WIRTSCHAFTS VEREINIGUNG Stahl

Statement on the Draft Implementing Regulation for

Minimum Requirements on Environmental Sustainability in Public Procurement (NZIA-Implementing Act)

Brussels, 14 October 2025

Executive Summary

The European steel industry fully supports the *Net-Zero Industry Act* (NZIA) as a key driver for accelerating clean technology deployment.
Steel is an **essential material for the EU economy as well as a strategic industrial and net-zero enabling material**, indispensable for EU climate neutrality and serving as a core input for solar, wind, hydrogen and grid infrastructure. Steel is also of strategic importance for increasing the Union's defense and military capabilities. Public procurement must therefore go beyond recyclability and expressly recognize European-produced low-emission steel manufactured under stringent climate standards as an essential enabler to strengthen industrial resilience and strategic autonomy.

For simplicity and easier implementation, in the wind energy sector, for example, **sustainability criteria should apply to both blades and at least steel-intensive towers,** with emissions performance certified through harmonized frameworks such as the *Low Emission Steel Standard* (LESS) and digital product passports, as steel accounts for up to 83 % of total product emissions.[1]

Lead markets are a crucial tool to drive demand for low-emission steel while safeguarding European industrial capacity, jobs, and strategic autonomy. By combining environmental and European content criteria, public procurement **can stimulate investment in decarbonization technologies, de-risk large-scale projects, and create long-term demand signals** for EU-made clean steel. The wind sector illustrates the potential: using low-emission steel in a 15 MW offshore turbine increases CAPEX by less than 2 % and electricity costs by ~1 %, demonstrating that industrial decarbonization is economically feasible.

By linking lead markets such as wind energy with targeted political instruments – including public procurement criteria, classification standards like LESS, and digital product traceability through DPPs – the NZIA can ensure that low-emission steel produced in Europe is not only available, but also **actively demanded and deployed**.

In doing so, steel becomes more than a material input – it becomes ***a cornerstone of Europe's industrial competitiveness and climate leadership***.

To translate this strategic vision into concrete action, several key enablers must be addressed. The following sections outline the main levels for achieving these objectives by:

- **Supporting lead markets,**
- **using the Net-Zero Industry Act to increase demand,**
- **and establishing credible labelling mechanisms.**

All these objectives can position low emission steel as a competitive advantage for Europe's industry and a cornerstone of its climate transition.

[1] Transforming the Steel Industry: Climate Challenge | BCG Exhibit 2

Lead Markets as a key instrument for the competitiveness of European industry

Both the *Clean Industrial Deal* and the *Steel and Metals Action Plan* highlight lead markets as essential tools to accelerate the decarbonisation of energy-intensive industries. Unlike supply-side measures such as CO_2 pricing or public funding, lead markets serve to drive demand for low-emission steel. These demand-pull mechanisms serve as a bridge, ensuring demand for early volumes of CO_2-reduced steel, which is initially more expensive than conventional products, until it becomes established on the market.

Steel is an indispensable material for the Union's economy, including for its resilience and ecological transition. It is used in a wide variety of sectors, such as buildings, infrastructure, railways, automotive, shipbuilding, windmills, industrial tools and machinery, and household appliances, among others. **Steel is also of strategic importance for strengthening the Union's defense and military capabilities which finally also lead to the new proposed safeguard measures** to protect the EU steel industry from diversion of excess steel production to the EU.

To support the transition to climate neutrality of European industry, it is essential that lead markets combine sustainability and European content criteria. Otherwise, there is a risk that European lead markets will be predominantly served by products from third countries, which would undermine rather than support the economic viability of investments in decarbonisation in the EU. Lead markets for low-carbon materials such as steel must therefore be accompanied by robust European content criteria to ensure that the benefits of industrial transformation remain in Europe. **European content criteria are essential to secure Europe's industrial capacity, preserve high-quality jobs and maintain strategic autonomy in key value chains.** They help ensure that public investment in decarbonisation creates tangible economic and social added value within the EU, rather than shifting demand and emissions abroad. Furthermore, by linking sustainability objectives to regional value creation, European content rules strengthen the political and social legitimacy of the green transition and promote public support for large-scale industrial transformation.

European Public procurement is a strong policy instrument to create lead markets for clean technologies and low-emission materials, which account for 15% of the EU-wide GDP. By setting clear environmental and resilience criteria that directly value European-made low-emission steel, public procurers can strengthen industrial resilience and safeguard critical supply chains essential for Europe's clean energy transition. For the steel sector, such lead markets are crucial. Clean energy projects such as solar farms, wind parks, hydrogen networks and power grids are impossible to realise without significant amounts of steel. If procurement rules explicitly reward the use of low-emission and circular steel from EU and Germany, this will **stimulate demand for low-emission steel and accelerate the shift to low-carbon production routes in Europe.**

Public procurement not only drives market demand, but it also provides investment certainty for companies undertaking costly decarbonization projects. Clear criteria and predictable demand signals help to de-risk large-scale investments in breakthrough

technologies such as hydrogen-based steelmaking and electric arc furnaces. In doing so, public procurement can act as a bridge between early-stage innovation and market maturity, ensuring that Europe captures the economic and environmental benefits of its green industrial transition.

Lead markets must therefore be designed to reflect both environmental performance and industrial competitiveness. Restricting sustainability criteria to recyclability alone risks ignoring the potential of creating lead markets in a steel-intense sector. Instead, public procurement should also value the use of low-emission steel, produced in Europe under stringent climate and environmental standards. In off- and onshore wind farms, for example, criteria should not only address the recyclability of blades but also the emission-intensity and recyclability of towers, which represent a large share of the material input and are predominantly made of steel. Emission-intensity should be certified by third party on the base of an approved label. To ensure transparency and comparability, procurement authorities should make use of harmonized standards such as the *Low Emission Steel Standard* (LESS) and digital product passports, enabling reliable verification of environmental performance across supply chains.

NZIA as a supporter to create lead markets for low-emission steel

According to the NZIA, wind turbines are among the strategic net-zero technologies. By specifically considering low-emission steel in procurement, these can act as lead markets, stimulating demand and investment in climate-friendly basic industries such as steel production.

Wind energy is a key demand sector, especially for (primary) flat steel, particularly in turbine towers, which account for a large share of total weight. Electric arc furnaces also contribute, supplying components such as mechanical parts and rebar for foundations. Therefore, on- and offshore wind farms are one of the key lead-market levers for low-emission steel products, providing incentives for investment in climate-friendly technologies.
Steel accounts for a significant share of CO_2 emissions generated during the production of windmills – emissions that could largely be avoided using low-carbon steel. According to the Boston Consulting Group, up to ***83% of avoidable product emissions*** of a conventional offshore wind turbine can be attributed to steel.[2] The use of low-emission steel in a 15 MW offshore wind turbine incurs additional costs of only around €900,000, which corresponds to less than 2 % of the total capital investment of €45 million. This translates to an increase in the levelized cost of electricity of only about €0.50 per MWh, or roughly 1 % – a modest premium for a substantial climate benefit.[3]

Due to its 1) climate protective potential and 2) its relevance in the wide variety of sectors mentioned above, emission reduced steel made in Europe and Germany must be

[2] Transforming the Steel Industry: Climate Challenge | BCG
[3] White Paper, The Winds of Change, By Nicole Voigt, Lars Holm, Marie-Luise Meyer, Mara Kronauer, Dharanidhar Nalabolu, and Preben Bay, April 2023, Page 4.

recognized as a key building block within the public procurement framework under the Net Zero Industry Act. It must be considered in the resilience criteria, reflecting its status as a strategically relevant input material for all NZIA technologies.

Mutual Dependence Between Clean Tech and the Steel Industry: The steel industry is both a ***key enabler*** and a ***major beneficiary*** of the technologies promoted under the NZIA. Every wind turbine, every solar mounting structure, every hydrogen pipeline, and every CO_2 transport or storage facility relies heavily on steel.
At the same time, the sector itself is undergoing one of the most challenging decarbonisation processes of any industry, significantly increasing its demand for clean energy. This creates a unique ***strategic interdependence***: clean technologies rely on steel as a critical input material, while the steel sector, as a consumer of renewable energy, depends on them. Both sectors therefore have a shared strategic interest in maintaining a **competitive, energy-intensive yet increasingly low-emission industrial base** within the EU.

Public procurement is a powerful tool to stimulate market demand: By embedding sustainability and resilience criteria into public procurement, the NZIA can provide this demand-side pull. **The targeted inclusion of low-emission steel in the criteria for public tenders for wind turbine installations can serve as an effective lever in line with the NZIA to make climate-friendly industrial products marketable.** The recognition of low-carbon steel from Europe in procurement criteria would give investors the certainty that their EU transition projects will meet genuine demand in the EU market. Harmonised and transparent methods for classifying low-carbon steel are available for procurement authorities enabling them to apply robust and comparable criteria. One of these instruments is the *Low Emission Steel Standard* (LESS), which is described below. Over time, extending such criteria from renewable windmills to a wider range of clean technologies will further strengthen the role of steel in the transition to climate neutrality, ensuring that **EU-made, low-emission steel becomes a cornerstone of Europe's industrial competitiveness and climate leadership.**

Furthermore, the introduction of the **Digital Product Passport (DPP)** in the NZIA would not only simplify the documentation of sustainability performance along value chains, but also reduce administrative burdens and harmonise legislation, for example with the **ESPR**. A well-designed DPP system combined with LESS would facilitate compliance by providing a harmonised framework, improving the consistency of legislation and reducing costs for businesses and authorities.

Labelling of Low-Emission Steel: A Foundation for Market Credibility

Clear and credible labelling of low-emission steel is a prerequisite for the success of lead markets. Without a reliable framework to define and differentiate sustainable steel, incentives remain vague and ineffective. The Draft Implementing Regulation should build on existing industry-led initiatives that were specifically designed to provide all information for policymakers to create lead markets and already reflect technical realities and transformation pathways.

One of the most advanced and widely supported frameworks is the ***Low Emission Steel Standard (LESS)***. LESS provides a ***harmonized, transparent, and performance-based classification system***, supported by major European steel producers. It categorizes steel according to its progress in production transformation and reports key indicators such as ***scrap ratio*** and ***Product Carbon Footprint***, allowing for consistent comparison across technologies and facilities.
The core feature of LESS is its sliding scale approach. Steel is rated along a transformation level of the production process, allowing for a nuanced, fair product and process differentiation that reflects the complexity of industrial decarbonization. This system avoids the shortcomings of binary conventional models and aligns with international practice: a recent JRC study found that five out of six major steel labelling schemes worldwide use similar sliding scale frameworks.

Finally, the standard is ***compatible*** with and builds on the ***IEA's near-zero emission definition*** and the ***G7-endorsed global framework***, ensuring international coherence and recognition. It reduces administrative burden by integrating with the EU Emissions Trading System and accepting verified EU ETS data in its audit process, making it both credible and manageable for producers. Its system boundaries reach up to a hot forming, thereby incentivizing transformational efforts across the production process. By providing policymakers and procurers with a ready-to-use, science-based methodology, LESS offers a practical foundation for embedding low-emission criteria into public procurement and for creating credible, competitive lead markets across Europe. In addition, by linking environmental performance with verifiable production data, LESS can also serve as a tool to operationalize resilience and European content criteria in public procurement. This helps authorities support low-emission steel made in Europe, reinforcing industrial resilience and strategic autonomy.

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