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To:

(TRADE)

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Subject:

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Meeting with EUROFER CEOs, 15 June 2020

lundi 15 juin 2020 18:13:17

(CAB-VESTAGER)

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Dear all,

MV met today with the CEOs of EUROFER on their request. They informed of the serious challenges that the EU steel sector is facing. To frame the discussion they reminded of the 2009 and of the 2019 crisis respectively and the unfavourable consequences on the steel industry, of the ever increasing unfair global competition and the excess production capacity. They described the situation having been reinforced by the COVID-19 pandemic with severe production cuts, close to 50% of workers laid off or in partial employment. The CEOs did not expect the demand to return (to the pre-crisis levels) in the EU. They confirmed their commitment to green transition towards clean steel production, where the EU would be a frontrunner.

In summary, they underlined this was essentially now a timing issue as the trade defence instruments afford only limited protection, as their costs are increasing and as the demand is decreasing. The CEOs asked whether the EU was giving up on the steel industry and other linked sectors with it, as they hear many words but see very limited action.

MV engaged with the CEOs of EUROFER on the entirety of the issues they raised, referring them to other Members of the College as appropriate.

- They welcomed the recovery package and promoted the outline for an IPCEI for “Low carbon industry” asking whether this could be supported from the recovery plan and be supported beyond 2024 (ie until 2027). They further asked whether EU funding and MS funding can be combined.
- They advocated for incentives to keep ferrous scrap in the EU for its proper treatment and quality improvement to deliver on the EU's circular economy and CO2 reduction objectives. They said that scrap is a critical resource and it would be a disaster, including from circularity angle, to export it. They said that EU production is 4-5 times less CO2 intensive than in China or Indonesia.
- EUROFER stated that in their opinion the safeguard measures are being revised don't reflect the reality. Stockpiles are being built up behind our borders and injected to the EU as soon as the new measures become available.
- For trade defence instruments, they called for vigilance with respect to imports of steel slabs from China that circumvent the measures in place.
- They called for the Commission to ensure that all Member States

grant compensation for Indirect ETS costs. They asked how EU merger control could take the constraining circumstances for the sector into account.

- EUROFER stated that carbon leakage is happening. Carbon Border Adjustment should be introduced for steel and set at an effective level, in addition to existing carbon leakage measures. It should also address indirect emissions costs.

Kind regards,

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