WIRTSCHAFTS VEREINIGUNG Stahl

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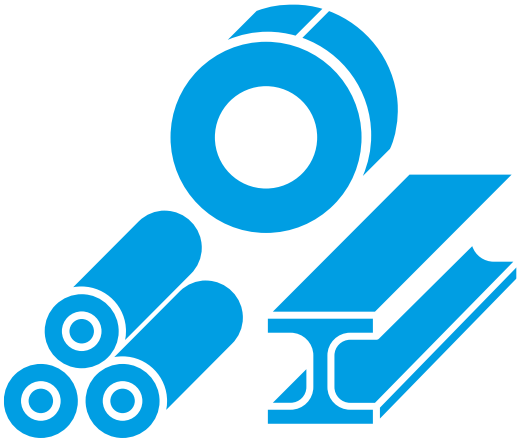
Low-Emission Steel Made in EU

Priorities for the Parliamentary Consideration of the Industrial Accelerator Act



Establishing Lead Markets for Low-Emission Steel Made in Europe

The Industrial Accelerator Act (IAA) must establish reliable lead markets for **low-emission steel made in the EU**[1]. Its objective must be to retain and expand low-emission steel production in Europe. Public procurement and public support schemes must generate predictable demand to support investment in the transition towards climate-neutral steel production and strengthen value chains within the EU.

The European Parliament's joint draft report takes up key steel industry demands, particularly the mandatory link between low-emission steel and production in the EU, as well as the progressive increase in minimum shares for low-emission steel. During parliamentary consideration, these provisions must be secured, while the rules on origin and derogations require targeted improvements. One central priority remains a binding steel-specific definition of origin in Article 7, applicable across all relevant IAA instruments.

The German Steel Association (Wirtschaftsvereinigung Stahl) identifies four priorities:

- **Secure the mandatory link between *Low-Emission* and *Union origin* requirements** in public procurement and public support schemes.
- **Strengthen a binding steel-specific origin definition, based on *melted and poured* in EU-27 and EFTA**,
- **Secure the progressive increase in minimum shares and prevent additional tonnage thresholds.**
- **Raise the cost premium threshold to 40%** and **ensure its assessment at overall project level.**

[1] In this context, the term "low-emission steel" should be used consistently, as the relevant criterion is the level of greenhouse gas emissions associated with steel production, rather than the carbon content of the steel itself.

1. Secure a Mandatory Link Between Low-emission and Union Origin Requirements

We welcome the mandatory link between *low-emission* and *Union origin* requirements proposed in the joint draft report. This link must be retained throughout parliamentary consideration and apply consistently to both public procurement and public support schemes.

The requirements must apply **cumulatively**: the prescribed minimum share of steel must be both low emission and of Union origin. Separately applicable requirements could allow low-emission steel from third countries to fulfil the low-emission requirement while conventional European steel fulfils the origin requirement. This would fail to generate the intended demand for low-emission steel made in EU.

A mandatory link ensures that demand created through public procurement and public support schemes contributes to the transition of European steel production to climate neutrality and strengthens European production capacity.

Priority for parliamentary consideration: Secure the proposed mandatory link and ensure that it is consistently reflected in the relevant articles and both parts of Annex II. An origin requirement applying solely to public support schemes is insufficient.

2. Strengthen Article 7 and Establish a Consistent Definition of Origin for Steel

One priority remains the inclusion of a binding steel-specific definition of origin in Article 7. For steel, *Union origin* must be limited to the EU-27 and EFTA States and determined based on the *melted and poured* approach. The determining factor must be where the steel was originally *melted and poured*.

We support the introduction of a *melted and poured* requirement for steel in the Annex. However, in our reading, the most significant weakness of the draft report is that this stricter definition is established only in the Annex provisions governing public procurement and public support schemes. The general origin framework in Article 7 is not amended accordingly. This risks creating different origin standards within the IAA.

This is particularly problematic for the *low-emission steel credits* in the automotive sector under Article 14. These credits must also generate targeted demand *for low-emission* steel produced in Europe. If the *melted and poured* requirement is established solely in the Annex, the link between European production and demand risks being weakened for steel credits. Merely processing imported semi-finished steel products must not suffice for their recognition as steel of Union origin for the purposes of these credits.

The proposed review of the definition of origin by reference to the Union Customs Code, with a view to a 50% value-added approach and the prevention of circumvention, does not go far enough. While the review provision acknowledges the need to address shortcomings in the general non-preferential rules of origin, it does not establish an immediately binding solution for steel. A value-added approach does not ensure that the steel was originally melted and poured in Europe.

Priority for parliamentary consideration: Introduce an explicit steel-specific definition of origin in Article 7 based on steel being *melted and poured* in the EU-27 and EFTA States. This definition must apply equally to public procurement, public support schemes and low-emission steel credits under Article 14. Provisions allowing third-country content to be treated as equivalent to Union origin must be aligned with this geographic scope. The general review provision must be supplemented by a binding steel-specific rule.

3. Secure Increasing Minimum Shares and Avoid Additional Tonnage Thresholds

We welcome the progressive increase in minimum shares proposed in the draft report. This binding demand trajectory must be retained for both public procurement and public support schemes:

- **25% from 1 January 2029**
- **35% from 1 January 2032**
- **50% from 1 January 2036**

At each stage, the prescribed share must satisfy both the *low-emission* and *Union origin* requirements. This trajectory provides predictability for investment and the expansion of low-emission steel production capacity. The minimum shares must consistently refer to the total volume of steel used in the product or project concerned.

Avoid Additional Tonnage Thresholds

Within the scope of the IAA, the requirements for steel should apply **without additional project-specific tonnage thresholds**. Such thresholds would exclude a substantial share of potential demand and significantly weaken the intended lead-market effect. Alongside major infrastructure projects, the numerous medium-sized construction projects commissioned by regional and local authorities are essential for creating broad and reliable demand for low-emission steel made in the EU. This includes schools, sports facilities, municipal bridges, and transport and utility infrastructure.

High tonnage thresholds, such as 500 or 600 tonnes, would exclude many of these projects and limit the lead market to a small number of major contracts. However, investment in low-emission steel production capacity depends not only on individual large-scale projects but also on the **aggregate demand generated by recurring public contracts**. Broad application would support standardised procurement practices and establish low-emission steel made in the EU as the market standard.

The quantity of steel used is not a reliable indicator of whether the requirements impose disproportionate costs. The relevant factor is their impact on the **total cost of the project**. The cost-based derogation already provides the appropriate instrument for assessing proportionality. An additional tonnage threshold would exclude projects irrespective of whether compliance results in disproportionate additional costs. Municipalities and other contracting authorities should be relieved through **legal certainty and practicable implementation, rather than through exemptions based on tonnage thresholds**. This requires binding and clearly defined sustainability and origin criteria, accompanied by standardised and reliable means of proof. These should include the future **EU steel label under the ESPR**, recognised certificates and

standardised product documentation. Model contract clauses and digital, once-only verification procedures should further facilitate implementation.

By contrast, tonnage thresholds would create additional calculations and questions of scope, particularly where projects comprise several construction phases or contract lots and could incentivise artificial contract splitting. **Uniform substantive requirements and simple, binding verification procedures therefore offer a more effective means of reducing administrative burdens while preserving the full lead-market potential of public procurement.** General public procurement thresholds remain unaffected.

4. Raise the Cost Premium Threshold to 40% of the Total Project Cost

The derogation for disproportionate additional costs must not undermine the binding lead market requirements. We therefore welcome the proposed increase of the cost premium threshold to 40%, explicitly assessed against the total cost of the project or the overall investment receiving public support. In any event, the threshold must not be set below 25%.

A premium for low-emission steel may appear substantial when assessed at the level of an individual steel product, while its impact on the total cost of a building or infrastructure project may be considerably smaller. An assessment at material or component level would therefore trigger the derogation prematurely and weaken demand for low-emission steel made in EU.

Priority for parliamentary consideration: Raise the cost premium threshold to 40% and explicitly establish the overall project or investment as the basis for assessment in the relevant articles. A derogation should be available only where the additional costs attributable to the requirements demonstrably exceed 40% of the total cost of a comparable project or investment without those requirements. The use of derogation must be justified and verifiable.

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