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CC : MEP Jens Gieseke

Brussels, November 29

Subject: new Clean Industrial Deal – launching green-lead markets with low-carbon steel quotas in the automotive sector

We, the signatories of this letter, strongly support the new Commission's priorities on decarbonisation, industrial transformation and resilience of the Union. *"The next five years will define Europe's place in the world for the next five decades"*; this statement by President von der Leyen is particularly true for our basic and vital industries, which must be able to engage massive investments in decarbonisation while remaining competitive in a fierce global market. **This can only happen by creating green-lead markets, which must become one of the pillars of the upcoming new Clean Industrial Deal.**

This can be a concrete way to translate the objectives of Articles 22ab of RED3 into actionable policies, and to establish the link between the two von der Leyen terms: one to show the way on decarbonisation, the other to commit the road ahead. **Such innovation in regulation is an essential but, at the same time, complex move. Key to its success will be to pave the way with an impactful first market: steel in the automotive sector offers unique characteristics to succeed,** as outlined in Draghi's report on the future of European competitiveness.

While steel production is responsible for 7 to 8% of global climate warming emissions, utilising both scrap and direct reduced iron (DRI) will be key to decarbonising the steel industry, offering a major opportunity to sustain and revitalize our EU-based production. The steelmaking industry is characterised by long investment cycles, and the IEA recommends commissioning two DRI units per month starting in 2026 worldwide in order to meet our Net Zero targets. **It is therefore urgent that policymakers accelerate this sectoral transition.** With 60 major decarbonisation projects identified across the continent for this decade¹, the EU can lead the way and position itself at the forefront of the net-zero steel industry global transition. **However, the majority of the final investment decisions (FIDs) needed are still pending,** notably due to the lack of predictability on the business case and market for low-carbon products, which at least in the short term will represent a cost premium.

Public support schemes are a first way to tackle this issue, and they'll be crucial for commissioning the initial DRI units and scaling up low-carbon steel production; we welcome the positive dynamics on this at both EU and Member States level. **But given the scale and the pace of the required transformation, subsidies alone will not be enough: we must also regulate downstream sectors of the steel industry and establish lead markets for low-carbon steel.**

The automotive sector is a main user of steel and accounts for 17% of the EU steel consumption. Automotive steel consumption is characterised by high quality and traceability requirements and is therefore well suited to be a "lead market" for low-carbon steel. According to numerous studies,

¹ [Low-CO2 emissions projects in the EU steel industry](#), Eurofer

incorporating green steel into car manufacturing would add only a negligible additional cost to the price of a new car in the 2030s, with near cost parity expected by 2040².

By introducing maximum carbon content targets for the steel used in new cars sold in Europe, and a subquota ensuring the progressive ramp-up of *non-fossil steel* – including both primary steel produced using renewable and/or electrolytic low-carbon hydrogen and high-quality recycled steel scrap –, this would not only help reduce vehicles' non-tailpipe production emissions, but also help pioneer a framework supporting the industrial targets set by RED3. Such an approach also avoids side effects on EU industrial competitiveness – EU located cars manufacturers wouldn't be affected on the share of production they export to 3rd countries – and can contribute to unlock the steel transition beyond the EU – 3rd countries located cars manufacturers would have to comply with low-carbon steel quotas for the cars they export to the EU.

Therefore, the signatories urge the European Commission to:

- **Provide support and expertise to the co-legislators so that they can introduce maximum carbon content for steel and a non-fossil steel subquota in the Regulation on circularity requirements for vehicle design and end-of-life vehicles.** Such targets and subquotas shall be progressive, ambitious but also realistic. The revision of this text also provides an opportunity to anticipate the future evolution of certain emerging markets that will eventually replace products or materials made from fossil-based inputs, such as the plastic used in cars (partly derived from polyamides produced using hydrogen).
- Use the above-mentioned EU work to start global negotiations on the transition of the steel sector, **putting the subject on the agenda of COP30, and therefore initiating at a global level a wider move toward green-lead markets.**

The European industry is well positioned to produce high-quality commodities that can bolster its sovereignty and advance its climate goals while remaining competitive on a global stage. Securing the billions of investment needed to green steel production will be highly dependent on having a clear market demand and offtake, however. **The opportunity to create a European, and ultimately a global, market for low-carbon steel is a timely initiative that could ignite a major shift in our industrial development by paving the way for the creation of other green-lead markets with the new Clean Industrial Deal, and the reinforcement of EU climate diplomacy.** We look forward to working with the new Commission to deliver these objectives in the new mandate.

² Notably "[Cleaning up steel in cars : why and how ?](#)", Transport and Environment, 2024

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