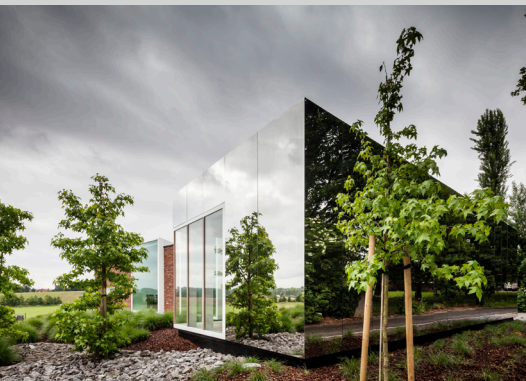


# Belgian steel in 2016

## Annual report



# Word by the Chairman

2016 was a pivotal year for the Belgian and European steel industry with furthermore numerous legislative initiatives that will determine the steel landscape in the next few years. Firstly, there was the long expected and crucial recovery of the steel market and corresponding prices. This positive correction followed 5 consecutive years of the price level further slipping to an all-time low around the end of 2015, beginning of 2016.

The recovery continued in the first quarter of 2017. Further mild growth of the European steel consumption from 156 million tonnes in 2016 to 159 million tonnes in 2017 is therefore assumed. The positive confidence in the economy in numerous sectors in which steel is a basic component, such as the automotive, construction and mechanical industries, is the reason for this. However, caution should be exercised as this recovery is particularly fragile.

Thus, the fundamental problem of excess production capacity, estimated at 700 million tonnes with a total global consumption of  $\pm 1,500$  million tonnes, continues. Dealing with this obstacle is essential for a more fundamental recovery of the steel market at global level.

What is disturbing, is that in 2016, the EU became a net importer of steel for the first time in 7 years, whilst export remained practically at the same level. It is the increasing import of steel that tipped the trade balance to the negative side.

The limited fall in the import from China is quickly being filled by numerous other, non-EU sources. As an open market for steel, the EU and Belgium after all remain an attractive market for numerous third countries, often at dumping prices. The further advance of protectionism in the other global economies is an additional worry.

Belgian and European policymakers are therefore called on to quickly and thoroughly work on the current initiative to modernise the protective measures for international trade (Trade Defence Instruments). After all, such instruments make it possible to take the necessary corrective measures in accordance with the WTO in order to restore the level playing field.

Within the framework of the anti-dumping policy, this year we are also looking forward to the further definition of the proposal with regard to the new methodology proposed by the European Commission. We would ask that this methodology in a pragmatic and feasible way give rise to determining – where necessary – levies that make a fair and sustainable international steel trade possible.

In the area of climate policy, too, quite a few initiatives have been taken during the past year. Central to this is the drafting of the 4th generation of the ETS (Emissions Trading System) for the period 2021-2030. At the beginning of 2017, a position was taken in this matter both by the European Parliament and the European Council.

An economically feasible proposal is vital for the European and Belgian steel industries. This is necessary not only to maintain the industry in Belgium, but it must also provide a business model that makes it possible to generate the necessary resources for CO<sub>2</sub>-related investments.

A special call is therefore being issued to the European institutions (member states, Parliament and Commission) to arrive at



an ultimate text that creates the right balance between climate policy on the one hand and a sustainable economic survival strategy for the (steel) industry on the other hand. Unilaterally burdening the European industry, that is an environmental benchmark worldwide, with levies and taxes will have a negative impact on the climate. The distorted world trade ensures that environmentally-unfriendly steel can and will be imported into Europe without impediment at the expense of Europe's own environmentally performant industry. A plea for a level playing field in the first place benefits the climate.

For a long time, the Belgian steel industry has also been committed to optimising the energy efficiency of the production processes. Both within the context of the commitment to the climate objectives, but naturally also due to the need to control the rising energy cost. Recent comparative studies with neighbouring EU countries show that Belgium still has a competitive handicap with regard to the electricity cost. As an energy-intensive sector, the government is therefore once again asked to quickly work out the necessary corrective measures.

As a material, steel is the answer to numerous challenges for a sustainable society. Building wind turbines, demountable buildings and reducing the weight of means of transport are but a few examples. That is why we are arguing to maintain and strengthen the Belgian steel industry. A key element in this is to restore the level playing field, within Europe and the world, in various areas such as economic policy, climate legislation and energy cost. After all, this creates the framework in which fair trade is possible and sustainable solutions can be provided for both our industry and society.

At the end of 2016, Mr Robert Joos and Mr Luc Braet retired, after 39 years of dedication to our sector. I want to explicitly thank them for their commitment and I wish them many more just as interesting years in the future.

As from 2017, the management will be entrusted to Mr Philippe Coigné who has, with more than 20 years of experience in steel industry, the necessary competencies to manage the Belgian Steel Federation.

Wim VAN GERVEN  
Chairman

COVER - Steel Construction Awards 2016 (f.l.t.)

Extension notary's practice, Horebeke - atelier vens vanbelle - © Photo : Tim Van de Velde  
Drying-hall Arbor, Herselt - OFFICE Kersten Geers David Van Severen - © Photo : jvdb - infosteel  
Faculty library UGent, Gent - OFFICE Kersten Geers David Van Severen - © Photo : jvdb - infosteel  
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School for ornamental metalwork and blacksmithing, Anderlecht - BZA - © Photo : Bernard Boccara  
Substations, Gemini Offshore Windpark (NL), Noordzee - Iemants - © Photo : Gemini

# Market

## Steel production and trade balance

The 2016 production figures for Belgian steel permit the following analysis:

- The total production of crude steel rises by 5.9% to 7,690,000 tonnes. The division into major steel families yields 77% low-carbon steel and 23% stainless or special alloy steel.
- Looking at the production method, 69% comes via the blast furnace route and 31% via the electric furnace route.
- Germany remains the biggest market (27%), followed by France (16%) and Belgium (16%). Export outside the EU-28 amounts to  $\pm 10\%$ .

In 2016, the apparent consumption of steel within the EU is 156 million tonnes. This confirms the lightly increasing trend perceptible for some 3 years now. A total apparent consumption of 159 million tonnes is predicted for 2017. This limited increase will continue in the next few years.

The import of steel within the EU-28 continues to increase year after year and in 2016 reached a total of  $\pm 25$  million tonnes. Despite a fall in volume from 6,679 tonnes in 2015 to 5,442 tonnes in 2016, China clearly remains the biggest export country to the EU-28. What is worrying, is that numerous other export countries such as Russia, Ukraine, South Korea, Turkey, India, Iran and Brazil are rising their export volumes and they will thus more than compensate for the decline in Chinese steel.

With an eye to product family, hot-rolled coils clearly remain the most imported product, followed by galvanised steel sheet. The increase in galvanised sheet in 2016 is remarkable and as a result, it is the second most imported product ahead of heavy plate. With a total of 2,341 tonnes of galvanised sheet, the export from China to the EU is around 400% greater than to its second export country, South Korea.

The trade balance shows that for the first time in 7 years, the EU has become a net importer of steel with a deficit of around 3 million tonnes. Whereas over the years the European export fluctuated around a fixed level, during the past few years import has increased substantially which leads to a negative balance.

## China : “Market Economy Status” and proposal for a new methodology

On 11 December 2016, China’s accession protocol to the WTO expired after 15 years. The European Commission took an initiative to offer a reply to what should happen afterwards with regard to trade and trade disputes between the EU and China.

The use of the 2 lists that divide countries into market economies and non-market economies is being abolished. However, it is confirmed that China is not being awarded the status of a market economy.

At the same time, a new, non-standard calculation method is being proposed, that should offer just as efficient protection in case of dumping practices.

The new approach drops the 5 criteria for awarding the status of market economy; they are being replaced by a new concept of what is named “significant distortions”.

To this end, an economy or a sector is viewed as a whole, and it is determined whether there are indications that the economy or sector can be designated as significantly distorted. Such indications can amongst other things consist of:

- the use of imposed multi-year plans;
- strong indications of intervention by the government in the economic system;
- prices that are not determined on the basis of free market dynamics;
- a limited functioning of free capital markets.

If an economy or sector of a certain country is indeed characterised by one of these points that give rise to significant distortion, when handling anti-dumping complaints, the prices and costs of another – third/significant – country can be applied instead of those of the country in question.

The European Commission says that it will publish a number of reports about certain countries or sectors in which these significant distortions occur. Such reports can be used for support when filing anti-dumping complaints.

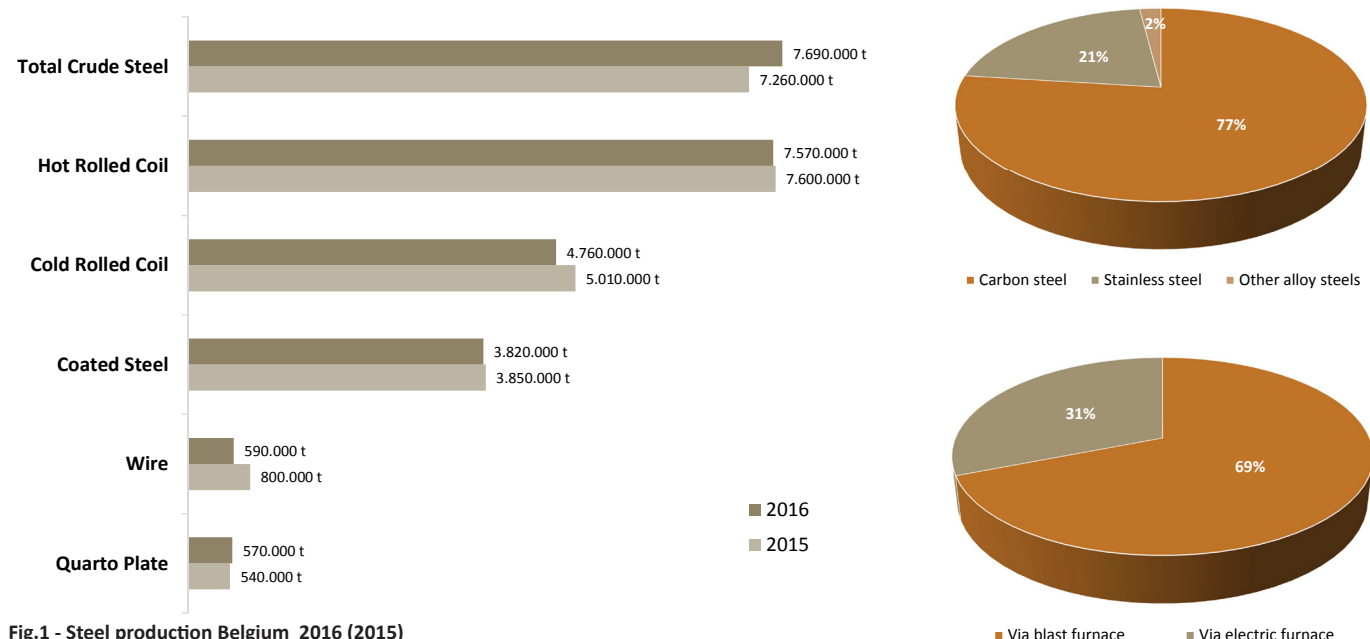


Fig.1 - Steel production Belgium 2016 (2015)



It remains a point of discussion as to whether these reports suffice as evidence. The steel industry states that the burden of proof may not systematically lie in the complainant's camp. It is being argued that the evidence must remain efficient and feasible. In addition, for individual dumping cases, it is stated that this does not have to occur again each time (case by case) or in detail (detail by detail).

## Modernisation of the "Trade Defence Instruments"

In 2013, the European Commission worked out a proposal to modernise a number of existing protective measures in the area of international trade (TDI – Trade Defence Instruments). The proposals encountered resistance from several member states and were not approved. Subsequently, in the second half of 2016, the Slovak Presidency took the initiative to propose a compromise.

An initial version of the Slovak compromise was finally also revised under pressure from some northern member states. The final compromise is considerably watered down compared to the initial version.

However, the proposal still contains a number of positive points such as:

- introduction of provisional duties accelerated by 2 months: reduced from 9 months to 7;
- better determination of the profit margin lost by the industry;
- not applying the Lesser Duty Rule (LDR) in case of subsidisation;
- incorporating market distortion in the raw materials trade in the assessment during expiry reviews (at the end of the anti-dumping period).

However, an important point of contention remains the conditions on which the Lesser Duty Rule (LDR) will not be applied in case of anti-dumping if there is market distortion in the raw materials trade. According to the compromise, the Lesser Duty Rule would be lifted only if two conditions are met:

- Firstly, the sum of the non-market conform (distorted) raw materials must amount to at least 27% of the total. In addition, each non-market conform raw material individually must amount to at least 7% of the total if it is to be counted in the total share.
  - Simulations of the cost structure of hot-rolled and organic coated products show that the percentage of 27% is too high. Sometimes this is achieved by a small margin or fallen short, often in function of international price fluctuations.
  - No valid economic reason can be provided for the minimum percentage of 7%. Due to the fragmentation of the many raw material items, the minimum is often not achieved. Although there is evidence of non-market conform trade in raw materials, these cannot be included in the total.
  - The abolition of the 7% rule and the reduction of the total share from 27% to 15% are therefore being argued for.
- Secondly, there must be a positive Union Interest. This means that the non-application of the LDR must be in the clear interest of all the downstream parties. The steel industry also requests the revocation of this second demand since it is not sufficiently realistic from a practical point of view.

Further analysis of the Council's compromise reveals a number of other negative points. Thus, it is proposed that a minimum of 4 weeks advance notice should be respected if provisional measures will be imposed. Considering the growing import of steel from economic regions closer to Europe (e.g. Turkey, Iran), reduction of this period to 2 weeks is being argued for.

Finally, the request is that when eventually anti-dumping duties are levied, they should be sufficiently high so that they cushion the damage effectively incurred for the entire period. After all, the aim remains to restore the economic level playing field so that international trade once again becomes possible on the basis of equal conditions.

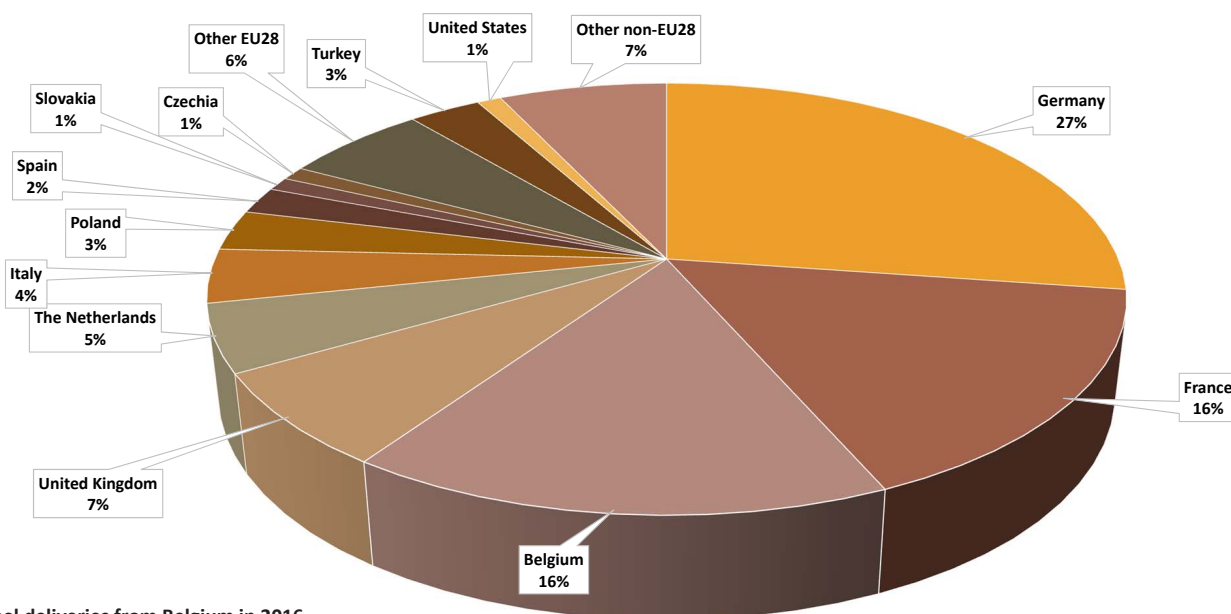


Fig.2 - Steel deliveries from Belgium in 2016

# Climate and energy

## Climate policy : “Emission Trading System” (ETS) Post 2020

The Paris Agreement, that was favourably received by the steel industry, is the point of departure. What is essential, is that the level playing field must also be respected with regard to the environment and climate. In anticipation of similar guidelines and commitments worldwide, the EU must ensure that its climate policy does not generate additional costs unilaterally for European industry.

The proposal to revise the Directive of the European Emissions Trading System (ETS) 2021-2030, published in July 2015 by the European Commission, was discussed at length last year in the ENVI Committee (Environment) and the ITRE Committee (Industry – Research– Energy). Then, at the beginning of 2017, a final text was voted on during a plenary session of the European Parliament. The proposal of the European Parliament met the wishes of the Belgian steel industry on various points.

During the meeting of the Council of European Environmental Ministers, also at the beginning of 2017, the Council's position was formulated. Unfortunately, further analysis soon showed that the Council's proposal is an unacceptable step backwards in several respects.

After all, the objective remains that the steel industry, if possible, and in any case the best performers, would have all the necessary emission rights at its disposal free of charge. Whether or not this is the case depends on a number of parameters. The Council's proposal entails that determining these parameters will drastically reduce the number of free emission rights. In this way, the number of certificates that will have to be purchased by the steel industry will increase, whilst the political aim is to greatly increase the price of the auctioned allowances. This is contradictory: after all, the more free allowances, the fewer auctioned allowances and the higher the CO<sub>2</sub> price for the balance.

### Distribution of the ETS quota

The distribution of the total number of allowances (cap), divided into one part that is made up of free allowances and one part of auctioned allowances, intended by the Commission, looks like this:

- auction: 57%
- free allowances: 43%

The request is that the number of free allowances be increased to 48% (+5%) in order to also be able to award all the necessary allowances to the sectors that are greatly exposed to carbon leakage. This request is being followed by the European Parliament; however the European Council wants to increase to no higher than 45% (+2%).

### Benchmarks

In the period 2021-2030, the benchmarks should be updated 1 or 2 times on the basis of actual data from the 10% most performant installations. Annual strengthening of these benchmarks should remain limited within a narrow, realistic margin.

### “Cross Sectoral Correction Factor” (CSCF)

If the total free allowances requested by the industry exceed the total planned number of free allowances, then a so-called “Cross Sectoral Correction Factor” (CSCF) will be introduced. The steel industry is arguing to avoid this factor being applied.

If the most performant installations, despite everything, would still be confronted with a deficit, then the most vulnerable sectors in the area of carbon leakage, such as steel, should receive 100% free allowances with priority.

### Indirect carbon cost

It is argued to introduce a “compulsory” (minimum) European compensation for the indirect carbon cost. This measure could be supplemented with additional compensation at member state level.

The proposals by both the European Parliament and the European Council provide for additional compensation at national level, possibly limited to a level determined by the energy mix and the revenues from the auction part. However, further research shows that as a result, the total compensation risks being far lower than the current level, in view of the large share of nuclear energy in the Belgian energy mix.

### “Market Stability Reserve” (MSR) fund

The various proposals confirm the continued existence of a Market Stability Reserve fund (MSR), that will withdraw a possible excess of allowances to thus create a price support effect. The proposals by both the European Parliament and the Council concern an increased influx into the MSR fund. In addition, the destruction of a large number of allowances in the MSR fund is also proposed. The steel industry feels that this entails unacceptable intervention in a supply and demand mechanism that functions correctly in the auction part of the emission rights.

## Energy

The Belgian steel industry has taken on the commitment of optimising the energy efficiency of the production process and further reducing the CO<sub>2</sub> transmission in several agreements. Achieving these obligations is, however, unconditionally linked with a competitive and reliable energy supply.

Studies show that the cost of electricity in Belgium for energy-intensive sectors such as steel, is considerably higher than in the neighbouring countries. That is why the sector continues to pursue the introduction of an energy index, including a major consumer profile to monitor the evolution of the energy prices. Naturally, this system must be accompanied by the necessary measures to remove the differences.

The Belgian Steel Federation drew up an inventory of the energy consumption of the production sites in Wallonia. With a total annual consumption of around 1,920 GWh, the steel industry is a major consumer of electricity.

Analysis shows that the electricity cost in Wallonia is ±15% more expensive than in surrounding regions/countries, which leads to an additional annual cost of ±15 million euros. This conclusion was transferred to the competent authorities, with the request that corrective measures be taken quickly with an eye to this.

In particular, a fast restart is requested of the reimbursement – for 85% – of the contribution to the green certificates (“tarif ELIA pour OSP”) in the Walloon Region. After all, this measure was suspended due to budgetary restrictions.

# Social affairs

**T**he year 2016 was characterised by the renewal of the representative bodies within the framework of the social elections.

## At macro-economic level

At macro-economic level, the main trends from the previous elections are repeated, regardless of whether it concerns the order of importance for the trade unions or the evolution of the importance of each of these trends.

The most striking, intersectoral figure is undoubtedly the participation rate, that compared to 2012 fell by over 8% for the Works Council and by 6% for the Prevention and Protection at Work Committee.

## At sectoral level

At sectoral level, this global data must be put into perspective. A number of companies have recorded, very contradictory, even completely new results, both with regard to votes and to mandates. Also, the employees' vote takes into account the representative body in which it was cast. So, the result of the organisations is not homogenous depending on whether it concerns the Works Council, the Prevention and Protection at Work Committee or the trade union delegation.

From the viewpoint of the companies, the social elections are held using a well-known procedure meaning, however, a lot of work due to the administrative management and spread over an extremely long period of time.

At the end of the procedure and the appointment of the representative bodies, one of the companies' main difficulties remains, namely the problem of time-off rights related to executing mandates. The Belgian Steel Federation (GSV) has supported companies that were confronted with internal discussions and assisted them in their efforts to put the applicable legal and sectoral principles in question into practice.

**M**ore in general, the year 2016 was characterised by numerous changes or revisions to the social legislation or announcements about revisions to it.

The GSV has informed its members and consulted them with an eye to determining a sectoral mandate based on the reality and sectoral needs to be taken into account. In this context, we can name the following examples: the adoption into Belgian law of European regulations concerning social dumping, the introduction of a new legal framework with regard to data protection (GDPR), the harmonisation of the joint committees, the re-integration of incapacitated workers, etc.

In the same context, several companies during the course of the year to differing degrees experienced the impact of collective action from outside their social context. It concerns actions that were taken at the end of May and in June by Belgian Railways employees and by lockkeepers.

The GSV has informed the competent authorities of the harmful consequences of such social actions for the production of certain companies in the sector. That's why the GSV has cooperated on working out a proposal to change the current administrative procedure to handle requests for temporary unemployment due to strikes.

## Training

The extremely competitive context in the steel sector requires constant investment by the industrial groups in innovative, technological development.

For the launch of new products or first use of new production lines, additional investments are demanded from companies in the specific training of the employees involved.

The steel sector is traditionally characterised by a high degree of training of its employees. In addition, the companies ensure an increasing improvement of the percentage of trained employees (more than 80% in the past few years) and they achieve constant growth (not necessarily linear) of the hours of training per employee and of the ratio between the hours of training and the hours worked.

Within the training facilities that are based on identifying the individual training needs, the companies divide the efforts to be made into a formal and an informal part and determine the training schedules depending on their technological and organisational needs in accordance with the safety regulations.

## Health and safety

The health and safety of employees in the steel sector forms the focal point of the companies' concerns and impels constant involvement of all the players in the company, including subcontractors, to contribute to a considerable reduction in the indicators such as the number of accidents (fatal or leading to incapacity to work) and the frequency rate and the gravity rate.

The success of the health and safety policy relies on an increased commitment by superiors and on the regular stimulation of all the players' attention and alertness with regard to safety behaviour.

As the apotheosis of the recurring awareness campaigns on the subject, for many years now the steel groups have amongst other things organised a safety day that is one of the six basic principles in the area of health and safety adopted by Worldsteel.

The companies also launch action plans to promote a healthier lifestyle amongst employees. Competency promotes safer behaviour and less absenteeism amongst employees.



# Centre for Research in Metallurgy



Based on a long expertise and tradition in metallurgy and in metallic materials, gained during almost 70 years of existence, CRM group (246 employees in 2016) is actively contributing to the recent evolution of the modern industry towards a larger integration of the circular economy approach in which Steel & Metals are playing a key role, a more intense use and application of digital solutions in metal processing and products and the implementation of new manufacturing technologies nicknamed "3D printing, additive or hybrid processing" for delivering innovative metallic products and solutions to the market.

A specificity of CRM to be highlighted is the operation of big pilot facilities located in its laboratories at Liège and Gent (MPC partnership with OCAS) in a broad scope of technical fields: sintering, melting & casting, rolling & thermal treatment, annealing & coating, metal shaping, forming and assembly, ... These facilities allow a faster and less expensive development and up-scaling of new process technologies, the testing and full assessment of new products, a shorter time to market of new solutions.

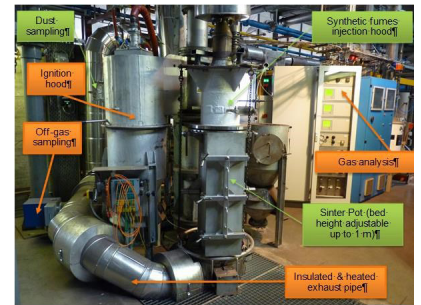
As a major objective, CRM acts to keep all this equipment up to date and to continue to invest in new technologies in line with its development strategy and for the benefit of its members.

As a first example, one can mention the recent revamping of the sintering pilot station and the possibility to simulate all types of industrial plant configurations.

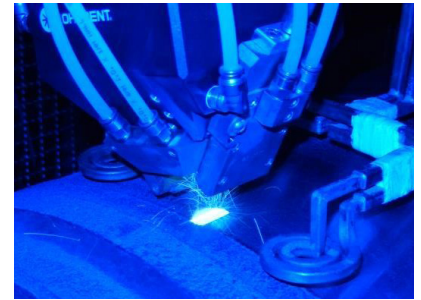
A second example deals with the application of the laser cladding process to manufacture large metallic components.

CRM Group is certified ISO 9001 for all its activities whilst several measurement, calibration and analytical techniques are certified ISO 17025.

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



Sintering pilot station



Laser cladding equipment

## Steel promotion, information - Infosteel



As the information and promotion centre for the steel construction sector, Infosteel's work revolves around two cornerstones: on the one hand promotion and providing information to clients and architects, on the other hand information for the steel construction sector itself. The two cornerstones together must lead to steel applications in the construction sector being raised to a higher level, both in terms of volume and quality.

The most striking activities in which both cornerstones come together, are the Steel Construction Day and the Steel Construction Awards. In 2016, the Steel Construction Day was held at a new location, with even more space for partners and networking; with 23 lectures it was also a record edition with regard to information.

In 2017, the Steel Construction Day will once again be held in Luxembourg and the Steel Construction Awards will also focus on Luxembourg projects.

In addition, in 2016 the path mapped out by the organisation with regard to specialised steel courses was continued.

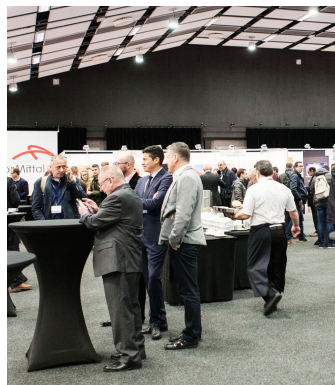
Fascinating realisations of Belgian-Luxembourg steel projects were showcased in the Info\_Steel magazine, of which 3 editions were once again published. The current news from the sector was also disseminated by means of a digital newsletter.

The website is an important element in the dissemination of information by Infosteel. The many tens of thousands of visitors every year prove its importance. In addition to technical information, the website also contains a hoard of examples of realisations with steel and last but not least also information about Infosteel's members. In 2017, the further development of the website will be one of the priorities of Infosteel's operations.

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



Steel Construction Day - photo Imke Bogaerts



Steel Construction Day - photo Maïté Thijssen



Professors Day - photo JVDB



'Steel Class' - photo JVDB



Belgian Steel Federation

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GSV is the professional organization representing the Belgian steel industry

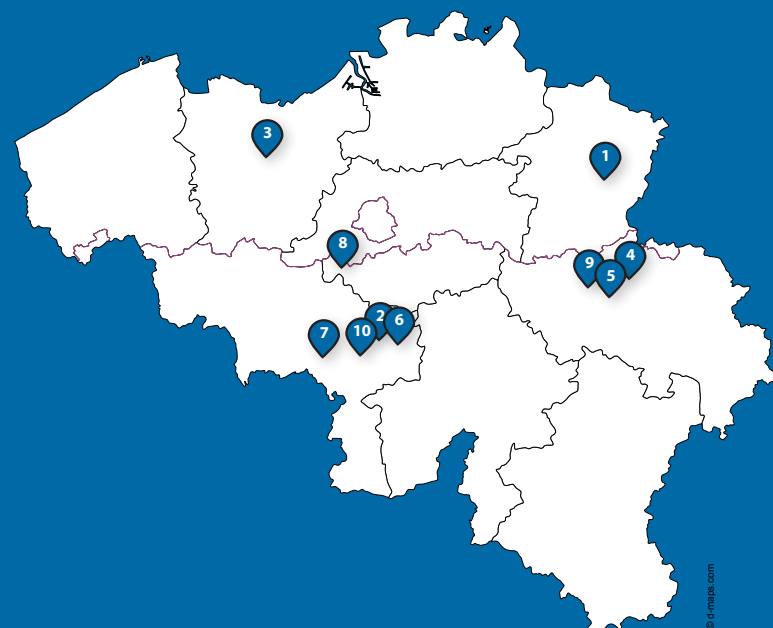
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Chairman	Wim VAN GERVEN	Chief Executive Officer Flat Carbon Europe, Business Division North ARCELORMITTAL SA
Vice-Chairman	Guido MOERMANS	General Manager Châtelet Plant, APERAM CHÂTELET * * Succeeded by Carlo Morettin on 01.03.2017
Board of Directors	Guy BONTINCK	Director Human Resources, ARCELORMITTAL GENT
	Ben DE VOS	Chief Executive Officer, NLMK INTERNATIONAL B.V.
	Gert HEYLEN	General Manager Genk Plant, APERAM GENK
	Matthieu JEHL	Chief Executive Officer, ARCELORMITTAL GENT and ARCELORMITTAL LIÈGE
	Bertrand LEJEUNE	General Director, SEGAL / GROUPE TATA STEEL
	Luc LIBERSENS	Plant Manager, INDUSTRIEL BELGIUM SA / GROUPE ARCELORMITTAL
	Angelo RIVA	Chief Executive Officer, THY-MARCINELLE SA / GROUPE RIVA

## GSV management (on 31.12.2016)

Director General	Robert JOOS <small>(until 31.12.2016)</small>
	Philippe COIGNÉ <small>(from 01.01.2017)</small>
Director	Luc BRAET <small>(until 31.12.2016)</small>

## Members (on 31.12.2016)



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9. Segal (Tata Steel) - [www.tatasteeleurope.com](http://www.tatasteeleurope.com)



10. Thy-Marcinelle (Group Riva) - [www.thy-marcinelle.com](http://www.thy-marcinelle.com)