WIRTSCHAFTS VEREINIGUNG Stahl

Statement on the revision of the CO_2 standards for cars and vans – 2025/0420(COD)

Political Priorities of the Steel Industry in the Development of a Lead Market in the Automotive Sector

Brussels, 10 September 2026

The German Steel Association welcomes the European Commission's proposal to revise the CO_2 standards for cars and vans. The Commission has put forward a cross-sectoral approach linking climate protection with industrial competitiveness. By introducing a low-carbon steel credit allowing automotive manufacturers to offset up to 7% of fleet emissions, two strategic sectors can support each other in their decarbonisation processes, while establishing the first private sector lead market for low-carbon steel produced in the EU (see Annex Fig. a).

Ongoing discussions in the EU Parliament and Council to bring forward the start date for credit eligibility are highly supported (see Annex Fig. b). European steel producers are ready to satisfy low-carbon steel production demands in Europe by 2030 at the latest, thereby offering flexibility to car manufacturers and enabling significant CO_2 savings to be achieved in line with the gradual transformation of the steel industry.

At the same time, several proposed amendments (e.g. Annex Fig. c) risk diluting the intended demand impact of the mechanism. To safeguard the effectiveness of the credit for low-carbon steel made in the EU and to ensure the Commission's original objective, the German Steel Association emphasizes three key aspects:

(1) Keep the credit shares set out in the Commission proposal,
(2) Preserve an exclusive steel credit share,
(3) Restrict steel credit eligibility exclusively to EU27 + EFTA steel producers

Keep the credit shares set out in the Commission proposal
Several proposals in the Parliament call for a significant increase of sustainable fuel credits without a corresponding adjustment to the low-carbon steel credit. This asymmetry in contrast to the initial proposal might cause a significant reduction of the desired low-carbon steel market. Sustainable fuels have valuable applications in other sectors (aviation and maritime), market demand is created under RED III, thus the automotive sector should remain a key lead market low-carbon steel.

> *Recommendation: The fuel credit should not be increased with adverse effects on steel credits. The current balance between fuel credit and the low-carbon steel credit reflects a deliberate policy choice and should be preserved*

Preserve an exclusive steel credit share
Proposals to bring other low-carbon materials under the same credit category creates uncertainty regarding its specific application. In sum, since the overall 7% ceiling would remain unchanged, every percentage point claimed by other materials would come directly at the disadvantage expense of steel, reducing the expected demand for low-carbon steel. In contrast to the transformation of the steel industry, other decarbonisation processes are more closely linked only to electrification and do not face the same investment challenge. From an industrial policy perspective, a lead market instrument of this kind should therefore be established in the steel sector only, where CO_2 reduction potentials are verifiable and an EU low carbon label will be established first by the Ecodesign framework.

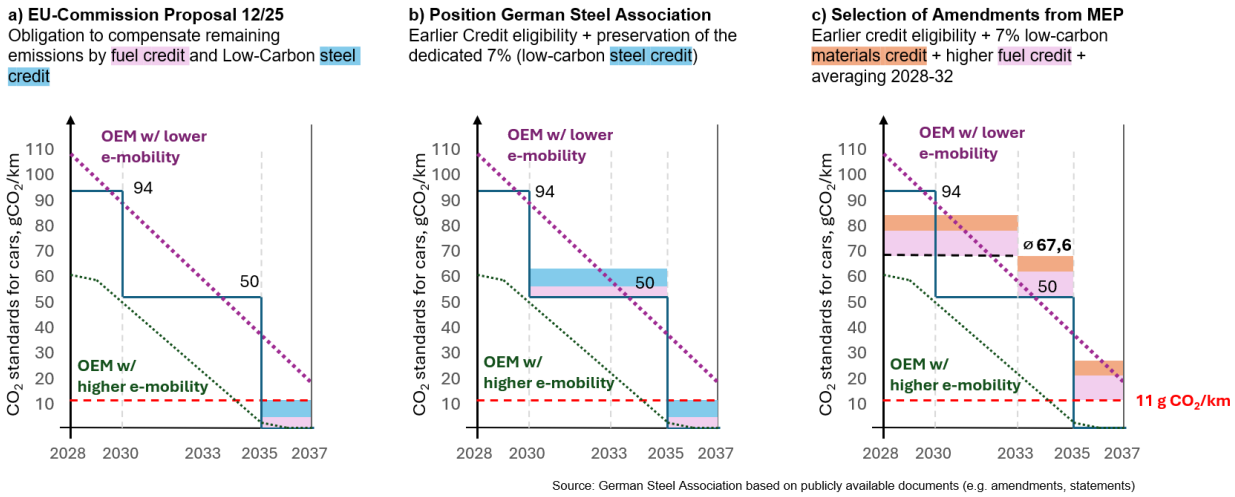
Recommendation: The 7% credit ceiling should remain dedicated to low-carbon steel only and should not be diluted through the inclusion of other materials (to be done in connection with the Industrial Accelerator Act).

Restrict steel credit eligibility exclusively to EU27 + EFTA steel producers

For the low-carbon steel credit made in the EU to genuinely support the domestic industry, it should apply exclusively to steel that is melted and poured within the EU27 and EFTA member states. Without this clarification, the mechanism risks creating a lead market for imported low-carbon steel produced weakening European value chain. In addition, the cross-legislative application of a harmonized melted and poured framework (in line with the new steel trade instrument (EU) 2026/1384) would increase regulatory coherence and significantly limit bureaucratic burden.

Recommendation: Eligibility criteria should explicitly require melting and pouring within the EU27 and EFTA member states.

Annex



What the graph shows:

Three policy proposals for how car manufacturers can meet CO_2 reduction targets within the upcoming years. Manufacturers need to reduce fleet emissions below the blue stepped line. If they stay above it, they must apply credits or pay fines to compensate.

Key elements:

- Blue stepped line: The CO_2 threshold that drops over time. Stay below = no penalty. Stay above = need credits (if eligible).
- Dotted lines (Two OEM types). Violet dotted line: slow shift to electric cars → stays above threshold → needs credits. Green dotted line: fast shift to electric cars → stays below threshold → no credits needed.
- Blocks. Light blue blocks: steel credits the OEM can use. Pink blocks: fuel credits the OEM can use.

The crucial insight:

When fuel credits are increased (right graph: Amendments), the light blue steel credit blocks become much smaller and shift upwards. This means:

- Manufacturers rely more on buying sustainable fuels instead of investing in low-emission steel.
- The policy shifts to smaller lead market for low-emission steel – Made in EU27+EFTA to rewarding sustainable fuel solutions.

In short: Higher E-Fuel credits = fewer steel credits needed = smaller lead market for low-emission steel – Made in EU27 + EFTA.

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