

Statement of the European Steel Recyclers ahead of the Competitiveness Council of 9.11.2015 on the EU Steel Industry

The European Recycling Industries Confederation (EuRIC) welcomes the initiatives of the Luxembourg Presidency to discuss the situation of the steel industry during the Competitiveness Council of 9.11.2015. Through the European Ferrous Recovery & Recycling Federation (EFR), EuRIC represents the interests of the European steel scrap recycling sector, composed of hundreds of companies, which collect, recycle and trade recycled steel scrap. As for many other resource streams, ferrous recycling is a business activity driven by an ecosystem of thousands of SMEs as well as of larger companies.

Recycled steel scrap **offers substantial environmental benefits** when compared with primary raw materials. For example, every ton of recycled steel scrap substitutes 1.5 tons of iron ore and more than 0.5 tons of coal and further reduces the CO₂-emissions by one ton. The steel recycling industry is hence a key actor to achieve climate and environmental goals. In addition, there is absolutely no present or future risk of physical shortage of steel scrap in Europe, in stark contrast with primary raw materials for steel production for which the European Union (EU) is nearly exclusively dependent on imports.

EU's steel recycling industry is facing structural competitive disadvantages, which substantially amplify the adverse effects of the current weak demand and falling prices on its businesses, linked to:

- ❖ The **too close correlation between prices of primary and of secondary raw materials**, despite substantially different **cost structures**;
- ❖ Differences in the **market structures** between producers of primary raw materials for steel, which evolve in highly concentrated markets having an impact on price-setting, and steel scrap recyclers, evolving in a highly competitive market where SMEs continue to play a significant role directly linked to the fact that recycling usually takes place locally, close to the source of collection;
- ❖ **Regulatory distortions** embedded in EU legislation which place a higher cost burden on downstream users of recycled steel scrap, as the recent cumulative cost assessment for the steel industry has clearly demonstrated¹.

The persistent weak prices of iron ore directly leads to a reduction of EAF steel production using as infed recycled steel scrap. In Germany alone, the share of EAF steel production has dropped to a historical low of less than 30 percent of the total crude steel production. With this decline of steel scrap use, prices for steel scrap continue to decrease dramatically, reaching levels that are jeopardizing the economic viability of a number of steel recycling companies across Europe.

In order to prevent further job losses, the European Recycling Industries' Confederation calls the Competitiveness Council of 9 November 2015 for immediate action:

- ⇒ To restore **fair competition in raw materials markets** for steel production by considering all appropriate measures offered by internal market and trade policies, to level the playing field for Europe's steel scrap recyclers and traders;
- ⇒ To establish **framework conditions enabling to correct existing regulatory distortions putting European steel recyclers at a competitive disadvantage**. In that respect, EuRIC supports a [market-driven circular economy](#), which incentivizes through pull measures, such as reduced VAT, the use of recycled materials along the production chain and enables EU's economy to grow and deliver much needed jobs while minimizing environmental impacts;
- ⇒ To implement at national level **swift measures on permitting** in order to tackle practical issues arising from stocks which increase due to the weak demand and falling prices.

¹ See the [Executive Summary](#) of the cumulative cost assessment for steel, 3rd page, "C. Typical cumulative cost of regulation", outlining that, despite huge environmental benefits, the cost of EU regulation is much higher for EAF steelmakers using recycled steel scrap (17,4€/t) than for BOF steelmakers using mainly primary raw materials (10,7€/t).