



GREEN STEEL 4 EUROPE

Call for Action for a Strong
and Resilient Europe



Wirtschaftsvereinigung
Stahl

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Call for Action for a Strong and Resilient Europe

The outcome of this year's European elections will have a major impact on the future of our continent – and on the future of the steel industry. In the last legislative period, the EU's European Green Deal set out the path to climate neutrality by 2050. It is now faced with the task of supporting the industry on this path with a reliable, coherently designed transition framework. In other words, the coming legislative period needs a shift in focus – and ideally one that is prompted by a Vice-President of the European Commission. We need to see a shift towards a European industrial policy that ensures international competitiveness and consistently takes energy, climate, environmental and trade policy into account.

A **European Industrial Deal** of this kind also needs to be based on a clear commitment to European content, as this is the only way

to achieve the climate targets while preserving the EU's prosperity and resilience. The enormous systemic importance of a robust and resilient basic materials industry in Europe has been made painfully clear by the pandemic and geopolitical upheavals of recent years.

In this respect, the steel industry is one of the key sectors. From bridges, buildings and batteries to wind turbines, solar cells and electrolyzers, and from critical infrastructure to consumer and capital goods, the steel industry is involved in the first stage of almost all industrial value chains that rely on regional networks. The steel industry is also a key sector for achieving the goals of the European Green Deal – and thus the climate neutrality of our economy and society.

By investing billions of euros in climate-neutral technologies and playing a key role in the circular economy, the steel industry is making a significant contribution to national and European climate targets, while at the same time securing the industrial base and contributing to strategic resilience.

However, particularly in the vulnerable transition phase to climate neutrality, it is essential that the obstacles facing the transformation of the steel industry in Europe, which is under

strong international competitive pressure, are addressed by the necessary political framework conditions.

Politicians must act now to make Europe fit for the future as an industrial location.



A successful European Industrial Policy requires:

- Internationally competitive energy prices and the rapid expansion of renewable energies
- The resolute development of a green hydrogen economy
- The creation of green lead markets
- An effective trade defence against overcapacity and unfair trading practices
- The prevention of carbon leakage and an effective Carbon Border Adjustment Mechanism (CBAM)
- Strengthening the circular economy and securing (secondary) raw materials supply
- A European state aid law that accelerates the transition of European industry

Our Call for Action in Detail

Creating Internationally Competitive Energy Prices

The European Union must find immediate solutions to ensure internationally competitive energy prices. For the foreseeable future, electricity prices in Germany and the EU – including electricity price components such as grid fees – will remain above the level of other non-European industrialised countries. This **threatens the international competitiveness of Europe as an industrial location**. In a challenging economic situation, high electricity prices are putting existential pressure on the already low-emission electric steel plants. And the climate-neutral future of primary steel production lies in electrification. With electricity demand expected to be four to five times higher by 2030, an internationally competitive and stable electricity price is therefore a key prerequisite for the successful transformation of the steel industry.

A European solution is needed, but member states also need the option of using appropriate national approaches. The design of the

electricity market and the state aid framework must be adapted accordingly. The **massively accelerated expansion of renewables and the associated infrastructure, including for hydrogen imports**, is both fundamental and essential. Only then will it be possible to provide the enormous quantities of green electricity and green hydrogen that will be needed in the future.

Accelerating the Hydrogen Ramp-up



Hydrogen is a key building block for the decarbonisation of the steel industry. This sector will be one of the most important industrial users of available hydrogen and will pave the way for the European hydrogen ramp-up. With a CO₂ savings potential of 28 tonnes of CO₂ per tonne of green hydrogen used, the steel industry is making a significant contribution to achieving the climate targets.

In order to ensure sufficient availability of green hydrogen at internationally competitive prices, both **domestic production and hydrogen imports** must be promoted. The **rapid expansion** and connection of the **hydrogen grid** is also essential.

In addition, the European Hydrogen Bank should be designed in such a way that it enables **the purchase of hydrogen at competitive prices**, especially for basic industries such as steel.



Public guarantee instruments for the long-term purchase of hydrogen by energy-intensive industries should also be introduced – in a similar way to Power Purchase Agreements (PPAs) in the electricity sector – and their establishment supported at a national level.

Establishing Green Lead Markets



The aim of green lead markets is to develop reliable demand for climate-friendly products. The first step is the labelling of green products. In addition, demand-side prospects for climate-friendly basic materials need to be created in the European market, because without political support, green products cannot initially compete with grey products due to their higher costs.

In an intensive dialogue, the German Steel Association together with the German Federal Ministry for Economic Affairs and Climate Action has developed the concept of a labelling system for CO₂-reduced steel, which is to be implemented in 2024. This labelling system **should also be adopted at EU level as soon as possible and introduced on a voluntary basis** – thus creating the basis for European green lead markets.

In particular, public procurement and public tenders for the use of CO₂-reduced steel can be used to stimulate the uptake of green steel. In this way, the public sector not only creates investment security for the industry during the transition, but also promotes the development of green lead markets. In order to support Europe's green energy-intensive basic industries, the European Commission should therefore present concrete guidelines for public procurement and procurement law, which should be implemented without delay from federal, to state and local levels.

Enforcing an Effective Trade Defence



Global grey excess steel capacity has been disrupting international trade for years and causing serious distortions in the European steel market. According to OECD calculations, global overcapacity, most of which is produced using conventional, climate-damaging technologies, will exceed 600 million tonnes by 2023 – four times the EU’s total steel capacity. And this is an upward trend. EU trade policy needs to respond quickly to these serious developments, which defy market logic.

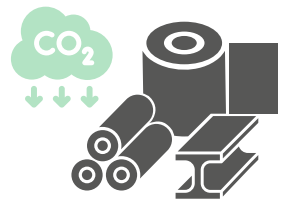
Overcapacity and unfair trade practices need to be tackled effectively through the consistent use of EU safeguards and other trade defence instruments, and by developing these further where necessary.

Cooperation with like-minded international partners is also crucial for the transformation of the steel industry in Europe. The key here is to address the twin challenges the industry is facing: global excess capacity and decarbonisation.

A Global Arrangement on Sustainable Steel and Aluminium between the USA and Europe offers a unique opportunity to advance climate protection, combat trade distortions and, at the same time, set a concrete starting point for a climate club.

Preventing Carbon Leakage

There is broad agreement in the EU that industrial production should take place in Europe and not be relocated outside the European Union. The Carbon Border Adjustment Mechanism (CBAM) can be a crucial tool for offsetting the competitive disadvantages of EU producers as a result of a stricter EU Emissions Trading System (ETS) and sending a price signal for CO₂-intensive steel. However, it is important to ensure that the newly introduced CBAM works effectively and cannot be circumvented. Solutions must be found quickly to address the remaining serious weaknesses – in particular the outstanding issues of competitive exports and the need to prevent circumvention.



Strengthening the Circular Economy



Steel has outstanding material properties and excellent recyclability. Its longevity and wide range of options for reuse support a circular society. And because steel is 100 per cent recyclable, it is one of the most valuable pillars of a strategically autonomous Europe.

In Europe, a relatively low-carbon process is already established through scrap-based electric steel production. As a result of the transition of the primary route, this potential and the demand for scrap as a (secondary) raw material will increase enormously. A monitoring system for these critical secondary raw material flows must therefore be established, as is already the case for critical raw materials.

The collection and processing of steel scrap must also be further improved in order to exploit the currently untapped resource potential.

Simplifying European State Aid Law



European state aid rules must be designed to support the industrial transformation towards climate neutrality and ensure the competitiveness of the industry. The key here is to simplify procedures, make the rules more predictable and improve the combinability of national and European support programmes. Companies must be able to make clear assessments for urgent investment decisions on the basis of the state aid rules.

The Steel Industry's Contribution

The German steel industry is contributing significantly to decarbonisation and the achievement of the EU's climate targets. With a share of around 30 per cent of industrial CO₂ emissions in Germany, we have the enormous potential to save around 55 million tonnes of CO₂ per year. Compared to other sectors, when it comes to the use of hydrogen, steel production also has the best climate impact: each tonne of green hydrogen used saves 28 tonnes of CO₂.

Steel's exceptional recyclability – it is 100 per cent recyclable – means that around 20 million tonnes of steel and iron scrap is reused every year. With more than 2500 grades of steel for a wide range of applications, the steel industry is essential to the strategic resilience of value chains. And in line with the principle of green steel for green products, our industry makes a significant contribution to improving the carbon footprint of its customer industries.

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March 2024