



An employee monitors the blast furnace at the ArcelorMittal Ostrava steel plant in Ostrava, Czech Republic.

Europe forced to choose jobs or climate as steel towns wither

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BRITISH lawmaker Ian Swales has already watched one steel plant close in his district, and he never wants to see it again.

It felt like a funeral, he said, when plunging demand led the Redcar blast furnaces in northern England to shut its doors in 2010. The memory has Swales questioning his own party's fight against global warming, as European climate policy threatens steel towns across the region.

EU leaders expect to reach a deal next month on climate and energy goals for 2030, and regulators are recommending a 40 percent cut in carbon dioxide emissions. Steel producers say that will drive up costs for heavy industry, threatening almost two centuries of steelmaking in the region and as many as 350 000 jobs.

"I'm concerned this is heavy-boot regulation that will drive many steel mills to the wall," said Swales, a Liberal Democrat whose party has called on EU governments to back the emission cuts. "I understand the green stance and broadly support it, but we need to inject a note of realism about the consequences."

While Europe is advancing its efforts to curb climate change, other large emitters, notably China, are lagging behind. That will make European steel less competitive and drive customers to competitors in Asia and other emerging markets with weaker regulations, according to Wolfgang Eder, chief executive officer of Voestalpine, Austria's biggest steelmaker.

"Over the next 15 years a major part of Europe's steelmaking capacity will have to be closed down,"

Eder said.

While emissions policies will raise the cost of steelmaking, environmental groups say they are needed to combat global warming and that Europe should take the lead in reducing industrial pollution.

"We can't dodge this bullet; we have to bite it," said Alastair Harper, head of politics at the UK's Green Alliance, an environmental group. "The reality is that we will risk all our economies if we're not ready to take on the challenge."

EU heads of state and government have set an October deadline for a political deal on climate and energy policy. The bloc's 28 governments are divided on a proposal from the European Commission, the EU's regulatory arm, to accelerate the pace of carbon cuts. Germany has argued for deeper reductions while Poland has urged caution, citing the lack of a global deal.

The UN is organising global climate talks that are expected to lead to a binding emissions treaty next year.

"The future of steel production in Europe has to move toward higher-end specialist products of which many will come from low-carbon growth," said Sanjeev Kumar, founder of environmental lobby ChangePartnership in Brussels. "Failure to agree a strong energy framework is the worst-case scenario for European steel production."

The EU's key climate tool is a cap-and-trade system that imposes emissions limits on about 12 000 utilities, manufacturers and other emitters. The cuts would be measured against 1990 levels.

Under the system, polluters receive permits to cover actual

emissions. Steel and aluminium producers receive a certain amount of free permits to help them compete against rivals in countries with weaker restrictions.

Tougher pollution limits will hit a steel industry already in retreat. Production fell to 165 million tons last year from 210 million tons in 2007 as sales shifted to cheaper regions, and plants across Europe have been shuttered.

That's a threat to steel towns that have depended on the industry, some for more than a century.

ArcelorMittal, the region's biggest producer, has closed plants in Belgium and France and idled furnaces in Germany, Luxembourg, Poland and Spain. The cuts have sparked riots, strikes and even kidnappings.

In 2011, Belgian steelworkers held ArcelorMittal executives hostage in their offices for more than 48 hours as they battled to stop the shutdown of blast furnaces in Liege.

In 2009, during the height of the financial crisis, groups of protesters clashed with riot police as they tried to storm the company's Luxembourg headquarters during a shareholder meeting. The Redcar blast furnace that shut in 2010 was later sold and was reopened in 2012.

Should the steel industry be forced to leave Europe, carmakers and machinery shops would follow, risking more than 20 million jobs, said Eder, who was formerly the president of the European steel lobby group Eurofer.

"Steel is a strategic product," Eder said. "If steel is not produced in Europe anymore, in the long run no cars will be produced in Europe."
— Bloomberg