

European Steel Sector: impact of COVID 19

(see other basic metals at the end of the document)

Updated: 01/04/2020

The European steel sector has been heavily impacted by the Covid-19 pandemic. The sector is dependent on the European **automotive sector** which is shutting down most production and the **construction sector**, which has seen its activities greatly reduced and/or stopped in many countries. Furthermore, there has been a sharp decline in orders (or complete stoppage) in the aerospace, mechanical engineering, and oil and gas industries which directly impacts the European steel industry.

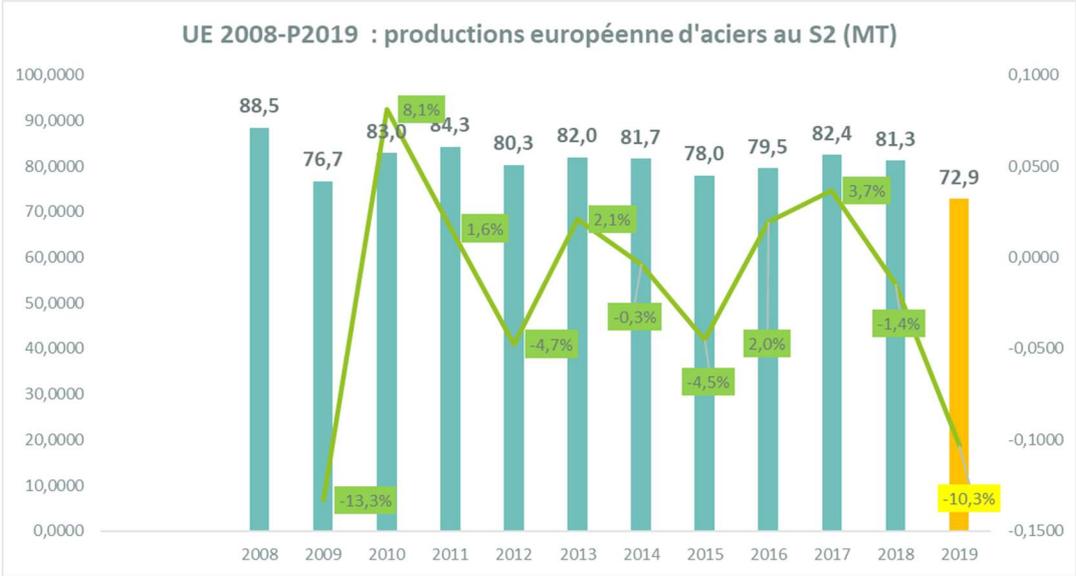
The sector was already in a downturn in 2020 and the cutting of production and idling of lines is bad news for steelworkers in Europe. Companies state that they are struggling due to failing orders, lack of staff (due to health reasons) and stoppages of work due to safety precautions.

However, the current COVID-19 pandemic must not be used by employers to undermine workers' rights and huge commitments will be needed by employers and national governments to support the industry (especially SMEs) going forward.

State of play: steel production in Europe

Plant shutdowns can be seen across Europe. For small producers in northern Italy, the closure of their plants seems to have been necessary from mid-March because of the geographical concentration of the spread of Covid 19. However, in the rest of Europe, multi-site multinationals can make choices under political, health and social constraints that decide on business continuity plans for each plant.

These plant shutdowns (March 2020), follow a difficult year for the European steel sector when production fell sharply:



Note: the EU produced only 72.9 MT of steel in the second half of the year (-10.3%/2019), i.e. a level lower than in 2009, which in the recent period was the minimum amount.

At the same time the apparent demand for steel decreased by 7.8% to 172 MT after taking into account net imports of 14.4 MT during the year, mainly slabs and coils.

China increases steel production in the first two months of 2020

In January and February 2020, Chinese steel production rose from 150.1 to 154.7 MT, i.e. **an increase of +3%** compared to the first two months of 2019. Confirming that the health crisis and the confinement of Hubei province did not have major consequences on the level of Chinese steel production.

With China accounting for more than 50% of world production, it is leading to an increase in world steel production of +1% between 2019 and 2020 over the first two months.

This divergence in developments between the European and Chinese steel industries, which can only intensify from March 2020, is worrying on several counts:

- It allows **China to assert itself as the predominant source of steel** in all world markets.
- It has led to a maintenance or even an **increase in the prices of raw materials**, particularly iron ore, on the world market, which European producers are unable to pass on in their selling prices because of competition on their own markets for dumped imports.¹

European steel production in January and February 2020²

In the EU27 countries (+ UK which for the moment has the same transitional trade rules for one year), **steel production in the first two months of 2020 is estimated to have fallen by -9%**, mainly in Germany (-11%), Spain (-22%), Poland (-23%) and Belgium (-22%).

In **Spain**, everything is happening as if the second blast furnace at Gijon had not been restarted in January 2020, with production remaining spread out between the end of 2019 and the beginning of 2020 at 750 KT/month.

In **Poland**, the lack of the HF Krakow restart leaves steel production at less than 650 KT/month.

Conversely, countries such as **Finland, France, the Netherlands, Sweden and Luxembourg** are experiencing a recovery in activity at the beginning of 2020 in line with the traditional profile of steel activities and are seeing their production increase slightly to a level comparable with the first two months of 2019.

¹ Source: IndustriAll Europe's European Steel Campaign: Steel background document February 2020

² Source: Worldsteel

March 2020 integrated facility closures³

The month of March 2020 is marked by multiple announcements of **plant shutdowns** in the European steel industry. The number of plant shutdowns spread across Europe like wildfire in the second week of March.

It follows announcements of complete shutdowns of **car assembly plants**, which account for 18% of European steel outlets⁴ and almost 25% with indirect outlets. This figure is much lower than the **construction sector**, which accounts for 35%. However, the closure of the car industry is having a major impact on **flat products plants**, which in Europe still operate in an integrated way, from iron ore to cast iron to high-grade steel.

Les diminutions de production d'acier annoncées en 2019								
compagnie	site	pays	type	produit	techno	capacité MT	durée	impact 19 MT
ArcelorMittal	Ilva	Italie	réduction	plats	HF	6		1
ArcelorMittal	Asturias	Espagne	réfection	plats/longs	HF	5	3 mois	0,8
ArcelorMittal	Bremen	Allemagne	réfection	plats	HF	3,6	3 mois	0,4
ArcelorMittal	Eisenhüttenstadt	Allemagne	réduction	plats	HF	2	ns	0,4
ArcelorMittal	Dunkerque	France	réduction	plats	HF	7	ns	0,2
ArcelorMittal	Cracovie	Pologne	cocon	plats	HF	1,5	1,5 mois	0,15
U S Steel	Kosice	Slovaquie	cocon	plats	HF	5	6 mois	1,2
Liberty Steel	Ostrava	Rep Tcheque	réduction	plats/longs	HF	3,5	6 mois	0,7
SSAB	Oxelosund	Suède	cocon	plats	HF	0,5	6 mois	0,25
SSAB	Raahe	Finlande	cocon	plats/longs	HF	1,3	3 mois	0,3
Arvedi	Cremona	Italie	cocon	plats	EAF	3,4	2 mois	0,17
Salzgitter	Salzgitter	Allemagne	réduction	plats	HF	0,6	2 mois	0,1
Huta Częstochowa	Sunningwell International	Pologne	cocon	plats	EAF	0,8	10 mois	0,68
							Total	5,35

source : Syndex, divers presse

Some of these facilities had therefore already been shut down since the end of 2019 for refurbishment work, the schedule of which had been extended by a few weeks, but others were not shut down but only slowed down.

Les diminutions de production d'acier annoncées en mars 2020						
compagnie	site	pays	type	produit	Nombre HF	capacité MT
ArcelorMittal	Ilva	Italie	arrêt partiel	plats	2 sur 4	6
ArcelorMittal	Asturias	Espagne	arrêt partiel	plats/longs	1 sur 2	5
ArcelorMittal	Bremen	Allemagne	arrêt partiel	plats	1 sur 2	3,6
ArcelorMittal	Eisenhüttenstadt	Allemagne	arrêt partiel	plats	1 sur 2	2
ArcelorMittal	Dunkerque	France	arrêt partiel	plats	2 sur 3	7
ArcelorMittal	Fos/mer	France	arrêt total		2 sur 2	4
ArcelorMittal	Cracovie	Pologne	arrêt total	plats	1 sur 1	1,5
sous total AM						29,1
U S Steel	Kosice	Slovaquie	arrêt partiel	plats	1 sur 3	5
Liberty Steel	Ostrava	Rep Tcheque	arrêt partiel	plats/longs	1 sur 3	3,5
source : Syndex, divers presse						37,6

³ Only integrated sites producing steel from cast iron are included in this note. The number of electric steelworks in Europe, which amounts to several hundred, is much more difficult to track. In addition, the flexibility of electric furnace production is more important.

⁴ Source: Eurofer

In addition, the ArcelorMittal group has announced the **shutdown of a blast furnace in Ghent** for refurbishment scheduled for September 2020, which could be brought forward depending on orders.

All that would then remain would be the **Polish site of Dabrowa Gornica**, a producer of long and flat products that would continue to produce with its two blast furnaces.

This overview of the blast furnace flat products shutdowns in the countries of the European Union shows a very clear disconnection between the **ArcelorMittal group**, which is closing its operations massively, and the other smaller European producers who, at this date, have not announced any tool closures but only slowdowns leading to production cuts.

Les sites de production d'acier sans fermetures annoncées en mars 2020						
compagnies	sites	pays	type	produit	techno	capacités
						MT
ThyssenKrupp	Duisburg	Allemagne	réduction	plats	HF	12
Salzgitter	Salzgitter	Allemagne	réduction	plats	HF	5
DHS	Dilling	Allemagne		plats	HF	2
SSAB	Raahe	Finlande		plats/longs	HF	1,3
SSAB	Oxelosund	Suède		plats	HF	1,7
SSAB	Lulea	Suède		plats	HF	2,2
Liberty	Galati	Roumanie		plats	HF	2
Tata Steel	Port talbot	Royaume Uni	réduction	plats	HF	3,5
Tata Steel	Ijmuiden	Royaume Uni	réduction	plats	HF	6,5
source : Syndex, divers presse					Total	36,2

In 2019, out of a production reduction of 5.35 MT estimated from the announcements, the decrease finally reached - **10.6 MT** compared to 2018 leaving an increasing share to imports.

That said, in explaining these strategic differences, account should be taken of the timetable for the spread of Covid 19 and the differentiated control strategies implemented by the various European and world governments.

Outside Europe, ArcelorMittal has also announced operation closures under duress in **India** and by taking the initiative in Indiana Harbor in the **USA**.

Countries such as **South Korea** seem to have contained the impact of Covid 19 on their populations and their economy, causing a **drop in their steel production of 3%** over the first two months of the year.

Closer to home, the management of the spread of the pandemic in **Germany** based on social dialogue, but also and above all on an industrial apparatus available to produce the goods and services needed to deal with it, makes it possible to **limit the impact on factories and employment**.

The relationship between a country's ability to cope with the pandemic and the impact on its economy and industry thus seems to hold true.

The case of the Nordic countries

Conversely, in the Nordic countries, the blast furnaces closed at the end of 2019 by SSAB in Raahе in Finland or even in Oxelosund⁵ in Sweden have **apparently restarted at the beginning of 2020** without announcing any production stoppage since then.

These cases are interesting because for the moment Sweden has opted for the strategy of **herd immunity** to fight the effects of the Coronavirus which limits confinement, while Finland has so far been little affected and has just limited travel around the capital Helsinki.

Conclusions

The state of play of the integrated European steel industry would be incomplete without mentioning the generalization of **national short-time working schemes**. This appears to be a step forward compared to the **2008 crisis**, when many employees had to cope under severely deteriorated economic conditions for themselves and their families. However, these conditions remain **highly unequal between countries**.

In this respect, an **inventory is essential** to have a picture of the economic and financial choices made by the steel multinationals between the different production sites. This is required even if this element does not appear to be a determining factor in the strategy pursued by the steel groups in Europe.

⁵ To be confirmed

Company Updates

Thyssenkrupp

Germany

27 March- IGM and employers agreed on the “Kurzarbeit” system (workers stay at home and receive 60% of their income paid by the government plus additional payment by employer to reach 80%). Plus, a previously agreed payment of 1000€ is instead translated into “5 free days” allowing workers to take 5 days at full pay before going into Kurzarbeit.



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Italy

27 March- AST Terni steelworks (stainless steel- owned by thyssenkrupp) has stopped the production activities.

Tata Steel

[19 March-](#) communication from management on measures to combat Covid-19 including OSH measures as well as production adjustments. No significant impact on Ijmuiden and Port Talbot.

UK

27 March- Port Talbot has reduced production and staff numbers.

British Steel

UK

[24 March-](#) Jingye (recent buyer of British Steel) is bringing medical and protective equipment for workers.

France

27 March- British Steel rail in Hayange has stopped work since 20 March.

US Steel

Slovakia

[19 March-](#) OSH measures put in place (agreed between employers and trade unions).



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27 March- an update was provided by OS KOVO, who confirmed that steel production has been reduced since July 2019 and one blast furnace has been shut down. Steel production for 2020 is planned for two blast furnances of about 3 million tonnes. However, the potential of launching blast furnace three is now stopped due to COVID-19. **OS KOVO are currently in collective negotiations with the employers now.**

Voestalpine

Austria

- 20 000 employees will be on short-time work with a gradual reduction of working time.
- Temporary staff will be reduced.

France/Germany/Belgium

- Sites to be temporarily closed on a short-time work basis

Italy

- Situation unclear



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ArcelorMittal

[31 March-](#) AM released an updated statement on COVID-19 where they state that they are reducing production and temporary idling steelmaking and finishing assets, adapted on a country by country basis in alignment with regional demand as well as government requirements. The AGM planned for 5 May has been postponed. They are focusing their actions on collaborating to address the severe lack of the required safety and medical equipment, including face masks and ventilators. AM has also been able to contribute the 3D printing expertise of our R&D team to a global effort focussed on developing a 3D printed ventilator prototype.

18 March- management sent a letter to all staff and included their plan to preserve their business:

1. Immediate reduction of production at all plants and preparation for shutdown of blast furnaces, slow down / hot idling of coke batteries, and stoppage of finishing lines in light of lower demand. Plant-specific plans are under preparation. The timing of these execution plans will be aligned with the evolution of our shipments and will be successively implemented.

2. Preserving cash: Reduction of inventory and fresh purchase aligned to the lower production. All fresh purchase requisitions to be approved by the relevant Flat MC member.
3. Variabilization of fixed costs to the reduced level of production
4. Meeting service expectations of customers in this volatile environment



Our response to the COVID-19 outbreak -

[19 March](#)- statement from company that it will reduce operations.

Poland

27 March- the electric steel plant owned by ArcelorMittal in Warsaw (wire and bars) closed in March.

France

Florange:

[18 March](#)- Florange: after identifying that an employee had Covid-19, trade unions demanded for the site to be closed with management agreeing a temporary closure.

[23 March](#)- trade unions oppose restarting of work.

Dunkerque:

[18 March](#)- Dunkerque: production paused. Serémange-Erzange: proposed to stop work for a few weeks.

[24 March](#)- Dunkerque reopened but with only one of three blast furnaces operating.

Spain

18 March- management updated trade unions on the planned including a large reduction at Planos which will lead to the shutdown of the Blast Furnace A.



Comunicado Comités
18-03-2020.pdf

Furthermore, the **Aviles** steel mill is at 50% and the electric steel plant in **Sestao** has completely ceased production. The cold rolling and galvanising lines in **Sagunto and Asturias** have also been shut down.

Germany

27 March- Bremen has reduced its production capacities by closing down blast furnace 3 (which restarted in January) and has reduced production at Eisenhüttenstad.

Luxembourg

[20 March](#)- shutdown began for Differdange, Rodange and Belval (3,850 employees) and other sites will continue operating at reduced levels Bissen (370 employees) and Dommeldange (110 employees).

Italy

17 March- company decided to reduce its steel output and temporarily stop the operation of some equipment.

- Agreement signed with IT trade unions (Fim, Fiom, Uilm, Usb and Ugl) regarding the containment measures at Taranto. Output reduced to limit number of workers at the site to around 3,800 (50% of workforce).
- Temporary closure of blast furnace 2 and meltshop 1. No restart of hot-rolling mill 1 (originally planned for mid-March).

Poland

[17 March](#)- decision to postpone the relighting of blast furnace.

Saarstahl

[24 March](#)- Saarstahl and Dillinger cut production, but blast furnace and coking plant operations will both be maintained.

Liberty Steel

Luxembourg

[20 March](#)- will close Dudelange steel mill (300 employees)

Italy

[24 March](#) – closure of La Magona plant.

Czech Republic

27 March- Ostrava continues to operate at a reduced capacity (a blast furnace has not been restarted).

Romania

27 March- no further reductions at Galati to date.

NLMK

[25 March](#) – production suspended at Verona site.

Country Updates

ITALY

The Italian Government ordered the stoppage of all non-essential production from **23 March- 3 April**.

30 March- our member Enrico Gibellieri gave an interview on the situation in Italy.



705760-coronavirus-gibellieri-non-e-la-mia

UK

[18 March](#)- Community Union published a joint press release with UK steel calling for call for radical government action.

Sweden

16 March- the government introduced a short-term working scheme: employees will lose 4%, 6% or 7.5% of wages if production decreases by 20%, 40% or 60% respectively. For this to be activated, an agreement needs to be made between the company and trade union (discussions in place).

Czech Republic

27 March- OS KOVO provided an update on the Czech steel industry based on a recent survey. Of 17,580 employees: **147 are quarantined** and **1 employee is infected** with COVID-19.

All employers have updated the trade unions on the **adopted hygienic and safety measures** to protect the health of employees. Work from home is preferred where possible and workers at the workplace are provided with masks, glasses, gels, detergents and disinfectants. In some cases, the body temperature of employees at the entrance to the company is measured. New measures have been implemented in the canteens to reduce the number of employers gathering at the same time. **Currently, none of the employer's plan to interrupt production.**

Other steel updates

OECD

IndustriAll Europe and IndustriALL Global worked with TUAC to submit comments in relation to the work of the OECD Steel Committee (2021-2022) urging the **Committee pay more attention to issues of employment and workers' protection** stressing that these issues have not received enough consideration in the past and that these are the most important issues in the aftermath of the COVID-19 crisis.



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Aluminium

26 March – European Aluminium released a statement which included the impact of Covid-19 on the aluminium sector and their demands for the future of the sector.

The sector has been impacted by huge reductions in activity in the transport and building and construction sectors. However, the industry is vital in producing essential products: can sheet and foil sheet for the packaging of food, drinks, pet food, pharmaceutical and medical products.

The biggest issues facing the sector include:

- **Disruption in the supply chain** and liquidity problems;
- **Plant closures**, both due to postponement of orders and cancellation of orders especially in the automotive and building sectors, and fast-growing absenteeism of employees on sick leave;
- **General logistics and transport disturbances**, generating delays on the supply side and in the shipment of goods and waste;
- Shortage in supply of **Personal Protective Equipment (PPE)** such as masks, gloves, glasses, disinfectant;
- Closures might adversely **affect the supply of aluminium packaging products** for essential goods such as food, drinks and pharmaceuticals;
- **Alumina and primary aluminium production plants are a 24/7 continuous process. The production cannot be stopped without the risk of stopping the operations permanently.**

Demands to the European Commission:

1. The production of aluminium should be listed as an essential activity for Europe.
2. A coordinated approach for EU border controls and EU border closures (“green lanes” are important).
3. Limiting financial liquidity issues by asking banks and insurers of the aluminium industry to refrain from reducing credit limits or worsening credit and insurance conditions.

4. Allowing for flexibility when it comes to compliance with EU legislative measures and deadlines. This is the case for the ETS reporting and the implementation of the BAT conclusions for the non-ferrous metals BREF.



2020-03-26 Impact of
the COVID19 on the E