EUROFER
THE EUROPEAN STEEL ASSOCIATION

Annex

Clean Industrial Deal - Analysis of key policy areas

Brussels, 26 February 2025 – The European steel industry had outlined four priority areas for immediate attention from European policymakers; however, while identifying the challenges, the Clean Industrial Deal is missing urgent and robust solutions:

1) Stop spillover effects of global overcapacity and level the playing field for European steel

Global steel excess capacity has surpassed 550 million tonnes and an additional 150 million tonnes of capacity are foreseen by next year. This represents more than four times the EU's steel production. Recent US tariffs are further pressuring trade flows to be diverted. Therefore, it is critical that the EU improves the safeguards under the current review to align them with today's market reality and develops an effective and comprehensive trade regime for the post safeguard period. In parallel, Trade Defence Instruments need to be applied to their full extent, effectively and assertively.

The "external dimension" of the Clean Industrial Deal is more focused on horizontal issues such as accessing raw materials and developing international partnerships. EUROFER expects that sector-specific measures on trade will be an essential part of the Steel and Metals Action Plan.

2) Update the CBAM to close loopholes and prevent resource shuffling

The Clean Industrial Deal is accompanied by the Omnibus package, which includes fast track legislative proposals to simplify the CBAM, like the new de minimis threshold to exempt small importers and the postponement of the financial liability from 2026 to 2027. Yet, the revision of key elements critical to CBAM's effectiveness (exports, circumvention and resource shuffling, downstream sectors, etc.) is confined to an excessively lengthy timeframe with no legal certainty about the solutions. A review is urgently needed now, with measures to close loopholes well before 2026:

- Under the current CBAM, steel producers outside of the EU can sell their less carbon-intensive products on the European market at cheaper prices while maintaining their carbon intensive production for domestic or non-EU markets with no additional costs or reduction in CO2 emissions.

- As long as an export solution is not included in the legislation, European steel producers will still have to pay for the carbon costs of their exports, becoming even more uncompetitive on global markets and putting around 19 million of tonnes of steel production at risk.

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- Furthermore, the CBAM currently does not apply to steel-intensive, downstream applications, such as components for automotive, renewable infrastructure, etc., incentivising non-EU production and therefore the relocation of entire EU manufacturing value chains to third countries.

3) Make Energy Affordable

EU wholesale energy prices remain above historical levels and 2-4 times higher than those of global competitors such as the U.S. and China. With energy constituting a major part of steel production costs, its affordability is a key factor for both the industry's competitiveness and its decarbonisation.

Though the Clean Industrial Deal and the Action Plan for Affordable Energy acknowledge the importance of lower energy prices for the European industry, the proposed solutions do not offer certainty of an immediate relief.

Without a structural rethinking of the EU electricity market design to effectively decouple electricity prices from fossil fuel prices, the plan relies heavily on implementation of instruments which so far have not resulted in meaningful benefits to energy consumers, such as long-term power purchase agreements (PPAs). Instead, the Commission should provide guidance on how to design and implement transitional energy price relief arrangements at internationally competitive levels for energy intensive industries as well as relief from regulatory costs in electricity bills. The laudable initiatives to accelerate capacity and grid investments in low carbon electricity will deliver results only in medium term.

4) Retain strategic resources such as ferrous scrap and boost their recycling and reuse in Europe

Ferrous scrap is a vital secondary raw material, essential not only for the EU steel industry but for the broader EU economy. Recycling ferrous scrap into new steel significantly reduces CO2 emissions, lowers energy consumption, and reduces dependence on virgin raw materials. As a key component in the decarbonisation of the EU steel sector, its strategic importance is increasingly recognised at global level in the race to secure access to critical materials for the green transition.

The acknowledgment of the Circular Economy Act in the Clean Industrial Deal as a mechanism to enhance the supply of high-quality secondary raw materials is a positive step forward. However, the EU remains the world's largest exporter of ferrous scrap, often shipping it to countries with lower environmental, climate, and social standards. This unsustainable export pattern enables industries outside the EU to outbid European steelmakers for scrap, putting them at a competitive disadvantage.

To achieve tangible results, the Circular Economy Act should formally recognise ferrous scrap as a strategic secondary raw material. Targeted measures and tools are needed to retain this critical

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resource within the EU, ensuring greater availability and quality to support the industry's decarbonisation efforts while safeguarding Europe's industrial competitiveness and strategic autonomy.

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Notes for editors

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About the European Steel Association (EUROFER)

EUROFER AISBL is located in Brussels and was founded in 1976. It represents the entirety of steel production in the European Union. EUROFER full members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations in Turkey, Ukraine and the United Kingdom are members. The European Steel Association is recorded in the EU transparency register: 93038071152-83.

About the European steel industry

The European steel industry is a world leader in innovation and environmental sustainability. It has a turnover of around €191 billion and directly employs around 303,000 highly-skilled people, producing on average 140 million tonnes of steel per year. More than 500 steel production sites across 22 EU Member States provide direct and indirect employment to millions more European citizens. Closely integrated with Europe's manufacturing and construction industries, steel is the backbone for development, growth and employment in Europe. Steel is the most versatile industrial material in the world. The thousands of different grades and types of steel developed by the industry make the modern world possible. Steel is 100% recyclable and therefore is a fundamental part of the circular economy.

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