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The manufacturers' organisation



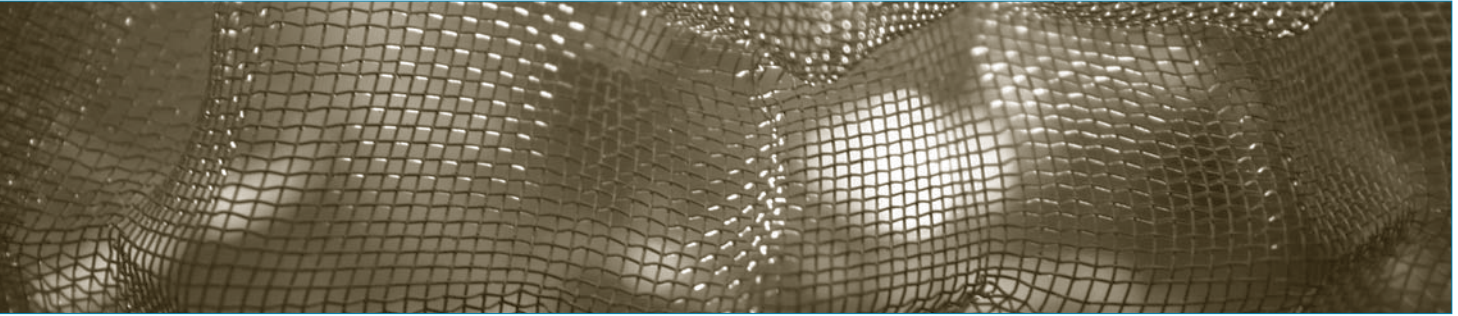
UK Steel

Annual Review 2004

UK Steel Broadway House, Tothill Street, London SW1H 9NQ

Calendar of Events in 2004

January - June



January

- DTI Steel Workshop opened by Rt Hon Patricia Hewitt
- Initial draft UK National Allocation Plan published under EU Emissions Trading Scheme
- UK Steel issues first market briefing note on steel raw materials prices

February

- EU and UK complain to China about their export controls on coking coal
- Commission agrees to industry requests for a further business impact assessment on REACH
- EU starts WTO dispute proceeding against US practice of 'zeroing' in anti-dumping cases
- AGM of All Party Parliamentary Steel Group, with Environment Minister as guest speaker

March

- Under EU pressure Slovakia agrees to claw back state aid from USS Kosice
- DEFRA publishes waste standards for hazardous, non-hazardous and inert waste
- Northern Metals Industry Awards in Sheffield
- EU starts retaliation against USA's 'illegal' Foreign Sales Corporation tax regime – includes higher duties applied to some steel products and scrap

April

- Government publishes consultation on REACH
- UK submits emissions proposals to EU Commission
- New electronic format monthly newsletter replaces UK Steel Fax

May

- Ten new countries join the EU raising EU steel production 15 %
- UK Steel mills raise production 10 % in first four months
- Chinese steel imports in January - April up 24 %
- Ofgem publishes interim report into gas price surge October 2003

June

- OECD talks on an international subsidy agreement suspended
- EU Parliamentary elections. UKIP wins 12 seats in UK
- Steel imports into USA highest for four years
- Corus announces major £40+ million investments in Scunthorpe and Stocksbridge to upgrade capabilities along with the sale of the Scunthorpe heavy section mill
- CELSA announces expansion plans for Cardiff
- Alphasteel joins UK Steel, giving us 100 % coverage of UK steelmaking
- Expansion of NAMTEC in collaboration with Corus Technology announced

For July - December see page 23

Member Companies (as at 31 December 2004)

Alphasteel Ltd

Bekaert Fencing Ltd

Bosal (UK) Ltd

Bridon International Ltd

Incl. Bridon Stocksbridge

Bright Steels Ltd

Bromford Iron & Steel Co Ltd

Caparo Group Ltd

Incl. Caparo Merchant Bar Plc
 Caparo Precision Strip Ltd
 - Ductile Stourbridge Cold Mills
 - Firth Cleveland Steel Strip
 - J B & S Lees
 Caparo Precision Tubes Ltd
 - Newman Monmore Tubes
 - Phoenix Tube Products
 Caparo Tube Group UK
 Caparo Wire

Carrington Wire Group

Incl. Carrington Wire, Elland
 Carrington Wire, Warrington
 Carrington Wire, Cardiff

CELSA Steel UK

Cogent Power Limited

Cold Drawn Products Ltd

Corus

Incl. Colors
 Construction and Industrial
 Engineering Steels
 Narrow Strip
 Packaging Plus
 Rail
 Special Profiles
 Strip Products UK
 Tubes

Enpar Special Alloys Ltd

Erasteel (UK) Ltd

Hayes Tubes Ltd

ISTIL (UK) Plc

Kiveton Park Steel Ltd

KTS Wire Industries Ltd

Marcegaglia UK Ltd

Niagara LaSalle (UK) Ltd

Incl. Niagara LaSalle Hot Rolled Bar
 - Ductile Wesson Operations
 - Gadd Operations
 Niagara LaSalle Bright Bar
 - GB Longmore
 - Wesson Bright Products
 - Midland Engineering Steels
 Macreadys

Outokumpu Stainless

Incl. Coil Products, Sheffield
 ASR Rod Mill
 Sheffield Special Strip
 Stelco Hardy
 Long Products

Sandvik Materials Technology UK

Incl. Sterling Tubes
 Sandvik Bioline

Sheffield Forgemasters Engineering Ltd

Siddall & Hilton Ltd

Incl. Redfearns Wire Products Ltd
 Siddall & Hilton Mesh Ltd

Spartan UK Ltd

Thamesteel Ltd

Timken Alloy Steel Europe

UNSCO Ltd

The Willing Wire Co Ltd

An Opportunity to Re-Calibrate Steel's Future



Steve Rutherford Chairman, UK Steel

If we ever needed proof that we operate in a fast-changing and increasingly competitive world, then 2004 surely provided it, and the result was far from being bad news for steel companies.

For the first time in a long time there was a positive step-change in steel's perceived value as steel shortages in some regional markets forced customers to face up to changed realities. They even had to abandon market axioms about steel prices declining each year!

The danger for the industry is that this change will yet again melt away before we can build on it. The opportunity to make money out of making steel could lead to a production capacity surplus as new plants are built. Alternatively demand may ease when major infrastructure projects such as the 2008 Olympics in China have been completed.

The challenge for us now is to ensure that we use this opportunity to invest for the future – to increase our competitiveness and improve the value of our products and services to our customers.

Last year the industry in the UK invested around £300 million in new plant and environmental upgrading, the highest I suspect for at least six years. At the same time we can see the economic centre of gravity shifting from the advanced economies to the emerging ones. Some economists even expect four countries - Russia, Brazil, India and China - to match the old G7 countries' GDP in 20 years.

If we are to compete in such a world, where some producers pay wages that are between a tenth and a quarter of EU levels and environmental standards are much less stringent, both we and our customers in the UK must adapt.

A recent EEF survey shows that UK manufacturing is in a transition period. Mass production is being superseded by customer tailored packages of products and services, where lowest price is not the key to the sale. We will have to arm our businesses and our workforces with different sets of skills to drive such solutions through our businesses in the future. We need to provide the best in service levels to meet new applications that add real value to our customers' goods and services and thereby help increase their margins.

We are in the relatively early stages of this transition and it will probably take two or three business cycles to complete.

The current government has achieved highly laudable long-term economic stability. And in recent years the DTI with limited means has also helped set up organisations dedicated to improving competitiveness and innovation in the metals industry.

Five years ago DTI put in the seed corn to set up a group to champion lean manufacturing techniques, knowledge and practice in metals. On average today, each company using Metals Industry Competitive Enterprise services gets a quarter of a millions pounds worth of savings a year as a result of the efficiencies they identify.

In 2004 the National Metals Technology Centre extended its reach in research and development so that all companies, whatever their size, will find it much easier to contract the best facility for the research they require.

The DTI has announced a Materials Innovation and Growth Team, and it is now up to us to ensure that it produces outcomes that meet the longer-term needs of the steel sector.

On a similar strategic but more immediate level, we fully support the DTI's role in international trade negotiations. Trade drives economic growth and prosperity. The Doha Round must be brought to a successful conclusion, which, while balancing the needs of the developing countries, continues to liberalise markets. Similarly, the EU must continue to fight against WTO-inconsistent protectionism wherever it raises its head.

Alongside these important achievements, there are unfortunately areas where government's approach from a practical business perspective appears simply wrong-headed.

Whether emanating from Westminster or Brussels, there is a seemingly unending stream of additional costs and regulations placed on manufacturing businesses.

We believe government should be more transparent about the choices that are open to society today. Voters should be asked to share in paying for the improvements they want. If society wants to tackle climate change, then society should share the burden, not expect manufacturing to do everything. Relying on manufacturing may appear to be an easy option politically, because businesses don't vote

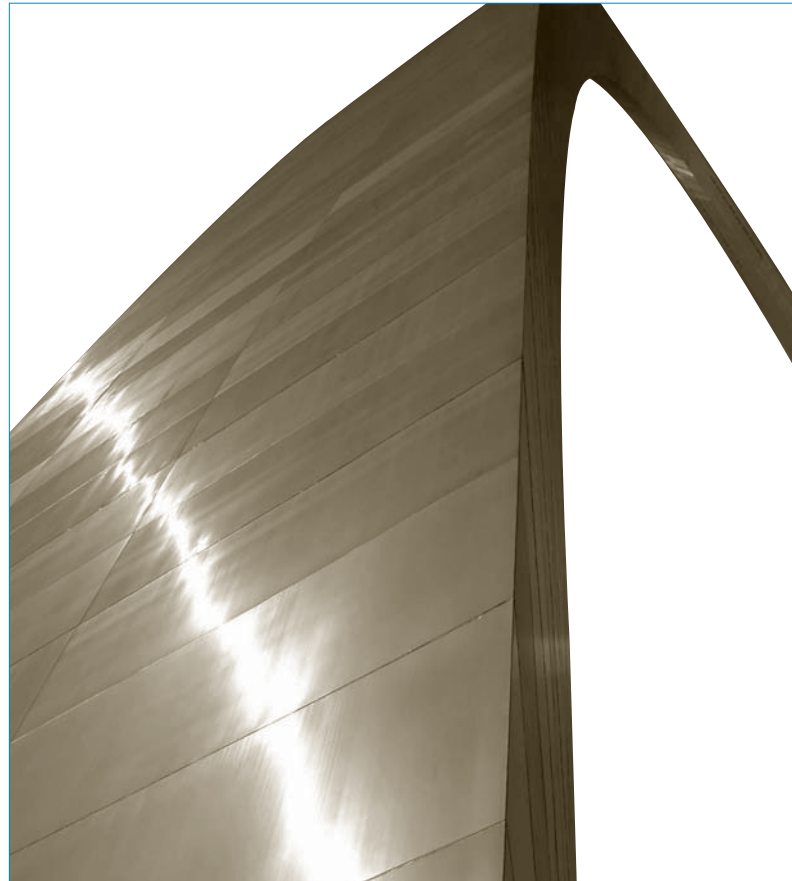
at the ballot box. But if the cost of doing business in the UK becomes too high, companies can elect to close down or move elsewhere, which is not a difficult choice if shareholder control is located outside the UK.

For example, the EU emissions trading scheme will have a direct impact on steel producers. It may seem obvious that companies should be given sufficient CO₂ allowances to enable them to meet their production plans while allowing for realistically achievable improvements in energy efficiency, but the Commission is trying to prevent this happening in the UK.

The EU's so-called chemicals policy (REACH) threatens to overwhelm steel companies with immense testing and certification requirements, out of all proportion to the risks inherent in a material that has been used safely for centuries.

Another area of concern has been gas prices. Wholesale gas prices are now 70% higher than 18 months ago, and UK steelmakers are paying 40% more than our continental competitors. We were therefore delighted when Secretary of State Rt Hon Patricia Hewitt agreed that the DTI should undertake a review of the drivers behind these sharp increases, in collaboration with intensive energy users.

Finally, both the high gas prices and the EU emissions trading scheme will result in higher electricity prices, as the generators will simply pass on their cost increases to their customers. A study commissioned by the EEF showed that only in the UK has the traded price of carbon in the EU been fully passed on in this way.



My message is that steel manufacturing does have a future in the UK. We have an excellent, innovative workforce and we need to build upon an opportunity that has been presented.



UK Steel's Role in an Upbeat Year

Ian Rodgers Director, UK Steel



2004 was an extraordinary year for the steel industry world wide, and the UK was no exception.

World steel consumption is estimated to have risen 8% in 2004, compared with historical trend growth of only 2%. The main driver for this growth was of course China. Steel consumption there has been rising by an average of 27% per annum over the past four years, compared with only 1% per annum during the 1990s.

China was not the only country to show strong growth – consumption in 2004 is estimated to have grown by some 15% in Central and South America, and by around 9% in NAFTA countries – but with her now accounting for 28% of world steel consumption, China's impact has been considerable.

Thus for the first time in history, the world produced over 1 billion tonnes of steel in 2004.

Such rapid growth produced tensions up the raw material supply chain, with a very tight supply/demand balance emerging at the turn of the year. Consequently prices rose sharply. The 2004 round of contract renewals saw iron ore prices rise by around 17%. Coke prices shot up by 130% in just four months. Shipping became in short supply, so that spot rates for transporting ore and coal leapt by 60% in one month last autumn. At its peak, the price of steel scrap in Europe rose by 70% in four months.

Some of these prices have since fallen back somewhat, although spot markets remained extremely volatile throughout the year.

Inevitably, steel prices started to rise as steelmakers tried to recover these unprecedented cost increases across the whole range of their raw materials. Then supplies became tight for some steel products themselves, enabling UK producers for the first time in many years to start improving their margins. Flat products in particular benefited, with the price of the benchmark product hot rolled coil rising by two-thirds over the course of the year.

This has not however been universal across all steel products. Producers of light long products, particularly in the commodity grades, saw their prices falling during the autumn, as excess stocks built up in the system. Downstream companies supplying to the automotive sector found life difficult, as carmakers at first refused to accept steel-related

price increases. In other sectors, increases in imports of finished goods have been observed.

And, while for most of the year European steel prices lagged behind US prices, the steady weakening of the dollar means that the EU market is now very attractive leading to the inevitable increase in imports.

UK Steel's role in this has firstly been educational. In January we issued the first of a series of reports detailing world market developments. The aim was primarily to provide our members with the data to help them explain the background to their customers; but we were also the first organisation in the UK to warn publicly that steel shortages could emerge if prices did not rise, a story that was widely picked up in the media.

UK Steel is also well placed in that the scope of its membership embraces several links in some supply chains. Thus we have been able to facilitate dialogue between companies along supply chains, so that upstream producers can develop a better understanding of the pressures affecting downstream sub-sectors, and vice versa.

Steel of course has not been the only commodity to show price increases this year. UK steel companies were particularly concerned by the sharp increase in energy prices in the autumn – increases that cannot simply be explained by the oil price hikes and have been higher than in other European countries. Working through the Energy Intensive Users Group and with the EEF, we are pleased that Patricia Hewitt (the Secretary of State for Trade and Industry) has proposed that industry and the DTI should work together in trying to understand the root causes (see page 15).

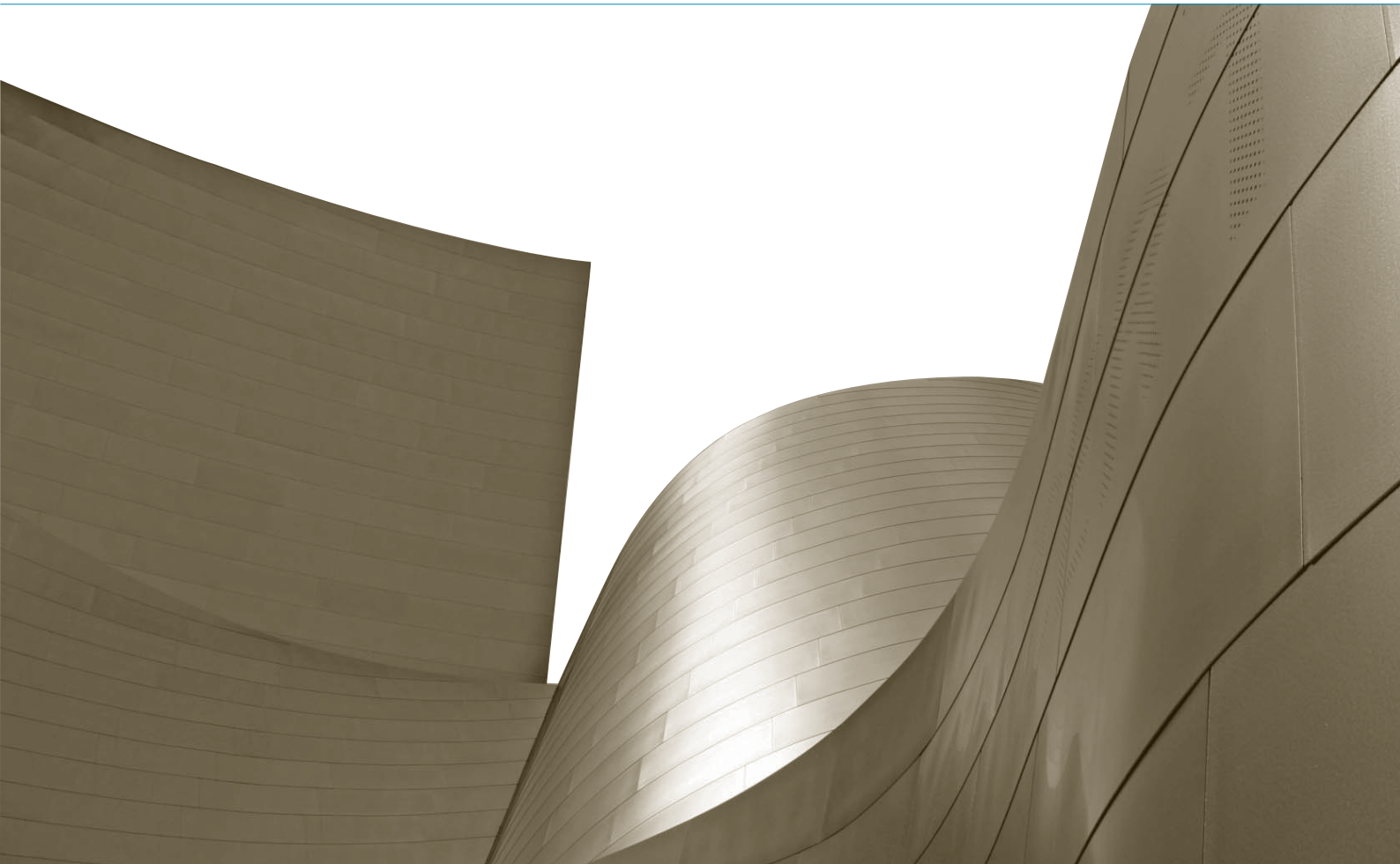
Environmental legislation as ever continues to threaten to undermine the industry's hard won cost improvements. We applaud the government's decision (in February 2005) to make adequate CO₂ allocations available to UK industries such as steel under the EU Emissions Trading Scheme. Unfortunately this sensible approach is under attack from the European Commission. Beyond this, a number of investment schemes aimed at increasing output are either currently being implemented or are planned by several member companies. These could be put at risk if they are unable to obtain sufficient allocations from the New Entrants Reserve and subsequently under Phase 2 of the trading scheme. With most of these companies foreign-owned, the risk to the sector is even greater (page 12).

But it is not just the climate change programme that concerns us. The European Commission's chemicals proposal (REACH), which will affect all metals producers, are ill-thought through and would be immensely costly to implement. We see conflicting objectives and targets in different EU and UK waste regimes impacting adversely on steel (page 14). The recently inaugurated Innovation and Growth team for materials will hopefully provide a forum in which we can argue for more joined-up and pragmatic thinking.



With steel demand booming, 2004 saw a significant weakening in steel trade tensions for the first time since the mid-1990s. However, with imports rising strongly in the USA, and also in the EU, this situation may not last for much longer.

Finally, I am pleased to report that UK Steel itself has also been expanding. We have been delighted to welcome Alphasteel and Spartan UK into membership during 2004. The former means that UK Steel now represents 100% of UK steelmakers.



Stronger Markets – Tighter Supply



Steve Mackrell Operations Director, ISSB

2004 saw a significant and positive shift in fortune for the UK steel industry with stronger markets and improved margins.

UK crude steel production in 2004 reached 13.8 million tonnes, the highest since 2000. Supply of steel products to the UK market increased by 9% over 2003, with steady growth in the construction sector and improving prospects in engineering. Fears of possible steel shortages due to the tight supply of steelmaking materials dogged the market, but did not turn into reality. Nevertheless, UK steel mills favoured domestic UK customers over export markets. This was reflected in the level of domestic supply to UK customers, which increased by 14%, while export deliveries rose only marginally.

The UK steel industry's current position is affected by the wider international context. The steel industry world-wide experienced a year of improved circumstances in 2004 as the gap between world steel capacity and world steel demand narrowed and prices strengthened as a result.

As noted earlier, the turnaround has been helped by exceptionally high demand for steel in China due to strong economic growth overall but particularly in construction and manufacturing over the last four years. Added to this, 2004 saw a general improvement in the economic performance of a number of countries in other parts of the world that also helped to stimulate steel demand.

This boost was also felt in the UK and, as a result, the UK steel market grew 9%, split between domestic supply, up 14%, and imported supply up 5%. The improvement in UK mills home deliveries to 7 million tonnes was led by direct sales to consumers, which were up by a quarter, while sales to UK stockholders rose only 2%. Deliveries to stockholders started 2004 with the strongest quarter for three years, then fell sharply away in each subsequent quarter to reach one of the lowest quarters on record by the end of the year.

Steel imports rose by 4%, with increases in imports of certain flat products such as cold reduced and coated sheets, welded tubes and heavy sections while imports of reinforcing bar and wire rod fell sharply due to increased domestic production. Imports from Turkey continued to arrive at high levels and there were sharp increases in imports from Poland, Russia and Japan.

While export levels from UK mills remained relatively unchanged in 2004 there were nevertheless changes in the mix of export destinations with particular increases within other EU15 markets as well as to the

10 new EU accession countries. Markets in South America and the Middle East also strengthened, although exports to Asia fell by over 30% on the previous year.

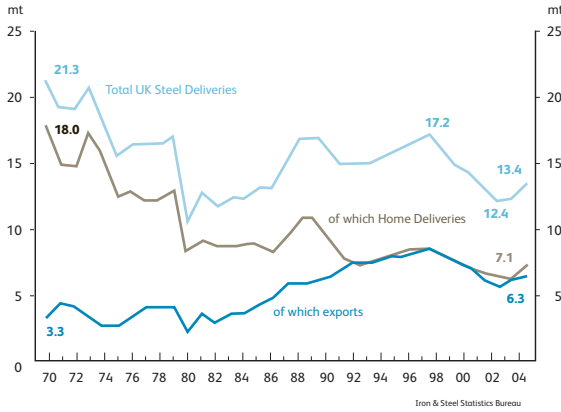
The outlook for 2005 remains positive provided steelmakers secure adequate supplies of the key steelmaking materials, some of which are in short global supply, such as iron ore, coking coal and coke which all have to be imported. Ferrous scrap, which provides 100% of the charge to electric arc furnaces, and 16-20% of the charge to basic oxygen furnaces, is the only raw material in which the UK is more than self-sufficient. Indeed, as well as meeting all the demand from domestic steelmakers and foundries, the UK's scrap recyclers still had enough available material to turn the UK into the world's third largest exporter of ferrous scrap after the USA and Russia. One result is that UK scrap prices are heavily influenced by world levels, and scrap prices have been extremely volatile, reaching record heights in the middle of 2004.

As a result initially of the raw material cost increases and then of the tight steel supply/demand balance, UK average steel prices broadly doubled in 2004, returning to a height last seen in the mid 1990's. In fact, until 2002, steel prices had generally been falling since 1996, driven lower by excess global production, and in the UK for many years during this period by an over-valued pound. Thus the cost efficiencies achieved by UK steelmakers have been almost entirely passed on to customers through lower prices. Even today steel prices in real terms are lower than they were 15 years ago.

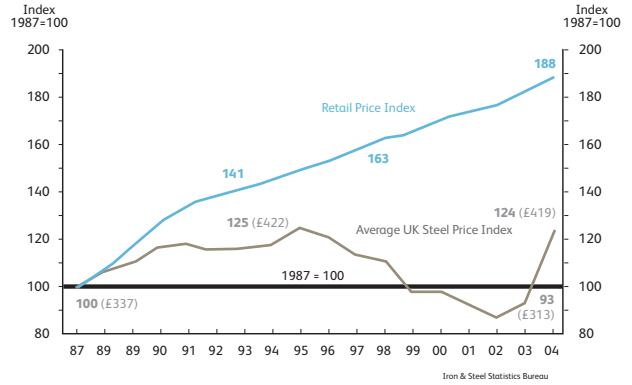
The steel market for 2005 is expected to remain firm although the landscape of global steel trading is forever changing. US imports have risen steadily during 2004 and China, in the last few months of 2004, became a marginal net steel exporter as home demand dampened. Nevertheless Chinese demand is expected to continue to grow during 2005, but at slower rates than last year. Continued growth is also predicted in other emerging economies, including India, Latin America and Russia/Ukraine.

Significant extra capacity is due to come on stream in the next two years, not just in China but in other emerging markets. It is not yet clear whether this will exceed the market's requirements. So the question on everyone's lips today is: will 2004 and 2005 prove just to have been a peak in the normal steel cycle, or has the world entered a new phase of higher growth in steel consumption, similar to that which followed the second world war, based on the rapid industrialisation of the newly emerging (and re-emerging) economies?

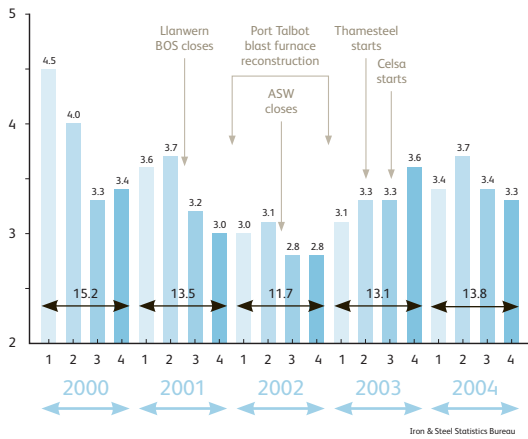
UK Mills Home and Export Deliveries (1970 - 2004)



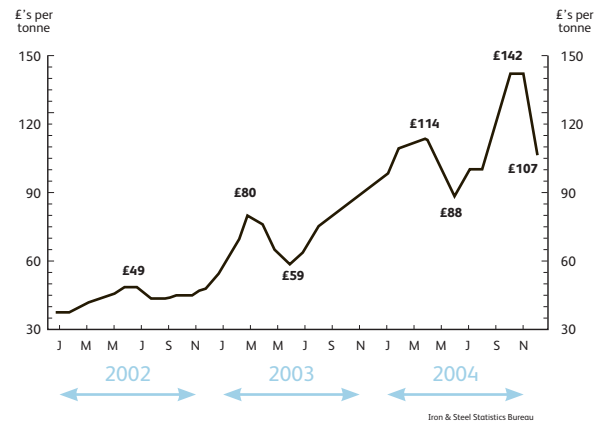
Index of Average UK Steel Prices Compared To UK RPI (1987 = 100)



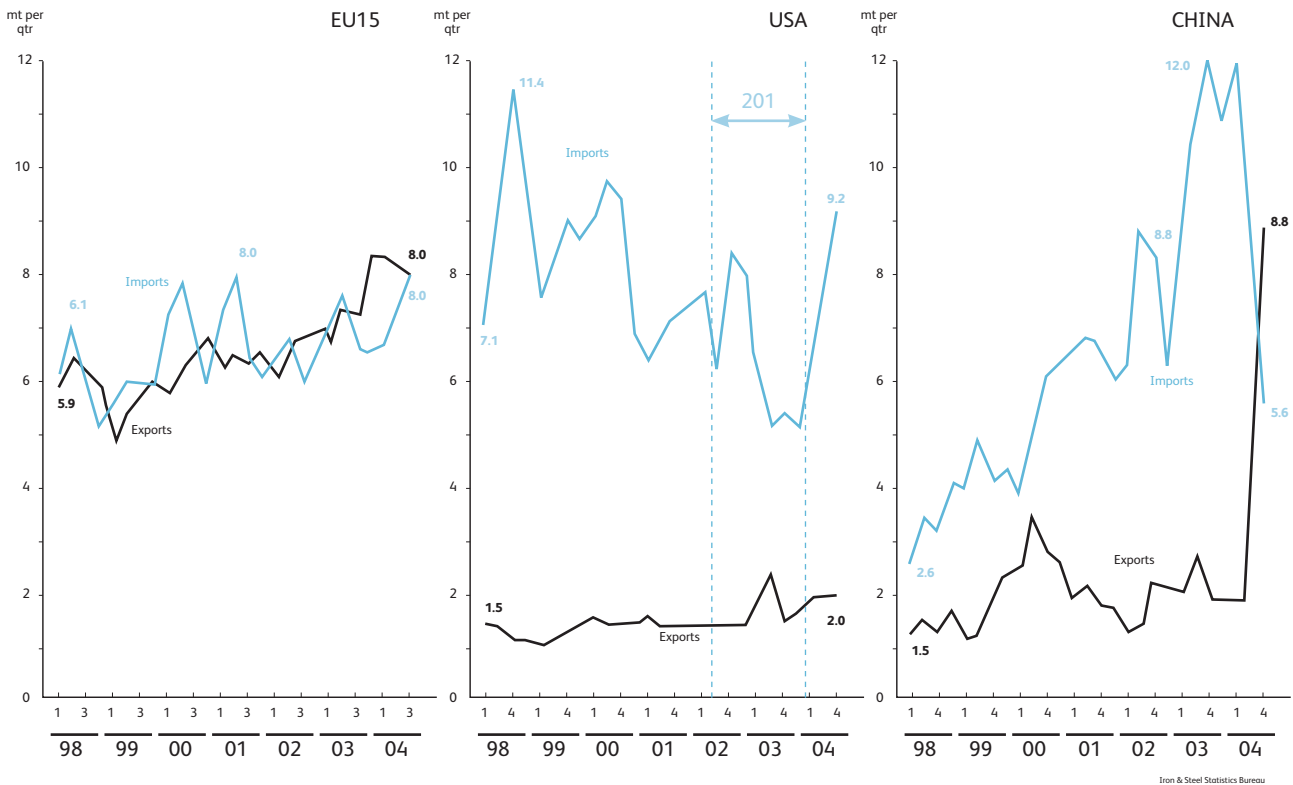
UK Crude Steel Production (2000 - 2004)



UK Scrap Prices (OA Heavy Steel Scrap)



International Steel Trade Quarterly Import and Exports (as at Q3 2004 EU15; Q4 2004 USA & China)



International Steel Trade

Ian Rodgers Director, UK Steel



With steel demand booming, and occasional shortages of steel even emerging in various markets around the world, it is unsurprising that 2004 was a relatively calm year in terms of steel trade disputes. No new trade complaints were filed against UK companies importing into the USA. Indeed with prices at an all time high for many products in that market, it would have been well-nigh impossible for US producers to suggest that they were being injured by imports. The only new anti-dumping case filed in 2004 that could have an indirect effect on the UK was against imports into Russia from the EU as a whole of stainless flat products.

This relative tranquillity is unlikely to last. Attracted by the high prices in that market, import volumes into the USA have been surging; and more recently in the EU, imports have also been on the increase. When eventually these markets enter the downward phase of the cycle, there is every possibility that countries around the world will once again start trying to protect their industries from imports.

Raw Materials

In 2004 however the obverse was apparent. Several governments imposed constraints on exports of steelmaking raw materials. The one that arguably had greatest impact was the restriction on the availability of export licences for coke imposed by the Chinese government. This limited coke availability and drove up the price being charged for export licences to exorbitant levels; and with China accounting for 60% of all sea-borne trade in coke it had a serious impact worldwide.

The EU reacted vigorously by threatening to complain to the WTO. This forced the Chinese into negotiating mode. Although China is still imposing restrictions on coke exports, availability has improved significantly so that EU producers' requirements are likely to be satisfied in 2005.

However, the raw material most subject to export restrictions was scrap. Around a dozen countries had such controls in place during 2004. There were even calls for the EU (which we opposed) and USA to impose restrictions, although neither of these was accepted. Most attention was focused on Russia, which has a longstanding export tax on scrap, and Ukraine, which has an export tax and was also refusing to refund VAT on exports of scrap.

These measures infringed both countries' partnership agreements with the EU. The EU therefore 'penalised' them for this infringement by reducing the allowable volumes for imports of steel into the EU

contained within the EU/Russia agreement on steel trade and the autonomous quotas that applied to imports from Ukraine.

The EU/Russia steel trade agreement was due to expire at the end of 2004. The Commission successfully concluded negotiations with Russia for the agreement to be extended for a further two years, or until Russia joins the WTO. This further liberalises trade by increasing the allowable volumes by 7.5% on average, but does retain a 12% cut as penalty for a scrap export tax, and is broadly acceptable to most in the EU steel industry.

In the case of Ukraine however, the European Commission in early summer inexplicably (and without Council approval) made them an offer of increased volumes if they signed an agreement to replace the autonomous quotas, despite the fact that Ukraine would retain its scrap export restrictions and was threatening restrictions on exports of other steelmaking raw materials.

In the face of strong opposition from the EU industry and many Member States, the Commission went ahead in the autumn and initialled this agreement with the Ukraine, which included an undertaking by the Commission to attempt to include a further significant increase in Ukraine's quotas in the 2005 agreement to 1 million tonnes.

For much of the autumn there was stalemate, with a blocking minority of Member States refusing to give the Commission the authority to sign the 2004 agreement or negotiate the 2005 one. In the eventual compromise, the Commission was given a mandate to open negotiations with Ukraine, but for a lower tonnage.

At the end of the year, negotiations were also underway with Kazakhstan for an extension of their import restraint agreement with the EU for 2005 and 2006.

EU Accession States

2004 was of course also the year when ten new Member States joined the EU. All of the candidate countries with steel industries had already been associate members of Eurofer (the European Confederation of Iron and Steel Industries) for several years. The transition in terms of co-operation on trade issues regarding the steel products covered by Eurofer was therefore relatively smooth.

Of greater concern was the unfinished restructuring of several of the Central and East European steel industries, and lingering problems concerning state aid. As soon as these countries entered the EU on 1st May, these issues came under the direct control of the Commission.

During the negotiations with Slovakia, the Commission had discovered that US Steel had been illegally granted a ten-year tax exemption as part of its purchase of VSZ Košice. The Commission allowed a 'transitional' derogation from the state aid rules, provided the Slovak government imposed production and delivery restraints on the company. In the event, USSK exceeded its quota in both 2002 and 2003. After much procrastination the Slovak government eventually agreed that the total amount of aid to USS Košice would be reduced, that USSK should pay back around \$30 million of the aid it had received, and that USSK must be obliged to comply with the limits for the rest of the period. UK Steel however has concerns that the way in which the aid is being repaid may be circumventing the intention of the agreement, and in October we wrote to the Commission asking them to investigate.

Poland has also been the cause of considerable concern, as its restructuring and privatisation plan had not been completed at the time of enlargement. In August the Commission opened an investigation into past aid that had allegedly been paid to Huta Czystochowa but was not included in the approved aid allowed by the agreed restructuring plan, and into the implications for Huta Czystochowa's proposed privatisation. UK Steel intervened in support of the Commission's initial findings. At the time of writing, the inquiry has not been completed.

EU-USA

While there were no new trade case filings, EU/US relations continued to be influenced by disputes arising from previous cases.

We were pleased to see the repeal of the USA's 1916 Anti-Dumping Act following the WTO's adverse ruling. This act, which had long lain forgotten and dormant, had in the 1990s been used by US steel companies to penalise steel imports.

The US steel industry has been a major beneficiary of the so-called Byrd amendment, under which the proceeds from US anti-dumping duties are paid to the complainant companies. We welcome the repeated WTO findings that this is incompatible with world trade rules and the consequent authorisation for the EU and other complaining companies to impose trade measures against the US.

A WTO dispute panel has now been appointed to hear the EU's complaint against the US Commerce Department's practice of 'zeroing' in anti-dumping investigations. In essence, the Commerce Department excludes from its dumping calculations sales that are made at non-dumped prices, thereby artificially inflating the dumping

margins and consequent anti-dumping duties.

The EU has also requested consultations under the WTO's dispute resolutions agreement – the first step towards the opening of a Panel – over the misuse by the Commerce Department of the 'facts available' clause of the anti-dumping rules. In a case against stainless bars from the UK, one British respondent was unable to provide all the information requested, because data relating to a company that it had previously acquired no longer existed. The respondent fully co-operated in respect of the plant for which data was available, but the Commerce Department refused even to verify this data, and simply penalised the company for 'non-compliance' by imposing excessively high duties.

In all these cases, UK Steel welcomes the firm action taken by the Commission in support of European steel companies that export to the USA.

Finally, the attempt yet again to seek an international agreement to discipline steel subsidies, this time under OECD auspices, continued to flounder. UK Steel fully supports an agreement that would impose on other countries the same level of anti-subsidy discipline that prevails in the EU. Other industries also say they support the principle of international steel subsidy disciplines. Nevertheless, as soon as detailed discussions start, large rifts appear between participants.

We favour exemptions from the subsidy disciplines that are broadly in line with existing EU exemptions, but the agreement should also have real teeth to penalise infringements. The US industry opposes exemptions but, perhaps with an eye to the many subsidies from which it currently benefits, also opposes meaningful international penalties for non-compliance. Developing countries seek significant exemptions for themselves.

In the light of these seemingly irreconcilable positions, the governments meeting at the OECD agreed in June to suspend talks. More recently, the International Iron and Steel Institute appointed Francis Mer, the former chairman of Arcelor, to act as a roving ambassador and explore through bilateral discussion the possibility of compromise. He met with the European industry in November. He is expected to complete his project in time to report to the IISI Board of Directors meeting in April, 2005

Environment

Sara Denton Environmental Adviser, EEF, with additional material from **Anna Latham**, Environmental Adviser, EEF



Climate change

In January the UK government published a consultation paper on the UK's draft National Allocation Plan (NAP) for the first phase (2005 to 2007) of the EU's Emissions Trading Scheme (ETS). It was apparent even at this early stage that the Commission's timetable for implementation of the scheme was hopelessly unrealistic. It seemed that speed was more important than accuracy, fairness or safeguarding manufacturing competitiveness.

The government's declared intention was that the allocations in this first phase to the so-called traded sectors (i.e. sectors such as steel which are subject to international competition, as opposed to the electricity generators) should be sufficient to allow operations on a 'business as usual' basis, but consistent with the government's climate change programme. In steel's case, this meant that the starting point for the allocation would be our climate change agreement (CCA) targets. Despite this, the draft allocation fell some 13% short of the sector's needs.

Intensive negotiations with the DTI and DEFRA ensued, and it became clear that there were major problems with the model that government was using to translate our steel production forecasts into CO₂ emissions. Part of the difficulty was that the government had failed to recognise initially that the coverage of the EU ETS is very different from that of the CCA – in terms of fuel mix, plant coverage and treatment of process emissions.

These were very complex issues to resolve, yet the government was adamant that the UK must lead the way in adhering to the Commission's deadlines. In April, the UK submitted a draft NAP to the Commission, stressing that the allocations were provisional. This proposal was even worse – it left the steel sector 15% short of its needs, equivalent to some 3.5 million tonnes per annum of CO₂.

By this time it had become clear that part of the reason for this shortfall related to the steel sector's over-achievement of its 2002 CCA target. This over-achievement had been largely due to Corus' restructuring, substantial disruption at Port Talbot following a fire and the bankruptcy and closure of the former ASW. (ASW's assets were subsequently bought and re-opened by Celsa and Thamesteel.) The agreement stipulated that if output during any milestone period fell by more than 90%, then future targets must be re-negotiated. With so much resource in both UK Steel and DEFRA being devoted to the ETS discussions, these negotiations had not been completed. DEFRA therefore deducted an arbitrary 7.7% from the steel allocation

submitted to Brussels.

To complicate matters still further, the Commission then started questioning the sector's output forecasts, apparently unaware that steel markets worldwide were booming and that several UK producers were planning capacity increases.

UK Steel eventually reached agreement with DEFRA on revised future sector targets under the CCA in August. This paved the way for resumed discussions on how the sector's ETS allocation should be calculated. These resulted in an understanding that was broadly acceptable to the sector as a whole, although two plants which were changing their process routes and/or product mix would be left short under the agreed methodology.

DEFRA submitted its revised NAP to the Commission in October. This accepted that their initial calculations had under-estimated UK CO₂ emissions under the scheme by 56.1 million tonnes (or 7.6%), but proposed increasing total allowances by only 19.8 million tonnes.

Despite this further tightening, the Commission in early 2005 inexplicably rejected the revised UK NAP. This meant that the UK, which rushed its initial calculations in order to meet the Commission's over-tight deadline, was being discriminated against compared with countries that failed to meet the deadline. Fortunately the Environment Secretary decided to hold firm to the October plan, and in February 2005 the government announced individual plant allocations consistent with it. The government is adamant that it has a strong legal case should the Commission take the UK to court. If the government is forced to back down, then it has stated that any reduction in the total UK allocation will be imposed entirely on the electricity generating sector.

As we go to print, work continues in two areas: the several UK producers that have embarked on capacity expansions must seek additional allowances under the New Entrant Reserve; and companies that are also in the CCA have a short period in which to apply to opt out from the first phase of the ETS.

Consultations on the second phase of the EU ETS start in 2005.

Registration, Evaluation, Authorisation and Restrictions of Chemicals (REACH)

Despite its confusing name, this proposed Commission regulation concerns far more than chemicals in the traditional sense. It applies

to 'substances', which include raw materials such as iron ore used to make steels.

All substances imported or manufactured in quantities over 1 tonne would have to be registered and tested for their impact on human health and the environment. Some would then be subject to authorisation for use in certain applications or have their use restricted and possibly require substitution by a less 'harmful' alternative. Although focused on the testing of individual substances, the information on the environmental and health risks associated with the use of alloys for particular applications, for example, would also need to be communicated down the supply chain.

Our main concern is that as it stands the proposal would be simply impractical for our industry. The draft may be easy to interpret within the chemicals sector but is much more difficult to apply to other industries such as metals. The proposal needs to be re-cast to increase certainty and make it more practical, without compromising its aim, namely the protection of human health and the environment.

The UK government, in conjunction with Hungary, is advocating a proposal for 'One Substance, One Registration'. This could reduce the burden significantly by allowing companies producing or using the same substance to form consortia, register that substance only once and share the testing and registration costs. This approach is now being given serious consideration.

Procedurally, the European Parliament has just started to consider REACH, and it is anticipated that a significant part of the discussion when it returns to the Council will take place during the UK's Presidency of the EU in the second half of 2005.

The steel sector's proposals are:

- Minerals and ores (including iron ore) should be exempted, as is the case for oil, coal and natural gas in the inorganic chemicals sector.
- Coke should be exempt from REACH as is the case for coal and carbon.
- Steel and other metallic alloys have very specific properties, which should be acknowledged in their definitions, and the regulation accordingly made more workable for these substances.
- The regulatory burden on metals in the massive form should be reduced in proportion to the slight risk they pose to the environment or human health.
- Wastes for recycling should be excluded. They are already controlled by waste legislation and subjecting them to REACH would pose a barrier to recycling.
- Gases produced during iron and steelmaking are used to produce

energy and heat and should therefore be excluded in the same way as oil and natural gas.

- Definitions in the text need to be clarified.
- The proposal should recognise that minor additions of 'hazardous' substances to an alloy are rendered harmless once within the alloy.

Eurofer has commissioned a business impact assessment in respect of the steel industry, the results of which will shortly be available and will be presented to the Commission.

Environmental Liability Directive

The Environmental Liability Directive entered into force on the 30 April 2004 and Member States now have three years in which to transpose it into law. The Directive specifically implements the 'polluter pays principle'. Its fundamental aim is to hold companies financially liable where their activities have caused or present an imminent threat of causing environmental damage. It is expected that this will result in an increased level of prevention and precaution. In addition the Directive covers significant damage to:

- Biodiversity, specifically all species and habitats protected under the 1992 Habitats Directive as well as most threatened species and migratory birds protected under the 1979 Birds Directive.
- Damage to water resources covered by the Water Framework Directive (WFD).
- Land contamination presenting a significant risk to human health.

The proposal does not cover 'traditional damage' (that is, economic loss, personal injury and property damage) and will not apply retroactively, which means that operators will not be held responsible for damage they caused before the Directive comes into force (2007). DEFRA is still deciding how 'significant' damage and 'imminent threat' will be defined in the regulations.

During the three-year transposition period DEFRA will be undertaking three consultations, in which we will be actively involved, covering approaches/options (due in the first half of 2005), proposals and legislation.

Waste

It is likely that we have not yet seen the full impact of the changes to waste legislation that were introduced in 2004, and further changes are set to be introduced in 2005. These include the Waste Acceptance Criteria (WAC), Hazardous Waste Regulations, Waste Electrical and Electronic Equipment Directive, End of Life Vehicles Directive and the

Environment

continued



rising landfill tax.

2005 is set to be just as challenging a year and we will continue to raise the awareness of our members with regard to what they need to do now in order to comply with the new requirements.

EEF continues to lobby government on the issues these additional requirements are placing on industry, primarily through the Hazardous Waste Forum, but also directly with ministers, the Environment Agency and DEFRA officials. We are arguing for a strategic, joined up, long term approach from DEFRA.

Integrated Pollution Prevention and Control (IPPC)

IPPC is a permitting system that gives steel sites the licence to operate, with controls on emissions to the environment, resource use, energy use, site condition, noise and prevention of accidents.

During 2004 some UK Steel members have made applications for permits for landfill sites and some specific surface treatment activities.

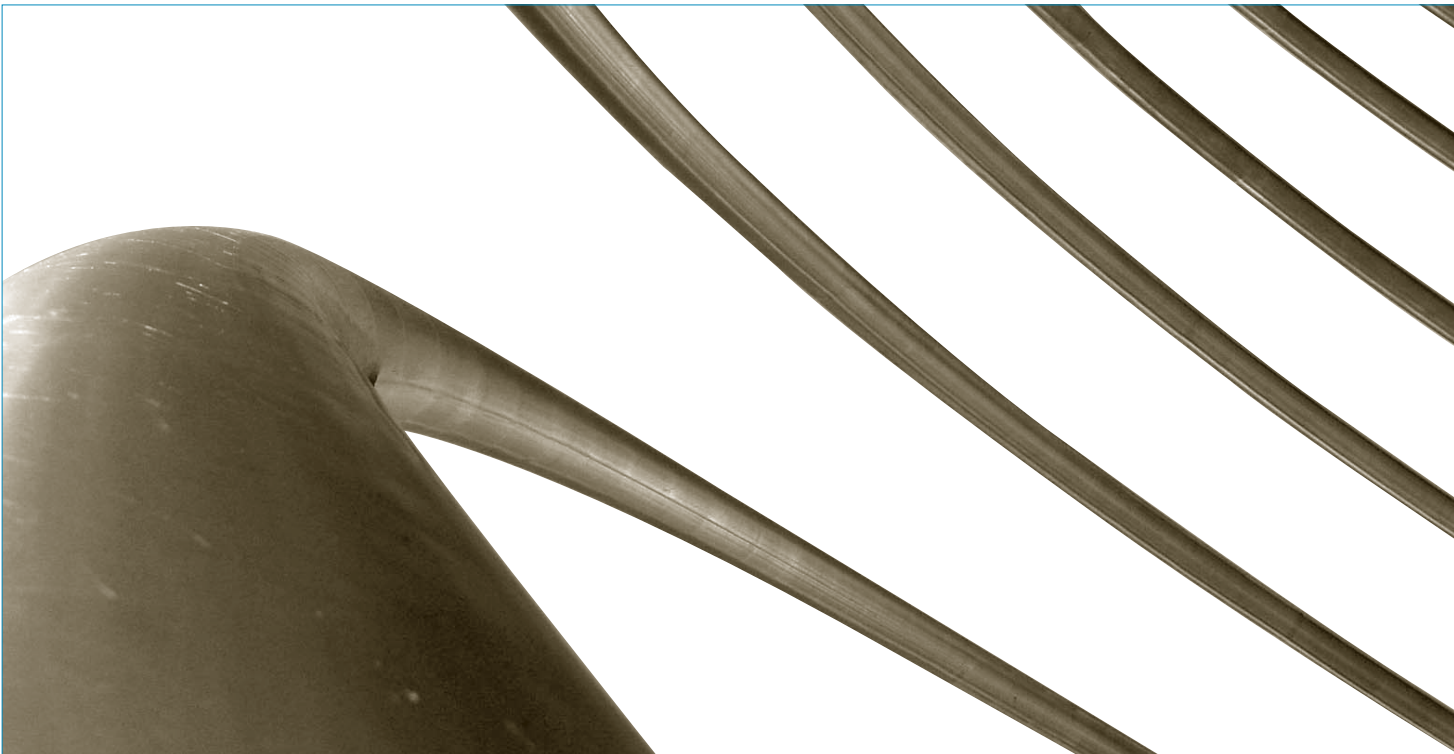
EEF continues to play an active role on the government's IPPC Board where we regularly raise IPPC issues affecting the steel industry.

Charging

The Environment Agency is proposing significant increases in the charges it makes to companies. EEF has recently been invited to join the Agency's Charging Review Groups and will use this as an opportunity to argue against increases that appear unfair or disproportionate.

Energy Prices

Jeremy Nicholson Energy Adviser, UK Steel



UK steelmakers experienced astonishing increases in the cost of gas and electricity supplies during 2005. Massive increases in the wholesale cost of gas and electricity - respectively 75% and 50% higher than a year and a half ago - were passed on by suppliers to industrial energy consumers. Steelmakers contracting in October 2004 typically reported 30-40% increases in the cost of their energy supplies.

Electricity prices were driven up by the rising cost of gas (40% of UK electricity comes from gas generation) and coal. Forward prices for 2005, reflected in new contracts struck during 2004, were also driven up by the impact of the EU emissions trading scheme (ETS). Because of differences in the way countries have implemented the ETS, and the greater ability of generators to pass on the costs in liberalised compared with unliberalised energy markets, the uplift in electricity prices has been much higher in the UK than in France, Germany, Spain and many other EU states.

The rise in UK gas price increases mirrored those seen in the price of internationally traded crude oil. However, unlike oil, the increase

in natural gas prices was much higher in the UK than in the largely 'unliberalised' European markets where, ironically, industrial gas prices are still indexed to oil products (generally heavy fuel oil, whose price actually dropped during 2004). UK Steel, campaigning through the Energy Intensive Users Group, called for an investigation into the operation of the UK gas market by the competition authorities.

EIUG, alongside EEF, lobbied on the steel industry's behalf over rising gas and electricity prices through a media campaign, meetings with Ofgem (the energy regulator), the Energy Minister, advisers at No. 10, and the Secretary of State for Trade and Industry. As a result of the latter, DTI officials were asked to work with EIUG to identify ways in which the efficiency of the forward gas market could be improved. EIUG also brought its concerns to the attention of the Trade & Industry Select Committee, which began an inquiry into fuel prices in October 2004.

EIUG will be working to ensure that the impact of rising energy prices on the competitiveness of UK steelmakers is fully taken into account in the government's Climate Change Programme Consultation, which will conclude in March 2005.

Product Group Activities

Sue Harris Head of Commercial Services, UK Steel



Long Products Tripartite

The initiative started last year to bring together the Bright Bar and Long Products Group into a liaison meeting has been extended this year to include members of the Wire Product Group. All the producers of long products held their first meeting together in September, which was followed in November by a further meeting and joint dinner, attended by senior industry figures. It was agreed that it was useful for members to get a 360° view of the long products industry and the group will meet again in March 2005.

The hot rolled bar producers also held two liaison meetings with members of the National Association of Steel Stockholders (NASS), with statistical presentations from ISSB.

Special Steels Product Group

At the start of the year exploratory discussions took place with the British Stainless Steel Association (BSSA) and the Special Metals Information Group (SMiG) into setting up a Special Metals Forum with the aim of promoting a positive and forward looking view of the industry and the industry's products and skills amongst key stakeholder groups.

In the event, these discussions were rapidly overtaken by the publication of the NAMTEC report on the special metals sector in South Yorkshire and subsequent formation of the Special Metals Forum chaired by Tony Pedder.

A Special Steels Product Group initiative led to the successful and well-attended Environmental Seminar, arranged jointly by UK Steel and BSSA, which was held in November at Outokumpu. The seminar raised some issues for future co-operation, which will be discussed in early 2005. It is likely the seminar will become an annual event.

Wire Forum/WICC

After the ending of the Wire and Wire Rope Employers' Association Joint Industry Committee (WWREA JIC), negotiations with the unions resulted in an agreement to set up a Wire Industry Consultative Committee (WICC) which would give management and union representatives an opportunity to discuss a range of issues on a bi-annual basis.

A WICC sub-committee - the Wire Health and Safety Committee - which includes management, union representatives and officials and the HSE, has been re-activated and good progress has been made on

improving the presentation of accident statistics with the addition of some (anonymous) detail from the Riddor forms. Updating the Wire Health and Safety Manual has continued with a further three sections being completed during the year. The Committee received presentations from member companies on work done in areas where accidents are particularly high, i.e. 'struck by' and 'slips and trips'. Next year work will begin on updating the noise section of the manual, and the group has a site visit and a presentation on how to manage stress already planned.

Wire Product Group

Following an assessment by wire companies of the escalating costs associated with the non-return of formers used for carrying wire to customers, a sub-group has been set up in collaboration with the Transport Committee to look at the problem. The existing scheme of colour coding the formers is to be revised after consultation with members and also with wire sector companies that are not members of UK Steel. The revised colour code scheme will be launched early in 2005. A subsequent investigation will be carried out into possible methods of tracking formers in a cost effective way.

A record number of members attended the European wire committee (CET) meetings during the year, and played a full part in the modernisation of this group.

Tube Product Group

The Tube Product Group continued to develop the work of its own Health and Safety Committee. In addition, members have been regular attendees at the European Steel Tube Association meetings (ESTA).

The Precision Tube Panel has created a sub-group, the Electrical Conduit Group, which has worked with UK Steel to produce a concise and effective leaflet on the advantages of steel conduit over plastic. It will be available to architects and other key people who make decisions about the infrastructure of buildings. The advantages of steel are particularly important for use in buildings where the safety of the public is critical in the event of fire, since not only does the steel not burn, unlike plastic conduits, but it also retains its performance at higher temperatures and so makes it possible for key control equipment to operate for longer periods. Steel also has a number of other advantages over plastic in terms of shielding computer equipment from electromagnetic fields caused by current-carrying cables, as well as having excellent performance on site before installation.



Process Groups and Technical Activities

Richard Welburn Manager Technical and European Affairs, UK Steel

Steelmakers

The Steelmakers Committee considers the major issues influencing the production of steel by the Electric Arc Furnace process. The group met representatives of the iron and steel foundries and the scrap recycling companies to revise the Steel Scrap Specifications booklet. This is the basic reference document used for judging the classification of different types of scrap and is used by scrap inspectors throughout the UK to check that each delivery of scrap complies with the required standard. It was last revised in 1995, so it is timely for the booklet to be reviewed and updated. The UK steel industry proposed two new grades of scrap to reflect the increasing availability of scrap from can banks and from waste treatment facilities. These grades are becoming available in both baled and loose form and will be included in the revised specifications booklet.

The Steelmakers Committee also monitors any incidents involving detection of radioactive sources in deliveries of scrap to UK steelworks and keeps a check on reported accidents throughout the world when radioactive material has been melted. When a source is melted it inevitably incurs huge costs for the steelmaker in the separation and disposal of the arc furnace dust, the steel, or the slag used in the steelmaking process.

Transport

The Transport Committee has continued to consider the implications of health and safety requirements for the safe delivery of steel products. Following a regular meeting with the National Association of Steel Stockholders (NASS) and with staff of the Health and Safety Executive, UK Steel has produced a draft for the revision of the HSE document INDG 313 covering safe unloading of steel stock. The revised version extends the scope to cover safe delivery as well as unloading, and includes all steel products rather than just material supplied by stockholders. Following review by UK Steel members, the document has been discussed with NASS, and will be presented to HSE for discussion during the first half of 2005.

UK Steel has also kept its members up-to-date with the rapidly changing situation on the introduction by different countries of rules on wood packaging in accordance with ISPM 15. This regulation requires that all wood transported between different countries has to be heat treated or fumigated prior to use, which could be as boxes for encasing steel products or as dunnage on lorries or ships

Standards

UK Steel continues to support the work of technical staff in member companies on the production and updating of standards applicable in

the steel sector. Staff from member companies attend both UK and European meetings on standards which involve their own products, and where they can input their expertise to the discussions.

UK Steel complements this activity by co-ordinating the steel industry responses on standards that apply across all types of steel products. There has been significant activity in this area during the year, which has resulted in a new standard being published on the types of inspection document for metallic products. A revised standard on designation systems for steel names is nearing publication and UK Steel has also attended European committee meetings on the standard for General Delivery Requirements for steel products.

At the end of 2004 UK Steel's Technical Manager was elected chairman of the European committee considering the revision of the major standard on the definition of steel products, which has commercial as well as technical implications in defining how steels are classified and categorised within the EU. He also represents the industry at major meetings at the European Committee for Iron and Steel Standardisation and at Eurofer, where the overall management of the development of standards for steel products are discussed.

Steel industry nominations to BSI committees on a wide range of subjects are coordinated by UK Steel which also seeks to obtain a representative for the industry on committees where currently there may be no steel industry input. A summary of all the representatives from member companies, who act on the industry's behalf on BSI committees, is updated on a regular basis and circulated to members.

As new European and international standards are developed, UK Steel provides technical staff at members with a list of all the steel related standards each month when they are published.

Steel Specifications

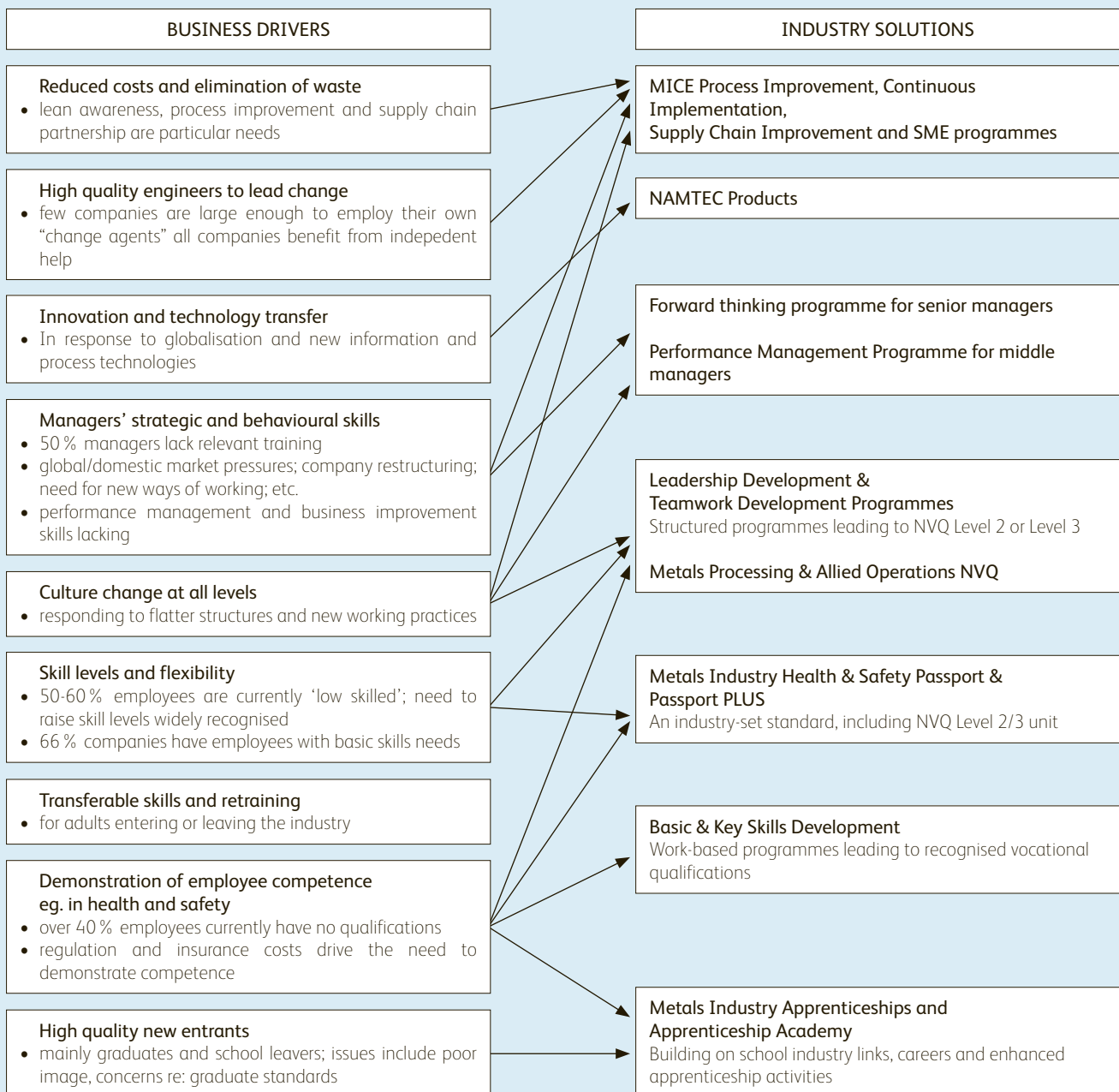
In July, UK Steel published the 11th edition of the book Steel Specifications, which gives details of the designations, chemical analyses and mechanical properties of all relevant British (BS), European (EN) and most of the important US steel standards. The revised book contains 75 new standards since the previous edition and 30 standards have been updated. The new book reflects the fact that 48 standards have been withdrawn or replaced since the previous edition in 2000. It also has revised information on proprietary grades available from UK Steel member companies. The web-based version 'Steelspec', which was launched in 2002, has also been updated on a regular basis throughout the year.

The Skills Factor



Lindsay Millington Chief Executive, Metals Industry Skills & Performance

After raw materials and transport, people-skills are usually the biggest revenue cost for UK steel companies. Keeping pace with the immense competitive challenge and complex structural changes is not simply a matter of investment in technology and innovation. It is also about ensuring a competent, flexible and responsive workforce and building skills and capability for the future.



MetSkill works with companies across the steel and metals industry to address these challenges through the sector skills strategy. The strategy hinges upon nine key industry drivers, and provides the platform for a focussed approach to meeting needs through a range of practical, business-oriented solutions that build on best practice and occupational standards designed by employers.

Skills for a Higher Added-Value Industry

The UK Steel Forum heard Sir Mike Tomlinson, chair of the government's Working Group for 14-19 Reform, set out recommendations for a revised education system based on a new openness towards working with industry. The recommendations centre on a diploma structure, designed to bring parity of esteem to vocational education and apprenticeships alongside academic qualifications, and that aims to deliver young people with the basic skills and attitude the industry needs.

These would have been welcome changes for an industry that needs to recruit as many as 10,000 young people each year. But in welcoming the opportunities, the industry faces particular challenges in tackling young people's negative perceptions of the steel industry; whilst overcoming employer confusion at the plethora of initiatives, that more often dissuade rather than enable employers to recruit more young people.

MetSkill's new 'Metals Academy' will grasp this challenge, drawing together industry-developed approaches to influence young people and the curriculum, boost recruitment and enhance apprenticeships, and build partnerships with schools in key metals regions. The Academy portfolio already includes collaborative metals industry apprenticeship schemes operating in South Yorkshire and the West Midlands, and careers promotion activities, including apprentice ambassadors, representation of local employers at careers exhibitions and a 'Careers in Metals' web-portal (www.metskill.co.uk/careers). Trust funds are supporting school partnerships and an apprentice network, and more funds are being sought to develop further activities to significantly increase the number of capable young people in the industry.

Workforce Competence

In the last three years, nearly 10,000 employees from 600 companies have taken part in MetSkill's competence-based qualifications and culture change programmes.

This scale of development, within a previously unqualified workforce, has been made possible by the close involvement of company representatives in designing programmes and qualifications which directly address business objectives and provide flexible training delivery, at a time, place and in a format that companies can accommodate.

A key focus for the year ahead is a new programme to improve the capability of middle managers.

Meeting the Legislative Burden

The industry's Health & Safety Passport and Passport PLUS are proving powerful mechanisms for employers in meeting responsibilities for employee protection, by providing assurance that each employee is competent within their workplace to the industry recognised standard of health and safety best practice. Over 80 metals companies have

already introduced the Passport as part of a commitment to health and safety, and the positive effects are also being felt in the significant reductions in lost time accidents and, in some cases, negotiation of lower insurance premiums.

In November, the Passport reached a new milestone with the award of the 1000th Passport to Dale Johnson, a machine operator, from Firth Rixson's Enpar Special Alloys.

Reducing Waste and Raising Competitiveness

Now in its fifth year of operation, MICE, the industry's lean manufacturing initiative has refocused its efforts into communicating clearer messages to employers about the real business benefits to companies. Over 120 companies are now participating, and recording financial benefits average £220,000 per company, with measurable improvements including:

	Improvements	
	Average	Highest
Not right first time	46%	100%
Delivery schedule achievement	58%	359%
People productivity	36%	192%
Stock turns	43%	138%
Overall Equipment Effectiveness	15%	60%
Floor space utilisation	25%	140%

The success of this approach is showing in increased demand for MICE to facilitate more strategic areas such as supply chain activities and policy deployment.

Three companies have achieved multi-million pound savings from balancing furnace refurbishment, maintenance and energy costs and from implementing approaches such as '5C', value stream mapping and set-up improvements to enable productivity improvements and elimination of waste. In these and other projects, MICE's aim is to facilitate sustainable improvement, enabling the company's own workforce to implement further change. A recent survey shows that 90% of companies are successfully maintaining and improving on the benefits one year after a MICE activity.

Promoting Steel on other Platforms

Materials Innovation and Growth Team

In January the DTI held a Steel Workshop, introduced by Patricia Hewitt and chaired by Industry Minister Jacqui Smith. Representatives from all major steel companies were invited, together with other 'stakeholders' including trade associations, unions, MPs, academics, industry support organisations and consultants. This was in direct response to a report issued by the Trade and Industry Select Committee in the summer 2003.

During the presentations and discussions, a number of themes for future action emerged, including: innovation; the better targeting of university research; public procurement; industry's training requirements; and the need for government to consult far earlier with industry on the real costs of proposed legislation so that least cost solutions could be agreed. There was also a desire from many that this sort of dialogue should be continued.

During the course of subsequent consultations, it became clear that the DTI were keen to build on this workshop by establishing an Innovation and Growth Team (IGT) – but for all materials, not just steel. While we believed that the scope desired by the DTI was too diffuse, covering a disparate range of sectors with little in common, we nevertheless indicated that UK Steel would wish to play a full part in an IGT. We therefore participated in preliminary meetings on the possible subject matter and organisation, which eventually led to the creation of the IGT formally announced on 17 November by Industry Minister Jacqui Smith. It is led by Wyn Jones, chairman of British Alcan Aluminium. UK Steel is represented on the Advisory Group that is overseeing the project by Martin Temple, EEF Director General.

National Metals Technology Centre (NAMTEC)

NAMTEC was set up in 2002 with DTI, Yorkshire Forward and EU Objective 1 funding to act as a one-stop-shop for the provision of technical information to UK steel producers and users, signpost existing UK research capabilities to industry and provide project management assistance where required. UK Steel was a founder member.

Although located on Corus' Swinden Technology site, it had always been entirely independent of Corus, with no access to their research facilities. However, in early summer it was agreed to expand substantially the role and size of NAMTEC, in collaboration with Corus. The new, enlarged NAMTEC will adopt a more proactive role in supporting UK metals companies. It will act as a broker for the provision of both R&D and technology training, being able to call when appropriate on the extensive facilities and knowledge of Corus

Research, Development and Technology. It will thus be a means of making the Corus RDT facilities available to other companies, at the same time as providing an income stream from external contracts for Corus RDT to help preserve these facilities.

Additional public funding of between £4 and £6 million is being made available by Objective 1, Yorkshire Forward and South Yorkshire Learning and Skills Council. This will partly be used to refurbish Swinden House on Corus' Swinden Technology Centre site to provide modern office accommodation and training facilities. NAMTEC will not compete with other organisations. Despite the strong regional input, it will remain a 'national' asset. All NAMTEC's existing activities will be continued.

Although no longer directly involved in the oversight of NAMTEC, UK Steel has welcomed this development as a valuable new asset for UK metals companies.

Special Metals Forum

In 2003, NAMTEC with DTI and Yorkshire Forward funding commissioned a report from Hatch Beddows analysing the special metals industry in South Yorkshire. This led to the DTI bringing together senior executives from major metals companies throughout the region to assess whether there are issues of common interest that could benefit from co-operative solutions. This Special Metals Forum, chaired by former Corus chief executive Tony Pedder, and also including locally based support organisations, UK Steel, EEF and public sector bodies, has so far met three times. The main focus of effort has to date been on local skills shortages and the related issue of improving the sector's image for potential recruits, although other concrete results could also emerge.

Metals Forum

The Metals Forum is an informal grouping of trade associations representing various metals producing and using sectors, plus MetSkill. The Forum's role is to provide a united voice to government on issues of common concern across the whole of the metals industry. During 2004 we decided to add greater coherence to the Metals Forum's activities by electing a standing chairman (Derek Tordoff of the British Constructional Steelwork Association for the current year) to act as a voice for the Forum, and contracting HeadRoom Communications to provide a small amount of secretariat support.

All Party Parliamentary Steel Group

UK Steel has continued to give support to the All Party Parliamentary

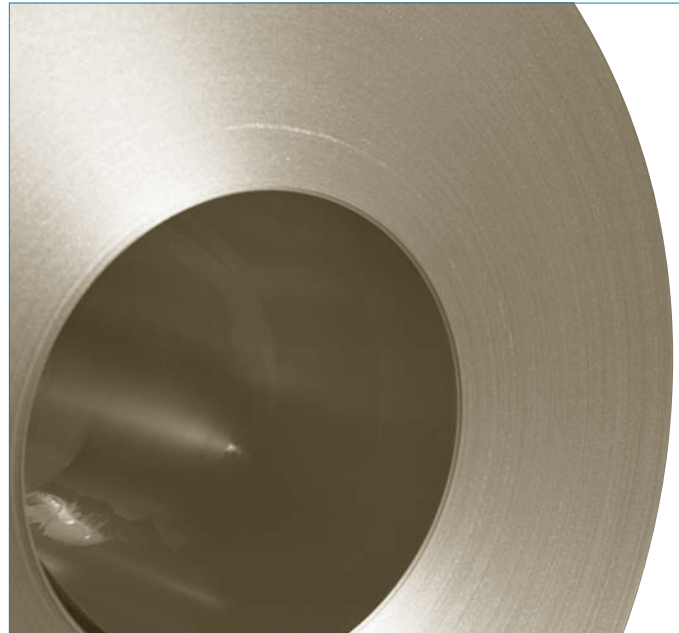
Group for Steel, including through the publication of a newsletter on the Group's behalf – Westminster Steel Bulletin. The Group last year extended its scope to include cast metals, in collaboration with the Cast Metals Federation.

Annual Steel Forum

UK Steel's Annual Forum in November was on the theme of: Manufacturing enthusiasm in youngsters: how can we do more? Keynote speaker was Sir Mike Tomlinson who had just completed his review for the government of the curriculum qualifications framework for the 14 to 19 age range. The Forum, which was chaired by Kate Bellingham (of Tomorrow's World fame and president of Young Engineers) also included presentations on the benefits now coming through from the establishment of engineering specialist schools and examples of how industry can get involved in enthusing young people about science and engineering. Science minister Lord Sainsbury was guest speaker at lunch. The winner of the UK Steel/SBB Award for Achievement in the Steel Industry was John Ferriman, Works Manager, Hot Rolled Products Llanwern at Corus Strip Products UK. We were grateful for the sponsorship of this event provided by MultiServ, BOC and Steel Business Briefing.

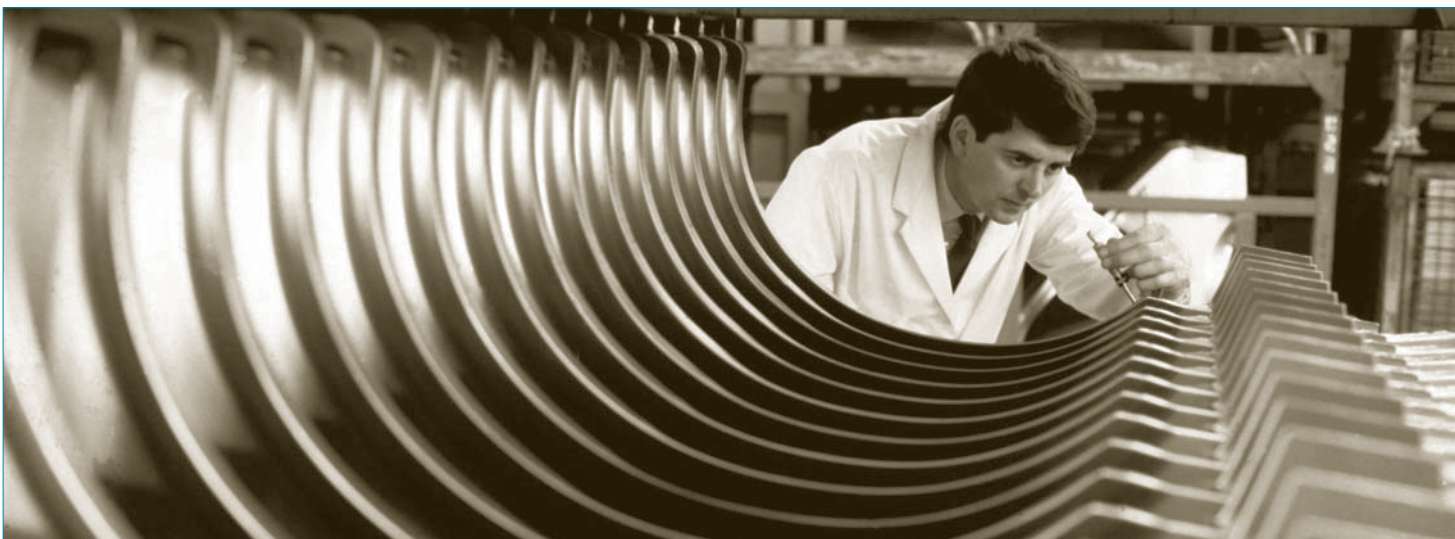
Other External Bodies

As part of its mission to maintain from within the EEF a distinct voice for the steel industry, UK Steel has continued to play an active role in other representational organisations, including the CBI, Construction Products Association and the Manufacturing Alliance. Similarly in Europe we participate in the work of UNICE, Eurofer, the European



Steel Tubes Association and the European associations for wire and cold rolled strip. UK Steel is also a member of the International Iron and Steel Institute.

UK Steel also continues to provide secretariat services to the British Metallurgical Plant Constructors Association (through the Technical Manager) and the Energy Intensive Users Group (whose Director is employed by us) on a contract basis.



Key People in UK Steel (as at 31 December 2004)

Office Bearers

Chairman

Steve Rutherford (Managing Director, The Bridon Group)

Vice-Chairmen

Tony Bagshawe

Stuart Pettifor (Chief Operating Officer, Corus)

David Irvine (Managing Director, Erasteel (UK) Ltd)

Company Representatives

Bekaert Fencing Ltd

Kevin Mansell (Managing Director)

The Bridon Group

Steve Rutherford (Managing Director)

Caparo Group Ltd

The Hon Akash Paul (Director)

Carrington Wire Group

David Crimp (Chief Executive)

CELSA Steel (UK) Ltd

Graham Mackenzie (Corporate Adviser)

Cold Drawn Products Ltd

Nigel Lane (Managing Director)

Cogent Power Limited

Bill Ford (Director, Electrical Steels)

Corus Group

Duncan Pell (Director Commercial Co-ordination)

Corus Tubes

Guy Glover (Managing Director)

Enpar Special Alloys Ltd

Phil Kirkham (Managing Director)

Marcegaglia UK Ltd

Mark Wilson (Managing Director)

Niagara LaSalle (UK) Ltd

Tarlok Singh (Managing Director)

Outokumpu Stainless

Roy Cooke (Senior Vice President)

Peter Holes (Senior Vice President)

Sheffield Forgemasters Engineering

Geoff Marston (Business Development Manager)

Siddall & Hilton Ltd

Peter Siddall (Chairman)

Thamesteel Ltd

Khalid Jilani (Director)

UNSCO Ltd

Keith Negal (Managing Director)

Product Group Chairmen

Bright Bar

David Patrick (The Willing Wire Co Ltd)

Hot Rolled Bar

Keith Beardsmore (Niagara LaSalle Hot Rolled Bar)

Special Steels

David Irvine (Erasteel (UK) Ltd)

Steelmakers

Bob Ruddlestone (Corus Construction & Industrial)

Tube

Mike Thomas (Caparo Precision Tubes Ltd)

Wire

Andrew Parker (Bridon International Ltd)

Co-opted Members

Stephen Tilsley

(Chairman, Metals Industry Skills & Performance Limited)

EEF

Martin Temple (Director General)

UK Steel Staff

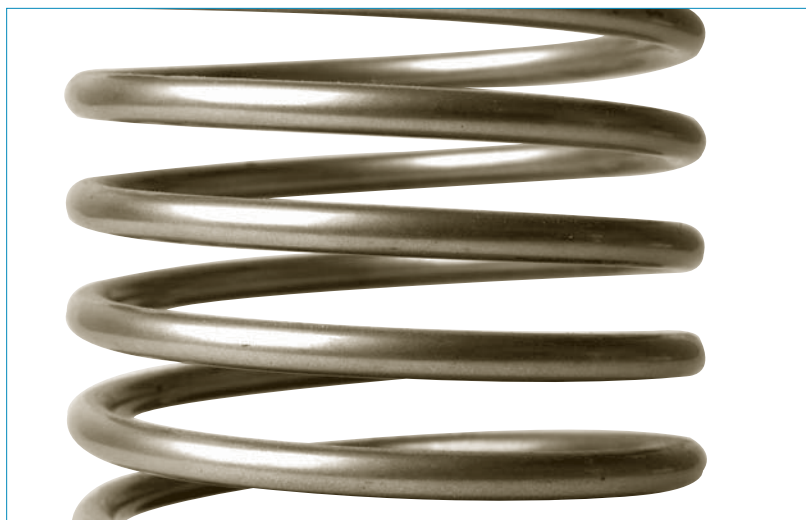
Ian Rodgers (Director)

Sue Harris (Head of Commercial Services)

Richard Welburn (Manager Technical & European Affairs)

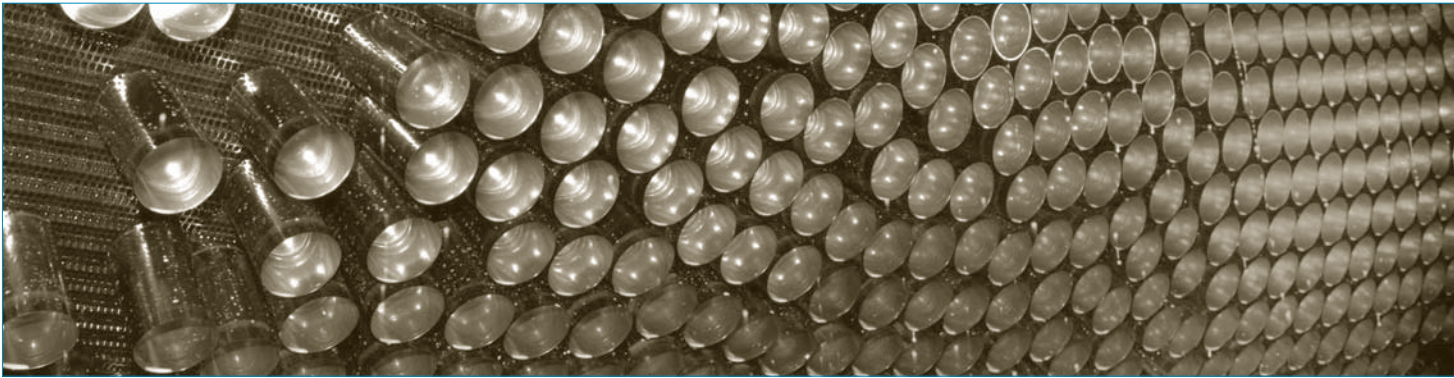
Jeremy Nicholson (Energy Adviser)

Debbie Sheppard (Executive Assistant)



Calendar of Events in 2004

July - December



July

- Half year UK steel production highest for three years
- Forward markets show UK electricity set to rise well above French and German levels
- Thamesteel announces investment in a new bar mill
- First meeting of the South Yorkshire Special Metals Forum, chaired by Tony Pedder

August

- 11th Edition Steel Specifications published
- Survey of members' energy prices shows renewal contracts running up to +41 % for gas and +49 % for electricity
- DEFRA consultation launched on draft hazardous waste regulations
- Commission opens investigation into state aid paid to Huta Czestochowa

September

- Corus announces first half year profit of £100 million
- IISI forecasts steel growth for 2005 increasing 5 % over 2004
- Spartan UK joins UK Steel

October

- DEFRA issues revised National Allocation Plan for CO₂ emissions for EU Emissions Trading
- China announces it will make 14 million tonnes of coke export licences available

November

- UK Steel Annual Forum and Lunch
- DTI launches Materials Innovation and Growth Team (IGT)
- EU agrees size of imports from Russia and suspends negotiations with Ukraine pending the results of elections there
- Corus completes £5.6 million expansion to Llanwern galvanising line
- UK Steel/BSSA Environmental Legislation seminar
- EU complains to WTO about unfair anti-dumping duties applied by US to stainless bars from the UK
- Midlands Metals Industry Awards in West Bromwich

December

- UK steel production in 2004 was 13.8 million tonnes, highest in four years
- Global steel up 9 % to 1050 million tonnes
- China up 23 % to produce over 1 in every 4 tonnes made world-wide
- Deadline for all UK ELVs to be depolluted before shredding
- Caparo purchases Tyco's UK steel assets to form third largest UK steel company by turnover

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