

MEETING CONCLUSIONS

Title	Meeting with CEOs of European Steel Industry
Date	18-02-2020
Participants	<p>Ext :</p> <ul style="list-style-type: none"> • [REDACTED] Tata Steel - The Netherlands) • [REDACTED] Arvedi) • [REDACTED] , Eurofer) • [REDACTED] BA Europe) • [REDACTED] US Steel Kosice) • [REDACTED] RIVA) • [REDACTED] Celsa Group) <p>COM:</p> <p>Kadri SIMSON (Commissioner for Energy), Stefano Grassi (Head of Cabinet), Kitti Nyitrai (Member of Cabinet), [REDACTED] (Policy officer, DG ENER)</p>
	Ares initial request : No Registration
	Disclosure authorization : <input checked="" type="checkbox"/> YES - <input type="checkbox"/> NO - <input type="checkbox"/> Partial (pls highlight unauthorized parts)
Issues raised & follow-up	<p>CEOs of EU steel companies raised various points (based on slides they provided):</p> <ul style="list-style-type: none"> • The latest protectionist measures by the US prompted the diversion of Turkish steel to the EU market. Together with the rising carbon price (to approx. 25€/CO2tonne and that results rising production costs of EU companies) this is further eroding the European industry's margins in 2019, with the risk that EU industry reduces production levels and risk of carbon leakage. • Despite the industry's increases in energy efficiency (by 30% since the 90's), energy costs are important and margins tight. Measures that avoid carbon leakage like a Carbon Border Adjustment Mechanism (CBAM) are welcome. The mechanism should come on top of the free ETS allowances (they claim that foreign steel suppliers for which the EU represents a small market share could easily absorb the extra costs from the measure). The mechanism should also not penalise steel exports which are important for the industry. • There sector is willing to decarbonise their industrial processes. The decarbonisation of the industry in Europe is however expected to significantly increase the demand for carbon free electricity (by additional 400TWh only for steel). There is fear that this would push up production costs and make energy unaffordable. They noted the difficulties in some countries to strike PPAs to procure renewable energy in significant amounts. • State aid compensations for the sector should be kept and the industry called for a level playing field (i.e. all MS should provide compensations). Compensation of indirect ETS costs are important in particular for steel producers with Electric Arc Furnace technology (Electricity accounts for 25% of their production costs). Compensations under the Environmental and Energy Aid Guidelines should also be kept or increased. • The industry's decarbonisation could be done through the use of hydrogen and/or the utilisation of carbon capture and use technologies. That said, a supportive policy framework that brings certainty and stability should be set to foster these costly and long term investments. <p>The Commissioner welcomed the exchange of views with the sector. She noted that energy policy is one of the Community policies that address the complex mix of policies</p>

Cabinet of Commissioner Kadri SIMSON - Minutes of Meeting

that are important for steel and brought the attention to some particular matters:

- The Green Deal aims to achieve decarbonisation while ensuring the supply of affordable energy. The expected increase in renewable production with falling production costs should contribute to keep prices under control. The implementation of the *Clean Energy for All Europeans* package will continue and should help the integration of increasing amounts of renewables. This will be further reinforced by the future initiatives such as the *Offshore Strategy* and the revision of *legislation on Trans-European Energy Networks*. Finally, the upcoming review of the Energy Taxation Directive should also be aligned with the needs for the energy transition.
- On CBAM, she informed that the measure is being carefully assessed in 2020 and that the proposal could be put forward in 2021.
- The Commissioner also noted that the upcoming *industrial strategy* and the *smart sector integration* initiative will look at the main issues for the future of the European industry, including the availability and use of Hydrogen and other technologies necessary for the transition to a carbon neutral industry. She also brought to the attention of the CEOs some possible sources that could help financing projects and measures related to the transition to carbon free steel such as the *Innovation Fund* and to the proposed *Just Transition Mechanism*.