

Wednesday, 6 May 2020

Ms Margrethe Vestager  
Executive Vice-President for  
A Europe Fit for the Digital Age  
European Commission

Dear Executive Vice-President, dear Ms Vestager,

The European steel industry welcomes the EU's work on mitigating the impact of the COVID-19 pandemic on our society, the economy and on business.

Upon request of the European Council, the Commission is currently drafting a **Recovery Plan** that should trigger unprecedented investment. We welcome the focus, *inter alia*, on the green transition and digital transformation as essential parts of the recovery plan. At the same time we recall the need to immediately implement emergency measures, as outlined in the Annex to the letter, which should not be delayed by including these in the discussion on the Recovery Plan.

With regard to the Recovery Plan, our industry recently made proposals for a **Green Deal on Steel**, keeping the EU on track to meet its climate and circular economy objectives while keeping this strategic sector competitive. The Green Deal requires huge investment in new technologies in the period 2021 to 2030 and beyond, likely with higher operational costs (green energy and according input materials) which need to be balanced by a well-coordinated combination of financing support schemes and regulatory pull and push measures.

The challenge is becoming ever greater given the huge downturn in the main steel value chains (automotive, construction, mechanical engineering, ...), the idling of entire facilities and the collapse of steel prices under pressure from third countries' producers off-loading their stockpiled steel overproduction on the EU market.

We therefore urgently need – besides initiatives already taken such as on liquidity – additional sector-specific measures which could have an impact in the short term and help support the industry in the longer term as well. Strengthening the **EU steel safeguards** so that the measures are fully adapted to the changed circumstances in the EU steel market would help in the immediate term, whilst also providing a means of supporting the industry as we move into the recovery phase. We also need measures that provide an equal treatment with imports on climate objectives, such as a **Carbon Border Measure**, that must complement existing carbon leakage provisions on free allocation and indirect costs compensation within the existing EU Emissions Trading System.

The recovery plan should be implemented in close alignment with the Commission's *New Industrial Strategy for Europe* and the recommendations set out by the High-Level Group in its **Masterplan for a Competitive Transformation of EU Energy-intensive Industries Enabling a Climate-neutral, Circular Economy by 2050**.

One option is to consider launching large-scale Projects of Common European Interest (IPCEI) in the frame of the **strategic value-chain on low CO<sub>2</sub> emission industry** – identified by the EU's Strategic Forum for IPCEI's - to drastically reduce industrial emissions of these value chains with steel, chemicals and cement industries as their integral basis. This should be closely coordinated with an IPCEI on Hydrogen and measures to reduce CO<sub>2</sub>-lean manufacturing costs, e.g. by a respective state aid reform. Together, we would strengthen existing production, build and support **new**

**industrial eco-systems**, such as a hydrogen-based, circular economy. Together, these sectors should build the core of an **Industrial Alliance** that lays the basis for the full value chain including, *inter alia*, other energy intensive industries, energy producers, automotive, construction and machinery.

All steel companies throughout the EU that set out plans for major cuts in their direct and indirect CO<sub>2</sub> emissions by 2030 and beyond should have equal access to the **Just Transition Fund**. The requirements for **Sustainable Financing** should recognise such company plans and contributions to sustainability and decarbonisation of the whole society as well as the fact that not all installations can be transformed at the same time but still need investment. These need to be mirrored in the technical screening criteria to be set for the climate mitigation with regard to steel.

Yours sincerely,



Director General  
The European Steel Association (EUROFER)

#### **ATTACHMENT:**

*A Green Deal on Steel – Priorities for Transitioning the EU to Carbon Neutrality and Circularity.*

#### **ANNEX**

**Short term measures** in addition to cross-sectoral measures already launched by the EU

- **EU steel safeguards:** the current review should fully reflect the unprecedented implosion of the European steel market. The quota levels need to be reduced drastically.
- **Consider imposing crisis and security related steel import restrictions as permitted by the GATT.**
- **EU Emissions Trading System (EU ETS),** temporary measures to avoid carbon leakage:
  - Reset the benchmark based indirect costs compensation from currently max. 75% back to the original 85%, and apply it effectively in all Members States.
  - Introduce a ‘force majeure clause’ to guarantee that unforeseeable events such as the current Covid-19 related production and CO<sub>2</sub> emission cuts will not reduce the amount of post-2020 CO<sub>2</sub> certificate allocation, e.g. by excluding according events from further calculations and evaluations.