



Resources efficiency and environmental issues in the steel industry: the challenge for trade unions and workers' representatives

Closing Conference

The Iva Case (Taranto)

Environmental issues and role of the State in strategic industries.

Enrico Gibellieri

industriAll Senior adviser and steel expert

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		Hot metal Million t	Number of BF's
1	Duisburg	18.2	7
2	Taranto	11.4	5
3	Dunkerque	6.8	3
4	IJmuiden	6.3	2
5	Dillingen	4.8	2
6	Scunthorpe	4.7	3
7	Salzgitter	4.6	3
8	Fos Sur Mer	4.6	2
9	Kosice	4.5	3
10	Linz	4.4	3

Distribution map of the main integrated steel works in the European Union

Background

Ilva Taranto is one of the two Italian remaining integrated steel works. It started the production in 1964 and in the '70 doubled its capacity reaching the total nominal capacity of 10 Millions ton per year of crude steel but the real crude steel production never exceeded 9 Million tons per year.

It belonged to the state owned holding Finsider and then to Ilva until 1994 when it has been privatized and taken over by the Riva Group.

The area where the steelwork is located has an extension of 15.000.000 square meters, the railway network is 200 Km, 190 Km of transportation belts and 50 Km of roads. About 20 million tons of raw materials are supplied per year to the steelworks. The port can receive high capacity marine vessels and is equipped with loading and unloading facilities distributed among the three piers.

26 July 2012

Due to the levels of pollution in term of various pollutant (Dioxins, PAH, dusts) and the impact on citizens' health conditions, the magistrates of the Taranto court, after having received a report from their experts, decided to put under sequestration, in the perspective to stop the production, all the plants of the so called "hot area" of the steel works as coke ovens batteries, sinter plant, blast furnaces, steel converters and the raw material stockyards.

In the same time the same magistrate decided to put under control at their own domiciles the Mr. Riva, the owner of the company, and other seven member of the Riva family or managers of the company.

This decision had immediate effects on 20.000 workers, directly and indirectly employed in Taranto, and other 7.000 workers depending from the Taranto supply (Genoa, Novi Ligure).

The value chains of the main manufacturing sectors (automotive, mechanical engineering, construction) was in danger due to uncertainty of the steel supply from the Italian main flat steel producer.

Ilva Taranto Steel Works – Main features

Main plants of the Taranto works:

- 2 quarries for limestone and dolomite
- 10 coke oven batteries
- 2 sinter lines
- 5 blast furnaces
- 2 steelworks with LD converters
- 5 continuous casting machines for slabs
- 3 hot rolling mills (two for coils one for heavy plates)

Cold treatment area: 1 cold rolling mill, 1 pickling, 1 continuous annealing , 1 static annealing , 2 tempers, 2 lines for hot deep galvanizing, 1 line for electrolytic galvanizing, finishing and cutting lines. Large diameter tube factory.

Yearly production

Coke	3	Mt
Sinter	10	Mt
Crude iron	8.5	Mt
Liquid Steel	9	Mt
HR Coils	8.5	Mt
Heavy Plates	1	Mt
Tubes	0.6	Mt

Employment

Direct	12.000
Indirect	8.000

August 2012

Immediately after the decisions by the Taranto court, the Italian Government (Monti) decided to face the problems in two main ways:

1 - signed a protocol with the governor of the Puglia Region and with the Mayor of Taranto establishing a budget of over 300 million Euros for the elimination of the dangerous pollutants, accumulated in decades of activity, from the reclamation of grounds in the territory surrounding the steel works.

2 - started the preparation of a new AIA (Autorizzazione Integrata Ambientale – Environmental Integrated Authorization) taking in to account the prescription of the court concerning the emissions from the steelworks and the updated BAT-BREF (Best Available Techniques Reference Document – March 2012) under the EU/IPPC Directive.

December 2012

The law containing the new AIA (Autorizzazione Integrata Ambientale – Environmental integrated Authorization) for the Taranto steelwork has been finally adopted by the Italian Parliament. It contains the plan of all the activities and the investments the company (estimated from 2 to 3 billion euros) is obliged to realize in order to continue its production.

The main obligations are; a limit to the total production of 8 Millions ton per year, the coverage of the raw material stockyards and other measures concerning the transportation belts in order to reduce dust emissions, the stoppage of the n. 5 Blast furnace in 2014, the revamping of various plants (BFs, coke oven batteries, sinter plants).

The company is also obliged to anticipate the implementation of the new emission limits contained in the last BAT – BREF edited on the March 2012 under the EU/IPPC Directive.

December 2012

The magistrates of the Taranto Court appealed against government's law n. 231 of the 24 December 2012 (the so called "Save Ilva" law) because it created conflict between institutions of the Italian State contradicting the Italian Constitution in its part concerning the protection of health and safety of the local community.

They maintained also the sequestration of the hot area of the plant and of steel products produced, from their point of view, under illegal conditions.

14 March 2013

Agreement among the Italian trade unions (Fim, Fiom, Uilm) and the Riva group at the Ministry of Labor concerning the management of consequences on employment of the reduced production at Taranto steel works. The Italian trade unions resisted the company's initial proposal to put under extraordinary temporary unemployment scheme for two years 6.417 workers, out of the 11.059 of the total workforce.

The agreement, based on the “solidarity” principle, consists in the reduction of the working time and reached three main objective:

- Avoiding that the reduction of the working time results in a structural one maintaining all the workers in the company;
- Reduction of the contraction of the productive activity planned by the company;
- Minimizing the reduction of workers' salaries.

9 April 2013

The Italian Constitutional Court rejected the appeal against government's law n. 231 of the 24 December 2012 (the so called "Save Ilva" law) raised by the magistrates of the Taranto court.

The decision allow the company to get back the full control on the steelworks and start the activities indicated by the Italian Government on the AIA (Autorizzazione Integrata Ambientale – Environmental integrated Authorization).

In the same days, the Riva group announced the appointment of Mr Enrico Bondi as the company new CEO. Taking in to account that in the past the members of the Riva family occupied all the main top managing positions of the group, it represents an important change for the future of the company.

14 April 2013

The **Taranto City Council** organized a **direct consultation** of citizens through a referendum asking **two questions** as follows:

First question:

Would you like to propose the closure of the Ilva steelworks in order to protect yours and the workers' health?

Second question:

Would you like to propose the closure of the hot area at the Ilva steelworks, main source of pollution, with the consequent dismantlement of the raw material stockyards in order to protect yours and the workers' health?

The consultation to be valid should have been participated by the 50% of citizens. **Less the 20% of them participated to the poll.**

First good results

The Ilva Taranto plant recovery plan started with the implementation of the AIA prescriptions namely the reduction of the production, the stoppage for revamping of a blast furnace and five coke oven batteries, the partial relocation of the of raw material stockyards far from the nearest city quarter Tamburi and other actions.

In the last quarter of 2012 and the first quarter of 2013, data resulting from continuous measurements of various pollutants, particularly dusts, shown no cases over the limit thresholds established by the current legislations.

Hopefully, these good news will be followed by others in the near future in order to reach a stable and sustainable exploitation of the steel plant safeguarding employment and the health and safety of both workers and citizens.

22 May 2013

The Court of Milan decided to put under preventive **sequestration 1.2 billion euros belonging to the Riva family**. The accusation is that the Riva family took the money from the Ilva steel company and send them in a fiscal paradise (Jersey) to avoid to pay taxes in Italy.

The capitals have been send back to Italy utilizing the so called “scudo fiscale” (fiscal shield), a law adopted by the Berlusconi government allowing Italian citizens to send back to Italy their capitals from abroad (fiscal paradises) paying only the 5 % of the total amount to the Italian State in change of the cancellation of all the possible legal actions.

24 May 2013

The **Court of Taranto decided to put under preventive sequestration 8.1 billion euros belonging to Riva FIRE**, a financial company totally owned by the Riva family. This is the estimated amount that can cover the cost of all the damages to the local territory and citizen health coming from the Ilva Taranto activity.

The accusation is that these capitals have been accumulated by means of the illegal activities related to the environmental damages and health diseases consequences of the non correct technical management of the steel production plants at Ilva Taranto from 1994 on.

Taking in to account the government's law n. 231 of the 24 December 2012 (the so called "Save Ilva" law) the Court of Taranto did not touch this time the Ilva Taranto plant itself that should continue to produce.

They also said that in case the capitals in the RIVA FIRE company will not cover the estimated amount, then the Court can again put under sequestration the Riva family belongings, steel plant included

25 May 2013

The entire board of ILVA resigned after the decision of the Court of Taranto to put under sequestration 8,1 billion euros. They also decided to hold the ILVA owner assembly on the 5 June 2013 with the agenda to nominate a new board of the company.

The board also gave the mandate to their lawyers to appeal against the decision of the Court of Taranto because it create obstacles to the company management and the fulfillment of the obligations indicated by the Italian Government on the AIA (Autorizzazione Integrata Ambientale – Environmental Integrated Authorization).

27 and 28 May 2013

Mr. Zanonato, Minister of the Economic Development of the new Italian government (Letta), met Mr. Bondi, dismissed CEO of the ILVA company, to discuss the very difficult situation of the steel company created by the decision of the Court of Taranto.

The Italian government considered **two possible options**:

- the government decide to **take full control of the Taranto steel works** in order to assure the continuity of the production and, in the same time, the implementation of the obligations of the AIA.
- the Italian government leave the management of the steel works to the Riva company and **take direct care of the implementation of the obligations of the AIA.**

Trade unions were mostly in favor of the first option, at least for a sufficient period of time, without going back to the direct state ownership of the steel company.

4 June 2013

Mr. Zanonato, Minister of the Economic Development, announced that the Italian Government is going to take the decision to **take over temporarily the direct management of the ILVA Taranto Steelworks up to the end of the implementation of all the mandatory measures** for the reduction of the environmental impact already decided: They will nominate a commissioner responsible of the steelwork for that period.

The Minister also said that the government evaluated the cost of the closure of the ILVA Taranto steelworks to be about 8 billion euros.

The Italian Government nominated as commissioner Mr Enrico Bondi, the last recently appointed CEO of the same company. The nomination will last initially 12 months, but can be extended to 36 months, give to the commissioner full power without expropriate the ownership of the Riva family that will take charge of all the costs of the implementation of the new AIA.

June 2014

Mrs Guidi, Minister of the Economic Development of the new Italian government (Renzi) decided to replace Commissioner Bondi with Mr Piero Gnudi, active in the past at IRI and ENEL, former minister of the Monti's government and advisor to the actual minister..

The reasons behind this substitution and choices was not completely clear and visible. Most probably a different political view of the new government and the proximity of Mr Gnudi with the new minister, the Italian public institutions and economic context could explain the decision.

Finally, since the main interlocutor of the Italian government is the formal owner of the company, the Riva's family, it should be taken into account that the relationship between Mr Bondi and the Riva family seemed to be deteriorated in the last period.

August – November 2014

After contacts with Mr Gnudi, with the Italian government and visits to the ILVA Taranto Steel plant in June and July, **the group Arcelor Mittal send a first letter to the commissioner disclosing to the public its interest to the take over of ILVA.** This letter do not represent yet a binding commitment but had been considered as an important step forward towards a future different ownership of ILVA.

The input to Mr Gnudi from the Italian Government was to see the possibility to find a reliable group interested to the take over of ILVA Taranto, better if in that group there should have also been Italian investors and the Italian strategic investment fund “Cassa Depositi e Prestiti “ accompanying Arcelor Mittal group.

In **November 2015**, Arcelor Mittal and Marcegaglia groups introduced a **joint binding offer for the take over of the entire ILVA facilities.** The answer from ILVA, expected within one month, was not positive.

Just after, the Italian Government consider to take the full control of ILVA and started the preparation of the formal decision.

**Law by Decree of 05.01.2015
turned in to law by the Italian
Parliament on the 04.03.2015**

Industrial sites of strategic national interest

- This law by decree constitutes a further step, after those taken in the last three years, to secure production and employment in the ILVA sites as well as to channel significant resources to the largest steelworks in Europe. The legislation defines the guidelines for the future of Ilva and for the environmental remediation of the area.
- With this law by decree, **companies that manage at least one industrial site of strategic national interest, such as the steel-making plants of Ilva, will benefit of the extraordinary administration procedure for companies operating in essential public service sectors.**
- To that end, a series of amendments to the Italian law on bankruptcy were introduced regarding the procedure for admission to the extraordinary administration procedure which can be made available by decree of the President of the Council of Ministers or the Minister for Economic Development of the Italian government.

Specific measures for Ilva

- The admission of Ilva SpA to the extraordinary administration procedure means that the previous administrative management has terminated its mandate. The new Commissioner is given the **powers for the implementation of the plan and activities for the protection of health and the environment.**
- **The management activities of the company** that are implemented in compliance with the decree of 14 March 2014 are considered to be of **public interest and the measure implemented in accordance with the environmental plan are declared non-deferrable, urgent and of public interest**, and moreover constitute variants to the urban development plans.
- The **environmental plan** is considered implemented if **at least 80% of the requirements will be met by 31 July 2015**. The **final deadline for the full (100%) finalization of the environmental plan is 4 August 2016**.
- **The implementation of the environmental plan cannot entail any criminal or administrative liability** for the Commissioner and his representatives.

Financial aspects

- The Law by Decree **authorises the availability of considerable financial resources** for Ilva, **including about €1.2 billion distrained upon the Riva family** by the Public Prosecutor's Office of Milan. **The State nonetheless retains the right to exact compensation from those responsible for environmental damage.**
- These are vital resources to guarantee the environmental remediation works. The Commissioner may moreover ask the judicial authority to rule **that these sums have to be used to subscribe obligations issued by Ilva SpA. also for a sum more than double the share capital.**
- The re-launch of the industrial process has been made possible also thanks to the release of €150 million of Fintecna funds, and the granting of credits for ca. €260 million, which the banks have made available, thanks also – and above all – to decisive intervention on the part of the government.
- The Commissioner of **Ilva SpA is authorised to take out loans for an overall amount of up to €400 million, backed by State guarantee** to make the **investments needed for environmental remediation as well as those for research, development and innovation, training and employment, in compliance with EU legislation.**

Accompanying measures for employment, creditors and LME:

- The Commissioner is required to identify procedures **to support the employment of workers of industrial companies stricken by the crisis in Taranto already involved in programmes for income support and layoffs.** To that end, the Commissioner may adopt all measures that are necessary to reduce any negative effects on employment related to the reorganisation of the company's activities. To that end, **solidarity contracts are to be extended for another 12 months, with the new agreement that is to come into force on 2 March involving ca. 4000 people.**
- **Tax and financial incentives for creditor companies:** a suspension of payment of national taxes is provided for transport companies and small enterprises that have credits from Ilva.
- **Aid to supplier companies:** €35 million from the Guarantee Fund for small and medium-sized enterprises are earmarked for the protection of suppliers and ancillary companies that supply goods or provide services (or credits, for the same reasons) relating to environmental remediation or the continuation of companies that manage at least one industrial site of national strategic interest subject to extraordinary administration.

Other provisional measures contained in the law by decree

- Paediatric onco-haematological prevention and cure in the Province of Taranto:
- Safety and management of radioactive waste deposited in the Municipality of Statte
- Rules concerning waste management and waste and material recovery
- Institutional Development Contract (CIS) for the Taranto area
- Programme for the rehabilitation, environmental remediation and redevelopment of the Taranto area
- Provisions for the official receiver of Taranto Harbour
- National plan of the city and relevant actions in the Municipality of Taranto

A further complication.

The 19 march 2015 **Ilva stopped the production of the blast Furnace N. 5 in Taranto**, its biggest blast furnace and one of the biggest in Europe and the world. The stoppage has been decided to start the activities and works for the reconstruction and modernization of the plant following the prescriptions contained in the AIA.

This decision have immediate consequences on employment and the need to put 4500 workers in a solidarity contract for one year due to the reduction of the total production by about 40%.

The restart of production of BF 1, stopped in December 2012, has been postponed to August 2015. In this period, only the other two blast furnaces are in function in the Taranto steel works.

Last developments

Recently, the German association of steel producers, **Wirtschaftsvereinigung Stahl**, filed a formal claim to the **European Commission** against the **decision of the Italian Government on the Ilva case**.

They envisage a potential state aids by the Italian Government with consequent danger of distortion of the competition.

Their view is that the **decision is conflicting with the recently reformed EU rules on state aids** that are more strict for the steel sector. They also declared that the **only the market dynamic should determine the structure of the European steel sector**.

Eurofer too seems to be on the same position, although with no specific references to the Ilva case.

This action was, in a certain measure, expected in the Italian steel environment. To be noted that also after the privatization of Ilva in 1994-1995 the German association of steel producers filed a similar claim to the European Commission.

The role of trade Unions and workers representatives in the ILVA Taranto case.

Trade unions and workers' representatives in the company had a very difficult and delicate role trying to maintain the industrial activity and the workplaces and asking, in the same time, for the improvement of working conditions and protection of citizens' health in the local community.

They also had to resist the pressure coming from the company side to create an alliance against the “external world” and pressure coming for the more extremist part of the local community targeting the closure of the steelworks.

The ILVA Taranto case has been for months among the top news of the main Italian, European and international medias and induced a strong discussion in the public opinion.

Trade Unions always tried to manage the case in a rational way avoiding ideological approaches in the framework of a constructive social dialogue always looking to the general interest of the country

Thank you for your attention