

Friday, 20 March 2020

Mrs Ursula von der Leyen
President of the European
Commission

Dear Mrs President,

The European Council on 26 March is set to focus on the fight against the **COVID-19 outbreak**. Our industry, which has been repeatedly qualified by EU institutions as one of the EU's most strategic sectors¹, supports the measures taken on national and EU level. These should also guarantee the smooth operation of our industry.

The impact of COVID-19 on our industry and its value chains, such as automotive and construction, is huge. Orders are being cancelled, facilities are being closed, production reduced, and short-time working hours introduced. In 2019, EU steel demand dropped by 12%, placing our industry in a precarious situation. The virus outbreak in 2020 is very likely to cause a further, sudden and sharp cut in EU steel demand (in the order of -30%).

Fragilized by a severe depression in demand, our industry is also facing the significant threat of serious injury from new import surges in the second half of this year – which would occur were the market to recover from its presently low base. Such a surge would be very disruptive given the extremely uncomfortable situation the EU market and steel industry is in.

In this context, we urge the EU institutions and the Member States to consider the following urgent measures:

- Adoption of the revision of the EU steel safeguards initiated by the Commission on 14 February already by April, reducing the liberalisation rate foreseen for 1 July 2020 from +3% down to at least +1%, introducing a quarterly split-up of the yearly quota, eliminating the unused quota transfer, and reducing the 30% cap on the total quota for individual exporting countries.
- A significant EU steel import reduction over the full second quarter 2020 and beyond, if necessary, in order to prevent global steel excess capacity being off-loaded onto the EU market (the current EU safeguards alone will not be sufficient).
- Reset the benchmark based indirect costs compensation under the Emissions Trading scheme (EU ETS) from currently 75% back to at least the original 85% and agree to apply it in all member states.
- Introduce a 'force majeure clause' into the EU ETS to guarantee that COVID-19 related production and CO₂ emissions cuts will not reduce the amount of post-2020 CO₂ certificate allocation.
- Avoid interference in material supply chains at the borders and secure continuance of safe operation of steel plants across Europe.

On the green transition, the European steel industry proposes a **European Green Deal on Steel** that establishes a just transition and the right conditions, such that CO₂-low and CO₂-neutral steel can find its place in the market despite the higher capital investment and operational costs. If we recover from the current crisis and with the right legal framework in place, we have the ambition

¹ Steel plants are also listed by the U.S. Cybersecurity and Infrastructure Security Agency (CISA) on top of its list of the Critical Manufacturing Sector (<https://www.cisa.gov/critical-manufacturing-sector>)

to reduce our emissions by 30% by 2030 on top of what we have already reduced since 1990. Only if the EU demonstrates that the decarbonisation of the sector is possible without risking its competitiveness or market share as a result of CO₂ abatement costs, will other regions of the world follow our path. It is particularly important that Member States support the implementation of an effective carbon border measure, in addition to the current ETS carbon leakage provisions, and effective revised energy and environment state aid guidelines. The EU steel industry has set out specific proposals in the *A Green Deal on Steel – Priorities for Transitioning the EU to Carbon Neutrality and Circularity* document, attached.

We welcome the Commission's **New industry strategy for a green and digital Europe**. However, this needs now to be filled with concrete measures, and it needs to be measurable every year in terms of progress. We call on the European Council to make specific reference to our industry's proposal for a *European Green Deal on Steel* and the **Masterplan for a Competitive Transformation of EU Energy-intensive Industries - Enabling a Climate-neutral, Circular Economy by 2050**, that was adopted at the end of November 2019 by the High-Level Group on Energy-Intensive Industries. This Masterplan provides 190 recommendations on which a successful industrial policy for the manufacturing sector needs to be based.

Steel as a circular, permanent material, is an enabler for the transition to a CO₂-neutral circular economy. In this respect, the Green Deal initiatives such as the *climate law* and *Circular Economy Action Plan* need to be well aligned and complementary.

We remain at your disposal for any further information you may require.

Yours sincerely,



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The European Steel Association (EUROFER)

Annex: EUROFER – Towards a Green Deal on Steel

CC: Mr. Frans Timmermans, Executive Vice-President of the European Commission
Mr. Valdis Dombrovskis, Vice-President
Mr. Paolo Gentiloni, Commissioner for the Economy
Mr. Phil Hogan, Commissioner for Trade
Mr. Thierry Breton, Commissioner for Internal Market