Commissioner Schmit
Jobs and Social Rights

Meeting with ArcelorMittal Europe

Short bilateral meeting

Brussels, 23/07/2024, 14:00

(with complete address/BERL/floor/CAB room)

Contact of the counterpart: [redacted]

Member of Cabinet in charge: [redacted] **Briefing coordination**: [redacted]	**Main contributors**: [redacted]

Scene setter

You are meeting the **ArcelorMittal Europe**[1] delegation upon their request.

The meeting will take place on **23 July 2024** in CAB office.

The agreed agenda covers one topic:

- The risks of the EU steel industry, with a specific focus on decarbonisation.

What ArcelorMittal wants:

- Inform the Commission on the deteriorated competitiveness of the sector.

- Raise concerns about the decarbonisation process if it results in a de-industrialisation and massive carbon leakage.

- Inquiry on the Commission priorities on industry for the new mandate.

- Inquiry on the follow-up of the Antwerp Declaration and the Clean Transition Dialogues from the Commission side.

What we want:

- Emphasise that the Commission is actively working on safeguarding the European steel industry, by promoting fair and green transition.

- Point out the importance of social dialogue in steel industry.

- Inform ArcelorMittal on the possibilities to address climate targets without reducing capacity of the European industries.

On 22 March 2024, the Commission held the **Clean Transition Dialogue on Steel**. ArcelorMittal welcomed the initiative and outlined specific challenges: taxations, flaws in the Carbon Border Adjustment Mechanism, WTO rules, and steelmakers leaving Europe. On this occasion, EVP Šefčovič explained that the Commission will explore the possibilities to keep steel companies profitable, and to guarantee high levels jobs, also taking the social dimensions into account.

You may wish to use the opportunity to ask ArcelorMittal to make use of both the Transition Pathway for Metals and the Sectoral Social Dialogue Committee for the Steel industries for having more in-depth exchanges with the employees on this topic.

Table of Contents

[1] ArcelorMittal Europe is the European branch of the world's leading steel and mining company, with 154,352 employees of 134 nationalities in more than 60 Countries, and steelmaking operations in 16 Countries. In 2022, approximately 54% of ArcelorMittal's crude steel was produced in Europe.

Speaking points

Opening remarks

- I welcome your commitment on ensuring ambitious competitiveness in Europe. Safeguarding steel production in the EU is crucial for the future of the green transition.
- As noticed by your letter, the steel industry is going through many challenges due to a fierce international competition putting pressure on the competitiveness of the sector, a lower demand and high energy prices due to the consequences of the war in Ukraine.
- **The EU is currently the second biggest global producer of steel** [after China]. Also, we have the goal of **decarbonising** the steel production by 30% by 2030, while remaining competitive.
- Looking forward to the **next Commission mandate**, a **resilient Europe and a level playing field** both within Europe and internationally can be achieved if we keep ourselves **on track towards climate neutrality by 2050** and explore a range of **cost-effective solutions** that preserve **the competitiveness of the European industry**.
- The Commission recognises the need for **further investments** and enhanced coordination in the context of **infrastructure developments**, whilst also ensuring **synergies** and coherence between the **circular economy and climate policies**.
- However, some steelmaking sites in Europe face financial and other difficulties – for instance, related to the supply chain. These difficulties result in the production capacity being reduced and layoffs of workers.
- This is the case of Liberty Steel or the former ILVA facilities in Taranto (IT). On the first case, I also met the trade unions some weeks ago.
- Ensuring an enabling environment for boosting the steel industry in Europe and a competitive strategic European autonomy, is a key building block for successfully overcoming all crisis and managing the transition.
- The Commission heard the call for action for a European Industrial Deal to complement the Green Deal in the **Antwerp Declaration**.
- Our **social model,** with social dialogue at its core, can strongly contribute to a new Industrial Deal.
- We share the concerns about the need for predictability and for working with the major players across the industrial ecosystems to develop climate solutions for Europe.
- I welcome ArcelorMittal sustainability agenda and projects to invest and decarbonization of its European operations.
- About 60 of the 80 total clean steel projects around the world are planned in Europe. As of today, <u>about 10 projects have already received public support</u>, either via state aid or via the EU Innovation Fund.
- Since 2023, <u>almost EUR 3 billion of state aid in 4 Member States have been approved to the benefit of ArcelorMittal</u> for the partial decarbonisation of its steel production processes.

The Commission support for the European steel sector

- The global excess capacities, decarbonisation efforts as well as shrinking steel industry require urgent and concrete EU-wide solutions.

- In the short term, to support the impact of the energy prices crisis, the Commission adopted the **Temporary Crisis Framework (TCF)** in March 2022, allowing Member States to compensate for the high energy prices. In 2023 the TCF was amended, including provisions for aid to support sectors critical for the transition. Rules relevant to energy-intensive businesses will be in place until 30 June 2024.
- On the decarbonisation process, several European instruments are available to support the green and digital transition for steel, such as the **Clean Steel Partnership under Horizon Europe, the Innovation Fund, and the Just Transition Fund**, which provides support to businesses in territories negatively impacted by transition.
- The Commission made available additional funding to Member States in the context of the **REPowerEU**, through the Recovery and Resilience facility (RRF) - an additional EUR 20 billion in grants, alongside significant amounts of loans.
- On the level playing field, the Commission is fully committed to using the **185 trade defence instruments** to address unfair trade in the sector. The Commission prioritises effective steel import measures, staying vigilant against exporters' duty evasion tactics. For instance, investigations into potential circumvention of stainless-steel cold-rolled flat products (SSCR) from Indonesia through Taiwan, Türkiye, and Vietnam are underway.
- On the **Green Lead Markets**, the Commission has put in place the Batteries Regulation, the Construction Products Regulation, the End-of-Life Vehicle Regulation proposal, the Critical Raw Materials Act, and the Net-Zero Industry Act (NZIA).
- To harness the potential of the purchasing power of public authorities towards green industries, the Commission has proposed the inclusion of **green public procurement mandatory requirements** in sectoral legislation, rather than continuing to recommend voluntary green public procurement criteria. Incentives for green lead markets through public procurement are included in EU legislative initiatives mentioned above.
- The new **Ecodesign for Sustainable Products Regulation** (EPSR) rules aim to establish common definitions, improve transparency for consumers and set requirements for green and circular goods, in a life-cycle perspective. **Steel** is one of the first intermediate products likely be regulated under the first ESPR Action Plan, via a **Delegated Act**.
- The technical work will establish environmental information and/ or performance requirements, leading to a first European definition of **green steel**. Once adopted, the Ecodesign requirements would enable to differentiate steel products based on their environmental performance, supporting the creation of green lead markets.

The Clean Transition Dialogues

- The Dialogues showed that all social partners are strongly **committed to the climate goals** but have **growisg concerns** about the lack of a level playing field globally, the risks of carbon leakage and insufficient access to finance.

- **The Commission took stock of the outcomes by delivering a Communication on 10 April**. The Communication sets out actions for the Commission, co-legislators and Member States.
- During the **Clean Transition Dialogue on steel** on 22 March, EVP Šefčovič with EVP Vestager took note of concerns on the European competitiveness, the international playing field, the secure supply of energy and the European steel action plan for greener steel made in Europe. These insights confirm the need for a strengthened industrial approach.
- Member States should identify skills gaps and work with industry and social partners to mobilise actions to address them, in accordance with the **Action Plan on labour and skills shortages in the EU**.
- As part of the EU Industrial Strategy, the **Transition Pathway for the metals** will serve as a blueprint for further action. It aims to provide an updated analysis of the sector in Europe and its global competitiveness, identifying the scale, cost, long-term benefits, and conditions needed to accompany the twin transition for the metals sectors.
- The Pathway document will inform about the current challenges, suggest recommendations, and propose potential actions. The Commission intends to publish recommendations in the Pathway by September 2024. **The Commission intends to follow up and implement the Transition Pathway in agreement with stakeholders and social partners**.

The role of European Social Dialogue

- Social dialogue is a key driver for economic and social resilience, competitiveness, fairness, and sustainable growth. It also fulfils a crucial role: it gives workers and employers a voice in policy making and in shaping economic and labour market policies.

- I welcome the employers' commitment **in several Sectoral Social Dialogue Committees** (SSDCs) at the forefront of the just transition, such as the Steel Committee.
- After the signature of the Antwerp Declaration, 10 out of the 44 SSDCs[2] discussed and/or reached joint positions on the Declaration.
- The Commission has **an excellent collaboration** with the social partners.
- At the same time, we **count on social partners to bring to us concrete and relevant information concerning our policies**, for a better-informed policy making process and implementation.

Closing remarks

- Let me express my gratitude for your constructive input.

[2] Extractive Industries, Steel, Shipbuilding, Chemical, Electricity, MET, Paper, Textile & Clothing, Tanning & Leather, Footwear.

Defensives

Social Dialogue and Green Transition

How do you see the role of social dialogue in the green transition?

- Social partners **play a central role in helping to anticipate, address and adapt the employment and social consequences** of economic restructuring and the transitions to a digital and climate-neutral economy.

- Social dialogue is crucial for ensuring fair transitions to a climate neutral and digital economy, as it allows for the **structured involvement of workers/employers in this process to find balanced solutions as well as supporting up- and reskilling and job transitions**.

- Social partners also play a key role in **understanding the trends and demands in the labour market** – including as regards labour shortages – by contributing crucial knowledge and experience of the situation 'on the ground'.

- The **Council Recommendation on ensuring a fair transition towards climate neutrality** adopted in June 2022 also highlights the important role of social partners in managing the green transition in the frame of a 'whole of society approach'.

Ensuring competitiveness and fair transition for European industries

How can the Commission ensure a stable and coherent regulatory environment for our industries?

- Competitiveness ranks high in the Commission of political agenda. The goal is to make Europe the first climate-neutral continent by 2050 and this is to be done by boosting the energy transition while reinforcing industrial competitiveness.
- In March 2023 the **Communication on Long-term competitiveness** identified 9 drivers and 17 KPIs to monitor and measure progress. As shown in the **Annual Single Market and Competitiveness Report** adopted in February 2024, recent **challenges** include climate change, geopolitical shifts, technological acceleration, high energy prices, demography, labour and skills shortages, strategic dependencies, unfair international competition, and insufficient regulatory harmonization between Member States.
- The **Antwerp Declaration for a European Industrial Deal** that representatives of energy-intensive industries adopted in February 2024 stresses some of these challenges for the EU. The Commission has heard this call for action and **will continue to work together with the players** across the industrial ecosystems towards enhanced competitiveness and resilience.
- The 2024 Annual **Single Market and Competitiveness Report** published in February provides our views on relevant areas and initiatives to boost the EU's competitiveness.

- The Commission is aware of the challenges ahead and no action is taken lightly. At the High-level Conference on the European Pillar of Social Rights in La Hulpe gathered in April, Mario Draghi warned that we need to redefine the concept of competitiveness. *["Without strategically designed and coordinated policy actions, it is logical that some of our industries will wind down capacity or relocate outside the EU".]*

- In its conclusions of the 17 and 18 April meeting the European Council has called for **a new competitiveness deal** anchored in a fully integrated Single Market. The European Council has also openly acknowledged the role of industrial policy to **enhance the EU global competitiveness and attractiveness as a business location**. These initiatives confirm the political relevance of this goal also in the future.

- In the same vein, the May Competitiveness Council endorsed a set of conclusions on industrial policy that provide **the way forward towards a new European competitiveness deal**.

- These orientations, together with the upcoming Draghi report on competitiveness, will contribute to **shape the political guidelines of the new Commission**, reinforcing the prospects of businesses.

- The **2023 Long-term competitiveness strategy** set the goal to **reduce reporting burdens by 25%**. The Commission has delivered an initial set of **41 measures** amounting to reporting cost savings of at least **EUR 3.6 billion** (and more measures are to be quantified, adding to this amount). For example, the postponement of the deadline for the adoption of the sectoral **European Sustainability Reporting Standards** which will benefit companies in the scope of the Corporate Sustainability Reporting Directive (CSRD) and allow them to adapt. Another example is reducing the frequency of **reporting for InvestEU implementing partners** from every 6 months to once a year.
- The **Fit for Future Platform**, a high-level expert group chaired by EVP Šefčovič, also assists the Commission to identify opportunities to simplify and modernise legislation. The Platform has so far adopted 33 opinions aiming to help reduce administrative burden. In 2024, it works on further 8 opinions that will also address reporting requirements.
- The developments mentioned so far complement and reinforce our **REFIT programme**, which aims to ensure that all our evaluations and fitness checks systematically explore opportunities for administrative simplification. Our impact assessments are also analysing policy options, ensuring that the costs do not outweigh the benefits of our initiatives.
- The introduction of a **competitiveness check** in all impact assessments and the systematic application of the **SME test** will ensure that our initiatives support competitiveness. Against the backdrop of these changes, the **Regulatory Scrutiny Board** has been reinforced by two members.

How can the Commission ensure a just transition for industries and workforce?

- With the **Green Deal industrial Plan** adopted in February 2023 a clear action plan has been set to foster manufacturing of net-zero technologies in the EU.

- Reflecting the EU chemical industry's need to invest in clean technologies, the **Net Zero Industry Act** provides different instruments, such as shorter permitting procedures and regulatory sandboxes, for supporting industry to build industrial leadership in clean-tech.
- The **Just Transition Mechanism** provides targeted support to help mobilise around EUR 55 billion over the period 2021-2027 in the most affected regions, including territories with concentrated energy-intensive industries (such as chemicals). It provides EUR 3 billion for the training and skills development of workers. The JTM is complemented by the **Social Climate Fund** (EUR 86.7 billion including national contributions), which will mitigate the impacts of the new ETS-2 on vulnerable households, transport users and micro-enterprises.
- With the **Council Recommendation on fair transition**, the Commission has issued comprehensive policy guidance for Member States' employment and social policies, in line with its competences, in order to better promote access to quality jobs, especially for the most affected workers, jointly with Public Employment Services and promote education, training and lifelong learning and equal opportunities.

How can the EU scale up markets for low-carbon steel and technologies made in Europe?

- With the **Critical Raw Materials Act** and the **Net Zero Industries Act**, we provide the first, important step to strengthen the competitiveness of the EU's strategic value chains.
- Competitiveness will also come from policies on the demand side, to stimulate markets for green leads products.
- We need to leverage the single market: instruments such as public procurement, standards, incentives to business will be crucial.
- We are working on product specific legislation that will create a pull effect on the market: **End-of-life vehicle Regulation, Construction products, Ecodesign for Sustainable products (ESPR).**
- Under ESPR, steel is a candidate product to be regulated under the first ESPR Action Plan, via a delegated Act.

How can Ecodesign rules improve the competitiveness of the European steel?

- Ecodesign criteria on steel improve the competitiveness of the steel industry by creating demand for low-emissions products and materials.
- For high energy and emissions-intensive sectors like steel, the green and digital transition is a demand-side opportunity. New rules, incentivising the demand for green products will become increasingly relevant to allow the initial 'green volumes' to find customers ready to pay a green premium.
- Steel has been identified as one of the first intermediary products to be regulated under the Ecodesign for Sustainable Products Regulation Action Plan due to its high potential for improvement of the environmental impact.
- A **Delegated Act on steel** could identify the sustainability, including circularity potential and carbon footprint of steel and could establish

environmental information and performance criteria. These criteria could lead to a first of a kind legal definition of low-emission/sustainable steel.

Role of skills

How do you see the role of re-skilling and up-skilling?

- Reskilling and up-skilling will be the key to the future in many cases as they will support workers adapt their skills to the needs of the labour market and employers find workers with the right skills.
- The **Pact for Skills** now covers all 14 industrial eco-systems of the EU industrial strategy through 20 large scale stakeholder partnerships and includes over 2,500 members. Through its activities, the **Large-scale skills partnerships on Energy Intensive Industries (including chemicals)** aims to promote upskilling and reskilling of 50% of the workforce each year by 2030.
- According to the Pact's annual survey, in 2022 and in 2023 members have **already upskilled 3.5 million people** and committed EUR 310 million investments in skills. They have **pledged to train 25 million people** until 2030 overall.
- The **European Year of Skills** gave additional impetus to skills initiatives, with 2000+ events across Europe. A pre-EYS survey found that 19% of respondents intended to follow training, whereas a recent re-run suggests the share has jumped up to 64%.
- The MFF 2021-2027 and NextGenerationEU support investments of around EUR **64.8 billion in skilling, re-skilling and up-skilling**. The European Social Fund Plus is making EUR 5.8 billion available for green skills and green jobs.
- Following the **Val Duchesse Social Partners Summit** of January 2024, the new **Action Plan to tackle labour and skills shortages** drives further action as part of a collective effort at EU, national, regional and social partner level.
- Skills are just one lever to tackle labour shortages: Fair **labour mobility** can help also address shortages that are particularly acute in some countries or regions, while being less prevalent in others. In the 2023 Communication on Skills and Talent Mobility, the Commission thus set out to explore the possibility of a **broader reform of the EU system on the recognition of qualifications and validation of skills**, to ensure that the existing legal framework, tools and systems (e.g. Directive 2005/36/EC on the recognition of professional qualifications) are future-proof, ambitious and contribute to a well-functioning Single Market.

Background

1. *The Antwerp Declaration for a European Industrial Deal and its follow-up*

The **Antwerp Declaration for a European Industrial Deal** – initially launched, as reported by Politico.eu, by the European Chemical Industry Council (CEFIC) - that representatives of energy-intensive industries adopted on **20 February 2024** stresses key challenges for the EU. **The Declaration is now signed by more than 1300 organisations**, calling for **a European Industrial Deal**.

The Declaration outlines 10 urgent actions for the restoration of competitiveness and generating and keeping quality jobs in Europe, whilst making European industry resilient and more sustainable, further supporting the climate goals indicated in the Green Deal and providing a broad enabling framework for the two equally important objectives of pursuing a just transition and competitive sustainability.

The only signatory for the trade unions was IndustriAll Europe, advocating for:

- Social conditionality in public investment,
- Essential importance of high-quality jobs,
- Strengthening social dialogue,
- Re-/upskilling.

On 15 May, social partners and industry associations[3] from the manufacturing sector joined the **Antwerp Dialogue** focused on the quality of jobs for workers in Europe's industrial sector. **This meeting was initiated by CEFIC and IndustriAll Europe to bring the social perspective to the Antwerp declaration and to discuss ways to ensure quality jobs for European workers in Europe in the frame of the green transition**. Over 40 representatives from government, trade unions, associations and companies discussed:

- Ensuring a just transition for our industries and workforce.
- Developing a reskilling and upskilling agenda.
- Promoting social dialogue and social partners' involvement.
- Ensuring a stable & coherent regulatory environment.

15 social partners and industrial associations handed over their joint statement *"A European Industrial Deal focused on ensuring quality industrial jobs in Europe"* to the Commissioner.

In his intervention, Commissioner Schmit noted that:

- A European industrial policy must consider the necessity of industrial transformation towards **just transition**, which requires a reflection on its approach: specifically, how to combine progress while maintaining Europe's industrial base.
- **Modernization** strategies aligning with climate neutrality objectives through new technologies and addressing competition concerns are needed.
- The new challenge has shifted to **implementation and financing**. Public funding will be fundamental in this phase, also in view of the need for a European financial instrument and for a growing internal market (mention to Letta and Draghi reports).
- **Social dialogue** has a key role in the industrial transformation: a greater reliance on sectoral social dialogue is advocated. Sectors will be affected differently by the transition; therefore, it's essential to examine sectors and regions to determine which jobs will change and be created, together with the social partners. Val Duchesse Summit and La Hulpe Declaration have set the right perspective.
- **Skills** are crucial in this transformation. Highlight on the Pact for Skills, European Year of Skills, and Action Plan on Skills and Labour Shortages. The

[3] IndustriAll, ECEG, Ceemet, Acea, CEC, Ceramie – Unie, CEPI, IMA Europe, Sea Europe, Euromines, Eurometaux, Cotance, Eurofer, UEPG, CLEPA, Eureletric, Euratex.

skill issue must be discussed on different levels (European, national, sectoral) by and with social partners.

Social partners raised various themes.

- **Competition and trade policy issue**: sectors suffering from global and unfair competition.
- **Skills**: need for up-skilling and re-skilling.
- **Social dialogue**: collective negotiation to find shared and functioning solutions; systematic involvement of social partners in policy making.
- **Regulatory burden** (*ed.* mostly from employers): need for a simplified and more enforceable regulatory framework.

[*if needed: ongoing follow-up discussions of the Sectoral Social Dialogues Committees on the Antwerp Declaration*]

On 8 April 2024 (SSDC Extractive Industries), IndustriAll, Euromines, Eurocoal, IMA Europe, Aggregates Europe – UPEG and APEP referred to the Antwerp declaration announcing a social partners' joint statement on Just Transition and Industrial Deal with the aim of having it ready by September.

On 9 April 2024 (SSDC Steel industries), IndustriAll and EUROFER focused on the Antwerp Declaration in a broader agenda item dedicated to the feedback of the EU-High Level Steel summit gathered on 22 March in the frame of the Clean Transition Dialogue for Steel. IndustriAll presented the Declaration as a positive example mentioning social guarantees following the trade unions' core demands towards national ministries for better supporting public procurement in steel production.

On 17 May 2024 (SSDC Shipbuilding), IndustriAll and SEA Europe debated on the Antwerp Declaration. IndustriAll raised concern about the lack of attention towards sectoral bargaining, explaining the need of ensuring a proper follow up on the social angle. SEA Europe welcomed those pleas.

On 27 May 2024 (SSDC Chemical industries), IndustriAll and ECEG appreciated the current multisectoral follow-up debates proving that there are similar types of challenges for many industrial sectors.

On 4 June 2024 (Joint SSDC Textile and Clothing, Tanning and Leather, Footwear), IndustriAll, EURATEX, COTANCE and CEC adopted a Joint Statement on demands for the next EU mandate starting from the Antwerp Declaration.

On 6 June 2024 (SSDC Electricity), IndustriAll, EPSU and EURELECTRIC focused on quality jobs as part of the solution on labour shortages.

On 19 June 2024 (SSDC Paper), IndustriAll and CEPI announced a sectoral joint statement to be published after summer.

2. *The Liberty Steel crisis: an essential outline*

Liberty Steel Group is a global company with around 18 000 employees in Europe and 30 000 in total globally, belonging to the GFG Alliance, owned by tycoon Sanjev Gupta. In the EU, they produce primary and engineered steel products in **Czechia** (Ostrava), **Romania** (Galati), **Poland** (Częstochowa), **Belgium** (Liège) **Luxembourg** (Dudelange), **Italy** (Magona-Piombino), **France** and **Hungary** (recently acquired Dunaferr). Until 2019, Ostrava, Liège, Dudelange and Magona sites were integrated into the production system of ArcelorMittal.

Since the collapse of its main lender, Greensill Capital (2021), Liberty Steel has been trying to keep its operations alive. On 15 May, the Group announced that it was open to sell the Liège (BE), Dudelange (LU) and Magona (IT) sites. On 10 June, the Group announced the permanent closure of the two coke ovens at Dunaújváros (HU). The combination of adverse steel market conditions and the GFG Alliance Group's lack of liquid capital led to the activation of **insolvency proceedings** at Ostrava (CZ) and Częstochowa (PL). **As of 21 June**, Liberty Steel/GFG Alliance faces this level of crisis:

- Bankruptcies at Ostrava (CZ, 5,000 direct / 30,000 indirect jobs involved) and Częstochowa (PL, 1,000 jobs);
- Crisis divestments at Liège (BE, 400 jobs), Magona (IT, 480 jobs), Dudelange (LU, 150 jobs);
- Site at serious risk at Dunaújváros (HU, 3,000 jobs);
- Minimal production (RO) as one last blast furnace is running.

The situation in Ostrava seems the most problematic, because of debts and lack liquidity. Liberty Ostrava has an annual capacity of 3.6 million tonnes. The energy supplier, Tameh Czech, declared insolvency because of unpaid bills. <u>The bone of contention is a major legal fight on energy prices between ArcelorMittal, who co-owns the energy plant, and Gupta's Liberty steel, who depends on that energy</u>. <u>Trade Unions criticized the Commission (DG COMP) for allowing the acquisition of Ostrava (former ArcelorMittal's asset) by Liberty Group in 2019,</u> whom they had warned was an unreliable buyer.

On 6 February 2024, IndustriAll wrote to the President (Letter to Ms U. von der Leyen - Urgent EU high-level meeting requested on behalf of European steel workers at GFG Alliance Liberty Steel), calling on the Commission to facilitate a dialogue, and to set up a crisis taskforce. On 14 April, Commissioner Schmit replied on behalf of the President. On 25 June, he met IndustriAll Europe. The Commission pointed out the importance of social dialogue, emphasised the active support on safeguarding industry, by promoting fair and green transition, and informed on the possibility of the European Globalisation Adjustment Fund for Dismissed Workers.

3. <u>*Steel decarbonization: overview of the State aids and background information*</u>

Today, the steel industry is responsible for around 5% of the CO_2 emissions in the EU and 7% globally. It needs to develop and commercialise new low-CO_2 technologies within the next 5-10 years to be in line with the EU's climate targets. Since 1990, the EU steel industry has reduced its emissions by 26%. According to Eurofer data, the European steel industry is on the path to cut CO_2 emissions by 55% by 2030, compared to 1990 levels, and to achieve climate neutrality by 2050.

Ongoing clean steel projects: Today, the European steel industry reports about 60 projects that can achieve such reduction. These projects are planned to start before 2030 and have the potential of reducing CO_2 emissions by 81.5 million tons per year by 2030. This is equivalent to a cut of more than 1/3 of direct and indirect CO_2 emissions of the European steel industry. <u>First volumes of low-emission steel are expected to be commercialized in 2026/2027.</u>

<u>Challenges:</u>
<u>Funding:</u> These projects will require huge investments in capital and operational - expenditure. The financial needs until 2030 are estimated today at €31 billion for capital expenditures (CAPEX) and €54 billion for operating expenditures (OPEX), totalling €85 billion. (Eurofer data, 2023).

Energy: Another important prerequisite for the transition is ensuring access to available, cost-competitive, and clean energy (especially electricity and hydrogen) and related infrastructure (including for CO2 transport and storage). The 60 mentioned projects will require about 75 TWh electricity per year for the operation of steel processes and about 2.12 million tonnes of hydrogen (about 90 TWh of electricity if this hydrogen is produced via water electrolysis), which means a need for about 165 TWh of decarbonised electricity by 2030. This is the equivalent of the **double of Belgium's yearly electricity consumption**. This corresponds also to an increase of 100% of today's electricity consumption of the EU steel industry (estimates by Eurofer).

Scrap availability: The green transition towards hydrogen- based steelmaking will also require more high-quality scrap to feed into the furnaces. Europe is currently a net scrap exporter of scrap. In 2021, the EU exported 20 million tonnes of ferrous scrap (iron and steel). One of the reasons why scrap leaves Europe is the low-quality level.

Financing the Transition to Clean Steel: The EU's strong climate ambitions combined with the unprecedented energy prices crisis and the economic downturn in recent times, have made investment into the decarbonisation of the European steel industry difficult. The EU is working on building a regulatory framework that will provide the necessary incentives to support the business case for cost-competitive clean steel in the coming years.

Public funding: So far, seven large European steel decarbonisation projects have received substantial state aid approval under the State Aid Guidelines for Climate, Environment and Energy (CEEAG) and two green steel projects have been awarded under the Innovation Fund (Hybrit and H2 Green Steel - both in Sweden).

From October 2022 to February 2024, **the Commission approved over EUR 8 billion of State aid for 7 individual steel decarbonization projects that were initially selected by Member States to be part of Important Projects of Common European Interest (IPCEIs) on hydrogen** (on 4 October 2022, the Commission approved a EUR 1 billion German measure for Salzgitter; on 17 February 2023, a EUR 460 million Spanish measure for ArcelorMittal; on 23 June 2023, a EUR 280 million Belgian measure for ArcelorMittal; on 20 July 2023, a EUR 850 million French measure for ArcelorMittal and a EUR2 billion German measure for ThyssenKrupp; on 19 December 2023, a EUR 2.6 billion German measure for Stahl-Holding-Saar; and on 23 February 2024, a EUR 1.3 billion German measure for ArcelorMittal).

These projects aim at converting part or all of the steel production capacity from the blast furnaces route, using coal, by investing in direct reduction plants and electric arc furnaces[4]. This new production route enables the industry to replace coal by natural gas in a ramp-up phase, and then by clean hydrogen. These projects contain two main innovations: the direct reduction technology has never been implemented yet at such a large scale, and never with such a high share of hydrogen in the process. This technology shift enables greenhouse gas emissions savings of around 80% compared to the previous situation.

Since October 2022, **there have been intense exchanges between DG COMP and the Member States to assess the compliance of these measures with the CEEAG**. Given the amounts of aid and the similarities between the projects, particular attention has been paid to ensuring consistency in the assessment of the projects while understanding and taking into account the specificity of each project.

[4] Except for the Thyssenkrupp's project that consists of investments in a direct reduction plant and two melting units or 'submerged arc furnaces'.

The uncertainties related to the nascent nature of the market on renewable hydrogen had in particular a large impact on the financial assessment of the measures, and pragmatic solutions have been found to introduce flexibility when required to tackle this issue, in terms either of timeline of the hydrogen ramp-up or possibility to procure low-carbon hydrogen instead of renewable one for a limited period of time for example.

Furthermore, **the Commission has approved several industrial decarbonisation schemes in several Members States** which will or can also benefit the steel industry like EUR 1.1 billion Slovak schemes, a EUR 550 million Italian scheme, a EUR 4 billion German carbon contract for difference scheme and a EUR 2.5 billion Czech scheme.

4. *The EU Climate policies and the Steel sector*

The Commission analysis shows that, with the **right accompanying policies in place**, the green transition will lead to **net job creation**, while demanding adjustments and active support in many sectors.

Jobs are and will be mainly created in **green sectors**, while we see that **labour shortages in sectors crucial to the (accelerated) green transition** are growing.

Energy intensive industries (such as the steel industry) will need to decarbonise their system. This has an impact on workers as well, entailing significant labour reallocation and skills needs. In the EU-27, from 2010 to 2019 employment in energy-intensive sectors decreased marginally, reaching 3.08% of total employment.

The **Communication on the 2040 Climate target plan** recommends a 90% greenhouse gas reduction by that date, ahead of reaching climate neutrality by 2050. It calls for the right mix of private and public sector investments to make our economy both sustainable and competitive. The Communication specifies that **tailor-made support** will be needed for energy-intensive industries to bridge the transition period. That includes the Innovation Fund, as well as the Horizon Europe programmes, which fund cutting-edge R&I to help move low-carbon technologies. The **Clean Steel Partnership under Horizon Europe** is a clear example.

Future production of steel in EU is likely to maintain current levels, according to the Impact Assessment accompanying the Communication. The Impact Assessment also found that **emissions from the iron and steel industries could be reduced by up to 70% by 2040** (when compared to 2030 levels under scenario S3).

Decarbonisation of steel production will happen mainly through the increase of electric arc furnace share and a larger use of hydrogen in the reduction of iron ore. A more efficient use of steel and an increasing recycling rate could lead to a decrease in primary production and an increased share of secondary steel, reducing overall demand by up to 15-17% in the period 2040-2050 compared to the most recent years.

The green transition will increase demand for steel. The International Energy Agency (IEA) estimates that clean energy technologies and infrastructure account for 2-3% of steel demand today, and this value will increase to 7% 2050.

The **Transition Pathway for the Metals Sectors** is advancing fast, with a broad number of stakeholders involved. This includes Commission's services, Member States, industry representatives, unions, and civil society. The Pathway aims to provide an updated analysis of the sector in Europe and its global competitiveness, identifying the scale, cost, long term benefits and conditions needed to accompany the twin transition for the metals sectors. This work will inform about the current challenges faced by the sector and suggest recommendations in fields such as trade, energy, climate, raw materials and environment. The recommendations will propose potential policy actions for the short-term to mid- and long-term serving as a compass for all the actors in the sector.

Within the Fit for 55 package and in line with the commitment not to leave any person behind in the transition, the Commission put forward a **Council Recommendation on ensuring a fair transition towards climate neutrality**.

The Recommendation, adopted in June 2022, EU Member States commit to put in place **comprehensive policy packages to ensure fair transitions** at national and regional levels, addressing notably the employment, social and distributional impacts of the green transition.

The Commission will continue to monitor the implementation of this Council Recommendation and work towards **strengthening the just transition framework in the EU.** Action will include **strengthening the evidence base** e.g. on green jobs, energy and transport poverty and the distributional impacts of the transition. In addition, we will set up a **European Fair Transition Observatory**, to facilitate data collection, sharing of best practices, and stakeholder involvement.

5. *Support in case of industry redundancies: the European Globalisation Adjustment Fund (EGF)*

More specifically for addressing industrial crisis, if redundancies could not be avoided, the **European Globalisation Adjustment Fund for Dismissed Workers (EGF)** might help. EGF is a special instrument to support European workers who lost their jobs due to a major restructuring event and to help them find new jobs. EGF provides personalised measures, such as help with looking for a job, career advice, education, training, and re-training, mentoring, and coaching, or entrepreneurship and business creation. Although EGF does not co-finance social protection measures such as pensions or unemployment benefits, it can provide training or subsistence allowances, allowances for carers, mobility and relocation allowances, and recruitment incentives for employers. EGF co-financing rates align with the co-financing rates set for the European Social Fund Plus and can reach 85% for Member States with at least one less-developed region, such as **Czechia**. However, no EGF funding may flow to a firm or industry to keep companies in business, or to help them modernise, or restructure uncompetitive businesses.

6. *State of play of the former ILVA facilities*

Back in 2018, ArcelorMittal acquired assets of the ILVA Steel plant. This deal combined ArcelorMittal, the largest producer of flat carbon steel in Europe and worldwide, with the main assets of ILVA, notably its steel plant in Taranto, Italy, which is Europe's largest single-site integrated flat carbon steel plant. The Commission had approved under the EU Merger Regulation the acquisition of ILVA by ArcelorMittal. ArcelorMittal pledged to make investments to secure the environmental situation at the site and increase production. **Today the site has decreased production, and we understand is not in line with the investments initially planned**. ArcelorMittal alleged increase in energy prices and a drop in rolled steel coil prices, had a negative impact on ILVA, who ran out of cash and accumulated huge debts with suppliers. The public partner and the Italian government accused ArcelorMittal of not acting in good faith. Currently the assets are again close to bankruptcy. The Italian government took charge of ArcelorMittal's plants in Italy, under a special administration procedure.

7. *The Clean Transition Dialogues and their follow-ups*

During the Clean Transition Dialogues, participants highlighted the need to strengthen the **business case** for a resource-efficient and competitive economy; confirms the **need for a reinforced industrial approach**. The Dialogues emphasized **5 building blocks** that will contribute to that reinforced industrial approach: an effective and

simplified regulatory framework for businesses to deliver on the transition; action on energy prices; modern infrastructure; easier access to finance; and a stronger Single Market in a globally competitive environment.
The Commission will provide further guidance to support industry and Member States in applying EU legislation and will strengthen the focus on burden reduction. The Commission estimated that the transition could create **1 million to 2.5 million additional jobs by 2030**[5]**,** particularly in sectors such as construction, energy, water supply, sewerage and waste management, some of which may face labour and skills shortages[6].

8. *The Sectoral Social Dialogue Committee for the Steel industries*

The European Sectoral Social Dialogue Committee was established in 2006. The EU social partners in this Committee are IndustriAll Europe for the trade unions, and Eurofer for the employers. IndustriAll is member of ETUC. Eurofer participates in the activities of the European Employers Network (EEN) of Business Europe but is not a member. **There is a specific attention from social partners in bringing together national membership from both Western and Eastern EU Member States**.
According to ESTEP[7], **in 2021 the steel sector in EU employed 308,000 people directly and was responsible for up to 1.53 million indirect jobs** (supply chains, logistics, maintenance, and other supporting functions). Over 20% of employees in the European steel industry work for two large steel-producing companies: **ArcelorMittal and ThyssenKrupp Tata Steel**. **Germany, Italy, and Spain** have the larger number due to the relative size of the economy, as **Czechia and Slovakia**.
The topics of mutual interest of the social partners are:

- *Energy and climate change policies;*
- *Trade policies;*
- *Evolution of the EU steel market and skills needed;*
- *Research.*

The SSDC has so far discussed and taken joint positions on the ETS, energy prices, trade policies in non-EU countries, the ageing workforce and OSH, the standardisation (low carbon steel), the circular economy and the trade-related issues. Currently, there is the interest in reaching out the Clean Transition Dialogue for Steel and the Transition Pathway for Metals sectors.

Annexes

[redacted]

[redacted]

5 Employment and Social Developments in Europe 2023. This is a substantial number as such, but to be seen in the context of total employment in the EU (202 million workers aged 15-74 in 2022).

6 Skills in transition: The way to 2035 (europa.eu)

7 European Steel Technology Platform, *Highlights 2021,* here.

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