European Commission - Statement

Statement by Commissioner Vestager on EU state aid rules in the steel sector and Commission state aid decisions concerning Duferco in Belgium and Ilva in Italy

Brussels, 20 January 2016

EU State aid rules allow fostering the long-term competitiveness and efficiency of steel manufacturing but not supporting manufacturers in difficulties. The Commission took two decisions, a final negative decision on Duferco (Belgium) and opening a formal probe into state measures for Ilva in Italy.

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Today, I would like to inform you about EU state aid rules in the steel sector and two state aid decisions the Commission has just taken.

First, the Commission adopted a final negative decision asking Belgium to recover €211 million of aid granted to companies within the Duferco group.

Second, the Commission opened a formal investigation into possible aid measures granted by Italy to Ilva. These measures amount to c.a. €2 billion of financial support in total.

But before going into the details of the two decisions, it is important to recall the wider context and why there are state aid rules specific to the steel sector.

The European steel sector is a key industry across the EU – it employs about 360 000 people in more than 500 production sites in 23 Member States. We all know that EU steelmakers have been facing difficulties with overcapacity – within the EU and worldwide – and there is stiff competition from other parts of the world.

Therefore, the EU's response to the challenges of the sector has to be two-fold: We need to ensure fair competition globally as well as protect the level playing field within the European Union. This must go together, and one depends on the other.

If there are international trade distortions and unfair trade, the EU has trade defence instruments, such as anti-dumping or anti-subsidy, to protect the European Single Market. Currently, there are more than 30 definitive measures in place on imports of steel products. In addition, there are new anti-dumping/anti-subsidy investigations ongoing for 6 other steel products.

At the same time, enhancing industrial competitiveness is a key objective of many EU policies. This includes the € 315 billion Investment Plan for Europe and the Commission's Single Market Strategy. We need to invest in new technologies, we need to invest in innovation. The Commission has set up a High Level Group on Energy-Intensive Industries, and my colleagues, Vice President Katainen and Commissioner Bienkowska are organising the work to move forward.

The European steel industry needs to be competitive globally and it needs to take the steps to ensure that it is. It cannot rely on public funds to survive. And over the past years, European steel companies have taken significant steps in order to be competitive.

It is in this context that EU state aid rules don't allow public support for the rescue and restructuring of failing steelmakers, but they do enable EU countries to boost the global competitiveness of steel companies.

In particular, EU state aid rules allow support to steelmakers to make them more competitive in the long-term for objectives such as research, development and innovation. Furthermore, the Commission has under EU state aid rules approved national measures in several EU countries to compensate energy-intensive businesses, including steel companies, for their high energy costs, most recently as regards the UK in December last year.

However, in view of the chronic over-capacity of the steel sector, EU Member States and the Commission have already since the 1990s agreed to prohibit rescue and restructuring aid to steelmakers in difficulty.

As past experience has shown, this type of aid distorts competition and risks leading to harmful subsidy races between Member States. It also doesn't help in the long run. It keeps uncompetitive capacity on the market and transfers problems to other Member States. And it's unfair on steelmakers that have carried out painful, costly restructuring using their own resources.

The Commission has consistently applied this approach to state aid control in the steel sector – it has had to take tough decisions ordering recovery of illegal state aid in a number of EU countries, including Belgium, Germany, Italy and Poland.

And of course, there are social challenges to more globalised markets, especially in times when some economies are struggling. These have affected workers in the steel sector and others.

That is why the EU is working with Member States and industry to help minimise any job losses caused by economic conditions in the market. For example, it set up the European Globalisation Adjustment Fund to re-train and help dismissed workers to find new job opportunities. Since starting operations in 2007, the Fund has paid out some €550 million to help more than 128,000 workers. Just today, the Commission has proposed to provide Belgium with €1 million from the Fund to help former glass workers to find new jobs, and to include 100 young unemployed people in the actions planned.

It is against this background that I would like to inform you about the two state aid decisions regarding Duferco in Belgium and Ilva in Italy:

In the case of Duferco, the Commission's investigation showed that the Belgian Region of Wallonia repeatedly injected public money into Duferco between 2006 and 2011. This artificially boosted the companies' revenues and postponed the difficult, but unavoidable, capacity adjustments of steel production in Wallonia. The decision concludes that the injections of public money are State aid, since no market-based investor would have invested on the same terms as the Belgian authorities did. This illegal aid must now be recovered.

Let me add that the aid granted to the Duferco group companies did not prevent the steel plants in Wallonia to pull out from productions and dismiss all the workers already in 2013. And also in this case the Commission is using funds from the European Globalisation Adjustment Fund to support the Walloon Region's efforts to re-train the workers who were made redundant.

The second decision concerns *Ilva,* the third largest steel manufacturer in the EU, and its plant in Taranto, South Italy, which is the biggest steel plant in the EU.

Ilva has a long history of non-compliance with environmental standards. Already since 2013, the Commission has been urging Italy to ensure that the Taranto plant complies with EU legislation on industrial emissions.

The Commission has also received a number of complaints from competitors alleging that Italy is providing restructuring aid that would allow Ilva to modernise its plant with public moneyto reach full capacity.

We need to look into the concerns very carefully as they concern large-scale measures to a significant player, and might bring a serious distortion of competition in a very competitive sector.

Therefore, the Commission has today decided to open a formal investigation. In this context, let me underline that:

- First, the opening of an investigation does not prejudge the outcome of the proceedings. It gives interested parties the possibility to express their views.
- Second, the Decision makes clear that the Commission will not stand in the way of public subsidies to clean up the serious pollution problems at the Taranto site, on condition that the money is subsequently recovered in line with the "polluter pays" principle. On the other hand, public money can't be given just to bring the plant up to environmental standards that apply to all EU producers.
- Third, the Commission is supporting commercially viable steel production at the Taranto site which is the best way to maintain sustainable jobs in the region.

To conclude, these two decisions are consistent with long-established policy, and with the long-term interests of the European steel industry.

The EU, Member States and the businesses each need to make full use of their possibilities to ensure the industry's global competitiveness and fair competition within the EU and beyond.

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