



ANNUAL REPORT
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EUROFER
THE EUROPEAN STEEL ASSOCIATION

Foreword by the President & Director General



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President
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After two challenging years during which the pandemic took most of the world hostage, we would not have expected to begin this new edition of our Annual Report during a war on European soil. On 24 February 2022, Russia's brutal invasion of Ukraine became another watershed moment in our recent history, leading to a new crisis after COVID-19. A series of sanctions packages has been deployed against Russia since then, with the aim of bringing the conflict to an end, but at this stage its evolution remains largely unpredictable.

These circumstances have exacerbated an already dire economic situation. Heavy supply-chain disruptions, soaring energy and carbon prices, shortages in raw materials and high inflation – already experienced before the war in Ukraine – have worsened over the past months. Such high uncertainty has already taken its toll on growth prospects for 2022 and 2023: a new recession could be looming on the horizon, and a 'stagflation' scenario cannot be excluded.



Axel Eggert

Director General
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The steel sector is not immune to this negative combination of circumstances. After the slump in 2020 due to the COVID-19 crisis, a strong rebound in steel demand (+15.2%) followed in 2021. However, recovery progressively slowed down in the second half of the year due to supply-chain issues in downstream sectors and skyrocketing energy prices. The impact on steel-using sectors, in particular automotive, has slashed the outlook for apparent steel consumption, which is expected to be negative (-1.9%) in 2022 for the third time in four years. Steel-using sectors' output recovered (+7.3%) after the pandemic shock, but in 2022 its growth is forecast to be modest (+2%).

Another worrying trend has appeared over the past year: a massive surge in EU steel imports from third countries (+32%). This reinforces the need to keep safeguard measures in place after the upcoming review by the European Commission. Moreover, following the sanctions imposed on Russia and Belarus, the Commission redistributed their tariff-free quotas among other countries and liberalised trade with Ukraine for a period of twelve months, including the suspension of anti-dumping measures on steel, to support the country's economy in this dramatic situation.

At the same time, EU policy makers see decarbonisation as even more urgent, given the geopolitical necessity to ensure EU strategic autonomy and reduce reliance on third countries for fossil fuels. The European steel industry is prepared to do its part, with 60 low-carbon projects ready to be deployed at industrial scale across the EU by 2030 with an abatement potential of over 80 billion tonnes of CO₂ per year. This represents a cut of more than one third of our industry's CO₂ emissions in just eight years, and -55% compared to 1990 levels.

However, the provisions currently included in the Fit for 55 package, presented in July 2021 by the Commission and now progressing fast in the legislative process, are not conducive to these ambitious climate goals. On the contrary, the revision of the EU Emissions Trading System (ETS) and an ill-designed Carbon Border Adjustment Mechanism (CBAM) jeopardise our industry's investment plans for these low-carbon projects, with over €8 billion of extra regulatory costs per year, even with such a significant reduction in emissions. Speedier and stronger funding support will also be key to success.

EUROFER will continue to push for strengthened carbon leakage protection, together with faster access to affordable and alternative energy. In particular, the production of hydrogen needs to be boosted and industrial end-users should be granted priority access to it. Another strategic priority is to ensure access to scrap, and avoiding its export to third countries with lower environmental and social standards. In this regard, the Commission proposal for the revision of the Waste Shipment Regulation is a crucial file for EUROFER.

The European steel industry is committed to overcoming all these challenges, while reaffirming its strategic importance for the EU and its crucial role in tackling climate change. Despite uncertain times ahead of us, we are determined to navigate safely through them as we have been doing so far.

We hope you find the EUROFER Annual Report 2022 an interesting and useful read.

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Introduction



Axel Eggert

Director General

The European Steel Association (EUROFER)

After its worst recession on record (-6%) in 2020 due to the COVID pandemic, in 2021 the EU economy experienced a strong rebound (+5.3%), where industry played a key role. However, worsening supply chain disruptions, soaring energy and commodities prices began to impact on the EU's recovery by restraining growth in the second half of the year, especially in the last quarter of 2021 (-0.2%).

Following the invasion of Ukraine by Russia, the outlook for 2022 is even gloomier. The steel sector, after a considerable rebound in output in 2021 (+7.3%) ensuing the slump in 2020 (-8.4%), also faces slashed growth prospects in steel-using sectors' output (+2%), with automotive being the most affected sector.

In 2021, apparent steel consumption in the EU recorded 149 million tonnes, a +15.2% increase compared to the previous year's performance impacted by COVID. Imports massively increased to 39 million tonnes (+31.9%) and held a 26% share of the market. Yet, there is significant uncertainty as to when normality for the economy and the industry will be restored.

Over the past year, also EUROFER, as an association, had to cope with these unprecedented circumstances while progressing on all its policy areas, from trade and environment to climate and energy.

In July 2021, the European Commission prolonged the EU steel safeguard measures for three years, before a review foreseen ahead of June 2023. However, already in December 2021 the Commission initiated its yearly technical review on the functioning of the safeguards to be concluded by the end of June 2022. EUROFER is convinced that a continuation of the EU steel safeguard is necessary to stabilise imports due to the ongoing risk of trade deflection in a context of worsening global steel overcapacity.

Meanwhile, anti-dumping measures were imposed against hot-rolled flat products from Turkey as well as anti-subsidy measures on stainless steel cold-rolled flat products from Indonesia and India. Several anti-dumping duties were also renewed on products from China, Russia, the US, Japan, South Korea and Taiwan. Further trade cases submitted by EUROFER are underway, including on products from China, Brazil, Turkey, Russia.

The circular economy and recycling of valuable secondary raw materials are shared priorities for the European Commission and EUROFER. In particular, access to scrap is crucial to ensure the EU steel industry's strategic autonomy. In this context, it is paramount that the revision of the Waste Shipment Regulation ensures that waste is exported only to countries with equivalent environmental and social standards as those applied in the EU, regardless of a country's OECD status.

Also key in the environmental realm is the revision of the Industrial Emissions Directive (IED), launched in April 2022. EUROFER will follow it closely to ensure that the new Commission proposal does not compromise its main objective, namely preventing pollution from production processes in an integrated way. It is vital that the IED remains technology-neutral and that legal certainty is ensured throughout the revision process.

Research and innovation are at the heart of the transition towards green steel. EU funding programmes play a decisive role in supporting low carbon projects and the development of breakthrough technologies.

In 2021 the new Research Fund for Coal and Steel (RFCS) legislative package was adopted as part of the EU Green Deal. It is essential that it remains a bottom-up programme with a strong link to industrial participation in order to accelerate decarbonisation while strengthening resilience and competitiveness of the EU steel sector.

In this context, the Clean Steel Partnership is an important tool. In light of the outcome of the first calls for projects in 2021, EUROFER asks the Commission for longer and better coordinated timeframes to favour applications submission and avoid underused funding. For 2022, there is now a total of €104 million available.

Another major financing instrument for a successful transition is the Innovation Fund (IF). However, its firepower is clearly insufficient. Between 2020 and today, there have been two calls for large scale projects (€1 billion and €1.5 billion respectively) and two for small scale projects (€100 million each), open to a vast number of industrial sectors. In at least two of them, the total request for funding was at least ten times higher than the available budget.

It is evident that the Innovation Fund – despite the provisions foreseen in the new EU climate legislation - cannot be the solution for boosting investment in decarbonisation projects. It cannot compensate either the loss of allocations for carbon emissions, granted to the EU steel industry under the current EU Emissions Trading System (ETS).

The Fit-for-55 package, presented in July 2021, and further proposals on gas security and the revision of the EU energy system are clearly going to determine whether the European steel industry's transition will succeed or not. This is why climate and energy policies have been at the core of EUROFER's activities in the past year and will continue to do so in 2022.

The key measures currently under discussion in the EU institutions – notably the revision of the ETS and the introduction of a Carbon Border Adjustment Mechanism (CBAM) – are completely missing out on the needs of the steel sector to meet its climate targets while weakening carbon leakage protection. A premature free allocation phase out, a lack of complementarity with CBAM, a short-sighted revision of the benchmarks, no solution to guarantee the competitiveness of exports together with provisions increasing even further the carbon price by massively withdrawing allowances from the market without any need for reaching the objective, are all genuine concerns that need to be addressed urgently. They jeopardise the transition of the EU steel sector, putting at risk thousands of jobs and billions in investments.

It will be equally crucial to ensure affordable and priority access to hydrogen and decarbonised electricity to steelmakers in the medium-long term, as well as to avoid energy supply disruptions in the short term. Industrial consumers should be put at the centre of the new EU energy system that will emerge from the Renewable Energy Directive (RED), the Energy Efficiency Directive (EED), the Energy Taxation Directive (ETD), the Gas and Hydrogen Decarbonisation package as well as the RePowerEU communication.

EUROFER will continue to make the voice of the European steel industry heard across the EU, and is working relentlessly to help the steel industry meet its ambitious targets for decarbonisation. If the right EU policies are in place and a just transition ensured, the sector will cut its emissions by 55% by 2030 – as foreseen by the Fit for 55 package – and reach climate neutrality by 2050. The year 2022 will be decisive to set the stage for the next decade.

Economic and market situation

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ECONOMIC PERFORMANCE OVERVIEW

The macroeconomic performance of the EU rebounded sharply over the course of 2021, mainly driven by the recovery of the industrial sector after the removal of most severe lockdown measures due to COVID-19. On the other hand, services provided a comparatively lower contribution to GDP growth, particularly in the first quarter, due to restrictive measures still in place.

Due to the exceptional impact of the COVID-19 pandemic on the economy in 2020, the EU experienced its worst economic recession on record (-6%). This was an even greater fall than the one recorded during the recession linked to the financial crisis of 2009 (-4.3%). In 2021, GDP growth rebounded strongly (+5.3%). The positive contribution to growth provided by the industry was particularly strong over the first two quarters of 2021, while it was lower during the second half as a result of continued, severe disruptions along the supply chain (i.e., shortage of components, bottlenecks, very high shipping costs, etc.) and rising commodity and energy prices.

DETAILED 2021 ECONOMIC PERFORMANCE

Starting from the third quarter of 2020, the EU economy rebounded vigorously quarter-on-quarter after the removal of most severe lockdown measures, which boosted output in the industrial sectors in particular.

On a quarter-on-quarter basis, EU real GDP has increased since the third quarter of 2020, with the only exception of a tiny contraction in the fourth quarter (-0.2%). The upswing in economic activity continued over the first half of 2021, resulting in year-on-year GDP growth (+14%) over the second quarter. This exceptional figure was, however, largely due to the comparison to the very low number seen in the second quarter of 2020. In any case, GDP growth was also robust in the third quarter (+4.2%), thanks to another quarter-on-quarter increase (+2.2%).

However, continued supply-chain issues and disruptions, along with steady increases in commodity and energy prices in the summer of 2021 started taking their toll in the fourth quarter. As a result, on a quarter-on-quarter basis, real GDP grew very moderately (+0.4% only). On the other hand, due to the comparison to low GDP volumes seen one year earlier, on a year-on-year basis real GDP achieved growth (+4.8%).

The outlook for the EU economy and industry has become more and more uneven and uncertain since the fourth quarter of 2021, due to worsening supply-chain issues that have increasingly affected industrial output and dented economic and consumer confidence. Russia's invasion of Ukraine then slashed economic growth prospects for 2022. As long as current uncertainty continues, economic conditions in the EU are set to remain weak, and a stable recovery is quite unlikely.



ECONOMIC GROWTH EXPECTATIONS

Due to severe downside factors in the economic landscape (supply-chain issues and war in Ukraine), previous economic growth predictions for 2022 and 2023 have been revised downwards considerably.

As a result, EU economic growth will be weaker in 2022 (+2.9% versus +4.1% previously forecast) and 2023 (+2.3% versus +2.8% previously forecast). As long as the present uncertainty continues, stabilisation of the global economic landscape is only foreseeable for the first half of 2023 in the best-case scenario.

At the time of writing, a timeframe for the end of the war in Ukraine remains unpredictable. However, it is likely that the massive economic sanctions that Western governments have put in place against Russia will not be removed even in case of a relatively rapid end to the conflict, with obvious consequences in terms of lower economic growth as well as trade and supply-chain disruptions.

Once back to normal, EU economies will have to recover from the major GDP losses incurred during the current crisis, which were compounded by the COVID-19 crisis experienced in 2020 and 2021: rising unemployment, high inflation and fall in household income and purchasing power, destruction of production capacity, etc. There is now more limited room for manoeuvre for EU governments, as the extremely supportive policies that were put in place by the ECB during the pandemic (PEPP, one-off Covid-linked purchase of government bonds) are coming to an end in 2022. Therefore, the cost of borrowing money on financial markets (i.e., bond yields) is expected to increase. On the other hand, the NextGenerationEU programme will provide additional resources to supportive economic policies.

STEEL-USING SECTORS

Steel-using sectors saw a considerable rebound in output in 2021 (+7.3%), after the severe slump in 2020 (-8.4%) due to the impact of COVID-19 on the industry. This rebound is expected to result in modest growth in 2022 (+2%), which is however still subject to great uncertainty due to current multiple, severe downside factors (war in Ukraine, continued supply-chain issues and high energy prices).

After the record lows of 2020 due to lockdown measures, steel-using industries in the EU experienced a strong rebound in output, which increased (+3.2%) in the first quarter of 2021 and at an exceptional rate in the second quarter (+26.3%).

This figure can be largely explained by the comparison to the very low output volumes recorded in the second quarter 2020 (when industrial activity was de facto stopped by COVID-led severe lockdown measures). This faster-than-expected recovery in some sectors (domestic appliances and automotive in particular) facilitated recovery from losses experienced due to the pandemic over the first half of 2021.

By contrast, since the second half of 2021, total production activity in steel-using sectors has been increasingly impacted by ongoing supply-chain issues and high energy prices that have taken their toll in terms of production costs, component shortages and lower output.

As a result, while industrial output continued to grow in the third quarter of 2021 (+2.2%), over the fourth quarter the effects of these downside factors were more visible (particularly on the automotive sector, which recorded two consecutive output drops over the last two quarters of 2021), resulting in a modest growth rate (+0.7%).

Total steel-using sector output is expected to continue to increase in 2022, but its growth rate will be halved compared to EUROFER's previous outlook (+2% versus +4% previously forecast). This results from the rapid deterioration of the global industrial and economic outlook due to the war in Ukraine, coupled with ongoing and worsening supply-chain issues. This situation has cast wide uncertainty on steel-using industries' outlook, at least until the end of 2022. As a result, growth in output is expected to gain only modest ground in 2023 (+2.3%).

The outlook for the industry remains characterised by fragility and risks. Due to the considerable impact and disruptions of the war in Ukraine on the economic and industrial landscape, a stable recovery is not in sight in the short term, and there is still great uncertainty as to when normality for the economy and industry will be restored.

Steel market

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CRUDE STEEL PRODUCTION

Crude steel production in the EU was 152.6 million tonnes in 2021, a sharp rebound (+15.4%) compared to 2020, when production recorded a pronounced drop (-12%) due to the impact of the COVID-19 pandemic.

The decrease seen in 2020 was a reflection of a continued deterioration in demand from steel-using sectors that had materialised throughout 2019 and worsened dramatically over the second half of 2020 due to the onset of the pandemic. This was coupled with fierce competition in the EU domestic market, as well as on the EU's main export markets.

From the third quarter of 2020 and throughout 2021, steel production recovered vigorously, mirroring the robust recovery in demand from steel-using industries.



EU STEEL CONSUMPTION AND TRADE BALANCE

In 2021, apparent steel consumption in the EU amounted to 149 million tonnes, a rebound (+15.2%) compared to 2020, when it fell (-10.7%). Imports increased to 39 million tonnes (+31.9%) and held a 26% share of the market, which compares favourably to a contraction (-17.1%) in 2020 due to weak demand.

The pronounced drop seen throughout 2020 was mostly due to the troughs seen in the second quarter, when steel demand was impacted by the most restrictive COVID lockdowns. These led to an almost complete stop in industrial activity across the EU, and plummeting demand. The removal of lockdown measures and the restart of industrial activity during the third quarter of 2020 led to a faster-than-expected rebound in demand, driven by the rapid recovery in demand from steel-using industries and a sharp rise in orders.

Driven by the rebound in demand from steel-using sectors, apparent steel consumption increased throughout the first three quarters of 2021. Growth continued over the fourth quarter but was slower due to the impact of continued, severe global supply chain issues and rising energy prices, as well as production costs. These factors were expected to impact even more over the first two quarters of 2022, coupled with the expected effect of Russia's war against Ukraine initiated in February 2022. In the fourth quarter of 2021, apparent consumption grew (+9.5%), after an increase (+14.3%) over the third quarter. This equates to a total volume of 36.3 million tonnes, still below the pre-pandemic peak reached in the first quarter of 2019.

In 2021 apparent steel consumption rebounded (+15.2%) after the deep recession (-10.7%) experienced in 2020 caused by the pandemic. However, ongoing supply-chain issues and the war in Ukraine are set to take their toll on apparent steel consumption: in 2022, it is expected to see its third annual recession over the past four years, albeit moderate (-1.9%), as a result of quarterly drops forecast in the second and third quarters of 2022.

Apparent consumption is set to recover in 2023 (+5.1%), but the overall evolution of steel demand remains subject to a high level of uncertainty, which is likely to continue to undermine demand from steel-using sectors. Domestic deliveries by EU steel suppliers also rebounded in 2021 (+10.7%) compared to 2020, when these dropped (-9.6%).

IMPORTS INTO THE EU

In 2021, total imports of steel products into the EU – including semi-finished products – rose sharply (+31.9%), reversing the fall recorded in 2020 (-17%). Imports of finished products rose (+35%) in 2021 (-15% in 2020; -13% in 2019), due to a rise in imports of flat products (+40%; -15% in 2020) and of long products (+21%; -16% in 2020).

The main countries of origin for flat product imports to the EU in 2021 were Turkey, India, the Russian Federation, South Korea and Ukraine, together accounting for 59% of total flat product imports into the EU. At individual product group level, in particular, imports of organic coated sheet, hot-rolled wide strip, hot-dipped galvanised sheet and quarto plate all rose considerably throughout 2021 compared to 2020.

The main countries of origin for long product imports into the EU in 2020 were Turkey, the Russian Federation, Belarus, Switzerland, Ukraine and China. These countries accounted for a share of 59% of total long products imports into the EU. All long product imports were significantly higher in 2021 than in 2020, with the exception of imports of heavy sections, which increased only moderately.

In the wake of the impact of the COVID-19 pandemic, the EU steel market in 2021 recovered robustly but then had to cope with increasing disruptions along the supply chain that weakened demand considerably towards the end of 2021. Russia's war against Ukraine that began in February 2022 slashed growth forecast for EU apparent steel consumption, which is subject to high uncertainty.

Meanwhile, the global steel market continues to suffer from overcapacity and numerous trade distortions. This risk of distortions threatening the fragile balance between supply and demand on the EU steel market is likely to remain, even in case of a relative normalisation of the situation in Ukraine and of the global economic landscape. In this context, the EU steel safeguard remains an essential tool to prevent damaging import-led disruption to the internal market.

EXPORTS FROM THE EU

Total EU steel product exports to third countries rose marginally in 2021 (+0.9%) compared to the previous year, after the drop in 2020 (-17.5%). Exports of finished steel decreased (-2%). Underlying data for flat and long product exports show a drop (-3%), and no change, respectively.

The main destinations for EU steel exports in 2021 were Turkey, the United Kingdom, the United States, Switzerland and China, followed by Egypt, India and the Russian Federation. The first five destinations together accounted for 57% of total EU finished product exports. During 2021, exports of finished products to Egypt fell (-23%), as did exports to China (-19%), to the Russian Federation (-12%) and to Turkey (-7%). By contrast, exports to the United States increased (+35%), as did exports to Switzerland (+10%), to the United Kingdom (+9%) and India (+1%).

The total EU trade deficit, including semis, increased from 8.9 million tonnes in 2020 to 18 million tonnes in 2021 (10.9 million tonnes for finished products, against 2.5 million tonnes in 2020). As in 2020, there was a deficit for flat products and a surplus for long products. The net trade deficit in flat products increased from 3.8 million tonnes in 2020 to 11 million tonnes in 2021. The trade surplus in long products narrowed from 1.3 million tonnes in 2020 to 904 kilotonnes in 2021.

As far as the trade deficit with individual trade partners is concerned, the largest trade deficit in finished products in 2021 was with Russia (3.4 million tonnes), followed by Ukraine (2.3 million tonnes) and South Korea (2.2 million tonnes). The trade deficit with Turkey widened from 684 kilotonnes in 2020 to 1.6 million tonnes in 2021.

The major destination countries for EU finished steel exports with a trade surplus in 2021 remained the United States, Switzerland and the United Kingdom.

Developments in the trade balance of the EU with third countries broadly reflected competition in the global steel market that has continued to increase in recent years. This reflects the adverse combination of many negative factors that remain in place: global overcapacity that has continued to grow even after the COVID outbreak, the distortion of competitiveness through steel sector subsidisation by national authorities, and increasing protectionism.

This was the case even before COVID, but the pandemic has simply heightened the tension, and even more so since disruptions along the global supply chain have materialised. This trend is not expected to improve for the better in the foreseeable future: rather, bearish projections are expected for global steel consumption in the years ahead, mostly due to widespread uncertainty linked to ongoing war in Ukraine and continued supply chain disruptions.

DELIVERIES OF STEEL (all qualities except stainless steel)

| | 2020 In million tonnes | 2021 In million tonnes | % change 20/21 |
|-------------------------------|------------------------------|------------------------------|-------------------|
| TOTAL STEEL DELIVERIES | 118.0 | 129.4 | +9.7% |
| Of which to the EU market | 102.1 | 113.7 | +11.4% |
| Of which to export markets | 15.9 | 15.7 | -1.3% |

Total deliveries of finished products in 2021 increased (+9.7%) compared to one year earlier, after the drop (-10%) recorded in 2020. While domestic deliveries into the EU market rose (+11.4%), export deliveries to third countries fell (-1.3%).



| | 2020 In million tonnes | 2021 In million tonnes | % change 20/21 |
|--------------------------------------|------------------------------|------------------------------|-------------------|
| TOTAL FLAT PRODUCT DELIVERIES | 69.3 | 75.4 | +8.8% |
| Of which to the EU market | 59.5 | 65.8 | +10.6% |
| Of which to export markets | 9.8 | 9.6 | -2.0% |

In 2021, total flat product deliveries rose (+8.8%) compared with the tonnage delivered in 2020, after the drop (-12%) recorded in the previous year. While EU domestic deliveries increased (+10.6%), deliveries to export markets outside the EU decreased (-2%).

| | 2020 In million tonnes | 2021 In million tonnes | % change 20/21 |
|--------------------------------------|------------------------------|------------------------------|-------------------|
| TOTAL LONG PRODUCT DELIVERIES | 48.7 | 54.0 | +10.9% |
| Of which to the EU market | 42.6 | 47.9 | +12.4% |
| Of which to export markets | 6.1 | 6.1 | 0.0% |

Total long product deliveries recorded an increase (+10.9%) in 2021, after the drop (-7.6%) in 2020, which was the result of a rise (+12.4%) in EU domestic deliveries and flat developments in export deliveries.

STAINLESS STEEL MARKET

In 2021, global stainless steel production and consumption was driven by the recovery of demand after the collapse in 2020 due to the COVID-19 outbreak. The renewed demand in almost all sectors and regions led stainless crude steel output to 58.3 million tonnes, which represents an increase (+12.6% year-on-year).

While Chinese melting production growth (+5.1%) was lower in comparison to other countries and regions – in any event, China recorded an increase (+5.6%) in 2020 – Indonesia further boosted its export-oriented production, and became the second-largest stainless steel-producing country in the world. Stainless steel melting by EU producers increased (+13.6%) to near seven million tonnes, almost the same levels as in 2017 and 2018.

| | 2020 In thousand tonnes | 2021 In thousand tonnes | % change 20/21 |
|--|-------------------------------|-------------------------------|-------------------|
| TOTAL STAINLESS STEEL MARKET SUPPLY | 5,243 | 6,196 | +18,2% |
| Of which EU mills | 3,983 | 4,606 | +15,6% |
| Of which imports | 1,260 | 1,590 | +26,2% |

Total deliveries of finished stainless steel products by European producers on the EU market increased (+15.6% year-on-year). Despite increased freight costs and demand also in their domestic markets, exporting third countries managed to enhance their shipments to the Union market, with EU imports rising (+26.2%).

| | 2020 In thousand tonnes | 2021 In thousand tonnes | % change 20/21 |
|--|-------------------------------|-------------------------------|-------------------|
| STAINLESS STEEL FLAT PRODUCTS MARKET SUPPLY | 4,374 | 5,147 | +17,7% |
| Of which EU mills | 3,410 | 3,935 | +15,4% |
| Of which imports | 964 | 1,212 | +25,7% |

In the stainless steel flat product segment, EU apparent consumption increased (+17.7%) in 2021 compared to 2020. While domestic deliveries by EU producers rose (+15.4%), both hot-rolled and cold-rolled flat products imports increased substantially again (+25.7%).



| | 2019 In thousand tonnes | 2020 In thousand tonnes | % change 20/21 |
|--|-------------------------------|-------------------------------|-------------------|
| STAINLESS STEEL LONG PRODUCTS MARKET SUPPLY | 869 | 1,049 | +20,7% |
| Of which EU mills | 573 | 671 | +17,1% |
| Of which imports | 296 | 378 | +27,7% |

With regard to stainless steel long products, market supply in the EU increased (+20.7% year-on-year), as did domestic supplies (+17%), while imports from third countries rose (+28%), reaching an import penetration of 35%.

ALLOY SPECIAL STEELS (other than stainless)

| | 2020 In thousand tonnes | 2021 In thousand tonnes | % change 20/21 |
|---|-------------------------------|-------------------------------|-------------------|
| TOTAL SPECIAL STEELS FINISHED PRODUCTS MARKET SUPPLY | 6,122 | 7,598 | +24,1% |
| Of which EU mills | 5,175 | 6,499 | +25,6% |
| Of which imports* | 947 | 1,099 | +16,1% |

Total market supply of finished alloy special steel products on the Union market increased (+24%) in 2021. Domestic EU mills' deliveries and imports from third countries benefited from the recovery in demand (+25.6% and +16.1% respectively).



Since the end of 2020, manufacturing output has been recovering from the crisis induced by COVID-19. All sectors performed favourably, with the exception of the automotive industry, which was largely impacted by semiconductor supply-chain disruptions. The mechanical engineering sectors continued their positive momentum, while still remaining below pre-pandemic levels.

| | 2020 In thousand tonnes | 2021 In thousand tonnes | % change 20/21 |
|---|-------------------------------|-------------------------------|-------------------|
| ALLOY ENGINEERING STEELS LONG PRODUCTS MARKET SUPPLY | 5,798 | 7,214 | +24,4% |
| Of which EU mills | 4,933 | 6,202 | +25,7% |
| Of which imports* | 865 | 1,012 | +17,0% |

EU market supply of alloy engineering steels long products increased (+24.4%) in 2021, with both EU mills and imports recording double-digit growth (+25.7% and +17% respectively). Also, exports by European producers to non-EU markets grew significantly, back to 2018 levels.

| | 2020 In thousand tonnes | 2021 In thousand tonnes | % change 20/21 |
|---|-------------------------------|-------------------------------|-------------------|
| TOOL AND HIGH-SPEED STEELS MARKET SUPPLY | 324 | 384 | +18,7% |
| Of which EU mills | 242 | 297 | +23,0% |
| Of which imports | 82 | 87 | +6,0% |

Despite the impact of semiconductor shortages on automotive production, demand for tool steels remained strong throughout 2021, supported by the positive momentum in the consumer goods industry. As such, European producers' deliveries of tool and high-speed steels to the EU market increased (+23%) in 2021. Estimated EU apparent consumption grew (+18.7%), as did imports from third countries (+6% year-on-year).

Trade and external relations

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TRADE ACTIONS

EU steel safeguard measures

Following an in-depth investigation by the European Commission, the EU steel safeguard measures were prolonged in July 2021 for three years. The product scope remained unchanged and the liberalisation rate remained at an annual rate of 3%, allowing imports to enter the EU market in quantities that are above traditional levels.

In 2023, the measures will be subject to review to determine whether the safeguard should be terminated after two years of prolongation. An immediate review can also be triggered if the US introduces changes to its Section 232 measure on steel that may have a significant impact on the unduly diverted trade flows it currently generates. In December 2021, the European Commission initiated a functioning review to be concluded by 30 June 2022.

EUROFER welcomes the prolongation of the EU steel safeguard, which continues to be necessary to stabilise imports due to the continuing risk of trade deflection in a context of worsening global steel overcapacity.

Following the Russia-Ukraine conflict, the EU imposed import prohibitions on finished steel from the Russian Federation and the Republic of Belarus in March 2022. Consequently, the European Commission reallocated the unusable Russian and Belarussian quota among other exporting countries to ensure the neutrality of the safeguard measures as regards total market supply, while preserving its purpose of protecting the EU steel industry from deflected import surges.

EU trade cases

In 2021, final anti-dumping measures were imposed on imports of hot-rolled flat products from Turkey. The European Commission also imposed anti-dumping and, in March 2022, anti-subsidy measures on imports of stainless steel cold-rolled flat products originating from Indonesia and India.

In this respect, EUROFER particularly welcomes the EU's trade action to address China's behaviour by tackling the support it grants to domestic companies through the Belt and Road Initiative.

With regards to expiry reviews, anti-dumping measures on wire rod originating from China, on grain-oriented electrical steel originating from China, Russia, the US, Japan and South Korea and on stainless steel cold-rolled flat products originating from China and Taiwan have been renewed for another five years.

Finally, 2021 saw the opening of two new anti-dumping investigations (Electrolytic Chromium Coated Steel originating from China and Brazil and Corrosion Resistant Steel from Turkey and Russia) and one expiry review (Cold-Rolled Flat from China and Russia).

EUROFER is constantly working in close collaboration with the European Commission and OLAF to monitor import flows and prevent circumvention of existing duties.

TRADE POLICIES

Foreign subsidies

In May 2021, the European Commission published a Proposal for a Regulation on foreign subsidies distorting the internal market.

The steel sector is plagued by massive and increasing excess capacities, market-disrupting subsidies and other support measures granted to companies in third countries, as well as by the prominent role of state-owned enterprises in the Chinese economy. While providing relief to the EU steel industry which is suffering from unfair competition from third countries, the existing legislation - including the vital Trade Defence Instruments, the Foreign Direct Investment Screening mechanism and the Public Procurement Directives - leaves substantial regulatory gaps which put its survival at risk.

The EU steel industry welcomes the Commission proposal, although it believes that sectors manufacturing goods will face substantial limitations in the implementation of this instrument because of how its art. 40.7 is framed.

To effectively fill the existing regulatory gap, an amendment is needed to clarify that action under the new regulation is possible for any sector with regards to foreign subsidies which cause distortions on the internal market in public procurement procedures or in relation to concentrations.

Furthermore, in compliance with international law principles, the instrument should give the EU stronger leverage to put pressure on those third countries that do not respect their notification obligations under the Agreement on Subsidies and Countervailing Measures or other obligations enshrined in international agreements.

International Procurement Instrument

After a decade of stalling, discussions on the International Procurement Instrument (IPI) have accelerated throughout 2021, both within the Council of the European Union and the European Parliament. The agreement that was finally reached in March 2022 includes several provisions for which EUROFER has been advocating over the past three years.

For example, if the Commission finds that European companies face serious and recurring restrictions in accessing a third country's public procurement and if, despite consultations with the third country concerned, those barriers persist, it may impose measures limiting the access of that third country's companies to European public procurement. Such limitations on access to the EU market may be imposed either by applying a penalty to the scoring of tenders or by excluding such tenders entirely from award procedures. Moreover, to avoid circumvention, additional obligations will be imposed on successful tenderers in procurement procedures to which an IPI measure applies.

TRADE DIPLOMACY

Global Agreement on Sustainable Steel

In October 2021, the US and the EU announced in a joint statement that they will negotiate a joint alliance within the subsequent two years to strengthen their partnership and address shared challenges in the steel and aluminium sectors.

As a part of this partnership, they intend to negotiate for the first time a global arrangement to address carbon intensity and global overcapacity. This alliance could be the starting point for international sectoral climate policy cooperation.

Environment

4



DANNY CROON

Director

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OVERALL LEADERSHIP

Environmental policy

CIRCULAR ECONOMY



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Life-cycle assessment

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Circular economy

Overview

The European Commission's plan towards sustainable growth is being implemented through a number of initiatives including the promotion and application of a circular approach focused on preventing waste while keeping its resources within the EU economy as long as possible. The EUROFER secretariat supports this approach and has thus worked on several initiatives that aim to ensure environmental, health, safety and social standards are met, while promoting the circular properties of steel and protecting steel's competitiveness.

Waste Framework Directive

EUROFER's advocacy on the EU Waste Package continued in 2021, through participation in workshops, studies and consultations organised by the European Commission for scoping the development of further EU-wide end-of-waste (EoW) and byproduct (ByP) criteria as one of its key actions to be completed under the Circular Economy Action Plan. In order to become real commodities or secondary raw materials, ferrous slags and mill scales shall be supported by functioning EoW and ByP criteria based on market and circular economy principles as well as on the experience of Member States.

The Commission conducted a scoping exercise to compile a list of priority waste streams that would be the best candidates for developing these EU-wide criteria. The report was published in March 2022. EUROFER participated in this exercise. In 2022, a broader set of consultations will take place, focusing on improving waste management through measures promoting re-use of products, reduction of waste generation and mixed waste, and increasing preparation for re-use or recycling of waste.



WASTE SHIPMENT REGULATION

The European Commission revised the Waste Shipment Regulation and released a proposal with new requirements to support harmonisation of related rules within the EU, OECD and non-OECD countries in order to protect the environment and human health and tackle illegal waste shipments. EUROFER prepared its position paper and joint statements in cooperation with allied associations to support its advocacy on this topic.

EUROFER is focusing its advocacy on the following topics:

1. To level the playing field for both OECD and non-OECD countries in order to avoid the risk of discrimination and breach of coherence and effectiveness, while applying the principles of environmentally sound management to shipped waste and meeting equivalent levels of related environmental, safety and social standards as those applicable in the EU;
2. To support effective and reliable audit procedures and a system of complaints in order to check environment, human health and social standards and conditions at country and facility level where shipped waste is destined;
3. To support effective sanctions and inspections to prohibit the illegal shipment of waste. The final legislative act from the European Commission is expected at the end of 2022.

End-Of-Life Vehicles Directive

The European Commission continued its work on the End-Of-Life Vehicles (ELV) Directive by launching the open public consultation for the impact assessment to which EUROFER had contributed.

EUROFER has released its position paper focusing on:

1. The option to reuse some vehicle parts;
2. To have recovery and recycling targets for the entire vehicle rather than material-specific targets;
3. To expand the scope of the directive by adding trucks, motorbikes and any type of motor vehicle or working machine;
4. Improved separation and sorting to maintain a material's original composition prior to recycling without any unwanted additional elements or compounds. The Commission proposal for a revised ELV Directive is foreseen for the fourth quarter of 2022.

EU product policy

As part of the Circular Economy Action Plan, the European Commission has recently released a proposal for a regulation on 'ecodesign requirements for sustainable products'. EUROFER also eagerly awaits the proposal on 'substantiating green claims' now due in Q2 2022. Over the past year, EUROFER has contributed to targeted public consultations to finetune the proposals.

EUROFER created advocacy material on sustainable products based on the following general principles:

1. Sustainability criteria should include product circularity requirements (e.g. recyclability, high-quality recycling and durability);
2. Support for the updating of the eco-report tool, for use in eco-design background studies, to incorporate the Product Environmental Footprint (PEF) method and assess product impacts over the whole life cycle, taking into account both recycled content and end-of-life recyclability;
3. The quality of recycling, particularly at the end-of-life stage, should be considered in any product design requirements, despite this aspect being potentially simplified in the eco-report tool. The quality of recycling is an important aspect in order to recognise the extent to which materials can be recycled without loss of properties;
4. Recognition of the environmental benefits of using byproducts of the steel industry, since they reduce the use of natural resources and associated emissions in other sectors, similarly to recycling of secondary raw materials;
5. Social criteria in sustainability principles should be defined only when relevant to a specific product group;
6. Support for the creation of a market for green products through economic incentives and green product procurement (GPP).

The EUROFER advocacy on 'green claims' has been based on the following pillars:

1. There are too many methods for measuring the environmental performance of products;
2. Life-cycle assessment (LCA)-based methods such as PEF might support comparability and consistency;
3. Before having a mandatory approach on how to communicate green claims, a voluntary approach is necessary as a base to adapt and perfect;
4. The communication should contain only a few relevant environmental impacts;
5. The verification and compliance have to be checked by independent and LCA-experienced certification/verification organisations. The European Commission is expected to release a Proposal for a Regulation on substantiating green claims' in July 2022.

Green Steel(*)

The EUROFER secretariat identified that many dossiers at the European Commission and several Commission Communications mentioned the term 'green steel' or 'low-carbon steel' or 'clean steel'.

However, the Commission has failed to elaborate a coherent and harmonised definition of what these terms mean. Moreover, the ongoing decarbonisation strategies put in place by EU steel producers are already resulting in the delivery of batches of steel that have substantially lower CO₂ footprints. This lack of a definition therefore already has relevance for the industry. Additionally, action by the European Commission on sustainable products policy means a focus on 'high impact intermediary products such as steel, cement and chemicals'. Given these market and policy developments, the EUROFER secretariat launched a specific project to try to come to a common view on what is meant by 'green steel' or 'low-carbon steel', and established a dedicated task force.

The objectives of the project are, at the moment, twofold:

1. To define a sound methodology for demonstrating how a company steel production substantially contributes to the reduction of CO₂ emissions of its steel products;
2. To have a 'green steel' definition to be recognised by end customers, consumers and product regulations as qualifying for preferential market access and helping all steel-consuming sectors to reduce their carbon footprint.

The EUROFER secretariat worked on the definition in 2021 and will continue to do so in order to settle on a sound and credible definition. The project entails technological, environmental and circularity factors, involving different EUROFER departments.

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Chemicals Strategy for Sustainability (CSS)

The European Commission published a Chemicals Strategy for Sustainability (CSS) in October 2020, together with seven accompanying documents and an Action Plan which establishes a timeline and a summary of the initiatives to be implemented between 2021 and 2024 through a mix of regulatory and non-regulatory acts.

EUROFER is closely following this topic and working with other associations (Registration, Evaluation, Authorisation and Restriction of Chemicals-REACH Alliance, Eurometaux, Nickel Institute) on some urgent concerns, especially the 'Essential Use Concept' (EUC). EUROFER and the Nickel Institute have successfully set up the Alliance for Sustainable Management of Chemical Risk (ASMoR) to call for a targeted application of the EUC, and to narrow its scope of applicability. Over the past year, ASMoR members have made significant efforts to convince regulators about the need for:

- a careful assessment of the EUC and its more targeted use to avoid regrettable substitutions that would occur when using the alternative broad application of generic restrictions;
- being cautious regarding the possible premature development of complex concepts in the taxonomy.

The EUC is part of the CSS Action Plan along with the proposal to revise the REACH Authorisation and Restriction processes. Discussions at both Competent Authorities for REACH and CLPS (CARACAL) meetings and ad hoc workshops will serve to refine options for an impact assessment, along with the outcome of the REACH revision public consultation, opened until mid-April 2022.

EUROFER is actively participating to the discussions and collecting input from members, and will work with other industry associations (Eurometaux, ASMoR, Cross Industry Initiative, REACH Alliance and BusinessEurope) for a common alignment.

Metals Environmental Exposure Data (MEED)

At the heart of European Commission's strategy to implement the 2030 Agenda on Sustainable Development is the Green Deal. In particular, its 'zero pollution ambition' building-block poses long-term regulatory challenges for chemical management (including REACH and CLP revision) by industry.

As the EU regulation is based on the 'hazard focus' - the potential of substances to cause harm -, industry needs to demonstrate through high quality data control of exposure and emissions, as well as absence of risk, in order to pursue a risk control-based management model.

Eurometaux launched an integrated, cost-effective programme to collect 'Metals Environmental Exposure Data' (MEED) and address the need to demonstrate 'no harm' under the Zero Pollution Action Plan (ZPAP)/Zero Pollution Ambition and to respond to the regulatory challenges posed by the Mixture Toxicity Assessment (MAF) proposed under REACH revision.

This comprehensive environmental exposure information-gathering programme was designed in close cooperation with relevant consortia, commodities associations and companies, and will last for three years (until 2025). EUROFER joined it together with Iron Platform and Boron Consortia.

The MEED programme consists of two pillars (MAF and REACH-ZPAP) and includes six projects. The programme implements these projects with a step-by-step and systematic approach to develop robust concepts and responses to the above-mentioned challenges. The most up-to-date information on the programme objectives, individual projects and their status can be found on the REACH Metals Gateway MEED website (for sponsors only).

All metals and inorganic substances associations sponsoring the programme as well as substances identified as Inorganic-Priority Contributing Substances (I-PCS) that have no sponsor under MEED (covered by Eurometaux) will be included in the scope of the data collection, concept development and reporting of the MEED programme. For the time being, the list of substances covered by MEED is already representative, covering more than 20 substances (e.g., cadmium, cobalt, iron, lead, molybdenum, nickel, titanium dioxide, vanadium, zinc, etc.).

Cobalt Metal Classification

As of 1 October 2021, cobalt metal is classified as Carcinogenic (C) category 1B (all routes of exposure), Reprotoxic (R) category 1B and Mutagenic (M) category 2 under the Classification, Labelling and Packaging (CLP) Regulation. The classification includes a threshold value of 0.1%.

Stainless steel contains cobalt as a trace element stemming from the raw materials, meaning that over 80% of stainless steel contains more than the threshold value. However, cobalt is embedded in the matrix of the alloy: as a result, stainless releases negligible amounts of cobalt.

In order to demonstrate the effect that cobalt does not become bio-available, EUROFER continues its efforts together with other industry partners to complete the adoption process of bioelution as an internationally standardised methodology.

To safeguard steel from the unintended consequences of this classification, it is necessary to limit the exposure route of this classification to inhalation as the only route of exposure.

This will necessitate the commissioning of a full oral in-vivo (animal testing) carcinogenicity study for cobalt metal to demonstrate the non-hazardous characters of the oral and dermal route, and therefore to limit the classification to inhalation only.

This study will be initiated by the Cobalt Institute and supported by the Nickel Institute, Worldsteel, the International Stainless Steel Forum and EUROFER.

At the time of publication, this study was still awaiting a decision of the European Chemicals Agency to approve it.

Lead (Pb)

In June 2018, lead metal was included into the European Chemicals Agency (ECHA) Candidate List as toxic for reproduction (Art. 57c). ECHA's proposal to include lead to Annex XIV substances ("The Authorisation List") is moving forward.

It is nevertheless important to emphasise that lead plays a crucial role in metals recycling in Europe.

At the beginning of February 2022, lead was included in ECHA's eleventh draft recommendation, followed by a 90-day public consultation period. EUROFER, together with the International Lead Association (ILA)-REACH consortium and other metal sectors, is advocating for an appropriate transition period. Industry collectively agreed on a two-step approach: first, addressing the ECHA Member State Committee (MSC) process and, second, focusing on the Commission stage. ILA outlined the structure and content of the joint position paper. Lead-reliant sectors were encouraged to complement it with sector-specific messaging. From October 2022 onwards, industry will be active in the ECHA MSC meetings where the draft recommendation will be discussed.

Restriction of Hazardous Substances Directive (RoHS)

In January 2020, a new request was put forward by EUROFER. This request is for the extension of the existing exemption in Annex III of RoHS Directive. This is 'Exemption 6(a)/6(a)-I' for alloying element in steel for machining purposes containing up to 0.35% lead by weight and in batch hot dip galvanised steel components containing up to 0.2% lead by weight.

The dossier evaluation concluded in January 2022 by the Oeko Institute – the consultant appointed by the European Commission to follow up this dossier – has proposed to split the exemption 6(a)-I to separate machining steels and batch galvanized steels. The EUROFER secretariat has set up a Technical Working Group 6a/6al to improve technical arguments and collect relevant data to fill in the gaps in the dossier.

WATER

REFIT Water Framework Directive (WFD)

The European Commission has carried out a fitness check on the Water Framework Directive (WFD), the Environmental Quality Standards Directive (EQSD), the Groundwater Directive (GWD) and the Floods Directive (FD). According to the stakeholder consultation and the analysis conducted, all these directives are largely fit for purpose, although improvements can be made. Therefore, the European Commission has decided not to reopen them for now. A further revision is foreseen after 2027.

The Commission has also launched an Impact Assessment (IA) to harmonise the pollutants to be tackled in surface and groundwater, and to improve environmental and health protection. Wood PLC is the consultant performing this study. The draft IA is due to be completed in May 2022, with the final deliverables to be presented at the Regulatory Scrutiny Board (RSB) of the European Commission in June. Its adoption is scheduled for September 2022.

The Commission is also expected to revise the WFD Watch list, a monitoring mechanism intended to provide exposure data and analytical methods for chemicals of potential concern in the aquatic environment. Its adoption is planned for summer 2022.

Due to the Joint Research Centre (JRC) preliminary risk assessment, free cyanide (free-CN) is proposed for inclusion. Euromines, EUROFER, Eurometaux and the European Cyanide Sector Group submitted a joint statement on the JRC proposal.

Environmental Quality Standards (EQS)

Iron

EUROFER has been contributing for a number of years to a study related to Multiple Linear Regression Models for Predicting Iron and Aluminium Toxicity to Freshwater Aquatic Life. Ideally, this should result in a robust model accepted by the European authorities which proves that there is limited toxicity due to the low bio-availability of iron, and leading to less stringent EQS. This is a proactive activity of the steel industry and EUROFER. The Oregon State University (OSU) produced a report on eco-tox testing. At this stage OSU does not foresee any further testing. The manuscript for publication is the final activity that completes the project. To this end, ARCHE Consulting is evaluating whether and how to use the study results for future updates of the REACH dossier.

Nickel

Concerning the prioritisation process for the EQS dossier finalisation, the JRC has confirmed to be working on the comments received in December 2021. An expert sub-group on nickel is likely to be set up.



Alexis Thuau

Manager

Process emissions

BEST AVAILABLE TECHNIQUES (BATs) REFERENCE DOCUMENTS (BREFs)

During the first quarter of 2021, the EUROFER secretariat provided its views on the conclusions reached during the Ferrous Metals Processing (FMP) BREF Final Meeting of the Technical Working Group (TWG). In particular, EUROFER raised objections about both NOx emissions and energy consumption in post-heating furnaces, and NOx emissions when air preheating is applied or when processing high-alloy steels. The technical validity of EUROFER objections was recognised by the European Integrated Pollution Prevention and Control Bureau (EIPPCB), and will therefore be recorded in the final version of the FMP BREF.

In December 2021, the meeting of the Article 13 Forum was convened to provide its opinion on the content of the FMP BREF, addressing the key issue of the use of electricity from fossil-free energy sources in heating as BATs. Notwithstanding the absence of supporting techno-economic information, there was enough support in the Article 13 Forum to mandate the EIPPCB, together with the TWG, to further work on the technique.

The BAT conclusions are expected for publication in the EU Official Journal towards the end of the first half of 2022.

The year 2021 saw the reactivation of two TWGs for the review of the BREF on Surface Treatment of Metals and Plastics (STM) and for the drafting of a new BREF on Large Volume Inorganic Chemicals (LVIC). The current STM BREF dates back to 2006 and, for steel, mainly relates to various electrolytic treatments such as tin, chromium, zinc or zinc alloy plating. EUROFER will actively promote the specificities of the steel sector while closely cooperating with the many industry associations involved in this BREF review. The new LVIC BREF will mainly consist of a merger of two old BREFs from 2007 on ammonia, acids and fertilisers (LVIC-AAF) and on solids and others industry (LVIC-S) respectively. EUROFER will focus on forming and advocating its position on the generation of sulphuric acid as a byproduct in the desulphurisation of coke-oven gas and the production of hydrogen.

INDUSTRIAL EMISSIONS DIRECTIVE (IED) REVISION

The Commission launched its proposal for a revised Industrial Emissions Directive (IED) on 5 April 2022. EUROFER believes that the current IED legislation works well.

While the Commission intends to make the future IED “fully consistent with climate, energy and circular economy policies” as stated in the EU Green Deal, EUROFER warns that any revision should not compromise the key objective of the IED, which is to prevent or limit pollution into the environment from processes in an integrated way.

The Commission proposal for a revised IED includes, among others, binding performance levels for the use of materials, energy and water which until now have been only recommended values. The existing Article 9(1) is maintained, which means no emission limit values for CO₂ in permits if the sector is already covered by the EU Emissions Trading Scheme (ETS). By 30 June 2035, operators will have to include in their Environmental Management System (EMS) a transformation plan for each installation. This plan shall contain information on how the installation will transition in the period 2030-2050 in order to contribute to the emergence of a sustainable, clean, circular and climate-neutral economy. It is vital that the IED remains technology-neutral. EUROFER requests that legal certainty is ensured throughout the revision process.

EUROFER also published a position paper with key messages on the IED revision, and exchanged views with European Union institutions and Member State experts. To increase the visibility of EUROFER's position, a successful webinar on the revision of the IED was organised in September 2021.

The Commission proposal will now follow the ordinary legislative procedure, in which EUROFER will participate as a stakeholder.

The final legislative act is expected by the end of 2023. The revision of the IED is another key file that will require full attention throughout 2022.

THE EUROPEAN POLLUTANT RELEASE AND TRANSFER REGISTER (E-PRTR) REVISION

Throughout 2021, EUROFER took part in various consultation activities related to the impact assessment work for the revision of the E-PRTR Regulation.

In particular, EUROFER called for the E-PRTR to remain primarily a simple tool for informing the general public, but not a tool either for identifying the best performers or for regulating emissions, which is best done under the IED in the framework of the Seville process.

The proposal for an Industrial Emissions Portal Regulation, which would repeal and replace the E-PRTR Regulation, was published by the European Commission on 5 April 2022, alongside the proposal for a revised Industrial Emissions Directive.



AIR POLICY REVIEW

The assessment of the options for the revision of the Ambient Air Quality Directives (AAQD) started in September 2021, following the update of the World Health Organization (WHO) Air Quality Guidelines (AQGs). EUROFER took part in the workshop, open public consultation and targeted stakeholder surveys conducted so far.

The revised legislation is expected to be presented in the second half of 2022.

The steel sector has contributed significantly to improving air quality in Europe, with dramatic emissions reductions observed for the most critical air pollutants in the past 30 years. EUROFER supports a gradual increase in action and ambition to tackle the harmful effects of air pollution in view of the alignment of EU standards with the WHO AQGs

All sectors should contribute to improved air quality in a balanced way, and as far as technically and economically feasible. For industry, the reference framework should remain the IED and its associated BATs.





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Life-cycle assessment

PRODUCT RELATED ENVIRONMENTAL ISSUES

The year 2021 was another important step for integrating life-cycle thinking in product policy, and EUROFER now observes greater interaction of the different product policies in this area.

EUROFER believes that 2022 will therefore be a crucial year for ensuring the convergence of product policies and increasing consistency of regulatory interventions towards a more circular, low-carbon economy.



Vehicle CO₂ emissions

On 14 July 2021, the European Commission published its proposal amending Regulation (EU) 2019/631 to strengthen the CO₂ emission performance standards for new passenger cars and new light commercial vehicles, in line with the Union's increased climate ambition for 2030.

Although the amendments mainly focus on new CO₂ emissions targets in 2025, 2030 and 2035, there is still a requirement for the Commission, by 2023, to consider the feasibility of how life-cycle emissions reporting can be implemented in a simplified and robust way.

EUROFER continues to work with WorldAutoSteel and partners to press for this feasibility study and accelerate the move towards accounting the full life-cycle emissions. By 2035, the Commission wants all tailpipe emissions to be zero, meaning that the regulation will have to move away from a tailpipe approach to account for the remaining life-cycle emissions. This could pave the way for the use of voluntary CO₂ credits in the regulations. It could also help vehicle manufacturers design vehicles that are not only clean during the use phase, but also over the entire life cycle.

A win-win situation for different sectors could be achieved if a life-cycle emissions approach contributes to create a market for low CO₂ steel products. In turn, this can help steel producers gain confidence in making low CO₂ steelmaking investments, as well as reducing emissions in the automotive supply chain.

SUSTAINABILITY IN CONSTRUCTION

EUROFER has been active in sustainability standardisation work of TC 350 through 2021, most notably on draft standards for building assessment, civil engineering, circular economy and business-to-consumer (B2C) communication of product environmental performance. The consideration of the environmental benefits of recycling is not adequately recognised in the draft standard for B2C product comparison, in contrast to the Commission's preferred approach of using the PEF method.

EUROFER, together with Metals for Buildings, continues to advocate for better integration of end-of-life recycling aspects (so-called Module D), and closer alignment of voluntary European Committee for Standardisation (CEN) standards with PEF.

This alignment will help to have a consistent approach in product regulations that supports circular economy practices, including design for reuse and recycling, high-quality recycling and waste reduction. Metals for Building has also published a video showing how circularity can reduce whole-life carbon emissions in buildings. This aspect also needs to be secured in the proposed revision of the Energy Performance of Buildings Directive published in December 2021, in which whole-life carbon emissions reporting will become mandatory for certain buildings.

EUROFER also participates in TC135 (execution of steel and aluminium structures) Working Group 17 on the development of complimentary product category rules to ensure more consistent Environmental Product Declarations (EPDs) in the future. One of the biggest challenges is to ensure consistent CO₂ accounting of Granulated Blast Furnace Slag (GBS), which is a byproduct of ironmaking and used as a cement replacement or cement blend instead of virgin Portland cement.

Proposals for the revision of the Construction Products Regulation (CPR) were published at the end of March 2022 after several consultations in the past few years, and these proposals put forward several different options to consider.

Improvements are needed to the process for standardisation requests to develop harmonised standards and the proper implementation of requirements on the sustainable use of natural resources - Basic Works Requirement 7 of the CPR (BWR7).

The Commission-led CPR Acquis process is already underway for precast concrete and structural metallic products to define requirements in future standardisation requests, which will be followed by rebar products in 2022.

The approach for accounting for sustainability in the CPR will depend on the implementation other product policies, and in particular the eco-design of sustainable products regulation also due at the same time.



Research and innovation

5



DANNY CROON
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RESEARCH FUND FOR COAL AND STEEL (RFCS)

The Research Fund for Coal and Steel (RFCS), managed by the European Commission, has now entered its 20th year of activity.

Over time, it has contributed to create a robust steel research community network, attracting many young engineers across research and development themes, bringing vitality and creating new opportunities for growth, an area in which European cooperation plays an essential role.

The RFCS has led to many innovations in steel processes and digitalisation, but also in automotive and construction applications, while providing steel-based solutions for new markets. The year 2021 was a key milestone, with the adoption of the new RFCS legislative package as part of the EU Green Deal.

EUROFER has supported the Commission proposal from the start because it ensures the possibility to use the European Coal and Steel Community (ECSC) assets to top up the financing needs of both the Clean Steel Partnership (CSP) and the RFCS over the period 2021-2027 in the following way:

1. From 2021 onward, €29 million per year will be granted to steel RFCS annual calls, while €40 million per year will go to coal and steel together;
2. €52 million per year will be granted to the CSP.

At the same time, due to a late adoption of the new RFCS legislative package, there is currently a discontinuity in the RFCS funding. Only €11.36 million is available for the RFCS 2021 annual call for steel instead of the foreseen €29 million. However, the difference will be added to the total budget for the RFCS 2022 annual calls.

Compared to past years, another major change occurred in the implementation activities linked to the RFCS. They have now been moved from the Commission Unit Low Emission Future Industries (DG RTD C3) to the Research Executive Agency (REA). The latter is bringing forward new ideas.

Recently, the REA Unit Future Low Emission Industries presented comprehensive changes related to the way of working of the Technical Groups under the RFCS. For instance, financial monitoring does not seem to be a focus any longer, but is to be taken over by REA, with the input of one or two experts per project. This development does not take into consideration the need for a broad discussion to tackle monitoring problems and ensure fairness and equal treatment of projects, as described in the RFCS legal basis. The Technical Groups are at the heart of the RFCS programme and represent a unique peer-review process that helps improve running projects. A proposed monitoring structure for annual RFCS and CSP projects - in the form of a document prepared by nine Steel Advisory Group members (among them the EUROFER and European Steel Technology Platform (ESTEP) secretariats) and the five Steel Technical Group (TGA) Chairs - has been shared with the Commission and REA for further discussion.

There is already a well-functioning monitoring system for the annual RFCS calls within the Technical Groups for steel, and this can be expanded to include project monitoring within the CSP. It would be highly beneficial to put in place such a mechanism for monitoring all steel projects together. This also needs to be consistent with the different aspects of governance, in particular the RFCS legal basis and with the CSP Memorandum of Understanding.

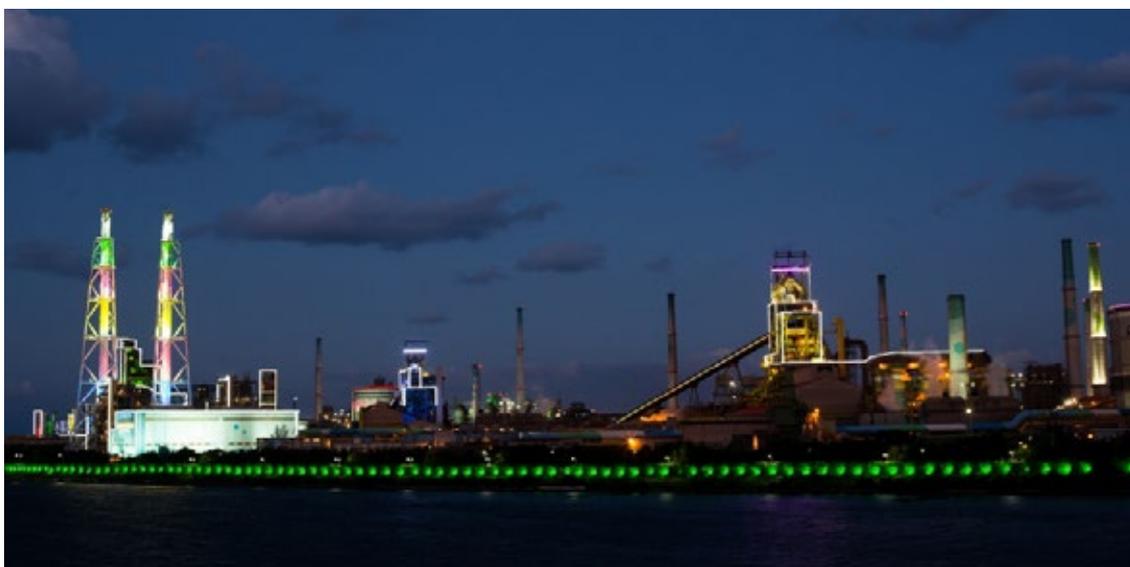
It is equally important that the Steel Advisory Group (SAG) members continue getting the information required to provide their expertise to the Commission, as foreseen in the RFCS legal basis.

No ranking list or abstracts have been made available for the annual SAG meeting of December 2021.

The aim should be to allow the CSP benefitting from RFCS's decades of experience and good practice. For example, Horizon Europe (HEU) projects within the scope of the CSP should also be part of a peer review.

EUROFER has outlined its long-term strategy for RFCS in the following terms:

- The steel industry recognises the bottom-up approach of the RFCS as an outstanding and key characteristic. Therefore, the RFCS should remain a bottom-up programme.
- RFCS should maintain a strong focus on innovation in the steel industry, namely the real needs, demands and interest (such as markets) of the sector. Every year, a significant part of the budget is spent on projects with no real industrial participation. Funding should never be diverted to purely academic research, or directed towards one single company's benefit.
- Any idea within the RFCS's broad objectives - not only about decarbonisation but also other areas - should be supported to strengthen the European steel industry. Technological issues such as improved product quality or higher production yield should not be neglected. At the same time, the 'do not harm' principle must be respected.
- The RFCS programme has always aimed to include as much know-how of the steel sector as possible into any stage of the evaluation and monitoring process. It is of utmost importance to maintain this approach in the future.
- The possibility to improve project proposals based on feedback from the evaluation process is a key feature of the RFCS programme. Therefore, it must be maintained together with the peer review, given its centrality in the RFCS structure.
- A close communication line between the TGAs, SAG and the Commission about policy issues should be retained, even if the administration of the RFCS programme is handled by REA.
- The Commission should invest the remaining ECSC assets after 2027 to generate revenues that can be used to continue funding research in the steel and coal sectors with a minimum threshold of €40 million a year (annual RFCS calls).



THE CO-PROGRAMMED EUROPEAN PARTNERSHIP ON CLEAN STEEL (EU CSP)

The Clean Steel Partnership has one leg under Horizon Europe (HEU, Cluster 4) and another leg under the RFCS. Public funding of €50 million per year under each financing programme is expected, resulting in a total of €700 million over seven years. This will be matched with funding from the private sector, and accomplished with in-kind contributions by industry.

The CSP HEU 2021 presented three calls under the Clean Steel topics:

- carbon direct avoidance in steel: electricity and hydrogen-based metallurgy;
- improvement of the yield of iron and steel making;
- adjustment of steel process production to prepare for the transition towards climate neutrality.

A low number of proposals were submitted, and only five projects were selected for funding. As such, the available budget was not fully used, and was transferred to 2022. For future calls, there should be a longer timeframe between publication and call closure, and better coordination with the timing of the RFCS annual calls.

The CSP HEU 2022 sees two calls under the Clean Steel topics:

- raw material preparation for clean steel production;
- modular and hybrid heating technologies in steel production.

The deadline for submission of proposals was the end of March 2022.

The CSP HEU 2023/2024 work programme is under preparation, and features four CSP topics:

- low carbon dioxide emission technologies for improving energy and resource efficiency via process integration;
- circular economy solutions for the valorisation of low-quality scrap streams, materials recirculation with high recycling rate, and residue valorisation for long term goal towards zero waste;
- CO₂-neutral steel production with hydrogen, secondary carbon carriers and electricity or innovative steel applications for low CO₂ emissions;
- digital transformation and ensuring a better use of industrial data, which can optimise steel supply chains.

These topics complement the large CSP call funded by RFCS in 2022, combining the funding envelopes of both 2021 and 2022 for a total of €104 million.

The call opened on 3 March 2022, with a submission deadline of 3 May 2022. This avoids an overlap with the deadline of the annual RFCS call, which is set for September 2022. The RFCS CSP call 2022 is a single call with four objectives, expecting projects with an EU contribution of €5 million to €9 million, and exceptionally up to €18 million.

The four call objectives are:

- preparation of steel CO/CO₂ gases for carbon capture, use and storage;
- process integration in steel plants to reduce the use of fossil carbon and associated CO₂ emissions;
- CO₂-neutral iron ore reduction;
- developing technologies to reduce the specific energy required to produce steel.

This flexibility should be attractive for steel producers and result in a high number of proposals.



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INNOVATION FUND (IF)

Call for proposal for large-scale projects

The first call for large-scale projects was launched on 3 July 2020, with a budget of €1 billion for breakthrough technologies for renewable energy, energy-intensive industries, energy storage, and carbon capture, use and storage (CCUS).

The European Commission received 311 applications, out of which the 70 best-ranked projects were invited to submit a full application for the second stage in June 2021. Finally, seven large-scale projects (including one from the steel industry, Hybrit), with the potential to prevent 72.8 million tonnes of CO₂ emissions over ten years, were awarded €1.14 billion from the IF in November 2021 (*Figure 1*).

INNOVATION FUND GRANTS OF € 1145 MILLION FOR SEVEN FIRST-OF-A-KIND PROJECTS

| | |
|---|--|
| KAIROS-AT-C Port of Antwerp (BE) | Carbon capture from hydrogen, ammonia and ethylene oxide production and storage in North Sea, Innovative shipping. |
| BECCS Stockholm (SE) | Bio-energy carbon capture at a combined heat and power plant storage in North Sea - negative emissions |
| K6 (FR) | CCU8 at cement plant with storage in North Sea and carbon use for concrete production |
| SHARC (FI) | Green hydrogen from water electrolysis and blue hydrogen with CC8, storage in North Sea |
| HYBRIT (SE) | Hydrogen-based direct reduction for steelmaking, including electrolyser |
| ECOPLANTA (ES) | Bio-based methanol from non-recyclable municipal waste |
| TANGO (IT) | Bifacial heterojunction photovoltaic solar cell production at CW scale |

Figure 1: First call of the Innovation Fund – awarded projects

The second call for large-scale projects opened on 26 October 2021 and closed on 3 March 2022, with an increased budget of €1.5 billion. The European Commission received 138 applications, representing €12.1 billion of funding requests for projects with the potential of reducing CO₂ emissions by 721 million tonnes across all eligible categories: renewable energy, energy-intensive industries, energy storage, and carbon capture and storage (CCS).

Applicants will be informed about the results of the evaluation in the third quarter of 2022, while the grant award and signature of the selected projects will take place in the fourth quarter.

The IF is open to both large-scale projects (total capital expenditure above €7.5 million) and small-scale projects (total capital expenditure below €7.5 million). Regular calls for proposals are foreseen until 2030.

Call for proposal for small-scale projects

The first call for small-scale projects was published on 1st December 2020 and closed on 10 March 2021. In response, the Commission received 232 applications requesting in total more than €1 billion in funding, ten times more than the available budget. Compared to the first large-scale call, this one attracted fewer applications from energy-intensive industries and CCUS, but saw a larger number from the renewables and energy storage sectors. Applicants were informed about the results of the evaluation in August 2021. Finally, by 10 December 2021, all 30 projects selected for funding signed their grant agreements.

The second call for small-scale projects was launched on 31 March 2022 with a budget of €100 million. The deadline for submission of applications is 31 August 2022. Applicants will be informed about the results of the evaluation in the first quarter of 2023, while the award of grant and project development assistance will take place in the second quarter of 2023. The text and application process are largely similar to those of the first call. The IF calls for proposals for large- and small-scale projects were prepared with the active involvement of the IF Expert Group, of which EUROFER is a member. EUROFER has coordinated the contribution of steel companies in the preparation of the calls, and delivered support letters for steel projects upon request.



Background

The IF was set up under the EU ETS. Up to €450 million of ETS allowances will be used for the IF funding scheme. However, the IF overall budget for the period 2020-2030 will depend on the ETS price, which is determined by the market. As participation in the IF is open to a vast number of sectors (renewables, energy-intensive industries, CCUS, etc.), competition for funding is very high.

The IF will finance first-of-a-kind projects at industrial scale (TRL 9) with an innovative component. The European Commission will first calculate the so-called “financing gap”, and provide funding – mainly via non-repayable grants – of up to 60% of this gap (capital expenditure and operational expenditure) in different tranches. The time limit for the financing of a single project under IF is ten years. Detailed information is available in the EC Delegated Act on the Operation of the IF.

The financing gap is calculated in terms of overall cost of a project (capital expenditure and operational expenditure), minus the cost of conventional technology (in case of blast furnace/basic oxygen furnace, this could amount to the cost of retrofit). The Commission and Member States intend to provide funding only to those projects that are deemed financially sustainable. Member States can further contribute via national resources to cover the remaining financing gap.



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FIT-FOR-55 PACKAGE

On 14 July 2021, the European Commission published the comprehensive 'Fit for 55' package, launching the legislative process that aims to reduce greenhouse gases (GHG) emissions by 55%, compared to 1990 levels, by 2030. The core building blocks of the package include the revision of the current EU Emissions Trading System (EU ETS), the introduction of a Carbon Border Adjustment Mechanism (CBAM) and the revamping of the key legislative pillars of the EU Energy Policy Framework. The latter comprise the recast of the Renewable Energy Directive (RED) and the Energy Efficiency Directive (EED), and the revision of the Energy Taxation Directive (ETD).



EU ETS post-2020

The Commission proposal on the EU ETS consists of the following main elements:

- increased linear reduction factor from 2.2% to 4.2%, combined with a one-off cancellation of around 120 million allowances;
- new definition and system boundaries of product benchmarks to reflect innovation development;
- reduction of free allocation for CBAM sectors by 10% per year from 2026;
- free allocation conditionality based on implementation of energy audits;
- extension of the EU ETS to shipping;
- gradual introduction of a new emissions trading system for road transport and buildings.

Following the publication of the proposal and the start of the legislative process in the European Parliament and the Council, EUROFER engaged with policymakers and relevant stakeholders on all these issues, providing detailed bottom-up assessments as well as the steel sector's policy recommendations.

Carbon Border Adjustment Mechanism (CBAM)

The Commission proposal on the Carbon Border Adjustment Mechanism (CBAM) includes the following key elements:

- gradual introduction of the CBAM from 2026, after a three-year transition period from 2023 to 2025;
- policy instrument: extension of the EU ETS surrendering obligation to importers through CBAM import certificates;
- sectoral coverage: steel, aluminium, fertilisers, cement and electricity;
- emissions coverage: direct emissions of the production of the relevant product as well as relevant upstream materials' emissions, with the possibility of extending emissions from electricity consumption;
- measurement of carbon content: verified emissions data of imports or, in the absence of real data, default emissions values;
- interaction of the CBAM with free allocation: 10% reduction of free allocation per year from 2026, reflected in an equivalent adjustment of the CBAM level.
- In parallel with action undertaken within the ETS framework, EUROFER engaged with policymakers and relevant stakeholders also on these issues, providing as well detailed bottom-up assessments of the proposal and the steel sector's policy recommendations.

Renewable Energy Directive (RED)

With regard to the Renewable Energy Directive (RED) recast, EUROFER presented the following requests to key EU stakeholders:

- basing renewable target-setting at EU, Member State and industry level on transparent and holistic assessment, taking international competitiveness fully into account;
- linking renewable targets and other incentivising mechanisms to the existence of adequate volumes of cost-affordable renewable and low-carbon energy sources and related infrastructure for industry;
- conditioning renewable hydrogen consumption targets for industry to the existence of dedicated support measures including measures rewarding consumption;
- providing a clear legal definition of renewable hydrogen;
- applying the additionality principle in a commensurable way for a specific period of time;
- setting the right calculation methodology of GHG emission savings for Recycled Carbon Fuels (RCFs);
- ensuring full and cost-affordable access to renewable Power Purchase Agreements (PPAs) for energy-intensive industries, while phasing out support schemes for mature renewable technologies;
- guaranteeing energy-system integration for energy-intensive industries on the need for security of supply;
- enabling the role of the steel industry as provider of low-carbon heat to district heating and cooling systems;
- creating a supportive regulatory framework for co-processing technologies.

In the context of the Renewable Energy Directive, EUROFER also adopted a position on the regulatory framework for RCFs as an example of CO₂ valorisation technology and part of the decarbonisation pathway of the steel industry.

Regarding the delegated act of the RED (still to be published at the time of writing) defining the GHG emission savings threshold for RCFs, EUROFER pushed forward the following requests:

- recognising the CO₂ mitigation potential of RCFs as an integral part of the transition to climate neutrality;
- acknowledging the potential for creating additional demand for renewable electricity;
- adopting a methodology for calculating GHG emission savings for RCFs compatibly with the EU Innovation Fund methodology, which assumes that the electricity used (and replaced) for the production of carbon capture and usage (CCU) products is renewable (i.e., delivered via a fully decarbonised 2050 grid);
- adopting the LCA as assessment method;
- providing a clear definition of RCFs which ensures legal certainty and investment predictability.



Energy Efficiency Directive (EED)

Concerning the Energy Efficiency Directive (EED) recast, EUROFER set the following priorities for the steel sector:

- avoiding double regulation for industry;
- introducing a notion of energy efficiency which incentivises decarbonisation technologies through an actual energy-efficiency indicator;
- minimising the impact of energy-related indirect regulatory pressure related to the implementation of the Energy Efficiency First principle;
- promoting cost-efficient solutions through energy savings targets and related obligations enabling the technological potential of sectors;
- promoting and enabling low-carbon energy solutions in the heating and cooling sector. Engagement with EU key stakeholder is ongoing.

Energy Taxation Directive (ETD)

Regarding the Energy Taxation Directive revision, EUROFER identified the following objectives:

- supporting EU Member States with a tool to tax energy;
- limiting the risk of creating different terms of competition for companies within the internal market and supporting the decarbonisation efforts of European industries on the short, medium and long-term;
- enabling a cost-effective and competitive transition towards climate neutrality, taking international competitiveness fully into account;
- safeguarding the role of tax-differentiated treatments in the EU, reintroducing the possibility for Member States to grant exemptions from the taxation of energy products supplied through air and sea transport;
- avoiding business uncertainty and unnecessary burdens on the administrative implementation of the directive;
- ensuring long-term predictability for investments in breakthrough technologies through a seamless application of the General Block Exemption Regulation (GBER).

Engagement with EU key stakeholders is ongoing.

GAS AND HYDROGEN DECARBONISATION PACKAGE

Concerning the Gas and Hydrogen Decarbonisation package, in June 2021 EUROFER adopted a preliminary response to key questions of the Commission Inception Impact Assessment by providing its views on the design of the hydrogen market and infrastructure frameworks.

In doing so, EUROFER prepared a series of key takeaways stretching across the following policy areas: hydrogen infrastructure planning and financing strategy; hydrogen market rules; hydrogen availability and quality; and transparency on sustainability and GHG footprint for consumers.

Accordingly, the following messages were delivered to EU key stakeholders:

- basing target-setting on holistic, comprehensive and transparent assessment of end-users' real energy demand, while taking international competitiveness fully into account;
- striving for the creation of a highly liquid hydrogen market;
- ensuring the availability of sufficient cost-competitive quantities of hydrogen;
- providing clear rules on the repurposing of existing hydrogen infrastructure;
- streamlining the adoption of the technology neutrality principle across the relevant regulation and directive;
- ensuring a clear prioritisation of end-users of hydrogen.

Sustainable Finance

8



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TAXONOMY

REGULATION ON THE ESTABLISHMENT OF A FRAMEWORK TO FACILITATE SUSTAINABLE INVESTMENT

EUROFER supports the objective of the Sustainable Finance initiative to mobilise investments in the EU to help achieve a sustainable transition to a low-carbon economy. However, the taxonomy should not hinder innovation and the decarbonisation transition of the European steel industry. Access to investment will be key to making that shift successful.

The main objective of the taxonomy is to define the concept of 'environmentally sustainable investment', and then channel capital flows towards those types of investments. In particular, it sets a framework to identify which economic activities are environmentally sustainable:

- Activities contributing to at least one of the six environmental objectives established by the Regulation (climate change mitigation, climate change adaptation, protection of water and marine resources, circular economy, pollution prevention, ecosystem protection).
- Activities that do not significantly harm any of the other environmental objectives above.

This framework is intended to serve two purposes: Member States' authorities shall use it when setting national legislation to promote sustainable investments (e.g., labelling schemes, green bond schemes, etc.), and financial actors shall use the criteria above to determine the environmental sustainability of an investment.

In order for the taxonomy on climate change mitigation and climate change adaptation to be fit for purpose, EUROFER continues to advocate that:

- The taxonomy should keep a flexible approach that prevents prescriptive and rigid categories that do not take into account the dynamic evolution of technology.
- Industrial value-creation chains should be fully represented in the taxonomic system, and considered and evaluated holistically.
- A simple consideration between 'environmentally sustainable' or 'activities with a negative environmental impact' does not represent current industrial realities and societal needs; instead, the taxonomy should consider a fully comprehensive life-cycle analysis.
- It is key to take into account the transition of an activity to a carbon-lean configuration and operation, including preparatory large-scale innovation projects and specific timelines and pathways of its transition.

State of play

The Taxonomy Regulation, which establishes the basis of the EU taxonomy, entered into force on 12 July 2020. From the European steel industry's point of view, the key takeaways included in the legal text are:

- increasing the use of safe CCUS technologies;
- recognition of activities that support the transition to a climate-neutral economy;
- recognition of activities that directly enable other activities to make substantial contributions; taking into account the life-cycle considerations of activities.

The Technical Expert Group on Sustainable Finance (TEG), set up by the European Commission, published its final report on the taxonomy on 9 March 2020. On this basis, the Commission launched the first delegated act draft on taxonomy climate mitigation and adaptation in November 2020. It was adopted in principle on 21 April 2021 by the Commission, thereby providing the technical screening criteria working alongside the Taxonomy Regulation. After a six-month scrutiny period by Member States and the European Parliament, it was subsequently adopted.

Outcomes

1. The Commission did not follow the request of the steel industry to use an appropriate accounting methodology (agreed protocols or standards) that takes into consideration the connection between the production processes to avoid miscalculation of CO₂ emissions. Furthermore, the Commission did not follow the alternative proposal by the steel industry to have an appropriate correction in case such accounting methodology was not used.

In this respect, the Commission did not even follow the request of the steel sector to adjust the thresholds for the technical screening criteria by introducing a correction taking into account the missing emissions from exported waste gases – i.e. waste gases leaving the perimeter for establishing the set threshold.

The updated delegated act still uses the same formulation of technical screening criteria related to thresholds based on emissions intensities derived from the EU ETS. However, the formulation of the screening criteria leaves room for interpretations. This can lead to legal uncertainty, thus discouraging investment.

2. According to the delegated act, for climate change mitigation and climate change adaptation purposes, GHG emissions should be calculated for isolated processes and compared with the set thresholds (based on ETS methodology). This is rather detrimental, because considering each process on an individual basis makes it hard to see the efforts of the steel companies in optimising their energy and process gas management. On the contrary, this is a key measure to improve energy and CO₂ efficiencies, in particular in the primary steel production route.

3. Despite the steel sector's request, the Commission did not introduce the additional technical screening criterion for climate change mitigation defined as "having the mitigation measures incorporated into an investment plan that leads the activity to meet the threshold". However, this additional criterion is key to address the efforts of steel companies towards carbon neutrality, as their transition will take time.

4. The Commission accepted the request from the steel sector for alternative screening criteria for steel produced in electric arc furnaces (EAF). Besides having two thresholds for eligibility based on the use of scrap, the Commission clarified the definition of both EAF carbon steel and EAF high-alloy steel, referring to the Commission Delegated Regulation (EU) 2019/331.

5. From the delegated act, it can be assumed that CCU has now been introduced on the list of low-carbon breakthrough technologies, as requested by the steel sector. However, this needs further clarification.

Subsequently, EUROFER has requested clarifications from the European Commission on how to interpret the provisions of the technical screening criteria based on CO₂ intensities for the activities of the manufacture of iron and steel. A second delegated act on Sustainable Finance, namely on Article 8 of the Regulation (which sets requirements for undertakings to disclose specific information in their non-financial statements) and on financing the transition, was launched in July 2021.

EUROFER provided its feedback to the Commission consultation. In addition to this, the criteria for a new Taxonomy delegated act was launched at the end of 2021 on the four remaining environmental objectives, including water, circular economy, pollution prevention and control and biodiversity. However, steel is not part of this first batch of proposals.



Transport

9



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OVERVIEW

The EUROFER Transport Working Group focuses on the current transport policies and legislative work of the EU institutions. In addition to the ongoing work on directives and regulations, the working group discusses the individual transport challenges in members' countries.



The COVID-19 crisis has proved cooperation with other transport associations to be even more valuable than before. Subsequently, in addition to the Transport Working Group work, EUROFER continued to participate actively in the European Shippers' Council's Maritime, Railway and Inland Transport Council meetings as well as in the Transport Working Group and Task Force on Low-Emission Mobility of BusinessEurope.

These platforms are particularly important in exchanging and collecting information on the challenges faced by shippers. In cooperation with these associations, comprehensive strategy papers and consultation feedback were drafted, addressing issues such as the Contingency Plan for Transport, the revision of the TEN-T Regulation and Smart and Sustainable Mobility Strategy.

The main transport topics of 2021 featured the recovery from the COVID-19 crisis, disruptions in maritime transport, as well as the institutional agreement on new road charging rules and the structural challenges road transport still faces.

Among these, the shortage of drivers and the various problems arising from the weights and dimensions rules, especially with regard to cross-border transport, featured prominently.

In December, the Commission published a new legislative package on transport to support the transition to cleaner, greener and smarter mobility, in line with the objectives of the European Green Deal. With these proposals covering four areas (a smart and sustainable TEN-T, increasing long-distance and cross-border rail traffic, intelligent transport services for drivers and cleaner, greener, easier urban mobility), the Commission aims to put the transport sector on track to cut its emissions by 90%.

The provisions focus on increasing connectivity and shifting more passengers and freight to rail and inland waterways. This is enabled by the roll-out of charging points, alternative refuelling infrastructure and new digital technologies, as well as by enhancing the choice of different transport options in an efficient multimodal transport system.

TRANSPORT POLICY AREAS AND LEGISLATION



Road transport

Road transport discussions mainly focused on the recovery needs from the COVID-19 crisis, as well as on the shortage of drivers, continued problems with national barriers and administrative burdens concerning cross-border transport (especially due to the weights and dimensions rules). The need for further digitalisation of transport documentation and the lack of safe parking areas and road safety were also among the key issues of 2021.

Rail transport

Rail transport has historically had extensive cooperation with the steel industry as a shipper of heavy goods. While important progress has been achieved by previous legislative rail packages, more work is still needed to ensure the interoperability of the EU rail network. Several issues remain open, including the improvement of the rail network to increase its capacity for facilitating national and international services. Improved connections between ports and rail would further contribute to the effectiveness of the EU's transport system as a whole. In addition, there is room for technical potential to improve innovation in rail transport, such as the swift implementation of digital automatic coupling (DAC), which is essential for the digitalisation and modernisation of rail freight.

Single wagon services still continue to form an essential part of rail transport for steel. In many Member States, its role is strengthened and its more intensive use encouraged – a view also supported by EUROFER.

Inland waterways

Inland waterway transport plays an important role in the transport of goods in Europe. Given its energy-efficient nature and capacity, it can be a useful addition to road and rail transport, responding to the increasing demand of transport services. However, many challenges still persist, including ageing infrastructure, natural occurrences and air pollution.

In recent years, water levels have hindered an efficient use of inland waterways potential. A continued focus is therefore needed at EU level on key areas of intervention such as infrastructure quality, environmental performance and the integration of inland navigation into the multimodal logistics chains.

Maritime transport

Maritime transport remains one of the core areas for the steel industry. Europe's ports are vital gateways, linking its transport corridors to the rest of the world. For the steel industry, they are key to its sustainability because raw material supply and shipments overseas are basic elements of its business operations.

A special EU-level focus is therefore needed to ensure well-functioning maritime operations, in particular from shippers' point of view. Priority should be given to the implementation of much-needed digitalisation and harmonisation processes, essential for improving the efficiency of logistics chains, as well as to new investment, high-quality services and improved governance of European ports. Dockside services (cargo operations in ports) are another important dimension that plays a major role in the overall cost structure of sea freight for shippers.

Social affairs

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OVERVIEW

The EUROFER Social Affairs Committee works as a platform to update members on current social and employment policy matters in the EU, both legislative and non-legislative, that have an impact on the steel industry and its employees. The committee has an informative role.

The more concrete actions related to EU legislation in the area of social and employment policies are then further discussed and developed in European Employers' Network meetings under the auspices of BusinessEurope, of which EUROFER is a member.

EUROFER also continues to take part actively in the Liaison Forum organised by the European Commission, which works as a platform for the EU industry and the sectoral social partners.

Besides updates on the relevant policy developments at EU level, the main focus of the committee is to internally prepare the Sectoral Social Dialogue Committee (SSDC) on Steel meetings which take place three times a year, together with industriAll European Trade Union, EUROFER's social partner representing employees.



ACTIVITIES OF THE SECTORAL SOCIAL DIALOGUE COMMITTEE ON STEEL WITH INDUSTRIALL

The Sectoral Social Dialogue Committee (SSDC) on Steel, supported by the Commission, seeks to contribute to the sustainability and competitiveness of the steel sector in Europe. EUROFER and the industriAll European Trade Union have a long history as social partners in the SSDC, having built up shared understanding and mutual trust since 2006. As one of the core functions of its work, Social Affairs Committee members take part actively in this joint dialogue in Brussels.

The objectives of this Sectoral Social Dialogue are to monitor the social, economic and employment consequences of EU policies on the steel sector, to develop concepts and proposals to influence European and national debates and to give directions and recommendations that contribute to policy developments. In addition, the SSDC conducts exchanges on topics of mutual interest and develops a capacity for subsequent joint action including statements, position papers and projects.

In 2021, the main focus of the social partners' SSDC web meetings was still largely on the impact that the COVID-19 crisis has had on the EU steel production, market and employees. At the same time, the social partners continued working together on other topics of mutual interest, with the aim of improving the competitiveness of the European steel sector in general, through joint positions and actions on policy areas such as trade and climate change.

TRAINING AND EDUCATION

EUROFER, along with many members of the Social Affairs Committee, continued to work actively on the European Commission's Blueprint Skills Agenda project, which in case of the steel industry is called industry-driven sustainable European Steel Skills Agenda and Strategy (ESSA).

This project is a strategic cooperation platform between key stakeholders to develop concrete actions to satisfy short- and medium-term skills needs, funded by the Erasmus+ fund. Steel is one of the sectors identified by the Commission as needing to go through considerable structural changes in terms of new technologies and, therefore, skills.

The objective of ESSA is to develop a sustainable, industry-driven and coordinated European skills agenda and strategy for the ongoing and immediate implementation of ways to address new skills demand.

The programme, with an allocated budget of €4 million, is now reaching its final stages. Most of the relevant partners of the sector and relevant Member States are involved. These partners consist of steel companies and associations from ten countries as direct members and two more as associated partners. ESSA will subsequently be implemented across the EU, benefitting the European steel industry as a whole.

In practical terms, ESSA will lead to the development of modules for new skills for a globally competitive industry and provide tools for anticipating new skills demands. This, in turn, will facilitate the coordination of proactive and practical activities to meet the future requirements of the industry.



EMPLOYMENT

Given the continued growth of steel-using sectors' activity in the EU over the past few years, the European steel industry's employment situation had stabilised after years of a declining trend up to 2019.

The unexpected outbreak of the Covid-19 pandemic has impacted employment in the sector at a time when some major challenges for the sector were already arising (mostly, volatility of global trade and continued slowdown of manufacturing sectors), and has therefore severely impacted employment in the industry. In 2021, the employment rate did not recover to pre-Covid levels, despite the vigorous rebound in steel-using sectors' demand.

According to the most recent (provisional) data, employment in the steel industry in 2021 in the EU27 was around 312,000 people (vs 310,000 people in 2020).

ANNEXES

GLOSSARY OF TERMS

Terms that both appear in this report or that are of relevance to EUROFER, its work or its relationships with its stakeholders.

| | | | |
|-----------------|--|------------|---|
| ADP | Abiotic Resource Depletion Potential | ECHA | European Chemicals Agency |
| ASMoR | Alliance for Sustainable management of Chemical Risk | ECCA | European Coil Coating Association |
| BAT | Best Available Techniques | ECSC | European Coal and Steel Community |
| BAT-AELs--(BAT) | Associated Emission Levels | EDI | Electronic data interchange |
| BAT AEPL--(BAT) | Associated Environmental Performance Levels | EED | Energy Efficiency Directive |
| BCG | Boston Consulting Group | EGGA | European General Galvanisers Association |
| BF/BOF | Blast Furnace/Basic Oxygen Furnace | EIPPCB | European Integrated Pollution Prevention and Control Bureau |
| BREF | Best Available Techniques Reference Document | EIPRM | European Innovation Partnership on Raw Materials |
| BREF-FMP | Ferrous Metal Processing BREF | ELV | End-of-Life Vehicles Directive |
| BREF-LCP | Large Combustion Plants BREF | EMD | Energy Market Design |
| BREF-LVIC | Large Volume Inorganic Chemicals BREF | EoW | End-of-waste |
| BREF-SF | Smitheries and Foundries BREF | EPDs | Environmental Product Declarations |
| BREF-ST5 | Surface Treatment Using Solvents – BREF | EPR | Extended Producer Responsibility |
| BREF-WGC | Waste Gas Treatment in the Chemical Sector BREF | E-PRTR | European Pollutant Release and Transfer Register |
| BREF-WT | Waste Treatment BREF | EQS | Environmental Quality Standard |
| BusinessEurope | Confederation of European Business | ESSA | European Steel Skills Agenda and Strategy |
| ByP | By-product | ESTEP | European Steel Technology Platform |
| CAEF | European Foundry Association | ETD | Energy Taxation Directive |
| CAPEX | Capital Expenditure | EU | European Union |
| CARACAL | Competent Authorities for REACH and CLP | EUC | Essential Use Concept |
| CBAM | Carbon Border Adjustment Mechanism | EU ETS | European Union Emissions Trading System |
| CCU(S) | Carbon Capture Usage and Storage | EUGR | Energy Union Governance Regulation |
| CEFIC | European Chemical Industry Council | EURACOAL | European Association for Coal and Lignite |
| CEN | European Committee for Standardisation | EUROFER | European Steel Association |
| CEN/TC 135 | Standard on the execution of steel structures and aluminium structures | Eurometaux | European non-ferrous metals association |
| CENELEC | European Committee for Electrotechnical Standardisation | Euromines | European Association of Mining Industries |
| CI | Cobalt Institute | EUROSLAG | European Ferrous Slag Products Association |
| CII | Cross-Industry Initiative | Fit for 55 | Eu package on the revision of climate, energy and transport-related legislation |
| CINEA | European Climate, Infrastructure and Environment Executive Agency | FD | Floods Directive |
| CLP | Regulation on the Classification, Labelling and Packaging of products | FOB | Free on Board |
| CO ₂ | Carbon Dioxide | FP9 | Ninth Framework Programme for Research and Innovation |
| CONCAWE | European Refinery Industry | GCL | Generic Concentration Limit |
| cPCR | complimentary Product Category Rules | GBER | General Block Exemption Regulation |
| cPPP | contractual Public-Private Partnerships | GDP | Gross Domestic Product |
| CPR | Construction Products Regulation | GFSEC | Global Steel Forum on Steel Excess Capacity |
| CPW (Interface) | Chemicals, Products and Waste (Interface) | GHS | Global Harmonised System for classification |
| CSCF | Cross Sectoral Correction Factor | GPP | Green Public Procurement |
| CSP | Clean Stee Partnership | GWD | Groundwater Directive |
| CSS | Chemicals Strategy for Sustainability | HEU | Horizon Europe |
| EAF | Electric Arc Furnace | ICDA | International Chromium Development Association |
| EBRD | European Bank for Reconstruction and Development | IEA | International Energy Agency |
| | | IED | Industrial Emissions Directive |
| | | IG Metall | Industriegewerkschaft Metall |
| | | ILA | International Lead Association |

| | | | |
|-------------|---|-----------|--|
| IMOA | International Molybdenum Association | REACH | Registration, Evaluation, Authorisation and Restriction of Chemicals |
| industriAll | European Trade Union | RED | Renewable Energy Directive |
| INSG | International Nickel Study Group | REFIT | Regulatory Fitness and Performance programme |
| IPPC | Integrated Pollution Prevention and Control | RFCS | Research Fund for Coal and Steel |
| ISSF | International Stainless Steel Forum | RoHS | Restriction of Hazardous Substances Directive |
| JTI | Joint Technology Initiatives | RSB | Regulatory Scrutiny Board of the European Commission |
| KIC | Knowledge and Innovation Community | SAG | Steel Advisory Group |
| LCA | Lifecycle Assessment | SCL | Specific Concentration Limit |
| LCP | Large Combustion Plants | SET-Plan | Strategic Energy Technology Plan |
| LEVELs | Environmental Indicators for Resource Efficient Buildings | SPIRE | Sustainable Process Industry through Resource and Energy Efficiency |
| LRTAP | Long-Range Transboundary Air Pollution | SSDC | Sectoral Social Dialogue Committee |
| MAF | Mixture Toxicity Assessment | SustSteel | Sustainability for Steel Construction Products Mark |
| MEED | Metals Environmental Exposure Data | TDI | Trade Defence Instruments |
| MFF | Multiannual Financial Framework | TF | Task Force |
| MSR | Market Stability Reserve | TGS | Technical Groups |
| NAPCAP | National Air Pollution Control Programmes | TEN-T | Trans-European Transport Network |
| NEC | National Emissions Ceilings (Directive) | TRL | Technical Readiness Level |
| NIMs | National Implementation Measures | TWG | Technical Working Group |
| NRG | National Representatives Group (of the SET Plan) | UN | United Nations |
| OECD | Organisation for Economic Cooperation and Development | US | United States (of America) |
| OPEX | Operational Expenditure | VDEh | German Steel Institute |
| OSH | Occupational Safety and Health | VUB/IES | Vrije Universiteit Brussel / Insitute for European Studies |
| OSU | Oregon State University | WFD | Water Framework Directive |
| PPA | Power Purchase Agreements | WHO | World Health Organisation |
| PEF | Product Environmental Footprint | WTO | World Trade Organisation |
| PEFCR | Product Environmental Footprint Category Rules | ZPAP | Zero Pollution Action Plan |
| PREI (WG) | Production Related Environmental Issues (Working Group) | | |
| R&D&I | Research, Development and Innovation | | |
| (ECHA) RAC | Risk Assessment Committee | | |
| RCF | Recycled Carbon Fuels | | |
| REA | Research Executive Agency | | |

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| Acerinox | www.acerinox.es |
| AG Siderurgica Balboa | www.grupoag.es/siderurgicabalboa_en/empresa/empresa.php |
| Aperam | www.aperam.com |
| ArcelorMittal | www.arcelormittal.com |
| Badische Stahlwerke | www.bsw-kehl.de |
| Acciaierie Beltrame SpA | www.beltrame-group.com |
| Celsa Group | www.gcelsa.com |
| CMC Poland | www.cmcpoland.com |
| Deutsche Edelstahlwerke | www.dew-stahl.com |
| Dillinger Hütte | www.dillinger.de |
| Duferco Group | http://duferco.com |
| Georgsmarienhütte | www.gmh.de |
| Helliniki Halvourgia | www.hlv.gr |
| ISD Dunafer | www.dunaferr.hu |
| Liberty Steel Europe | www.gfgalliance.com |
| Marienhütte | www.marienhuette.at |
| Metinvest Western Europe | www.metinvestholding.com |
| NLMK Europe | www.eu.nlmk.com |
| Officine Tecnosider | www.officinetecosider.it |
| Outokumpu | www.outokumpu.com |
| Riva Forni Elettrici | www.rivafe.com |
| Saarstahl AG | www.saarstahl.de |
| Salzgitter AG | www.salzgitter-ag.de |
| Sidenor | www.sidenor.gr |
| Megasa Group | www.megasa.com/ |
| SIJ - Slovenian Steel Group | www.sij.si |
| Stahlwerk Thüringen | www.CSN-sections.com |
| Štore Steel | www.store-steel.si |
| TSNH (Tata Netherlands) | www.tatasteeleurope.com |
| thyssenKrupp Steel Europe AG | www.thyssenkrupp.com |
| Třinecké Železářny | www.trz.cz |
| U.S. Steel Košice | www.usske.sk |
| Vitkovice Steel | www.vitkovicesteel.com |
| voestalpine | www.voestalpine.com |

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(National Associations)

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Fachverband der Bergwerke und Eisenerzeugenden Industrie
www.wko.at/branchen/industrie/bergwerke-stahl/start.html

BELGIUM

Groupement de la Sidérurgie – GSV
www.steelbel.be

BULGARIA

Bulgarian Association of the Metallurgical Industries – BAMİ
www.bcm-bg.com/index.php

CZECH REPUBLIC

Ocelářská Unie
www.ocelarskaunie.cz

FINLAND

Metallinjalostajat
www.teknologiateollisuus.fi/

FRANCE

A3M - Alliance des Minerais, Minéraux et Métaux
www.a3m-asso.fr/
Chambre Syndicale des Producteurs d'Aciers Fins et Spéciaux
www.spas.fr

GERMANY

Wirtschaftsvereinigung Stahl
www.wvstahl.de

GREECE

Hellenic Steelmakers' Union – ENXE
Magyar Vas-és Acélipari Egyesülés
www.mvae.hu

ITALY

Federacciai
www.federacciai.it

POLAND

Hutnicza Izba Przemysłowa-Handlowa
www.hiph.com.pl

ROMANIA

Uniunea Producătorilor de Oțel din România – UniRomSider

SPAIN

Unión de Empresas Siderúrgicas – UNESID
www.unesid.org

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Asil Çelik San. ve Tic. A.Ş
www.asilcelik.com.tr

Çolakoglu Metalurji
www.colakoglu.com.tr

Türkiye Çelik Üreticileri Derneği – TÇÜD
www.d cud.org.tr

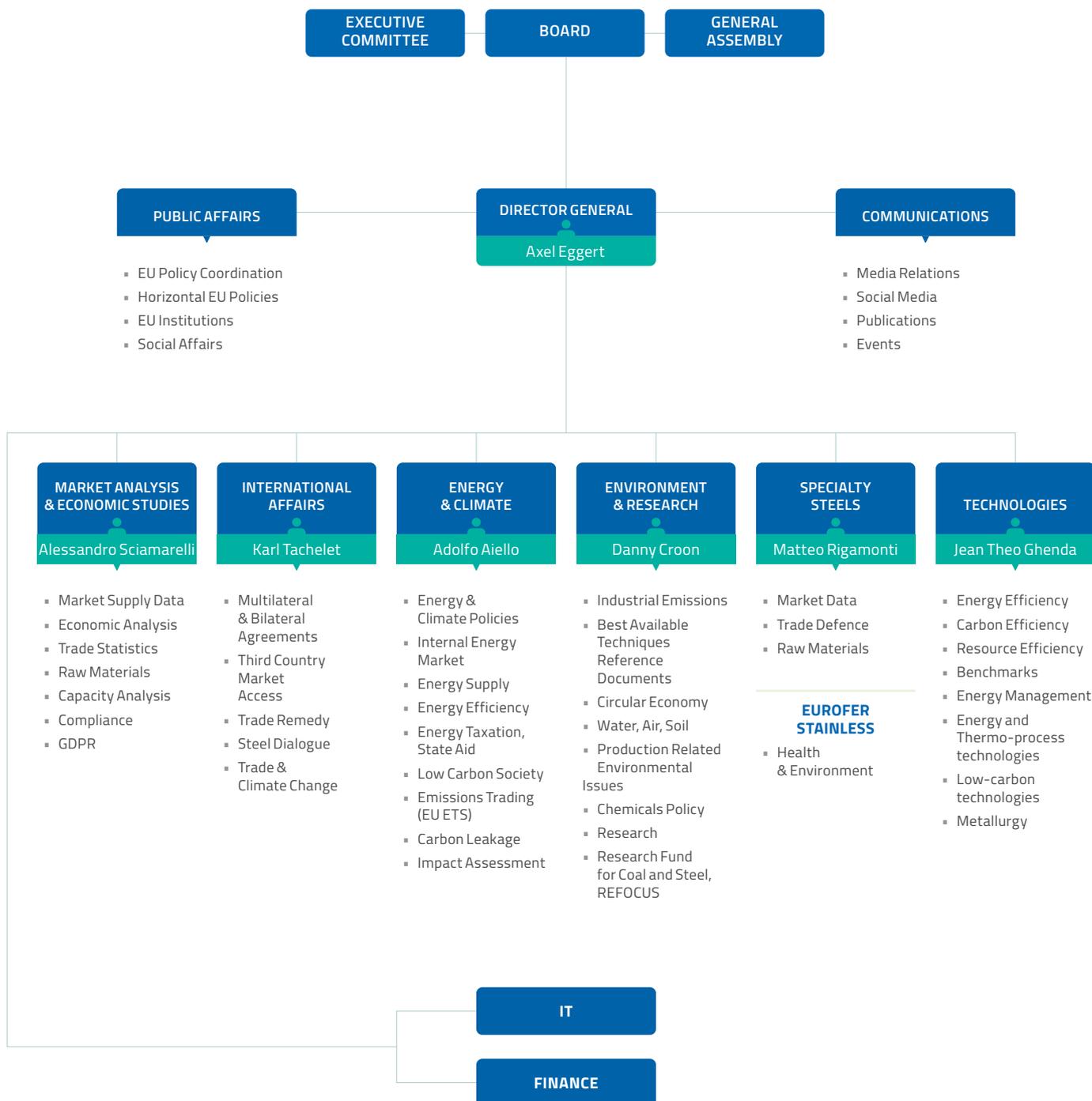
Diler Demir Çelik Endüstrisi ve Ticaret
www.dilerhld.com/diler_demircelik/index.html

UK Steel
<http://www.uksteel.org.uk>

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ABOUT THE EUROPEAN STEEL ASSOCIATION (EUROFER)

The European steel industry is a world leader in innovation and environmental sustainability. It has a turnover of around €125 billion and directly employs around 310,000 highly-skilled people, producing on average 153 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.

EUROFER is recorded in the EU transparency register: 93038071152-83.

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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.

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