

# We are ready – are you?

## Making a success of the EU Green Deal

**We need effective enabling policies for a Green Deal on Steel that sets out a clear action plan for the recovery of the steel industry and boosts our CO<sub>2</sub> reduction efforts – serving as a blueprint for Europe**

**Publication (update):** 20 January 2021

### Overview

Europe has the opportunity before it to lead the transformation of its economy to a future in which it is CO<sub>2</sub> neutral, environmentally responsible, circular and able to compete internationally, addressing third country trade distortions without inhibition. Steel is central to the EU economy, and it underpins the development of major manufacturing sectors right along the value chain. Our industry sustains 2.6 million direct and indirect jobs in the EU.

To make the EU's recovery plan and green transition a success, a Green Deal on Steel should be agreed between EU steel industry and the EU institutions and governments, with a clear action plan establishing a market for *green steel* in the period 2021 to 2030. This plan can serve as a blueprint for other sectors, and help the industry to get out of the worst economic crisis in decades.

### Why steel?

Because the EU steel industry:

- is able, under the right conditions, to significantly advance the EU's climate objectives as it concentrates CO<sub>2</sub> emissions in a limited number of installations covering about 25% of EU industrial and 5% of EU total CO<sub>2</sub> emissions;
- is most advanced among the energy intensive industries in terms of CO<sub>2</sub>-low projects;
- is already committed to reducing CO<sub>2</sub> emissions by 2030 by 30% compared to 2018 (55% compared to 1990) and towards carbon neutrality by 2050, if the conditions are right;
- will allow the EU to set a global example as to how hard-to-abate industries can significantly lower their CO<sub>2</sub> emissions in a relatively short period of time;
- is a strategic sector producing 100% recyclable, circular materials for EU key industries such as automotive, mechanical engineering, CO<sub>2</sub> low energy industries, construction, household appliances, packaging, medical devices, sanitary systems, defence, among others.

### A plan of action: A Green Deal on Steel

Agreement on a comprehensive plan for green steel is required to allow companies and investors today to make investment decisions for next decade. We welcome the approach of Germany in setting out an **action concept** for the steel industry. This initiative can and should serve as the basis for agreement on

an action concept at an EU level, with a coordinated approach for the EU's industry, climate, energy, trade, recovery, and related policies.

An action plan shaping markets for green steel, the circular economy and a global level playing field would address the following policy fields:

1. **Trade Defence:** Apply EU Trade Defence Instruments (TDI) without inhibition to effectively tackle third country trade distortions and their domestic industry support schemes. Adapt TDI to the new global reality of third country distortions which are detrimental to the EU economy and jobs.
2. **EU Steel Safeguards:** Extend the safeguard measures beyond June 2021, if the U.S. Section 232 trade distortion, which plays directly against EU interests, is not revoked.
3. **EU ETS Revision:** Continue current carbon leakage protection with free allocation at benchmark level and indirect cost compensation without cross sectoral correction factor; introduce a *force majeure* clause to avoid undue impacts of COVID-19-related temporary production cuts on the amount of free allocation in the post 2020 period; no inclusion of transport and buildings in an ETS with industry; no rebasing of the cap (no one-off reduction); fair burden sharing between ETS and non ETS sectors when implementing the new 55% target for 2030.
4. **Carbon Border Measure:** Set it at an effective level, complementary to existing carbon leakage provisions in a transition until a sustainable market for green steel is established.
5. **State Aid Guidelines and Green Transition:** Agree on fair compensation of indirect CO<sub>2</sub> costs. Fully implement the new *ETS Aid Guidelines* which in phase 3 cover not even 50% of steel's real indirect costs. Encourage member states, where compensation is not applied, to do so. The *Environmental and Energy Aid Guidelines* (EEAG) should support the CO<sub>2</sub>-low transition, e.g. through Contracts for Difference, to de-risk investment in low carbon products/solutions by covering the difference between costs of conventional and CO<sub>2</sub>-low steelmaking, and continue exemptions from renewable levies for energy intensive sectors exposed to global competition such as steel.
6. **Recovery Plan for Europe and Green Transition:** Allow access for steel projects on national and EU level. Secure complementarity with, and access to, other funding schemes, such as the *Innovation Fund*, *Just Transition Fund*, and *IPCEIs*. Adopt the *Clean Steel Partnership*.
7. **Circular Economy:** Keep ferrous scrap in the EU for proper treatment and quality improvement. No scrap should be exported to facilities which are less sustainable than those in the EU. Give preference to permanent and circular materials so as to achieve EU circular economy objectives.
8. **Eco-Innovation:** Grant credits for CO<sub>2</sub> low, 'green materials' in downstream sectors, e.g. through the EU automotive legislation. Set public procurement incentives for green materials in products.
9. **Sustainable Finance & Taxonomy:** Base sustainability thresholds for steel on standard EN 19694-2 which considers steel's process interconnections along the value chain, and not on unsuitable ETS benchmarks. A scrap sourced iron content of 90% in the Electric Arc Furnace route (EAF) is feasible for carbon steel. But for stainless and other specialty steels set a threshold considering the share of alloys. Include Carbon Capture Use and Storage (CCUS) as sustainable.
10. **CO<sub>2</sub>-footprint:** Work on CO<sub>2</sub>-cost based on CO<sub>2</sub>-footprint through the value chain (full life-cycle).