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In this section of *eurofenix* we bring you short updates from our members including insolvency measures in response to the COVID-19 crisis in their jurisdictions. To contribute to a future edition, please contact: paulnewson@insol-europe.org

Italian state returns to the steel sector with Arcelor-Mittal



GIORGIO CHERUBINI
Founding Partner, EXPLegal,
Rome & Milan, Italy



GIANCARLO CHERUBINI
Junior Associate, EXPLegal,
Rome & Milan, Italy

After the elimination of the so called “Criminal shield” introduced by the Italian government in the autumn of 2019, described in our previous article in the Spring 2020 edition of *eurofenix*, Arcelor-Mittal, left without protection from the judicial point of view, started a long battle with the Italian government trying in every way to return the keys of the Taranto steel plant, even going so far as to start the shutdown of the blast furnaces, running the risk of irreparable damages to the system.

On 4 March 2020, a laborious compromise was reached between the Italian government and the Franco-Indian multinational, aimed at curbing the latter's farewell, foreseeing the entrance of the Italian state as a financial partner and the transformation, at least partially, of production, by using electric oven technology.

For Arcelor-Mittal, however, one last way out remained: should the details of the Italian state's entrance not be defined by November 2020, the company could still have left, paying a penalty of €500 million, which is a pittance for a group that invoices €70 billion.

Waiting for the finalisation of the agreement, Arcelor Mittal resorted in a massive way to

payroll subsidies, did not make any structural improvement interventions and after almost a decade of disputes, Taranto's steel plant moved to produce less than four billion tons of steel during 2020.

After the elimination of the “Criminal shield”, the economic crisis triggered by the COVID-19 pandemic became the perfect new justification for the company to present a new hard plan to reduce the number of employees: 5000 employees were due to be fired, this also being a consequence of the extraordinary administration.

But finally, after weeks of meetings with Arcelor Mittal which, as a conciliatory sign, has paid the arrears rent for the plant, on 10 December, after a hectic day, the announcement arrived: the agreement has been signed and the Italian state is ready to invest €1 billion entering as Arcelor Mittal's financial partner. After 25 years the Italian state returns to the steel sector.

For the Franco-Indian group, remaining in Taranto is a convenient option, also in order not to give an asset to competitors. The industrial plan signed with the Italian government last March, supported by the European Union, interested in an ecologic revolution of the Taranto steel plant, foresaw to gradually bring back production to 8 million tons per year, while now they are at around 25% of this potential,

converting two furnaces to electric and, in the future, safeguarding employment levels. This suggested project, however, requires at least two years and €2 billion of investments.

In addition to the complete restructuring of the plant and the scrupulous implementation of the environmental plan, the Italian state has guaranteed the maintenance of employment levels, promising an extraordinary care on the theme of maintenance and safety of the plant. The group now employs 10,700 staff, of which 8,200 work in Taranto, but about 3,000 are currently under payroll subsidies. This social safety net will continue to be used in the transition until 2025.

The trade unions, meanwhile, complain to be never involved in negotiations and pretend the respect of the agreement of September 2018, aimed at limiting the layoff of employees.

A new important step is the opening of negotiations with the trade unions which demand clear answers on the maintenance of employment, environmental clean-up and the productive and industrial relaunch of the group.

After years of uncertainty, the Italian State finally undertakes to ensure a future to the Taranto steel plant. ■