A EUROPEAN STEEL ACTION PLAN

Together for a **Sustainable** and **Resilient** European Steel Sector with **Good Industrial Jobs**!

INTRODUCTION

An innovative, green, and competitive domestic EU steel industry is essential to meet Europe's Green Deal ambitions, to ensure Europe's economic resilience as well as the EU's aims for an open strategic autonomy. It is also a major generator of jobs, providing over **300,000 direct jobs** plus **2.3 million indirect jobs in Europe**, being the foundation of other key industrial value chains. It is also a leading sector in the green transition, with the European steel industry engaging and progressing on decarbonisation, with companies launching a number of breakthrough emissions reduction projects which has not been matched in other regions of the world.

However, the ever-increasing **steel excess capacities** in third countries and **unfair trade practices** threaten the viability of the European steel sector and hinder further investments in green steel made in Europe. Moreover, **high energy costs and growing carbon costs** have eroded Europe's industrial competitiveness, as recently highlighted in the so-called Draghi Report[1].

European steel-intensive value chains, including electric vehicles, trains, wind, solar and electrolysers, are experiencing similar trends as the EU steel industry, and are now under existential threat. The European Commission's new focus on industrial competitiveness[2] and its plans to develop a **Clean Industrial Deal** and an **EU Steel and Basic Metals Action Plan** (Action Plan) are welcomed by the steel social partners both at European and national levels as well as by Members of the European Parliament (MEPs) from across different political groups, steel producing regions and EU Member States (MS).

An urgent Action Plan with a holistic set of EU policy measures is required to ensure an internationally competitive and climate-neutral steel production with quality jobs in Europe for today and years to come. We call for the establishment of a strategic dialogue for the steel industry to agree on immediate short-term measures. Europe needs steel and steel needs Europe!

300,000 direct jobs

2.3 million indirect jobs

[1] The future of European competitiveness, Mario Draghi, European Commission
[2] EUROPE'S CHOICE - POLITICAL GUIDELINES FOR THE NEXT EUROPEAN COMMISSION 2024–2029, Ursula von der Leyen, European Commission

AN EU TRADE POLICY THAT WORKS FOR INDUSTRIAL RESILIENCE

Worsening **global steel excess capacity** – according to the OECD at **over 550 million tonnes**, four times more than annual EU steel production – is an existential threat to the sustainability of the European steel industry. In addition to China, excess capacity is now also proliferating in Southeast Asia, North Africa and the Middle East, and is expected to significantly increase over the next three years.

This overcapacity is undermining the viability of the EU steel sector in two ways. Firstly, China is massively exporting steel worldwide at prices below the cost of production, which is severely depressing prices. Secondly, these exports are forcing other regions to divert steel to the EU market. In addition to China, new sources of excess capacity are being build up, notably in North Africa, the Middle East and the ASEAN region. **Steel excess capacity is now a truly global crisis.**

In addition, many third countries are protecting their own domestic markets against steel imports, including the US which has put in place section 232 tariffs for steel products. These tariffs, which are not in line with WTO rules, have been replaced with tariff rate quotas for the EU, however, they continue to significantly affect EU producers.

Should we fail to address this spill-over, more EU steel capacities will be idled, with the threat of permanent closures beco- ming more real by the day. This would result in thousands of job losses affecting not only direct jobs but also indirect jobs due to the impact on the supply chain. Moreover, the EU steel industry would lack the financial capacity to invest in its green transition to contribute to the EU's and global climate objectives. We cannot allow the EU to become a steel processing region only, the EU must be able to make primary and secondary steel!

The signatories call on the European Commission and Member States to:

- **Urgently strengthen and ensure assertive enforcement of the EU Trade Defense Instruments** – anti-dumping, anti-subsidy and safeguards tools - to stop unfair trade practices and circumvention in the short-term.
- Adopt a **structural solution to comprehensively stop the spill-over impact of the persisting and worsening global excess capacity,** replacing the current steel safeguards, which end in 2026, with a more robust tariffication regime and measures taking into account WTO rules.
- **Conclude an international agreement for sustainable steel** in line with CBAM and in full compliance with WTO rules

AN EFFECTIVE CARBON BORDER ADJUSTMENT MECHANISM TO PREVENT CARBON LEAKAGE

The **Carbon Border Adjustment Mechanism (CBAM)** aims to gradually replace the current system of partial Emission Trading Scheme (ETS) free allowances as a carbon leakage protection measure. However, the CBAM is an unprecedented and untested measure, which risks being undermined by resource shuffling by third countries exporters that will focus clean steel production to the EU, while diverting more carbon intensive products to third countries. Moreover, with the new system steel produced in the EU will be exported on global markets with an additional carbon cost already in 2026, which will increase exponentially in the period up to 2034.

It is therefore critical that the effectiveness of CBAM is properly monitored and secured within the entire-value-chain, including downstream sectors, as also highlighted in the Draghi report[3]. Urgent solutions must be found for any issues identified during the monitoring phase.

The signatories call on the European Commission to:

- Introduce **urgent measures to preserve steel exports and to avoid circumvention, resource shuffling and delocalisation of downstream sectors;** monitor **the transition from free allocation** to CBAM **and immediately take the necessary action** if these measures are not effective.

[3] The future of European competitiveness – In-depth analysis and recommendations, Mario Draghi, European Commission, pages 103-105

The EU steel industry is at a competitive disadvantage to other producing regions with regard to energy costs, as recently recognised in the Draghi Report on competitiveness[4].

These high costs are due to the impact of fossil-fuels on electricity prices, as well as regulatory costs such as network tariffs, capacity mechanisms and renewable levies. If unaddressed, this will not only put the current EU steel production at risk but also prevent the European steel sector from being able to decarbonise, since access to clean electricity remains central to the green transition. As such, we welcome and look forward to the adoption and concrete implementation of the "EU Action Plan to Bring Down Energy Prices" for civil society, companies, and industries.

Hydrogen has a key role to play, and we are concerned that the policy framework governing hydrogen adopted so far will not deliver affordable hydrogen at scale with the industry's needs. Urgent measures are needed to reduce energy costs in order for the green transition to become a reality.

AN EU ENERGY POLICY FOR CLEAN AND AFFORDABLE ENERGY

We call on the European Commission to:

- Adopt measures that **transfer the cost-efficient benefits of renewable and low carbon electricity** to consumers, including energy-intensive industries and households.
- **Minimise the regulatory and market related costs** – e.g. network tariffs, capacity mechanisms, renewable levies - that impact energy bills.
- Review immediately and revise relevant legislation to **spur domestic production of renewable and low carbon hydrogen.**

EU POLICY TO CREATE GREEN LEAD MARKETS FOR GREEN STEEL MADE IN EUROPE

We call on the European Commission and Member States to:

- Promote an **EU labelling system for green steel**, developed with the social partners and taking into account existing European Initiatives.
- Review relevant EU legislation to **promote green steel made in EU in public procurement and in public auctions**, including in the forthcoming review of the EU Public Procurement Directive.
- **Introduce incentives to use green steel in key downstream sectors** such as automotive and construction.

The creation of **green lead** markets is essential to drive demand for green steel made in Europe. The demand for Low-CO2 steel should be stimulated through public procurement and in public auctions, for instance by introducing non-price award criteria, including environmental, resilience and social conditionality. A well-recognised labelling system for green steel should be developed by industry and stakeholders, to be used as a benchmark and reference to allow green steel on lead markets.

[4] The future of European competitiveness – In-depth analysis and recommendations, Mario Draghi, European Commission, page 5

EU POLICY TO SUPPORT INVESTMENTS IN THE TRANSFORMATION

The transformation to clean production technologies requires unprecedented capital investment and will result in significantly higher operational cost during the transition. The financial needs until 2030 are estimated today at around €30 billion for capital expenditures (CAPEX) and €55 billion for operating expenditures (OPEX), **totalling more than €85 billion**[5]. The signatories of the pact call on European and national authorities to review their spending and dedicate financial resources for support of industrial scale projects for decarbonisation.

We call on the European Commission and Member States to:

- Launch as soon as possible **dedicated calls of the Innovation Fund for CBAM sectors**, as foreseen by the ETS Directive.
- Focus the **earmarking of ETS revenues for the decarbonisation of steel and other energy-intensive industries.**
- Work on **stimulus packages at Member State and EU level** to kick-start industrial production with social conditionalities for all public funding.
- Re-assess the fiscal framework for the upcoming years **to ensure that public investment in the steel and basic metals sectors is possible in all EU Member States.**
- Ensure that EU budget and other EU funds secure **adequate funding for all industrial regions exposed to unprecedented social and economic challenges** due to the climate transition.

[5] https://www.eurofer.eu/issues/climate-and-energy/maps-of-key-low-carbon-steel-projects

SECURE ACCESS TO CRITICAL RAW MATERIALS FOR STEEL

European steel production requires many **critical raw materials (CRMs)** such as nickel, graphite, manganese. We support recent initiatives undertaken by the EU, including the Critical Raw Materials Act (CRMA), to increase domestic production and the recycling of CRMs. However, the supply of CRMs will remain a challenge, and it is therefore important to diversify and ensure fair and sustainable access to CRMs from third countries.

Steel scrap is a strategic secondary raw material for the European steel industry, as it contributes to environmental goals by reducing the use of virgin raw materials, energy and CO2 emissions. Demand for steel scrap is likely to increase substantially as a result of ambitious climate policies. Therefore, scrap exports to third countries without comparable environmental and social standards need to be restricted, to ensure that the use of ferrous scrap generated in the EU contributes to sustainability objectives aligned with the EU ones.

The signatories call on the European Commission and Members States to:

- Recognise **steel scrap as a strategic secondary raw material** under the Critical Raw Materials Act.
- Ensure the **robust implementation and effective enforcement of the revised EU Waste Shipment Regulation** to ensure compliance with the EU environmental standards in third countries and avoid circumvention.
- Secure a **sustainable and diversified raw materials supply** by leveraging bilateral Free Trade Agreements, granting reciprocal market access and eliminating illegal export bans and other distortions.

EU SOCIAL POLICY FOR GOOD INDUSTRIAL JOBS

Europe has a longstanding and proud history of steel production, and steel workers take pride in their work which is the foundation of European manufacturing. These are good quality jobs, with decent pay and working conditions, and high health and safety standards. We strive for full respect to all EU legislation on workers' rights including to information and consultation, especially during the twin transition of the sector.

The twin transition creates uncertainty for steel workers and steel regions. As such, it must be managed properly between the social partners, with support from public authorities, to **ensure that transitions are fair and just, leaving no one behind**. Social partners need to work together, anticipate and manage the change to ensure job-to-job transitions for all affected workers. Financial support, as well as, reskilling and upskilling are essential, and regions and Member States have an important role to play in ensuring a successful transition of the steel sector.

The signatories call on the European Commission and Member States:

- To support **social partners in ensuring that the twin transition of the steel sector is fair and just**, with no steel workers or steel region left behind.
- To provide adequate resources for the forthcoming **EU Just Transition Observatory** with the involvement of sectoral social partners.
- To come forward with an **EU Directive on Just Transition**.
- To ensure **effective implementation of the European Pillar of Social Rights**.

CONCLUSIONS

We commit to engage at all levels with the aim to work together towards a sustainable and competitive future for the EU steel sector and its workers. With thousands of jobs at stake, all stakeholders need to come together to find solutions to transform the steel sector, while leaving no steel workers or steel producing region behind.

Steel is at the heart of manufacturing in Europe and is crucial in meeting Europe's green deal ambitions. We need a EU Steel and Metals Action Plan that stands up for green steel made in Europe, by European steel workers!

This initiative is coordinated by

industriAll EUROPEAN TRADE UNION

EUROFER THE EUROPEAN STEEL ASSOCIATION