

## EU proposals on Emissions Trading and Carbon Border Adjustment derail the green transition

### Open letter by the CEOs of the EU steel industry to the European Parliament and the Member States

The European steel industry is a strategic sector for the EU's green transition, economic resilience and independence. We have clear plans and concrete projects to reduce our sector's CO<sub>2</sub> emissions by at least 55 percent by 2030 and to achieve climate-neutral steel production in the European Union by 2050. These commitments represent a truly industrial revolution that requires a massive €30 billion capital investment in breakthrough technologies over the coming eight years and a significant increase in operational costs stemming from the use of decarbonized electricity and hydrogen.

However, European legislators are now considering proposals on the EU's Emissions Trading System (ETS) and the Carbon Border Adjustment Mechanism (CBAM) that undermine our capacity to invest in these projects and derail the transition to green steel production in Europe.

The proposals weaken carbon leakage protection of our industry in the domestic and global markets, favouring international competitors which are not subject to equivalent carbon costs. In Europe, new allocation rules will suddenly reduce the main CO<sub>2</sub> benchmark by around 40 percent – because of one plant that was previously not in the scope – and set a value which no company can achieve in just three years. This is due to a premature transition from the free allocation and indirect cost compensation system to a CBAM which has not yet been tested. Circumvention and resource shuffling are only a few of the many risks that could undermine the CBAM's effectiveness. Moreover, the CBAM does not yet foresee any measure to preserve the EU's 20 million tonnes of steel exports per year, worth €45 billion, and the 30,000 jobs that are directly dependent on these.

The proposals also remove massive allowances from the market, further driving the carbon and electricity price in Europe at a time when businesses and households are struggling with skyrocketing energy costs and inflation. Finally, they fail to capture the much higher carbon footprint of stainless steel imports derived from the embedded alloying elements.

We call on the European Parliament and Council to immediately address these concerns and in particular to:

- Avoid further scaling back existing carbon leakage protection until the CBAM has proven its effectiveness and a solution for exports is in place;
- Prevent a sharp decrease in free allocation for existing steel plants which would result from a modification of the benchmark scope. Instead, low carbon technologies must be rewarded without reducing prematurely benchmark values, at least in the first years when such technologies are introduced at an industrial scale.

The aforementioned changes to the ETS and CBAM will allow us to make the green steel transformation happen now within the EU. Our investments will greatly benefit climate protection, the EU's industrial competitiveness, and hundreds of thousands of jobs across the EU.

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Bernhard Osburg, CEO, thyssenkrupp Steel Europe  
AG

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Lorenzo Riva, CEO, Riva Group

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Ionel Bors, President, UniRomSider – Romanian Steel Producers' Union

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