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From: [redacted]
Sent: mardi 14 avril 2020 12:54
To: SCOPPIO Maria Elena (CAB-GENTILONI)
Cc: [redacted]
Subject: European steel industry's position on the draft ETS State Aid Guidelines
Attachments: 20200310 Annex_EUROFER paper_Public consultation_ETS Guidelines contribution.pdf; 20200310 EUROFER paper_Public consutation_EU ETS State aid guidelines.pdf; Draft ETS Guidelines_ Joint paper of eligible sectors 5 March 2020 .pdf

Dear Ms Scoppio,

On behalf of the European steel industry, we would like to share with you our position on the Commission draft ETS State aid Guidelines for compensation of indirect carbon costs, which were subject to the EC public consultation open until 10 March 2020 and will be finalised in the upcoming weeks.

While the steel sector (NACE 2410) is included in the draft list of eligible sectors, several elements of the draft text (e.g. *state aid intensity limited at 75%, exclusion of sectors in the steel value chain such as industrial gases, mining of iron ores and tubes*) could result in a very low level of compensation (up to less than 50% of the actual indirect costs). Please find below a short overview of the key issues, which are also shared by the other eligible sectors as indicated in the attached joint paper:

- the consumption of industrial gases (e.g. oxygen, hydrogen, etc.) should also be considered as eligible for financial compensation when it occurs in a sector that is exposed to indirect carbon leakage such as steel
- The additional compensation beyond 75% should be capped at 0.5% of the GVA and should be open to all eligible sectors and not restricted only to some of them
- The existing regional areas (in particular the Central West Europe and Nordic regions) should be maintained
- Sectors belonging to the steel value chain (mining of iron ores and seamless pipes) need to remain eligible for compensation
- Compensation should not be made conditional because it does not distort incentives for energy efficiency investments, since it is based already on very strict benchmarks

Due to the fact that ETS State Aid Guidelines are expected to be finalized in the coming few months, **we kindly request the opportunity of a web meeting/call at your earliest convenience to discuss the above points and elaborate on our proposals**.

The European steel industry has been working intensively in the past year on a set of measures that would empower it to develop, upscale and roll-out new technologies that could *reduce EU steel production's CO2 emissions by 30% by 2030 and by 80 to 95% by 2050*, while contributing to greenhouse gas mitigation across all sectors. These are summarised in the EUROFER position paper "A Green Deal on Steel – Priorities for Transitioning the EU to Carbon Neutrality and Circularity". Low- or CO2-neutral energy will represent a key factor of success; the EU steel industry will require approximately 400TWh of CO2-free electricity every year by 2050 (including for the production and use of hydrogen). The *reliable availability and abundant supply of low- or CO2-neutral energy (mainly electricity and hydrogen) at economically viable, affordable cost levels is a necessary pre-condition for the successful transformation* of the steel sector in the coming decade and beyond. In this context, we would therefore take the opportunity of a meeting also to discuss how the Environmental and Energy Aid Guidelines (EEAG) could contribute to a successful transition of our sector.

Thank you for considering our request,
Kind regards

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