

Mr Frans Timmermans  
Executive Vice-President of the  
European Commission  
Rue de la Loi 200  
1049 Brussels  
Belgium

Thursday, 17 December 2020

Dear Executive Vice-President Dear Mr. Timmermans,

The European Steel Association, EUROFER, would like share with you our concerns and explain several elements relevant for steel with regard to EU taxonomy for sustainable finance and more specifically the draft Commission delegated act setting the technical screening criteria against which an operation's climate mitigation and adaptation ability is evaluated.

The Commission's draft narrowly focuses on only some parts of steel production's CO<sub>2</sub> emissions. It does this by using the methodology of EU ETS benchmarks to set the thresholds, even though these benchmarks have not been designed for this application and are therefore unsuitable.

This may appear to be a purely technical file, but has the potential to hinder, or even prevent, the successful deployment of some of the most promising steel decarbonisation projects, particularly those with high potential to reduce emissions in sites that are above these unsuitable benchmarks, including several hydrogen-based initiatives.

The EU taxonomy mechanism must be fit for purpose. It must not lead to financial or investment leakage. It should support EU-based low-carbon projects' financing while avoiding a further decrease in the EU steel industry's ability to compete globally.

Accordingly, the following points should urgently be reflected in the delegated act:

- Using the principles of **standard EN 19694-2** – developed with a mandate from the EU Commission – to assess the relative performance of steel production. This standard should be used instead of the EU ETS benchmarks as these are not able to evaluate the combined environmental impact of the activities of the European steel industry. Using the EU ETS benchmark would not be in line with the Regulation on Sustainable Finance Taxonomy. This is because these benchmarks do not consider the connections between the various production steps. A significant portion of the steel industry's emissions are not even taken into account in these benchmarks, as the respective process gases are transferred to the power sector.  
It is of utmost importance to use internationally or regionally recognised accounting rules, such as the aforementioned EN standard, to avoid the risk of miscalculating emissions. The systemic operation of steelmaking – in which single production processes are

connected into a process chain and optimised in order to achieve the highest efficiency/highest performance of the overall system ((process chain or value chain) – means the EU ETS benchmark cannot be used as an accurate guide to actual emissions.

- Using a more integrated **lifecycle approach**, taking into account that steel is an enabler for CO<sub>2</sub> mitigation in multiple value chains.
- Allowing the eligibility of EAF steel production without excluding certain steel qualities for which the proposed threshold of at least 90% scrap sourced iron content in final products would be technically unachievable, like for **stainless steel and high alloy steel**.
- Adding **Carbon Capture and Usage (CCU)** to the list of low carbon breakthrough technologies and acknowledging alternative sources of hydrogen production.
- Acknowledging as screening criteria the mitigation measures incorporated into an **investment plan** that lead the activity to meet the threshold.

The provisions above, which are acknowledged in the Taxonomy Regulation (including enabling activities, supporting the transition and lifecycle considerations), should be fully taken into account when defining the technical screening criteria. They should form the basis for a functional, fact-based delegated act.

Attached you will find our detailed analysis and arguments supporting the above measures concerning the delegated act, and further clarification of the proposed use of standard EN 19694-2 and the modification of the scrap eligibility criteria.

We thank you in advance for your kind consideration of the above and remain at your disposal for any further information you may require.

Yours faithfully,



The European Steel Association (EUROFER)

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