Ref. Ares(2021)4472935 - 09/07/2021

Ref. Ares(2021)2841871 - 28/04/2021

Summary of CAB meeting with EUROFER on EEAG revision, 15/4/21, 14:00

Participants

- [redacted] EUROFER
- [redacted] EUROFER
- [redacted] CAB-VESTAGER
- [redacted] COMP B3

CAB reminded about the timeline for the revision of the Energy and Environment State aid Guidelines (EEAG), with a second round of public consultation planned in Q2 this year.

EUROFER presented the relevance of the steel sector in key value chains and the strategy for its Green deal transition, with hydrogen and carbon capture storage/utilisation as promising avenues for decarbonising steelmaking. Lastly, the fierce and often unfair international competition faced by EU steel producers was also highlighted.

The sector transition is based on four pillars:

1. Level playing field
2. Creations of lead markets (eg making low-carbon steel more attractive for downstream sectors)
3. Competitive low-carbon energy - The current reductions on power charges allowed by the EEAG for energy intensive users are currently applicable to the entire steel value chain. It is important that this is confirmed, while the scope of the reduction should also be enlarged to a wider range of regulatory costs driven by the high share of renewable generation in the power system. EUROFER also calls for (i) facilitating the conclusion of long-term power purchasing agreements (PPAs) and (ii) reducing public support to mature renewable technologies.
4. Access to funding support - Allowing “carbon contract for difference” (CCfD) covering the full abatement costs is key. EUROFER warns that if CCfD are limited to hydrogen producers, the resulting increase in their bargaining power would prevent both business and end consumers to benefit from this instrument. More broadly, EUROFER calls for 100% aid intensities (on both CAPEX and OPEX) for investments converting production to low-carbon or carbon neutral.

CAB presented the main principles of the EEAG review: industrial decarbonisation has an increasingly important role to play in the EU climate transition, however support should minimise competition distortions and avoid greenwashing. CCFDs can be an important tool for decarbonising production but their effect on competition may also be significant. The Commission is very much aware of the importance of charge reductions for energy-intensive users and of industries’ concerns.

Two issues were briefly discussed:

- On hydrogen IPCEI, EUROFER as a consumer is following closely the developments at national level and the definition of more detailed rules (eg eligible costs)
- On conclusions of PPAs, EUROFER noted three main obstacles: (i) current regulatory framework undermining the conclusion of long-term deals, (ii) PPAs can play a role in mitigating the “regulatory costs” related to purchasing power on the market and (iii) mismatch between intermittent renewable generation and very stable consumption in steel production.