



In connection with CO₂

1. On 4th June 2008 the Polish Chamber of Commerce in Warsaw hosted a press breakfast with the managements of the largest steel companies organised by the Board of HIPH for journalists. The event was held to emphasise the controversies over the latest draft of the Ordinance of the Ministry of Environment concerning another cut of the emission allowances and transferring them to the energy sector. In the February draft, 23% of the allocations were taken away from the sector compared to a draft of December 2007. In the May draft, further 10% is proposed to be taken away against the February draft. Just because the sector is private, it is treated worse!? The steelworks representatives said that in this situation they would verify their development plans taking into account the profitability of production in Poland.
2. The Management Board of HIPH has taken all possible steps in order to prevent the unfavourable changes resulting from the Ordinance draft on CO₂ allocations for the steel sector. On 9 June 2008, when we got the information on the new draft of the Ministry of Environment on CO₂ emission allocations, we sent an open letter in a protest to the Prime Minister of Poland, Mr Donald Tusk. On 10.06.2008 the letter was published in Rzeczpospolita daily on page B5. We enclosed its contents on our website.
3. On 4 and 5 June 2008, upon an initiative of the Management Board of HIPH, a meeting of the representatives of sectoral organisations constituting the CO₂ Forum and the Large Energy Recipients Forum was held in Wista. The Forums' performance in 2006-2007 was summed up. The Presidium received a vote of confidence and the scope of cooperation for this year was agreed.
4. On 10 April 2008, the representatives of CO₂ Forum met the Minister of Environment, Mr. M. Nowicki in Warsaw. We were presented by the Minister arguments for the changes in KPRU II draft.
5. On 31 March 2008, a seating of CO₂ Forum was held. The meeting addressed directions of the CO₂ Forum's activity and its main tasks for 2008. The issues to be taken up during a meeting with Mr M. Nowicki, the Minister of Environment, were agreed.
6. CO₂ Forum addressed a letter to the Prime Minister of Poland, Mr Donald Tusk. The letter contained a positive assessment of the draft presented for social consultations in December 2007. KPRU version dated February 2008, in which a significant number of allocations was transferred from the industry to the energy sector raised objections of the Forum. Cuts of the allocations particularly affected sectors in which, apart from fuels combustion, the source of CO₂

emission are the inevitable physical and chemical processes connected with the production of basic industrial products such as steel, glass, cement, ceramics, paper, lime, etc. This draft does not implement the thought-out energy and climate policy, neither is based on the substantive analysis of the environmental and economic effects of the plan's implementation. The government's decision on KPRU will be crucial for the country's development conditions and the implementation of programmes for further decades announced by the Prime Minister.

Polish-Czech-Slovak Commission

On 26 and 27 May 2008, in Dolni Lomna, the Czech Republic, a meeting of the Polish-Czech-Slovak Commission on steel, energy, coke industry, mechanical engineering and environmental protection was held. Agenda of the meeting which was organised in the form of a conference, included the following issues among others:

- Current situation in the steel industry in Poland and the Czech Republic,
- Regulations on environmental protection from the viewpoint of the government of the Czech Republic and Poland (delegates from the Ministries of both countries),
- Implementation state of the regulations of the environmental protection in steelworks in the Czech Republic and Poland,
- Problems of the industrial regions of Silesia and Moravia,
- Human resources for steel industry,
- Clusters in the regions.

The meeting of the Commission was concluded by signing a joint letter supporting the announcement by the European Commission to the Council and the European Parliament on competitiveness of the metallurgical industry.

A copy of the letter is enclosed below:

..."Participants of the seminar declare their readiness to share the goals of the European Union including, among others, reduction of greenhouse gases by 20% by 2020 against 1990. However, one shall consider the fact that in case of taking up independent actions of this type by EU, there is a threat to the European steel industry which may bring some fatal effects. The share of the European steel industry in the global steel production accounts for 16% while the share in the emission of greenhouse gases 12% only. The European steel industry jointly with the Japanese steel sector constitutes one of the most ecological steel production in the world. Should EU take up independent measures, slowing down the pace of the global warming will not be achieved. The situation may get worse and EU will face the economic, social and ecological shock.

In the Issue:

- In connection with CO₂
- Polish -Czech-Slovak Commission
- HIPH Energy Experts Group
- Human Capital in Enterprise
- Forum of Technical Directors
- Modern job places in Silesia
- Meeting of Polish Tube Producers

The Czech-Polish-Slovak Commission fully supports an opinion of the organisation European Metalworkers Federation and EUROFER (European Confederation of Iron and Steel Industry) dated April 2008 which was presented to the European Parliament, the Council of Europe and the European Commission. Its objective is to enhance and give to the project a real level of the EU directive on trading greenhouse gases after 2012 so that it will have a positive impact on the global environment and will not be a tool to drive the industry away from Europe.

The following measures shall be taken up urgently:

- To identify as soon as possible and include in the directive the industrial sectors which are most endangered with an increase of CO₂ emission as a result of transferring the production outside EU (Carbon leakage). Concurrently, to guarantee these sectors a free of charge allocation of 100% allowances for greenhouse gases emission until a global agreement is made on guaranteeing all the same conditions for conducting business in a given industrial branch.

- To ensure conditions allowing for EU steel sector to be competitive against the producers from other regions, which translates into making import of "dirty" steel to EU impossible.
- To make the benchmarking method based on technical parameters and production volume the basis for the allocations and the emission allowances limits.
- To exclude from the monitoring system and auctions the gases which appear during original production of iron and steel (cogenerative gases). The gases are the energy secondary raw materials used directly in metallurgy for energy production. Simultaneously, thanks to the usage of these gases, the consumption of the original raw materials (such as natural gas) is reduced.
- Compensation of the higher production costs of electrical energy and further kinds of energy used in the iron metallurgy in such a way so that the costs are not transferred to this branch of the industry.
- To enable long term development of the steel sector companies and guarantee the conditions for them to survive which will have an impact on diminishing the unemployment risk resulting from jobs limits in the sector which employs 370,000 people within EU and produces tangible goods with the yearly value of EUR 140 billion"...

HIPH Energy Experts Group

A meeting of the Energy Experts Group acting at the Polish Steel Association was held on 11.04.2008. The meeting addressed the following issues:

- Comments to the bill on changing the Energy Law Act,
 - Possibility of participation of the steel sector representatives in the works on executive ordinances to the aforementioned Act,
 - Evaluation of the situation of the large energy recipients in Poland, growing costs, the reasons for a price increase of electrical energy.
- In addition, the assumptions for the operations of

the Forum of Electrical Energy and Gas Recipients were discussed.

Human Capital in Enterprise

On 12 June 2008 in Cracow, we took part in a discussion on cooperation of Polish universities with the industry for the entrepreneurship development. The initiative is supported by ESF funds. The areas eligible for ESF support are the following: continuous education, professional enhancement and active policy on the labour market. Universities from a few Polish regions (including Slaskie and Malopolskie) established an Association, "Education for Entrepreneurship". One of the areas of the Association's activity which could be of interest for the sector's enterprises is: "postgraduate studies for the management and staff of the enterprises". Once HIPH is involved in the subject, we will keep you informed about the status and progress of works. For those interested, we enclose the internet address: www.edp.org.pl

Forum of Technical Directors

On 28 and 29 April 2008, the Forum of Technical Directors of HIPH Members was held in Ustro . The Forum addressed issues concerning the implementation of new technological solutions as well as the rules of the European standardisation. The following were presentations initiating a further discussion:

- Linde Gaz Polska Sp. z o.o.: "Stations for soaking ladle with oxygen-fuel burners".
- Biprostal SA : "Investments in the steel sector made by Biprostal SA"
- Plasma System: "Implementation of the modern materials technologies in the industry the practical usage of thermal spraying technology to protect and regenerate the elements of machinery and equipment"
- Climbex Sp.j.: "The practical usage of modern devices for comprehensive cleaning in the steel sector"
- The representatives of the Polish Standardisation Committee (PKN) discussed the rules of the European standardization with respect to steel and steel products.

Steel Packing Congress

On 24 April 2008, the International Steel Packing Congress was held in Duesseldorf. The President of the Chamber was an active participant in this event. The Congress reconfirmed that the market of the Central and Eastern Europe is the more important than Asia for the packing suppliers and recipients due to Euro'2012 among others.

Modern job places in Silesia

The representatives of the sectoral organizations from Silesia met with the Management Board of the Regional Labour Office on 9-10 June 2008. The participants discussed the forms of cooperation and support aimed at creating modern job places in Silesia. The steel sector, thanks to its restructuring, was modernised. This process will be continued and will create new opportunities of employment for

more and more qualified people. The steel sector supports the technology transfer policy under clusters. Within this strategy, a place for innovative activity appears which requires a significant number of new qualifications.

Meeting of Polish Tube Producers

On 13 June 2008, a meeting of the Polish Tube Producers took place. During the meeting, the following issues were discussed:

- Current situation in the production and trade in steel tubes in Poland,
- The tube market in EU (production, trade and real consumption),
- Threats resulting from the tube imports to EU from the third countries and the measures taken up by the European industry,
- Outcome of the General Meeting and the seating of CDD ESTA in May 2008,
- The changes introduced to the EU statistics on tube production, the form PRODCOM 2008,
- Evaluation of the tube market and prognosis for 3Q of 2008.

In 1Q of 2008, the production of tubes and closed sections went down by over 3%, export increased by 2.5%, import dropped by approx. 1% while the apparent consumption went up by over 3%. The import share in the total tube consumption amounted to 50%.

In 2007, in EU-27 the tube production accounted for 17.8 million ton (+1.5%), import from the third countries increased to over 3.5 million tons while the apparent consumption accounted for 16.2 million ton. A particularly big increase was noted in import of seamless tubes from China (+341%) and seamed tubes from Turkey (+24%) and China (+200%). Against the import of seamed tubes from China, Russia, Belarus and Bosnia, a new antidumping procedure was launched in September 2007 while against the import of tubes from Thailand, Turkey and the Ukraine, a verifying procedure is being undertaken. Against the import of seamless tubes from China, a complaint was lodged to EC with the request for launching the antidumping procedure.

In the discussion concerning the tube market, an impact of prices of semi-products and energy on the price of the produced tubes was emphasised and a difficult situation of the manufacturers dependent on the outside charge was stressed. The price increase cannot be transferred to the price of finished products while the current high exchange rate of the Polish Zloty supports the growth of competitive imports. Although the market is tough, the demand will maintain the stable level in 2 half according to the producers.

We took part in the following events:

- General Meeting of the Chamber of Commerce of Non-Ferrous Metals on 8 April 2008,
- General Meeting of the Polish Road Congress on 16 April 2008.
- Meeting of the Polish Federation of Steel Trade Unions on 23 April 2008,
- Celebration of the METALLURGIST'S DAY, to which the Management Board of HIPH had been