



EUROPEAN COMMISSION
 DIRECTORATE-GENERAL
 CLIMATE ACTION

Brussels
 CLIMA, [REDACTED]

NOTE TO THE FILE

Subject: Meeting between Kurt Vandenberghe, Director General and Thyssenkrupp Steel Europe, 31 March 2023

Participants:

- Thyssenkrupp Steel Europe (TKS)
 - [REDACTED]
 - [REDACTED]
- DG CLIMA: Kurt VANDENBERGHE, [REDACTED], [REDACTED]

The meeting began with the Commission congratulating TKS on commissioning its first hydrogen-based direct reduction plant (“H2-DRI”) integrated into the company’s Duisburg site, Europe’s largest integrated steel site. The construction of the facility was commissioned to SMS Group for over EUR 1.8 billion with a capacity of 2.5 million metric tons of directly reduced iron and an annual saving of over 3.5 million metric tons of CO2. The start is planned for 2026. TKS explained its decarbonisation strategy for primary steel production by replacing coal-based hot iron production in the blast furnace with hydrogen-based processes in direct reduction plants combined with innovative melters. TKS is aiming to be climate neutral by 2045 but in practice, it is aiming for 2034, because after that date they consider conventional steel production in Europe won’t be competitive anymore. The recent commissioning is a first step in partially decarbonising steel production at the Duisburg site. TKS stressed the need to have production capacities in Europe and therefore their investment plan would include a second furnace replacement by 2030. H2-DRI steel production can substitute traditional blast furnaces to produce climate friendly steel. TKS raised the concern that with this investment, they depend on the infrastructure for green hydrogen.

TKS presented their study on an initial cost comparison between local production in Germany versus potential DRI production overseas. TKS expressed their strong preference for keeping full production in Europe. TKS underlined that the company is happy with NZIA and offered to provide further data. They also brought up the issue of human resources, explaining that they are investing in reskilling people, and they are benefitting from the apprenticeship programme in Germany. On the IPCEI, the

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Commission asked what the funding would cover. TKS explained that the funding will cover CAPEX and some OPEX. TKS raised issues regarding the negotiation of PPAs and expressed the preference that green hydrogen should be reserved for industries with high GHG emissions. The Commission acknowledged that every industry is asking for green hydrogen and that the next pilot auctions on renewable hydrogen planned to be launched under the Innovation Fund won't have any prioritisation. TKS expressed concerns about the definition of ETS benchmarks and the danger of the circumvention for CBAM.

TKS emphasized that while all major European steel players are investing in clean technologies and have a decarbonisation roadmap, investment leakage is happening towards the US. The Commission acknowledged these concerns and pointed out that it is taking important steps to help and support, such as with the Hydrogen Bank and the auctions for renewable hydrogen, with the push for easier permitting. On prioritisation, climate, and resilience criteria to be implemented in the auction design. At the end of the meeting, TKS expressed their preference to prioritise the end use of green hydrogen and informed the Commission that they are regularly organizing visits of the Duisburg plant and would be more than happy to welcome representatives of the European Commission.

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Cc: K. Vandenberghe, C. de la Torre, [REDACTED], [REDACTED], [REDACTED], [REDACTED]