

Meeting with Eurofer

5 May 2020

Participants: Ms. Linsey Mccallum and Ms. Louise Grønfeldt (Cabinet Vestager); Mr. Olivier Guersent (DG COMP); P

EUROFER reiterated the arguments presented to the COMP ETS team, namely support to the eligibility of other sectors, a higher aid intensity, unchanged areas for CO2 factors, and exclusion of any type of conditionality in the revised guidelines.

In particular, Eurofer

- Questioned the assessment done by the Commission services and their consultant as regards the risk of carbon leakage, as their own assessment rendered the sector at a higher risk level than medium.
- Explained that Steel manufacturing has a structurally low profitability; they stressed that energy efficiency is necessary for competitiveness and therefore there is high abatement potential, and that fuel and electricity are substitutable in the electric arc furnace (EAF).
- Explained, on the draft guidelines specifically, that the best incentives are updated benchmarks, together with a low aid intensity rate (rather than conditionality); that **Industrial gas** is a necessary input for steel and energy carrier (contribute combustion process) and should therefore be eligible; On the CO2 factor, the requirement for finding price convergence seems to strict, in reality conversion has not decreased.

Cabinet Vestager:

- Thanked Eurofer for the data submitted in reply to the public consultation and assured them that all submissions would be taken into account in the finalisation of the guidelines; agreed with Eurofer that addressing the risk of Carbon leakage is essential to the Green Deal policy of the European Commission.
- Explained that aid for indirect emission costs may have a negative impact on the efficiency of the EU ETS and the aid is poorly targeted, the aid would relieve the beneficiaries of the cost of their indirect emissions, thereby limiting incentives for emission reductions and innovation in the sector. As a result, the costs of reducing emissions would have to be borne mainly by other sectors of the economy; and further that such State aid may result in significant distortions of competition in the internal market, in particular whenever undertakings in the same sector are treated differently in different Member States due to different budgetary constraints.
- Thanked Eurofer for the detailed explanations and assured Eurofer that good note had been taken of their explanations during the meeting and that this would be given further consideration.