

Belgian steel in 2017

Annual report



Word by the Chairman

2017 was a positive year overall for the Belgian steel industry in terms of economic activity. With 7.8 million tonnes of crude steel and more than 8 million tonnes of hot rolled coils produced, our country maintained its place as the sixth steel producing country in the European Union.

The apparent consumption of steel in Europe continued to rise, reaching 159 million tonnes, thanks to positive markets in the various steel-consuming sectors. This economic recovery, which began in 2016, appears to have been confirmed in 2018. Nevertheless, the recovery remains fragile, especially since the fundamental issue of global surplus production capacity has not yet been solved.

We salute the agreement of December 2017, concluded at the “Global Forum on Steel Excess Capacity”. It contains several guidelines that aim to continue the reduction of capacity, linked to an inventory of the various types of state aid and subsidies. Although these measures are voluntary, they could constitute an important first step towards putting an end to the various kinds of distortions.

The particularly high volume of steel imports in the EU-28 remains worrying. Amounting to close to 25 million tonnes in 2017, imports* have remained at roughly the same level as in 2016. China has dropped from first place to third place in the list of largest exporting countries to the EU. This can be explained, in part, by the antidumping duties imposed on Chinese steel products, coupled with the better than expected performance of China’s internal economy in the past year. Unfortunately, it is important to note that the drop in imports from China was quickly compensated by other, non-EU sources. In 2017, the largest volume of imported rolled steel came from Turkey and India, followed by China and South Korea.

Belgium is the largest producer of stainless steel in the EU28. It is, however, worrying to note that imports of stainless products reach new record levels in 2017. This significant increase of imports concerns both cold rolled products and hot rolled products.

For the Belgian and European steel industries, 2017 was also a year when lots of European legislation that will have a significant impact on our activities, came into force.

In order to modernise “Trade Defence Instruments” (TDI), a political agreement was reached in December 2017 during trilogue discussions on European level. This result was welcomed cautiously. The acceleration of the antidumping investigation process and the better determination of profit margins constitute real progress.

An agreement was also reached concerning “Anti-Dumping Methodology”. This legislation came into effect on 20 December 2017, the day the European Commission published its first report into state induced distortions of the Chinese market. How the new procedure will work in practice, should be confirmed upon implementation. It is important to underline that both the modernisation of the “Trade Defence Instruments” and the new “Anti-Dumping Methodology” are solid foundations for the protection of the Belgian and European steel industries against unfair business practices.



On 9 November 2017, an agreement was reached at a European level on post 2020 ETS policy. Unfortunately, the agreement only partially meets the needs of the steel industry and does not guarantee the free availability of the necessary emissions allowances. This is despite the fact that the steel industry had put forward a number of measures that took into account our specific situation and the high risk of “carbon leakage”.

According to estimates, the system will lead to ever-increasing deficits in terms of free emissions allowances during the period 2020-2030. The deficit of free allowances is estimated to be 33% in 2030 for the best performing steel companies. The high risk of an increase in the market price of CO₂ also constitutes an aggravating factor.

This scenario of progressive deficits, coupled with an increase in the price of CO₂ would lead to a considerable weakening of the Belgian and European steel industries’ ability to compete with non-EU steel industries that are not affected by this legislation. That’s why GSV is advocating a “Border Tax Adjustment” compensation system to re-establish a level playing field.

As intensive energy users, energy efficiency is a primary objective for our sector. The most recent studies have, yet again, confirmed the competitive handicap for intensive Belgian – and notably Walloon – energy users compared to neighbouring regions and countries. This is why we will continue to advocate the quick adoption of an energy standard – with an appropriate user profile for intensive energy users – which should lead to corrective measures.

The various governments (federal and regional) are currently working on energy and climate plans. The steel industry intends to contribute to these plans. On the European level, a list of breakthrough technologies that aim to produce low-carbon steel has already been established. An appropriate financial and legal framework is essential to accompany this transition.

In June 2017, our sector’s social partners again signed a sectoral agreement. I would like to take this opportunity to thank all the colleagues and contributors for their commitment at our country’s nine production sites. They ensure that Belgian steel can continue to provide its precious contribution wherever it is used in our society.

Wim VAN GERVEN
Chairman

(*) Excluding semi-finished products and stainless steel

COVER (f.l.t.r.): Steel production (NLMK La Louvière), photo NLMK // Steel production (Decosteel), photo ArcelorMittal Ghent // Steel production (Tailored blanks robot), photo ArcelorMittal Ghent // Ecotron Maasmechelen, conception noArchitecten, photo Bart van Vlijmen (for Metal Design Works) // Parkbrug Antwerp, conception Ney & Partners, photo Infosteel // Steel in automotive, photo JOPK (for ArcelorMittal Ghent).

Market

Steel consumption and trade balance

In 2017, European steel consuming sectors such as the automotive, construction, mechanical construction and pipe manufacturing industries were supported by an overall positive economic climate. Thus the "SWIP" (Steel Weighted Industrial Production index), criterion for economic activity, grew in 2017 by 5%, which was a particularly encouraging result. In 2018, a further increase of activity and a 2.8% rise of the SWIP are also predicted.

As a result, the apparent steel consumption in Europe is estimated to grow further from 159 Mt in 2017 to 162 Mt in 2018. However, this higher European steel consumption hasn't necessarily translated into a larger market for the European and Belgian steel industries. Steel imports, which have risen significantly in recent years, are neutralising this growth.

The amount of imported steel* in 2017 – nearly 25 Mt – was almost equal to 2016. Compared to 2012, it almost doubled. Last year, Turkey became the largest exporter to the EU, followed by India. China, traditionally the biggest exporter, dropped back to third place, followed by South Korea, Russia and Ukraine.

When subdivided into product families, hot rolled coils remain the most imported product. In the past two years, imports of galvanised steel sheet almost doubled and now firmly occupy second position. Also imports of wire rod are continuously increasing during the last years.

In 2017, import of stainless steel products reached new record levels. The increasing import of cold rolled stainless material and hot rolled stainless is remarkable.

Steel production in Belgium

The 2017 production figures for Belgian steel allow for the following analysis:

- The total production of crude steel rises to 7,840,000 tonnes. When divided into major steel families, 78% is "low carbon steel" and 22% is "stainless or special-alloy steel".
- According to the manufacturing method, 69% is produced using the "blast furnace route" and 31% using the "electric furnace route".
- In 2017, the production of hot rolled steel coils passed the 8 million tonnes mark.
- Germany remains the largest market (26%), followed by France and Belgium (16%). Export to outside the EU28 amounts to ± 11%.

(*) Excluding semi-finished and stainless steel

Steel production in Belgium

Fig.1a - Steel production in Belgium ■ 2017 ■ 2016 ■ 2015

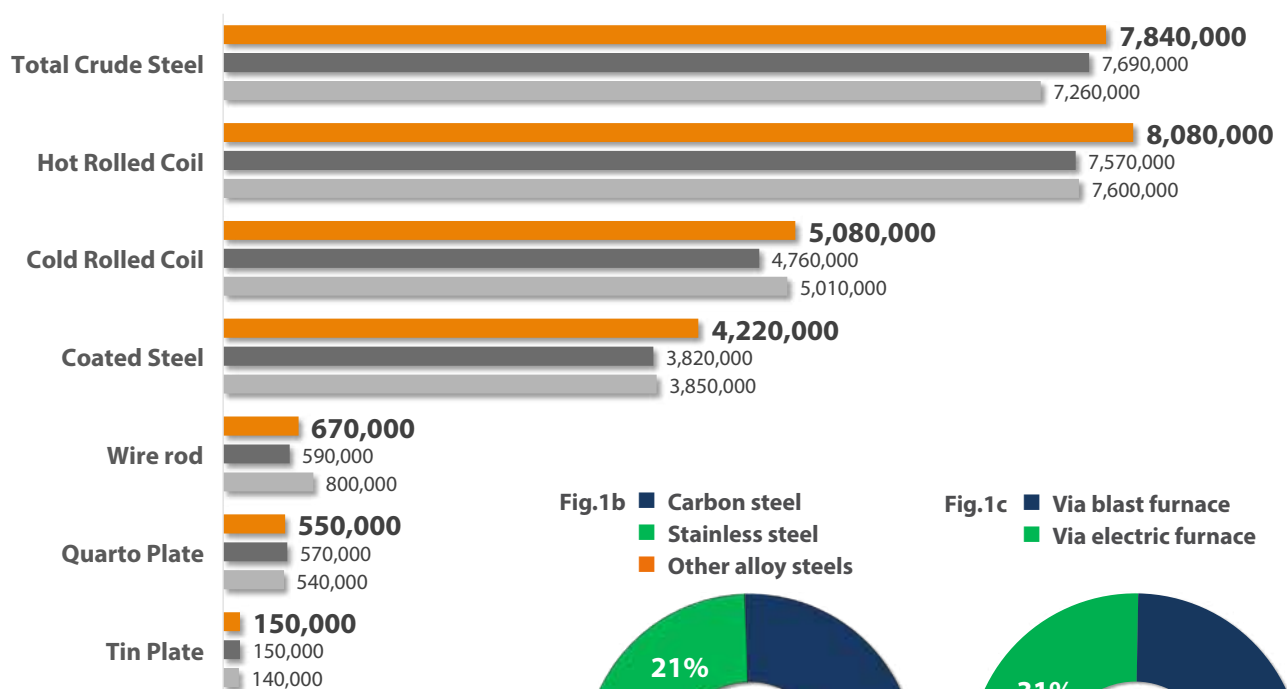


Fig.1b ■ Carbon steel
■ Stainless steel
■ Other alloy steels

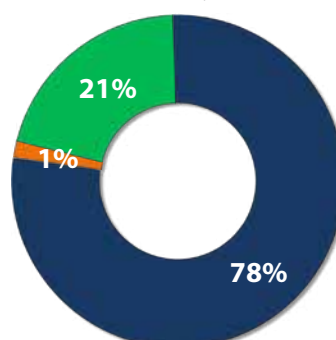
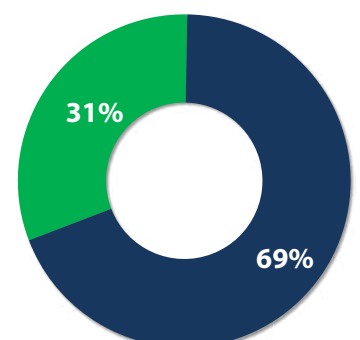
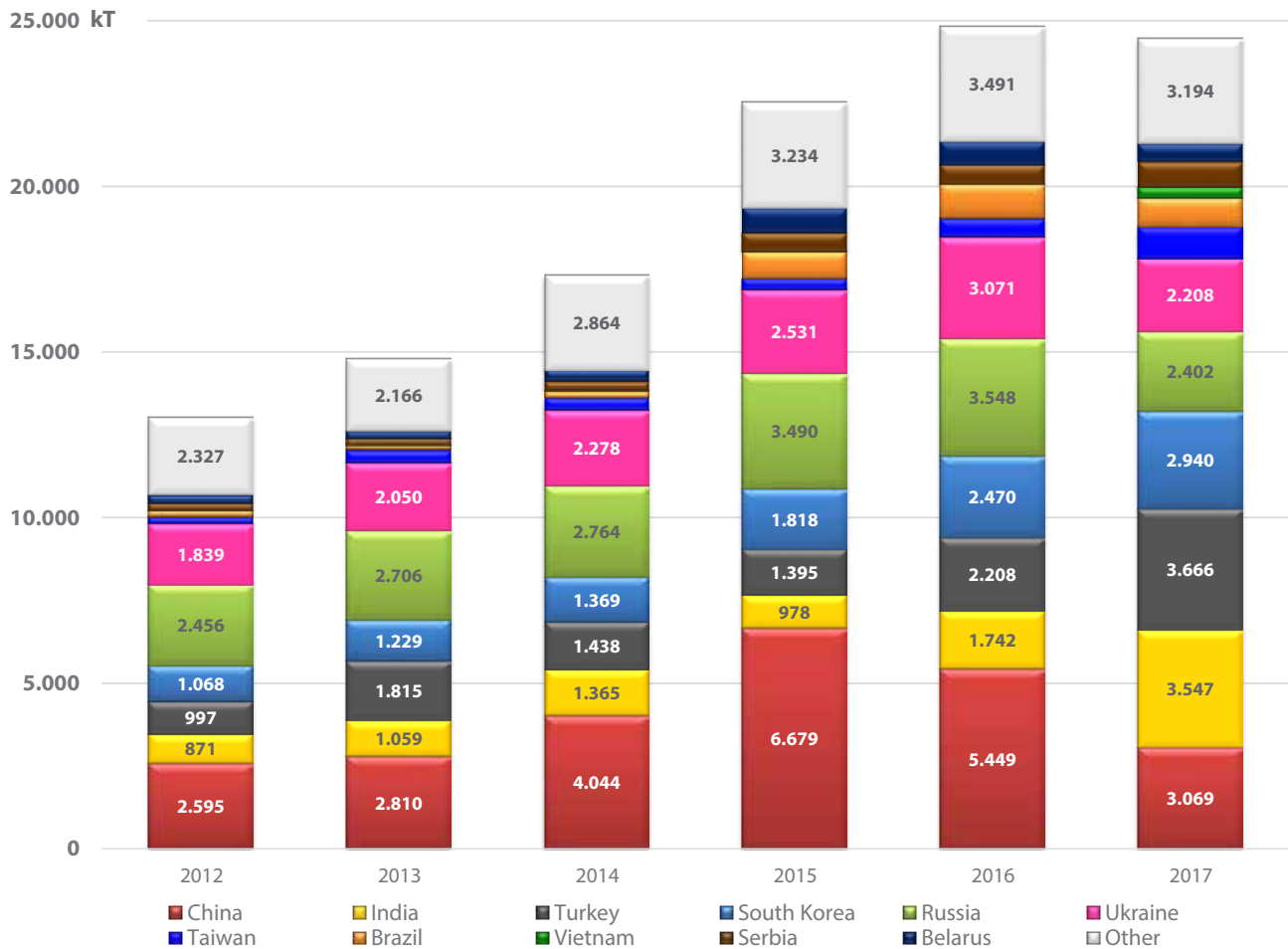


Fig.1c ■ Via blast furnace
■ Via electric furnace

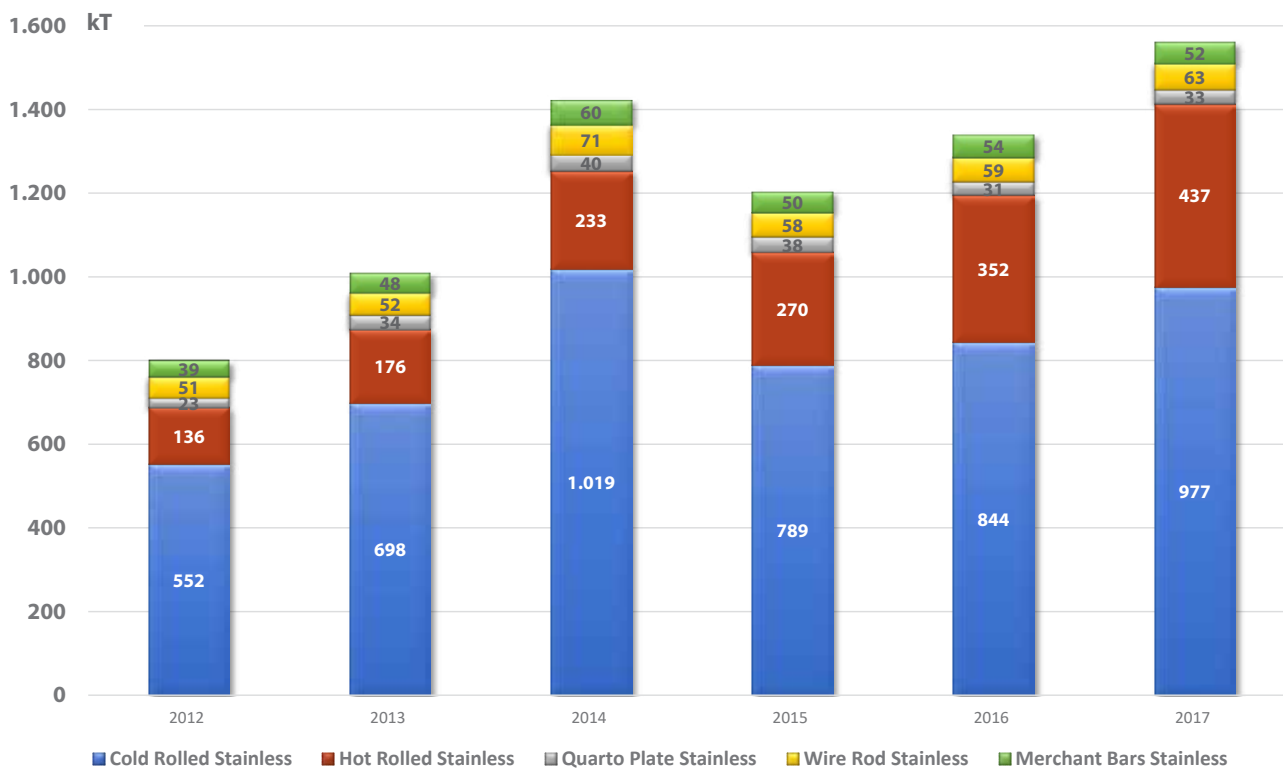


Steel import in EU28

Carbon steel*



Stainless steel*



(*) Excluding semi-finished

Climate and energy

Climate policy

2017 was a crucial year in which the ETS post-2020 mechanism was finally adopted after trilogue debates within the European Union.

However, the Belgian steel federation believes that the adopted ETS post-2020 mechanism offers insufficient protection against the risk of carbon leakage for Belgian steel companies, which are among the 10% most efficient installations worldwide. The Belgian steel federation will continue to plead for the integration of all direct and indirect carbon costs in the determination of benchmarks and free allocated quotas, in a transparent way based on quantitative data.

It is essential to respect the level playing field in terms of climate policy. At present, it is impossible to recover the CO₂ costs on Belgian and European steel products given the global and highly competitive nature of the steel sector. In anticipation of similar commitments worldwide, the Belgian steel federation, therefore, is arguing for the introduction of a border tax adjustment mechanism at the borders of the European Union. With such a mechanism, Belgian and European steel companies, which are fully committed to the climate transition framework and integrated in the ETS mechanism, will not be disadvantaged.

Last year, the Belgian steel federation also took part in the Flemish region's reflection on its future climate policy 2050.

Energy policy

The steel industry has questions about the energy pact adopted by the four Belgian Energy Ministers in 2017 and shares the concern expressed by FEB, UWE and VOKA *"that the balance between supply security, cost control and reducing CO₂ emissions is compromised"*.

Electricity costs are a major issue for the Belgian steel industry. Studies by Deloitte and PwC indicate that electricity costs in Belgium for sectors such as the steel industry, are considerably higher than in neighbouring countries. In 2017, the Belgian steel federation, therefore, continued to argue for the implementation of a Belgian energy standard.

In 2017, renewable energy support policies still had a significant impact on the electricity bill of Belgian steel companies.

In 2017, Elia suspended the reimbursement of exemptions in accordance with the green certificate public service obligation. The steel federation argued for the swift resumption of reimbursements of exemptions and the implementation of a mechanism that doesn't increase the bill for the Walloon sites. On 21 September 2017, the Walloon government decided to initiate a new mechanism for the cost taking of green certificates in order to avoid an increase of the Elia surcharge on Walloon green electricity certificates. As a result of this decision, Elia began to once again reimburse the exemptions.

The Walloon steel industry raised awareness within the Walloon authorities about the possibility to decline the competitive handicap through the introduction of a compensation for indirect carbon leakage costs. This scheme already exists in Flanders and neighbouring countries.

The "accord de branche", which binds the Walloon region and the Belgian steel federation through a convention, can count on the commitment of every Walloon steel industry site to reduce CO₂ emissions and improve energy efficiency performance. In 2017, the Belgian steel federation finalised its 2050 roadmap and successfully carried out the methodological verification provided for under this agreement.

Flanders decided to extend the "Energiebeleidsovereenkomsten" (EBO) until 2022. Flemish steel companies took part in this extension process and are implementing the measures necessary for further improvement of their energy and climate performance.

Relighting Aperam Genk

Aperam Genk has a total lighting capacity of 1.13 MW for its production halls. Traditional lighting consists mainly of high-pressure sodium and halogen lamps, characterised by high consumption, limited lifespan and long start-up time. Given their position high up, they are not easy to replace.

In 2017, the substitution of the existing lighting by the new generation of LEDs proceeded according to the lighting standard EN 12464-1. The entire relighting project runs till the end of 2019 and will lead to an improvement in lighting intensity, as well as the saving of 6.000 MWh and 2.400 tonnes of CO₂.



Social affairs

Every 'odd' social year is traditionally characterised by the conclusion of an interprofessional agreement, which is then translated to, and put into place, on a sectoral and company level.

The return to an economic situation that is favourable to business activity and to a more conventional wage-budget formula than the one proposed during the period 2015-2016, have enabled the signing of the 2017-2018 interprofessional agreement by all organisations represented in the "Group of 10" (a consultation group between major trade unions and employers).

The wage standard in the 2017-2018 agreement was set at 1.1%. In addition to the salary component, the interprofessional agreement extends several end-of-career measures, while taking into account the need for raising the age requirement for access, in accordance with the government's time scheme. The agreement also attaches great importance to several social topics in relation to the necessary transformation of our organisational models.

On sectoral level, concluding an agreement is always a delicate exercise. It is necessary to preserve the existing sectoral framework while at the same time making sure the sector follows the development of important legislation relating to companies and their workers. As such, the end-of-career planning schemes are at the centre of the agreement.

Furthermore, the social partners underlined their desire to start work that aims to harmonise sectoral frameworks for the sector's joint committees (CP 104 blue-collar workers – CP 210 white-collar workers). This commitment is confirmed by the organisation of themed meetings of technical groups.

In 2017, the law on feasible and workable work came into force. This included an important package of reforms in social regulation. However, the usefulness of these new regulations has been minimal in the steel sector considering the state of development of regulatory provisions in companies. On the contrary, certain measures of the law (time-savings account, flexible hours, etc.) are likely to slow down the existing seamless and consensual practices in our sector.

Training

With regards to the companies' efforts concerning vocational training, the social partners also expressed their wish for continuity of the sectoral framework. The sectoral agreement incorporates the new legislation applicable from 1 January 2017 by subscribing to the adoption of a new convention. This was concluded while encouraging the companies to maintain the previously attained training levels.

As far as training efforts are concerned, the sector is also characterised by a high degree of training investments for workers. For several years, the average percentage of trained workers, both blue and white-collar workers, has exceeded 80%. The number of training hours is roughly 54 hours for blue-collar workers and 34 hours for white-collar workers.

'Jet Vapor Deposition'- line ArcelorMittal Liège

In February 2017, King Philippe of Belgium officially inaugurated ArcelorMittal Liège's new Jet Vapor Deposition (JVD) line. JVD technology consists of covering a sheet of steel in a vacuum space through projection of zinc vapour. This unique process is a genuine global revolution that has resulted from a scientific breakthrough. It leads to a smaller environmental footprint and ensures an exceptionally homogeneous coating that improves surface quality. This process guarantees excellent adhesion of the coating, irrespective of the steel quality, and prevents the risk of steel or zinc oxidation.



Centre for Research in Metallurgy



The integration into the CRM organization of a R&D centre specialized in welding, joining and hydraulic technologies is a noticeable change occurred during the year 2017. This leads to a significant extension of the CRM group competences and facilities in the field of the new manufacturing processes aiming to deliver innovative metallic products & solutions to the market. Examples of available techniques can be illustrated through the hybrid laser beam welding and the semi-automatic process.

The CRM organization (262 people at the end of 2017) has been accordingly adapted with the creation of a sixth operational unit named "Innovative Design & Assembly Solutions".

To be pointed out that the whole CRM group has been re-certified ISO 9001 for all its activities and ISO 17025 for numerous measurement, calibration, analytical and testing techniques including a fire test for building elements.

In the field of the MPC partnership with OCAS at Gent, a new furnace able to treat very high melting point metals has been implemented. It allows the melting down of metals or mix of metals sensitive to oxidation under a well-controlled atmosphere (Ar, N₂). It will help to explore new generations of metallic components.

www.crmgroup.be



Hybrid laser beam welding



Semi-automatic welding



The new arc melter

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 2017, the Steel Construction Day was held in Luxembourg, with even more space for partners and networking. In 2018, the Steel Construction Day will once again be held in Belgium and the Steel Construction Awards will also focus on Belgian projects.

In addition, in 2017 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 numerous examples of realisations with steel and, last but not least, also information about Infosteel's members.

In 2018, in addition to the activities mentioned above, a more active presence on social media and a new «online information tool» will be set up. Where possible and if appropriate, cooperation with the international sister organisations will be broadened.

www.infosteel.be



One On One, Luxembourg, Moreno Architecture, Steel Construction Awards 2017 - photo Andrés Lejona



Info-Steel magazine



Trainings - photo JVDB



Belgian Steel Federation

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GSV is the professional organization representing the Belgian steel industry

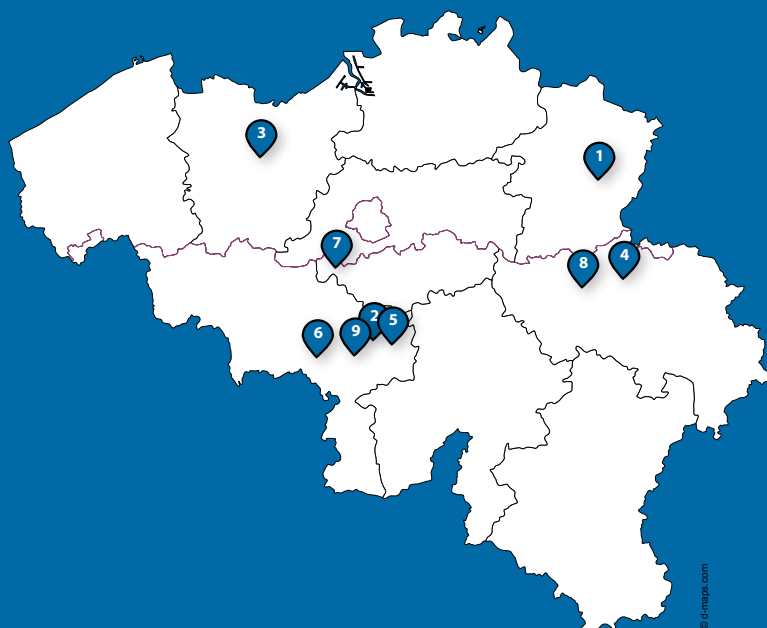
Board of Directors (on 31.12.2017)

Chairman	Wim VAN GERVEN	Chief Executive Officer Flat Carbon Europe, Business Division North ARCELORMITTAL SA
Vice-Chairman	Carlo MORETTIN	General Manager Châtelet Plant, APERAM CHÂTELET
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
	Bertrand LEJEUNE	General Director, SEGAL / GROUPE TATA STEEL
	Luc LIBERSENS	Plant Manager, INDUSTEEL BELGIUM SA / GROUPE ARCELORMITTAL
	Manfred VANVLIERBERGHE	Chief Executive Officer, ARCELORMITTAL BELGIUM
	Angelo RIVA	Managing Director, THY-MARCINELLE SA / GROUPE RIVA

GSV management

Director General Philippe COIGNÉ

Members (on 31.12.2017)



1. Aperam Genk - www.aperam.com
2. Aperam Châtelet - www.aperam.com



ArcelorMittal

3. ArcelorMittal Gent - <https://belgium.arcelormittal.com>
4. ArcelorMittal Liège - <https://belgium.arcelormittal.com>
5. Industeel Belgium - www.industeel.info



6. NLMK La Louvière - www.eu.nlmk.com
7. NLMK Clabecq - www.eu.nlmk.com



8. Segal (Tata Steel) - www.tatasteeleurope.com



9. Thy-Marcinelle (Group Riva) - www.thy-marcinelle.com