

From: JUHANSONE Ilze (SG)
Sent: 07 July 2021 16:50
To: [REDACTED] (SG)
Cc: [REDACTED] (SG); [REDACTED] (SG)
Subject: RE: Minutes meeting between SG and Eurofer on CBAM - 7 July 2021

Many thanks. No comments from my side.

From: [REDACTED] (SG) [REDACTED] <[\[REDACTED\]@ec.europa.eu](mailto:[REDACTED]@ec.europa.eu)>
Sent: Wednesday, July 7, 2021 4:45 PM
To: JUHANSONE Ilze (SG) [REDACTED] <[\[REDACTED\]@ec.europa.eu](mailto:[REDACTED]@ec.europa.eu)>
Cc: [REDACTED] (SG) [REDACTED] <[\[REDACTED\]@ec.europa.eu](mailto:[REDACTED]@ec.europa.eu)>; [REDACTED] (SG) [REDACTED] <[\[REDACTED\]@ec.europa.eu](mailto:[REDACTED]@ec.europa.eu)>
Subject: Minutes meeting between SG and Eurofer on CBAM - 7 July 2021

Dear Ilze,

As spoken, please find below the draft minutes from today's conversation with Eurofer. Please let us know if you think that adjustments are needed.

Best regards,

[REDACTED]

Meeting between the Secretary-General of the Commission and the Director-General of Eurofer – 7 July 2021

Participants: Ilze Juhansone (Secretary-General of the Commission) [REDACTED] [REDACTED] Eurofer), and [REDACTED] (SG).

The Secretary-General had a telephone conversation with the [REDACTED] Eurofer in order to discuss the impact of the upcoming Fit-for-55 package, and notably the Carbon Border Adjustment Mechanism (CBAM), on the iron and steel sector. The main takeaways were as follows:

- Eurofer argued that EU ETS free allowances should not be reduced too quickly: CBAM should first prove itself and only then should free allocations be reduced. This would be justified by the need to ensure that the sector decarbonises while remaining competitive, taking into account the risk of carbon leakage and possible resource shuffling. They also noted that a progressive phasing in of CBAM would allow for a dialogue with trade partners: given that CBAM will only apply to the difference between the carbon content of imports and the carbon price paid by EU producers, the effect of CBAM will be higher if free allowances are phased out significantly.
- Eurofer explained the decarbonisation commitment of the sector. However, they noted that a sudden reduction of free allowances could jeopardize the possibility for steel companies to invest in decarbonisation technology projects, as it would increase the costs while their margin would remain limited (average of 5% during the last 5 years). They also noted the impact for steel and iron exporters of doing away with free allowances (around 20 million tons of annual exports). They stressed the need to set out the right legal framework to support the transition of the industry, taking into account the need for certain energies such as natural gas and hydrogen, and also the fact that there are not sufficient resources in order to decarbonise all production plants at once. They acknowledged Commission's support in form of various EU funding instruments.

- They expressed an interest to discuss with the President and relevant EVPs/Commissioners the follow-up to the Fit-for-55 package and possible measures to support the decarbonisation of the sector (e.g. promoting use of hydrogen, tackling additional costs during the transition, green public procurement, or creation of a market for green steel).
- The Secretary-General welcomed the commitments on emission reduction and explained the state of play of the package and the rationale for CBAM. Concerning CBAM, WTO compatibility will be ensured, and careful consideration is given to its phasing in. She pointed out that the instruments of the upcoming package will have to be complemented by other policies in order to promote the decarbonisation of the economy, notably private investments (sustainable finance), and R&D.