

Press release

Prohibitive energy and carbon prices set to stall steel industry decarbonisation while endangering thousands of jobs: EU Leaders must act, warns EUROFER

Brussels, 16 December 2021 – Continued prohibitive energy prices coupled with skyrocketing carbon prices, above 90 euros, risk derailing the ambitious decarbonisation plans of the steel industry and make plant closures across Europe more likely. EU Leaders must act swiftly and ensure climate goals are met while preserving the viability of strategic industrial sectors. This is the warning of the European Steel Association (EUROFER) on the occasion of the European Council and ahead of the Environment Council of next week, where the Fit for 55 Package will be discussed among the EU27 ministers.

“Key European industries such as steel cannot bear all the energy crisis and climate costs alone. We need to have the same rights as all other consumers and be in a position to pursue our decarbonisation target of a 55% emissions cut by 2030 through a sustainable transition, or face plant closures with job losses”, said Axel Eggert, Director General of the European Steel Association (EUROFER). “If the transition will not be just, there will be no decarbonisation at all, as steel production will only be moved outside the EU and the European market flooded by ‘dirty’ cheap steel from third countries such as China, Russia or Indonesia”.

In the last months, energy-intensive companies that are most exposed to price spikes have already been forced to react by curtailing and/or temporarily closing plants. Gas and electricity prices have been rising exponentially, registering 4-to-5-time increases in comparison to last year. In particular, carbon price spikes, nearing 100 euros as imminent prospect and 200 euros in the next years according to analysts, will continue to be passed on in electricity prices.

“The EU toolbox is proving to be insufficient: this unprecedented crisis requires additional initiatives by EU Leaders and needs to be taken into account in the climate legislation, in particular the Carbon Border Adjustment Mechanism (CBAM) and the revision of the EU ETS”, said Mr Eggert.

According to EUROFER’s impact assessment, the additional direct carbon costs for the steel industry – with the combined effect of CBAM/ETS on the free allocation phase out – will be of nearly 14 billion euros in 2030. Even if the climate target of a 55% CO₂ emissions reduction from 1990 levels will be met by the sector by 2030, there will be further carbon costs of 8,4 billion euros, on top of 25 billion euros needed for investments in clean technologies and annual free-CO₂ electricity needs of nearly 150 TWh. In practice, this means that in 2030 an average EU steel

company retrofitting its plant with clean technology will face 400 million euros carbon costs, while a similar non-EU company exporting its 'dirty' steel in the EU market will bear only 30 million euros of costs, despite the CBAM levy at the border. Therefore, the green steel 'made in EU' would cost **additional 85 euros per tonne compared to the carbon intensive steel exported by third country competitors (?)**.

"This situation is unsustainable and seriously threatens our low-carbon projects. We invite the Commission to revise its impact assessment, and ask both the Council and the European Parliament to reconsider the ETS free allocation phasing out in close conjunction with the CBAM, or it will become a Trojan horse for 'dirty' steel in the EU market", concluded Mr Eggert.

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 members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations in the United Kingdom and Turkey are associate 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 €170 billion and directly employs 330,000 highly-skilled people, producing on average 160 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. As a basic engineering material, steel is also an essential factor in the development and deployment of innovative, CO2-mitigating technologies, improving resource efficiency and fostering sustainable development in Europe.