



WEB-MEETING OF EU STEEL INDUSTRY CEOs WITH EXECUTIVE VICE-PRESIDENT MARGRETHE VESTAGER

15 JUNE 2020

A. EU Steel is indispensable to Europe's economy says the Commission's European Green Deal

- Our industry is ready to be the first to decarbonise with a “**Green Deal on Steel**”, reducing CO₂ emissions from steel by 30% by 2030 and at least 80-95% by 2050. For this, we need your continued support to secure a full level playing field with our global competitors in environment and trade, and we need support in creating markets for CO₂-neutral steel.
- A large number of ambitious projects to be scaled up within the Clean Steel Partnership, Innovation Fund and IPCEI in the period 2020 to 2030. If successful, EU steel technological pathways, rolled out in the EU and globally, would tackle **7% of the globe's anthropogenic CO₂ emissions** and 25% of industrial emissions.
- We welcome the general measures already undertaken by the Commission to facilitate measures on member state level, such as providing liquidity to companies. We welcome the **Recovery Plan** and are looking forward to the publication of your White Paper on an **Instrument on Foreign Subsidies** to address the distortive effects of such subsidies in the EU's internal market as well as potential takeovers of EU assets.
- Our industry already in crisis in 2019 has been hit very hard by the **COVID-19 pandemic**.

A. Short-term measures (next 12 months) are indispensable for the recovery from COVID-19

- **EU Steel Safeguards** have not (yet) been adjusted to properly address the changed circumstances in the EU steel market that were caused by COVID-19. The scope of the EU's TDI should be used more vigorously to cope with third country distortions.

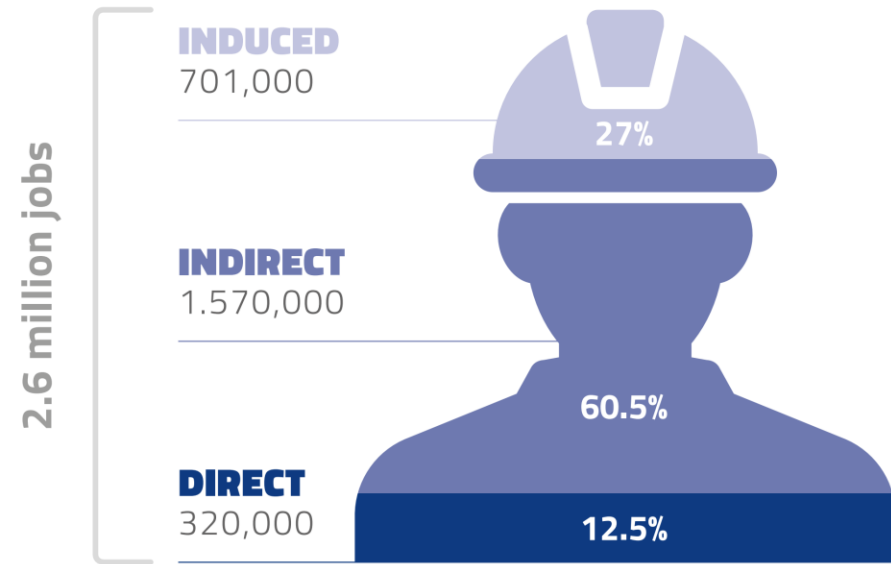
B. Mid-term measures (next 5-7 years)

- Substantial **support from the Recovery Plan**, e.g. for investment in new technologies and risk sharing of increased operational costs (e.g. hydrogen and CCUS), for example by linking the recovery plan to an **IPCEI on low-carbon industry** and Contracts for Difference.

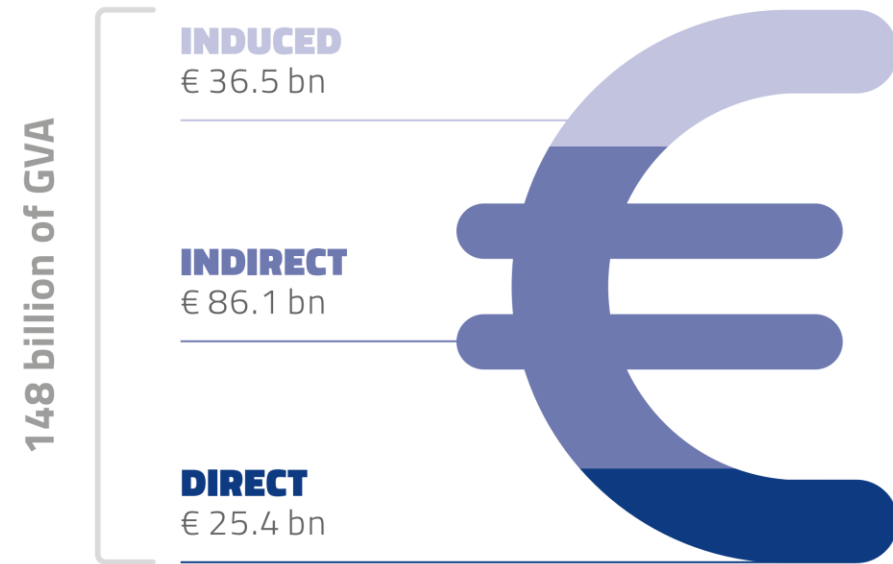
C. Creating markets for CO₂-low steel and Circularity and a level playing field

- **ETS state aid guidelines** recognize that steel is at risk of carbon leakage but need important adjustments to secure effective mitigation (industrial gases; conditionality; aid intensity beyond 75% default levels; iron ores and seamless tubes; regional areas)
- **Environmental and Energy Aid Guidelines** should support the CO₂-low transition
- **Carbon Border Adjustment** should be introduced for steel and set at an **effective level, in addition** to existing carbon leakage measures
- Incentives for **keeping ferrous scrap in the EU** for its proper treatment and quality improvement and to deliver on the EU's circular economy and CO₂ reduction objectives
- **Eco-Innovation credits for “green steel”** in downstream sectors such as EU automotive legislation
- Demand-side measures (e.g. **contracts for difference**, or similar instruments) to support low carbon products/solutions to de-risk investments

The EU steel industry supports nearly 2.6 million jobs



The EU steel industry creates around €148 billion of Gross Value Added

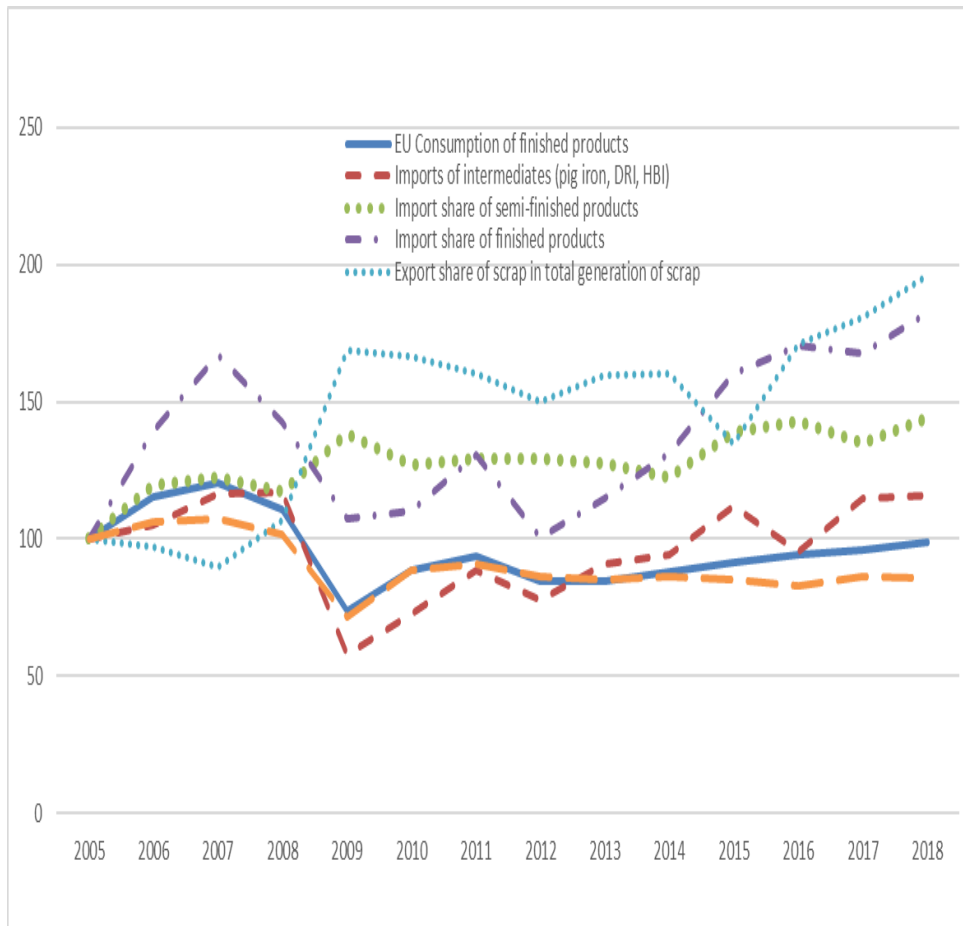


	'Type I' multiplier	'Type II' multiplier
Multiplier for GVA	4.4	5.8
Multiplier for jobs	5.8	7.9

The 'type I' multiplier is the ratio of direct plus indirect activity to direct activity.

The 'type II' multiplier is the ratio of total activity to direct activity.

Source: Oxford Economics 2019



In 2018 the EU consumed as many finished products as in 2005, but in the meantime:

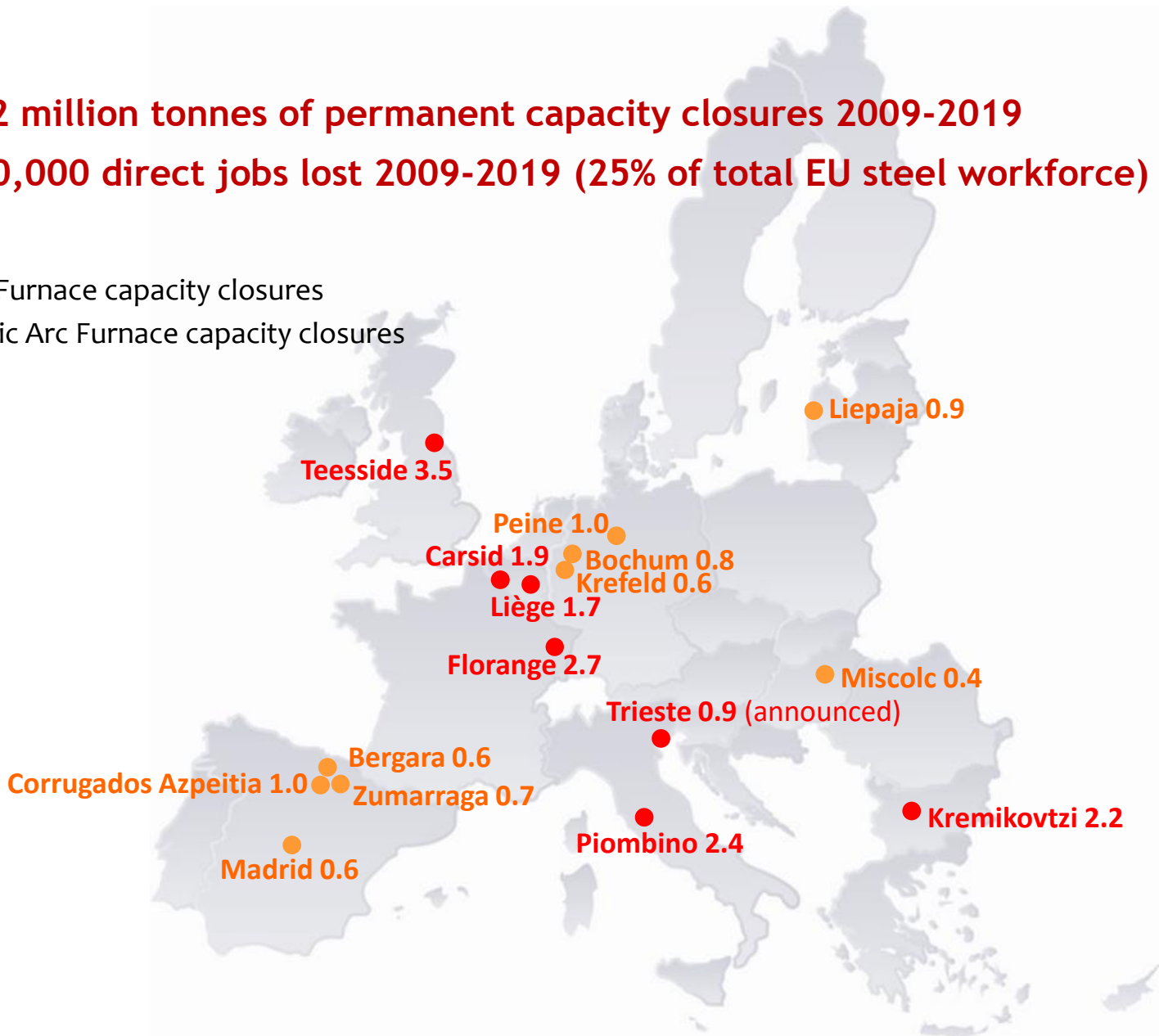
- The EU crude steel production declined by **14%**
- The market share of imported finished products increased by more than **80%**
- The market share of imported semi-finished products (in EU consumption of semi-finished) increased by more than **40%**
- The amount of intermediates (e.g. pig iron, directly reduced iron, hot-briquetted iron) imported from third countries increased by more than **15%**
- The share of scrap generated in the EU and exported to third countries increased by more than **95%**

This is **pure leakage of jobs, production, investment as well as of emissions** as EU steel imports have, on average, a significantly higher CO₂ footprint than steel made in the EU.

Source: EUROFER-EUROSTAT data

- ➡ 22 million tonnes of permanent capacity closures 2009-2019
- ➡ 80,000 direct jobs lost 2009-2019 (25% of total EU steel workforce)

- Blast Furnace capacity closures
- Electric Arc Furnace capacity closures



The shutdown in EU steel-using industries since March has led to a **collapse of steel demand by roughly 50%**, in certain steel using sectors even more.

Steel companies had to **cut production by 30%** year-on-year on average. In Northern Europe, production has decreased by 27% and in Southern Europe by 38%.

Orders have fallen by 30 to almost 60%. Orders of flat carbon products have decreased by 45% in Northern Europe and by 56% in Southern Europe. Orders of long carbon products have dropped by 24% and 42% respectively.

42% of the workforce is still affected by temporarily lay-offs and reduced working (with 56% in Southern Europe).

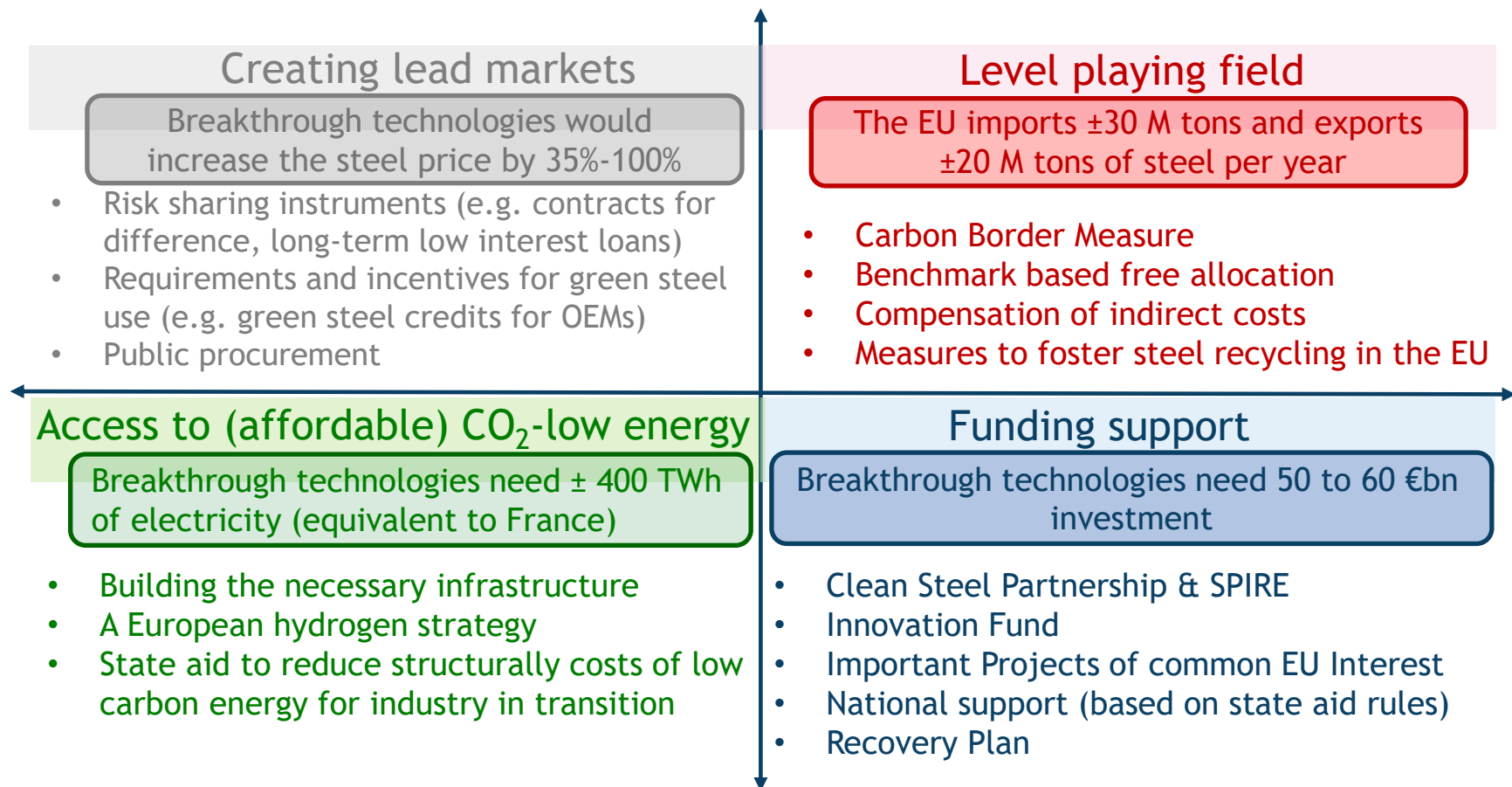
At the same time, **other regions continue to produce for stockpiling**, anticipating the recovery of third markets such as the EU's. We continue to see **extremely low-priced offers at EU borders**.

State as of 3 June 2020, survey among 25 companies and EUROFER research.

Our ambition is to reduce CO₂ emissions from steel by **30% by 2030** and **80-95% by 2050**, with the right regulatory framework in place and access to finance and affordable CO₂-low energy.



The EU steel industry is currently working on an **IPCEI** proposal. We have approximately **30 projects** that could lead to First Industrial Deployments, reaching potentially an overall CO₂ abatement of over **33 Mt CO₂/year by 2030**. This would require total investment of **€26 billion (CAPEX and OPEX)**.



EU ETS STATE AID GUIDELINES

Compensation of indirect costs

- Electricity consumption embedded in industrial gases (mainly Oxygen) representing around 20-25% of an integrated site's consumption, needs to be recognised as eligible for compensation if the consuming sector is in the carbon leakage list
- The incentive effect is secured through the very strict benchmarks and does not need further conditionality requirements
- Compensation beyond the default 75% needs to be capped at 0.5% of the Gross Value Added and to be accessible to all eligible sectors
- Sectors within the steel value chain (mining of iron ores and seamless tubes) need to remain eligible for compensation
- The dissolution of the geographical areas would result in fragmentation of compensation levels with undue impact on the internal market

ENVIRONMENTAL AND ENERGY AID GUIDELINES

Support the CO₂-low transition

- Maintaining current protection of energy intensive sectors against undue costs of renewable levies is essential for international level playing field
- Shield energy intensive industries from the costs of capacity mechanisms, similarly to what is done for renewable levies
- Improve the requirements of aid for generation adequacy with regard to cost efficiency of capacity mechanisms (e.g. prioritise demand-side flexibility)
- Extend the scope of the Guidelines to support the low carbon transition of energy intensive industries
 - Aid not only for carbon capture and storage but also for other industrial technologies
 - Aid for use (not only the production) of low-carbon energy carriers (e.g. hydrogen) and other operational costs needed for low carbon technology investments
 - Aid in the form of demand-side measures (e.g. contracts for difference, or similar instruments) to support low carbon products/solutions to de-risk investments and create markets for such products

CARBON BORDER MEASURE: A FAIR CONTRIBUTION FOR A CLEAN PLANET

Steel products sold on the EU market, whether produced in the EU or imported from third countries, and their producers need to have a similar decarbonisation incentive.

- EUROFER welcomes the Commission proposal for a Carbon Border Adjustment (CBA).
- It has the combined environment objective of: reducing emissions, avoiding carbon leakage and complying with the costs of the EU cap & trade system
- It contributes to a better level playing field for EU producers and can function as an effective tool to foster climate ambition in third countries exporting to the EU so to deliver deeper emission reductions globally.
- It can be designed in a way securing WTO compliance.
- It provides additional revenues that should be fully used for climate measures
- It should be applied for a transition period until breakthrough technologies reach sufficient market penetration and when there is a critical mass of CO₂-low products in the market.
- **It should be introduced for steel and be set at an effective level taking into account both direct and indirect costs, in addition to existing carbon leakage measures under the EU ETS.**

Foster steel recycling in the EU, inter alia, with

- Incentives that keep ferrous scrap in the EU for its proper treatment and quality improvement and to deliver on the EU's circular economy and CO₂ reduction objectives

Risk sharing instruments

- for higher capital investment and operational costs of new, CO₂-low technologies
- e.g. contracts for difference similar to the experience in renewables - requires an appropriate regulatory framework (e.g. Environmental and Energy State Aid Guidelines)

Incentives for customers to use green materials

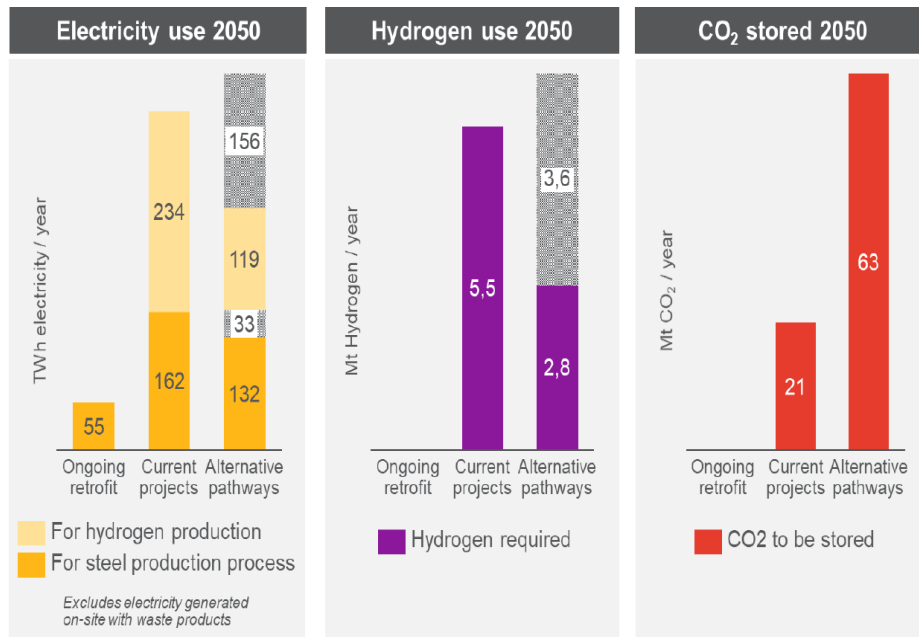
- Incentives to use CO₂ lean steel in automotive sector linked to cars CO₂ legislation (Eco-Innovation credits for “green steel”)

Public procurement

- It can create lead markets in some applications (e.g. construction)

Consolidation of such markets after the transition will require other measures, such as **product standards, carbon footprint legislation**, etc.

- Mapping of energy and non-energy infrastructure and supply
- A European hydrogen strategy
- Environmental and Energy State aid to reduce structurally costs of low carbon energy for industry in transition



Source: Updated EUROFER 2050 Roadmap

Map of EU steel production sites

- Blast Furnace & Basic Oxygen Furnace
- Blast Furnace only
- Basic Oxygen Furnace only
- Electric Arc Furnace

