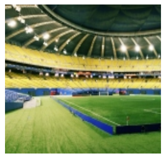
No 7

September-October 2010

BIULETYN INFORMACYJNY
NEWSLETTER



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Council of HIPH

On 27 September 2010, the Dąbrowa Górnicza branch of ArcelorMittal Poland hosted an away meeting of HIPH's Council. The agenda of the meeting covered the following issues:

1. Acceptance of the report from the Council's meeting on 15.06.2010;
2. Domestic market of steel and raw materials status after 7 months of 2010;
3. Final report from restructuring of the iron and steel industry in 2009;
4. Information from 8th International Congress of the Coke Market and Technologies (Chengdu, China);
5. Status and prospects of the refractory industry;
6. The project: "Safe steel production";
7. Information of the Management Board about the financial situation and the performance against the 2010 estimate;
8. International Steel Congress Warsaw'2012.

The Management Board of HIPH briefed about the situation in the steel sector and cooperating industries after 7 months of 2010. Mr J. Siwiec, President of ZM Ropczyce introduced the status and market prospects of the refractory industry.

The Council also listened a report from the International Congress of the Coke Market and Technologies (Chengdu - China) delivered by Mr A. Warzecha, Deputy President of Polski Koks. He also briefed about the situation in coke production in Poland. The Council also discussed and accepted a sector report from restructuring of the iron and steel industry in 2009 which was presented by dr W. Szulc from IMŻ.
The Council was also briefed about assumptions of the project: "Safe steel production" prepared by a legal office Magdalena Kruk. Members of the Council emphasised the need to establish a BHP (safety at work) platform at the Chamber to facilitate information exchange about BHP status in particular companies and share their experiences from activities taken up for improvement of safety at work for the entire sector.
The Management Board informed the Council about the financial state of HIPH after 1 half of 2010 and organisation of the International Steel Congress to be held in Warsaw in 2012. The Council accepted plans of the Management Board in this respect.
The Council expressed their concern about the limitations in gas delivery for steelworks announced by PGNiG and supported a draft which the Management Board prepared on the subject for the Deputy Prime Minister, Mr W. Pawlak.

Appeal to the Polish Government on limitations in gas delivery for steelworks

On 1.10.2010 the Management Board of the Polish Steel Association addressed to the Deputy Prime Minister, Mr W. Pawlak an appeal for securing deliveries of natural gas for the steel sector and cooperating industries. The appeal, among others, concerned finalisation of the talks held with the EC and Russia and reaching a consensus in the agreements for delivery of gas to Poland. The competitiveness of the domestic steel industry on the European market is virtually weakened by the high and frequent increases of electricity prices and the lack of guarantee for gas supply makes the situation even more difficult. The above are the reasons why Polish steelworks do not utilise fully their production capacities.
The appeal to the Minister Pawlak made by the Management Board of the Polish Steel Association was disseminated among the Members of HIPH for their information.

Economic Committee of World Steel Association

During the last meeting of the Economic Committee of World Steel Association (7-10 September 2010 in Rio de Janeiro) an update of the April report Short Range Outlook (SRO) for the years 2010 and 2011 was made. The updated SRO shows an improved situation in the world's steel consumption compared to the prognosis in April 2010. However, the prognosis as to its stability in the coming years remain cautious. In developed countries (EU, NAFTA) the situation improved, although, to a great extent, thanks to stock restoration. In the developing countries, the status and market prognosis is still good, however, a steel consumption increase in 2011 will be less dynamic.
The prognosis was introduced which shows that the world's steel apparent consumption would rise by 13.1% by the end of 2010 and by 5.3% in 2011

against 2009. It is forecasted for the EU (27) that a real increase in steel demand: by 18.9% and 5.7% will be noted in 2010 in 2011 respectively. A clear weakening of the demand in China was indicated from 24.8% in 2009 to 9.5% in 2010 and 3.5% in 2011.

Trilateral Team for Social Conditions of the Steel Industry Restructuring

On 16 September 2010, a meeting of the Trilateral Team for Social Conditions of the Steel Industry Restructuring took place in Warsaw. In the part of the meeting dedicated to assessment of the situation in the steel industry in 1st half of 2010 and its prognosis for 2nd half of 2010 as well as 2011, the President of HIPH made a reference briefing on the current demand for steel in the Polish economy and its impact on steel production. An issue of the Polish steel industry is a low utilisation of production capacities which, to a great extent, is a result of the legal and tax environment in Poland which is not enough investor friendly compared to other EU countries.

A braver industrial policy and a better cooperation between different industrial brunches under that policy is required to improve the situation.

Trade Directors' Forum

On 23 24 September 2010, the Management Board of HIPH organised another Forum of Trade Directors of HIPH in Ustroń. During the meeting the following issues were discussed:

- situation in the steel and raw material market in Poland and worldwide after 7 months of 2010,
- trade in steel products between the EU and third countries,
- the current state of market protection procedures taken up in the EU and other regions in the world,
- international sanctions towards Iran.

A representative of the Trade Policy Department of the Ministry of Economy invited to the Forum described the subjects being currently under analysis in the EU with respect to the barriers faced by exporters trying to access markets in the third countries as well as the present legal state and the proposed amendments to the reform of General System of Preferences (GSP EU) from 2014. The discussion part was dedicated to the analysis of the market for steel products in Europe and Poland as well as the prognosis for 4 Q of 2010 according to an opinion of the representatives of particular members of HIPH. Special attention was paid to the increasing production costs. High prices of scrap, ferroalloys and energy against the low prices of steel products on the market and a strong competition significantly lower margins and profitability of production. Steel manufacturers also signalled problems with an access and lead times for deliveries of charge (billets and coils) from Poland and import. Thick plates manufacturers suffers from a drop in orders from shipyards and the steel structures sector. By the end of the year, a strong demand for reinforced bars shall maintain although a price increase of bars will not compensate for a price increase of scrap.

Steel for forging plants

In front of the representatives of the Polish forging plants held on 23 September 2010 in Sulkowice, the President of the Board of HIPH informed about the state and achievements of the investment projects in the Polish steel industry and as the result, new possibilities in the scope of meeting the needs of forging plants for charge. He described the current situation in the steel market in Poland and worldwide as well as the conditions for sustainable development of the steel industry in Poland. Domestic steelworks offer wider and wider range of steel grades for semi-finished products for production of forgings and other finished products among others.

The present situation in the forging market in Poland and Europe was discussed. In Europe, forging manufacturers count on an increased demand for their products due to the revival in the automotive, machinery and power sectors. Domestic forging production slightly exceeds 250,000 ton. The result gives Poland 6th position after Germany (ca. 1.8 million ton), Italy (ca. 1 million ton), Czech Republic (ca. 0.45 million ton) and France (ca. 0.3 million ton).

The meeting also created an opportunity of presenting activities of the Polish Steel Association to the representatives of the forging sector.

Climate change conference

On 24 September 2010, the Management Board of HIPH attended a debate on: "Climate change and the need for technological revolution of 21st century". The climate change constitutes a reason for which numerous countries, the European ones in particular, introduce significant restrictions of CO_2 emission and hence, meet concurrently the assumptions of the energy and climate change package.

The Silesian Voivodship plays a particular role in securing energy safety and minimizing the social costs and, therefore, the Chairman of the European Parliament, Mr Jerzy Buzek organised the debate dedicated to the future and development of modern technologies in Katowice.

Opinion to a draft of the EC's Decision

On 27 October 2010, we sent to the Ministry of Economy an opinion of the sector concerning a draft of an opinion of the European Commission of 22 October 2010 on benchmark values, fuel specifics and other issues covered by the correspondence. New benchmarks, although more favourable than those proposed by the EC earlier, will not fully meet the emission needs of some of the sector installations. Thus, the need to purchase additional allowances will constitute an additional cost. The need to rely production exclusively on "highly coal-based" electricity will be a challenge for domestic steelworks. We emphasised in our opinion that the underlying fuel for the steel industry and refractories is natural gas and waste gases (there are 2 thermal power stations operating in the sector). The years 2005-2008 are a more favourable period for being the basis for calculating future allowances for the sector. As an alternative, steelworks proposed an option to accept for the calculation purpose the average production, direct emission and indirect emission from 3 years within the period 2005 - 2010 chosen by a manufacturer individually for each installation. We reminded the Ministry that the refractory sector still awaits new benchmarks for ceramic high-temperature products and that full allowances shall be left to a manufacturer of waste gases. According to AMP S.A., benchmark for sinter plants shall be 0.306 Mg CO_2/Mg of sinter.

Inauguration of the Academic Year at AGH

On the occasion of Inauguration of the Academic Year 2010/2011 at the St. Staszic AGH University of Science and Technology in Cracow (4.10.2010), the President of the Board of the Polish Steel Association passed the occasional wishes and congratulations on behalf of the entire industry represented by HIPH.