

Wednesday, 1 April 2020

Mrs Ursula von der Leyen  
President of the European  
Commission

Dear Mrs President,

The European steel industry welcomes the statement of the European Council of 26 March 2020. We agree that the COVID-19 pandemic constitutes an unprecedented challenge and requires “urgent, decisive, and comprehensive action” at the EU, national, regional and local levels.

Our first and foremost concern is the health and safety of our workers while securing the smooth operation of our facilities providing the essential products and materials relevant for critical infrastructures in Europe.

For steel, the difficult situation has become critical. We had already lost about 25% of our workforce and 20% of production volumes between 2009 and 2019 as a result of massive global steel excess capacity and trade distortions. The significant downturn in EU steel demand in 2019 rendered the otherwise welcomed EU steel safeguards ineffective for a large part of our industry, even before the COVID 19 pandemic. Our industry is fighting for its survival. The impact of COVID-19 is emptying order books, forcing massive cuts in production, idling of entire facilities, and short-time working hours and temporary lay-offs of workers.

With all instruments at their disposal, governments and the EU should prevent COVID-19 dealing the ultimate blow to our industry – a sector that has repeatedly been recognised as being strategic for the Union. Steel is essential for major value chains in the EU such as automotive, construction, mechanical engineering, and for critical infrastructures such as energy production, water supply, packaging and medical devices. The EU steel industry is also the only industry sector globally that has proposed a comprehensive plan for green steel. All these efforts may be in vain if no swift action is undertaken.

**The need for immediate action** under the **EU steel safeguards** currently under review:

- Reflecting the unprecedented implosion of the European steel market, the current quota levels need to be drastically reduced immediately for a period of six months, and by about 75% to align them with the devastating situation. In return, the tariff level of 25% could be somewhat reduced. A further review of the situation could be done for the last quarter 2020 and beyond.

This measure is proportionate, transparent, temporary, and consistent with WTO rules. It enables the supply chain to continue to function in this crisis, while expediting the recovery that will follow.

With regard to the European Council’s decision to implement a “more ambitious and wide-ranging crisis management system within the EU”, we propose the consideration of:

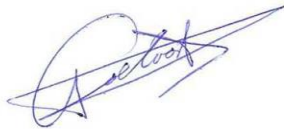
- **A regulation imposing crisis and security related steel import restrictions** based on Article 207 TFEU. This provision enables the adoption of all appropriate measures to implement the common commercial policy, including emergency import restrictions outside the context of Safeguard Measures, which are permitted under Article XXI of the GATT 1994.
- **Recognition of steel mills as ‘essential’** to the EU’s and Member States’ fight against COVID-19 and encourage regional and local governments to keep them operational during this crisis.

- **Aid to avoid carbon leakage due to CO<sub>2</sub> cost in power prices** under the EU Emissions Trading System (EU ETS): reset the benchmark based indirect costs compensation from currently maximum 75% back to the original 85%, and agree to apply it in all Members States.
- **Avoidance of Covid-19 increasing carbon leakage on direct emissions:** Introduce a ‘force majeure clause’ into the EU ETS to guarantee that Covid-19 related production and CO<sub>2</sub> emission cuts will not reduce the amount of post-2020 CO<sub>2</sub> certificate allocation.

We welcome the measures so far taken on national and EU level, including on flexibility in EU state aid rules, allowing fast support for industry and costumers. This flexibility should be further extended where appropriate. We would also like to highlight that massive investment will be needed for the transition of our industry towards climate neutrality. We therefore wish to continue discussion on national and EU level leading to a “Green Deal on Steel”.

We thank you for your kind consideration of the afore-mentioned, urgent requests and would be grateful for a discussion with you on the practical implementation of our suggestions.

Yours sincerely,



Geert Van Poelvoorde  
President of EUROFER



Axel Eggert  
Director General of EUROFER

CC: Mr. Frans Timmermans, Executive Vice-President of the European Commission  
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