multiple extra charges and taxes, of which those inherent in climate policy. The system also has to provide for corrective measures in order to quickly remedy any competitive handicap.

Security of electricity supply depends on a balanced development of the production park which must consist of conventional production facilities – including nuclear – and alternative channels. Promoting renewable energy – windmills, photovoltaic and biomass – has to fit in a global approach and take into account the technical feasibility and cost efficiency: therefore, a regulation at EU level is absolutely necessary.

Avoiding an electricity black-out is a priority for Belgium : the implementation of a plan for selective power cuts, able to ensure the continuity of industrial activity and to limit the indirect effects especially on transport, is a last resort precaution.

The European council defined an energy and climate action plan with ambitious targets for 2030, including a protection mechanism for sectors exposed to a risk of loss of international competitiveness, as long as no comparable effort is applied to other major economies.

Therefore, it is essential that the CO_2 Emission Trading System, in renegotiation for the 2021-2030 period, provides a really effective protection against relocation risks due to carbon costs. For energy intensive industries, these protective measures should rely on the following principles in order to have the intended outcome :

- the continuation of the system of free allocation of emission rights ;
- covering 100% of the needs at the level of the best performing installations, without reducing coefficients ;
- an allocation based on realistic benchmarks, established in terms of technical and economic feasibility ;
- taking into account the whole of direct and indirect emissions, i.e. those of which costs are passed through in the electricians' invoices.

Energy/climate targets, horizon 2030, set by the October 2014 Council

- A decrease of greenhouse gas emissions by at least 40% compared to 1990 : in order to fulfil this overall target, energy intensive industries submitted to the Emission Trading System, are compelled to achieve an additional reduction of 43% in comparison to 2005!
- A rising share of renewable energy to at least 27% of energy consumption
- A 27% improvement in energy efficiency

EU is also preparing the introduction of a system of set-aside of emission rights (Market Stability Reserve), in order to initiate an upward trend in carbon costs. The industry insists that this practice, which will lead to substantial increases of carbon and electricity prices, is introduced simultaneously with the enhanced measures against carbon leakage.

Steel industry in Belgium is committed in a new generation of voluntary agreements with the Regions on improving energy efficiency and reducing CO_2 emissions by 2020.

These new agreements implying additional constraints compared to the considerable results already achieved, fit into the sustainability policy of steel industry. Thanks to the recurrent recyclability of steel – allowing to limit consumption of primary raw materials and energy –, steel industry is totally in line with the concept of circular economy.

The multiple innovative steel applications – in the sectors automobile, building, civil engineering, equipment for electricity production (conventional power stations, wind turbines) – contribute to optimize energy efficiency, reduce greenhouse gas emissions and improve sustainability.

Promotion - Information acier

www.infosteel.be

Actif en Belgique et au Grand-Duché de Luxembourg, Infosteel veille à promouvoir l'utilisation du matériau acier avec ses multiples applications innovantes dans les différentes branches de la construction.
Constitué sous forme d'ASBL, Infosteel compte plusieurs centaines d'affiliés et adhérents qui représentent notamment les nombreux segments que comptent la profession, les milieux académiques et les Administrations concernées, les prestataires de services ainsi que les producteurs et négociants d'acier.

Infosteel partage avec ses membres son savoir et son expertise lors de journées d'étude, via des programmes de formations – tant génériques que thématiques –, par des publications périodiques et des activités de mise en réseau, d'assistance-conseil assurée gracieusement par le helpdesk. La plupart des sujets abordés ont trait à la résistance au feu, à la protection corrosive, aux implications de l'entrée en vigueur de l'EN 1090 ainsi qu'aux spécifications techniques.

Les activités d'Infosteel s'articulent autour de quatre axes majeurs :

1) Les événements professionnels médiatisés

- *La Journée Construction Acier 2014,*

manifestation de grande envergure, s'est tenue au Sheraton Brussels Airport Hotel, le 27 novembre, avec comme thème central les atouts et les développements de la construction métallique pour les éléments de structures et de façades.
Les quelques 500 participants ont eu l'occasion d'élargir leurs connaissances grâce à des contributions d'orateurs de renom et à la présence de stands d'entreprises actives dans le secteur.

- *Le Concours Construction Acier 2014*

a de nouveau, avec 164 projets introduits, suscité un vif intérêt. Un jury d'experts a sélectionné 31 nominés, a élu 6 lauréats et a attribué un prix spécial pour la rénovation réversible d'un immeuble historique au moyen d'une structure métallique. Les projets retenus ont bénéficié d'une campagne de presse.

- *Le Prix Acier Etudiant 2014*

offre aux étudiants l'opportunité de se familiariser davantage aux applications de l'acier plat. Les 16 projets ont été présentés lors de la Journée Construction Acier et ont été publiés dans le magazine 'info_steel'.

- *Les visites de projets*

offrent aux professionnels la possibilité de découvrir des réalisations innovantes en acier : les nombreux participants ont visité le stade Ghelamco Arena à Gent et le Résidence Palace à Bruxelles.

Ghelamco Arena - Gent

2) Le transfert de compétences techniques

Les séminaires et les formations ont essentiellement été consacrés aux thèmes suivants :

- Journée d'étude des ponts métalliques
- La norme EN 1090 et le marquage CE
- Un cycle de formation 'cours de base sur l'acier'
- Des groupes de travail thématiques
- Infosteel suit attentivement les évolutions en matière de normalisation et participe activement aux travaux des Comités techniques institués par les autorités fédérales et régionales.

3) Le réseau 'European IPO Steel Network'

Infosteel est membre fondateur du réseau de promotion du matériau acier qui regroupe les Centres d'information et de Promotion de l'Acier opérationnels en Europe (IPO's).

Cette association développe des actions en partenariat dans le cadre d'une large diffusion des connaissances relatives aux applications de l'acier et le développement durable.

4) La diffusion de l'information et l'aide à la conception

- Les 3 éditions annuelles du magazine 'info_steel' mettent en exergue les avantages et la durabilité des constructions en acier ainsi que les résultats du Concours Construction Acier.

- Le site www.infosteel.be offre un large aperçu actualisé du secteur. La consultation croissante excède 15.000 visites mensuelles.

- Le service Helpdesk offre une assistance de première ligne.

- Les 5 éditions du Newsletter sont un canal d'information du matériau acier et du secteur, complétées par les communiqués et bulletins d'info des membres.

Escalier tour en acier à Tielt-Winge
– Lauréat Concours Construction Acier 2014 Cat. C
– Concept : Close to bone
– Photo : jvdb Infosteel

Centre for research in metallurgy

www.crmgroup.be

Founded in 1948 to become the collective research centre of the Steel and Non-Ferrous Metal industries in Belgium, CRM has progressively enlarged its scope within the years to acquire a worldwide reputation.

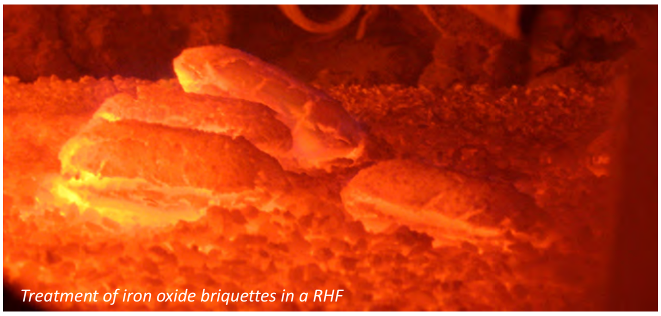
With more than 40 industrial members, the activities of the CRM Group cover a broad range of market segments and technical competences focused on the metallic materials, their processing, manufacturing and applications.

The CRM organization (more than 235 people in 2014) supports and meets own technological development for the benefit of its affiliated members in Europe and in the World.

The CRM Group is fully certified ISO9001 whilst several characterization and analytical techniques are also certified ISO17025.

More specifically, all the R&D projects are managed inside five operational units supported by a common characterization laboratory:

- Metal production & recycling
- Metal processing & Physical metallurgy
- Metal finishing & coating
- Metal applications & Construction
- Industrial solutions (Engineering, pilot lines, measurement & control)


Treatment of iron oxide briquettes in a RHF

Among the activities conducted during the year 2014, it is worthwhile to point out specific actions aiming to a more efficient use of raw materials and a better valorisation of by-products such as sludge, dust, metallic residues, ...

Pilot equipment available at CRM are of direct interest for these studies with notably a unique sintering pilot station able to simulate any kind of waste gas recycling concept as well as pre-conditioning units (intensive mixer, briquetting, pelletizer) adapted to process challenging materials (finer ores, recycled oxides), a rotary hearth furnace (RHF) for pre-reduction treatment and also induction furnaces for the melting and casting of the metal components.


Pre-conditioning units


Melting in a 350 kg furnace

Belgian steel in figures

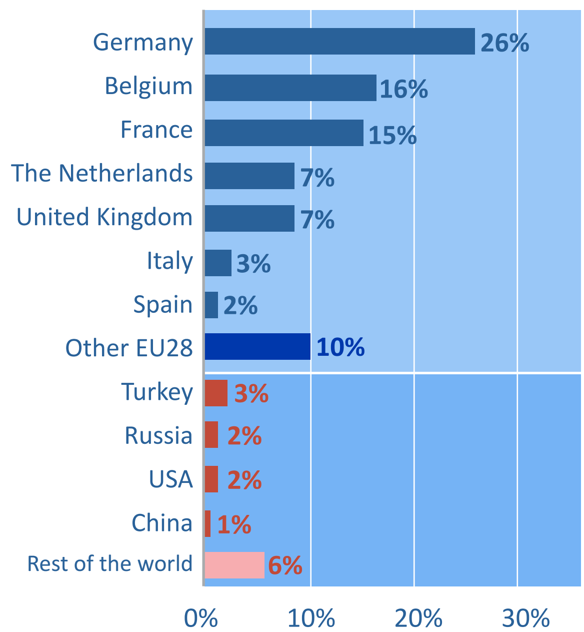
Steel production (in Kt and %)

	2012	2013	2014	2014/13
Crude steel (all steel)	7.301	7.127	7.331	3%
of which Oxygen converter	4.647	4.738	4.952	5%
of which Electric furnace	2.654	2.389	2.379	1%
of which stainless	1.241	1.332	1.388	7%
Hot rolled strip	7.476	6.988	7.038	1%
Cold rolled	4.406	4.524	4.687	4%
Coated flat products	3.642	3.674	3.903	6%
Plate	568	510	562	10%
Wire rod	872	796	792	-1%

Other key figures of the sector

	2012	2013	2014e	2014/13
Employment (on 31/12)	13.319	11.802	10.572	-10%
Turnover (M€)	8.800	8.350	7.200	-14%
Value added (M€)	1.100	1.050	1.050	0%
Exports (M€)	5.900	5.400	5.300	2%

Subdivision of deliveries in 2014



Boulevard de l'Impératrice, 66 - 1000 Brussels • Tel.: +32 (0) 2 509 14 11 • Fax +32 (0) 2 509 14 00
• www.steelbel.be • E-mail: gsv@steelbel.be

GSV is the professional organization representing the Belgian steel industry.

on 01.01.2015

CHAIRMAN	Geert VAN POELVOORDE	Chief Executive Officer Flat Carbon Europe, ARCELORMITTAL SA
VICE-CHAIRMAN	Bernard DEHUT	Chief Executive Officer, ARCELORMITTAL LIÈGE
	Wim VAN GERVEN	Chief Executive Officer Flat Carbon Europe, Business Division North, ARCELORMITTAL SA
BOARD OF DIRECTORS	Guy BONTINCK	Director Human Resources, ARCELORMITTAL GENT
	Gert HEYLEN	General Manager Genk Plant, APERAM GENK
	Matthieu JEHL	Chief Executive Officer, ARCELORMITTAL GENT
	Bertrand LEJEUNE	Director General, SEGAL / GROUPE TATA STEEL
	Luc LIBERSENS	Plant Manager, INDUSTEEL BELGIUM SA / GROUPE ARCELORMITTAL
	Horacio MALFATTO	Chief Executive Officer, NLMK EUROPE
	Guido MOERMANS	General Manager Châtelet Plant, APERAM CHÂTELET
	Angelo RIVA	Managing Director, THY-MARCINELLE SA / GROUPE RIVA
	Didier TROISFONTAINES	Managing Director, ENGINEERING STEEL BELGIUM

Members on 01.01.2015

sa Thy-Marcinelle
www.rivagroup.com

ArcelorMittal Gent nv
www.arcelormittal.com/gent

sa ArcelorMittal Liège
www.arcelormittal.com/liege

sa Arceo
-

sa Industeel Belgium
www.industeel.info

Aperam Genk
www.aperam.com

Aperam Châtelet
www.aperam.com

NLMK La Louvière
www.eu.nlmk.com

NLMK Clabecq
www.eu.nlmk.com

sa Segal
www.tatasteeleurope.com

ESB sprl Engineering Steel Belgium
www.esb.be

GSV Management

General Director **Robert JOOS**
Director **Luc BRAET**

Responsible editor: Robert JOOS