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Brussels, 28 March 2023

Meeting conclusions

Participants	<u>Visitors' delegation</u>: • [redacted], CEO of Celsa Group and President of Eurofer • [redacted], CEO of Aperam • [redacted], Director General of Eurofer • [redacted], CEO of Thyssenkrupp Steel Europe • [redacted], CEO of Arvedi <u>COM</u>: • EVP Frans Timmermans • Antoine Colombani, Member of Cabinet • Stefanie Hiesinger, Member of Cabinet • [redacted], national expert in professional training in the Cabinet
Objective of the meeting	Discuss the decarbonisation and competitiveness of the European steel sector.
Issues raised & follow-up	***On the current situation and challenges of the EU steel sector*** • [redacted] presented the delegation and stressed that the steel sector supports the EU's objective for a sustainable economy and for strategic autonomy. The steel industry is part of this agenda already. The sector's waste is transformed into a product and as such the sector is the biggest recycling industry in the EU: 90% of steel is recycled and thus 130 million tonnes of waste are avoided. To this end, there are currently 60 projects at industrial scale ongoing. In addition, EUR 83 billion euro is invested to decarbonise the steel industry. To achieve a sustainable, decarbonised and fully circular steel industry, a green energy structure is necessary with energy from renewable sources such as from wind power. • Recently, the steel industry has shrunk in the EU. The EU imported 13 million tonnes of steel. Subsequently, jobs have been exported. Moreover, plants abroad have high carbon footprints. We are in the top three steel producing industries globally, but we need a level playing field to be able to compete. There are three things we need: 1. low carbon, affordable energy, as with the current prices it is impossible to export; 2. a similar plan of subsidies for the green transformation as the Inflation Reduction Act (IRA); 3. during the transition, protection with regard to trade. The Global Arrangement on Sustainable Steel and Aluminium (GSA) needs to be in place to avoid distortion. • With these three factors in place, they would be able to compete on a level playing field.

- [redacted] stated that it is impossible to provide a business plan, as the future hydrogen prices/power costs are unknown. Since the IRA, he saw many projects being reallocated to the US. The US have a hot briquetted iron (HBI) *[porous sponge iron, pressed into briquettes. HBI is created by reducing the iron ore with natural gas.]* production of EUR 160 per tonne.
- He explained that the US still has a cost advantage even under CBAM, whereas he would need a lot of energy for electrifying. He said his production had halved and that it is impossible to be part of the global world. Especially, the IRA made his business cases not bankable. Next year, he would need to decide on a second installation, but this would mean a 5 million investment with a difficult bankable case.

On green steel and using scrap

- EVP Timmermans said that there has been interest in green steel that was not anticipated. India, China, the US are all interested. Interlocutors from these countries say that they do not worry about CBAM as their products will be green and that they will be faster with this transition. He was wondering how this dynamic is influencing the steel industry.
- [redacted] said that his company had been certified as a net-zero emissions company and that as such they decreased their carbon footprint. He mentioned that 100 percent of their electricity was made from renewables. However, the running costs had significantly been increased. They therefore closed the blast and started producing from scrap. In Europe 100 million tonnes of scrap are available but 20 million tonnes leave to Turkey. There is scarcity.
- Subsequently, his company lost market share to India. However, the steel produced in India is carbon-based. He did not yet see a commitment from India to do better in that respect. He added that, although the EU steel industry is able to decarbonise, the market is not yet ready to pay for it. Trade defence instruments are not always effective, the CBAM can be circumvented and will only truly kick-in after 2030. Therefore, there is a risk the European steel industry will disappear. He said to be counting on the Commission for strong negotiations on global steel, to defend our markets and for decarbonisation. Scrap export would need to be limited. It is a critical raw material and needed in the EU for our own steel production.
- [redacted] added that there are 44 countries that limit exports of scrap to Europe but at the same time, the EU has its doors open. That would need to stop.
- [redacted] said that every country is claiming to control the overcapacity: such as China. However, the Chinese now produce in Indonesia at low costs but polluting heavily with a high CO_2 emission. They destroy the environment without respect for compliance. He added that to stop scrap exports, the Waste Shipments regulation needs to be implemented.
- [redacted] added that the European Parliament has already adopted some good elements such as better monitoring of exports. However, he advocated to ensure that countries that import need to meet the same conditions as applied in the EU, to avoid environmental damage. He therefore did not advocate for a ban on scrap exports

	but for improving the terms. • Globally, the steel industry is responsible for 10% of the CO_2 emissions, he said. However, the EU is responsible for only 0.56 percent. India is planning to have its steel production increased by 20%. This will amount to excess capacity without considering decarbonisation. Therefore, the GSA is important and a unique opportunity. • He also said that more innovation in the EU is needed in this respect: measures to force other countries to decarbonise. The CBAM alone cannot resolve this as it is only addressing 5% of the imports into the EU. The whole global steel industry needs to be decarbonised. ***On the GSA*** • [redacted] said that GSA is needed to put a price on carbon. The European steel industry supports CBAM, but more is needed. • [redacted] said that we need a carbon price at the border that gives a good incentive to the carbon industry. In addition, support measures should be considered. They are not yet addressed in the Commission's concept. • [redacted] made a plea for the EU and US to be the leaders of the transformation of the steel industry and incentivise other countries to meet these standards. Eurofer made a paper on this issue that they proposed to explain to the Commission, to continue talks on the GSA. In 5-10 years, the steel industry would be decarbonised, and a system would be needed for the transition phase. In addition, it would be better that the steel needed for the green transition would be produced in the EU. • There should be better tracking of trade according to [redacted]. The Commission should adopt similar measures to those applicable in the US. It would be, however, not easy to trace to origin of a product and easy to circumvent rules by exporting via another country. • EVP Timmermans said that the steel industry is of strategic importance to the EU. However, overcapacity has been a problem for a long time. Innovation would be needed, also to make the EU steel industry competitive. Unlike the EU, the US still has a big fossil energy potential so the EU needs to be inventive. • [redacted] warned that if an agreement on the GSA is not reached, the EU would need to treat other countries as unfair competitors. To make customers ready for green steel, incentivisation would also be needed. • [redacted] mentioned that green public procurement would also be an important aspect. The 55% should also be applied to public procurement. • [redacted] concluded by inviting EVP Timmermans to the European steel days on 31 May.
Note taker	[redacted] (SG.A.4)
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