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EUROFER and ESTEP POSITION PAPER

The European steel industry welcomes the Commission proposal for the ‘Clean Steel - Low Carbon Steelmaking’ European Partnership

EUROFER, The European Steel Association, and ESTEP, the European Steel Technology Platform, welcome the proposal of the Commission for a co-programmed European Partnership on *Clean Steel – Low Carbon Steelmaking*.

The European steel community is fully committed to the mitigation of greenhouse gas emissions and to helping to meet the objectives of the Paris Agreement and the EU’s target of **reducing domestic CO₂ emissions by 80% to 95% by 2050** compared to 1990 levels. We believe that the partnership proposal represents an important step forward towards the demonstration of low-CO₂ technologies in steelmaking and our future contribution to the meeting of the targets.

We understand that the coordination process on European Partnerships between the Commission services and member states will start at the beginning of May 2019. The final portfolio of European Partnerships will be identified and selected by the end of 2019, with further work on the research agendas of each partnership continuing before their formal launch at the beginning of 2021. In view of this discussion, EUROFER and ESTEP wish to express our views on the following points:

Assets of the European Coal and Steel Community (ECSC)

The level of financing for basic research under the Research Fund for Coal and Steel (RFCS) has steadily decreased over the past few years, reaching a low point of €27.4 million in 2018. European Commission, EUROFER and ESTEP agree that a minimum threshold of €40 million per year is required for a meaningful operation of the RFCS. So far, a stalemate has been avoided by revising the legal basis of the ECSC and by tapping on decommitted spending to ensure sufficient resources for research activities in 2019 and 2020. Another revision of the legal basis of the ECSC is urgently needed to ensure a minimum financing of €40 million per year from 2021 and onwards, and as such safeguard the long-term operation of the RFCS.

In addition, EUROFER and ESTEP call on the Commission and member states to use the opportunity of the opening of the ECSC legal basis to **allocate assets from the ECSC (€250 to up to €350 million)** for the **partial financing of the co-programmed Clean Steel – Low Carbon Steelmaking European Partnership**. The ECSC fund – established in the 1950s through contributions of European steel companies and later expanded by financing from member states – provides a unique example of potential synergies among different EU financing mechanisms, especially with breakthrough clean steel – low carbon steelmaking projects.

We call on the European Commission and member states to **equal the financing from the ECSC** by committing **between €250 up to €350 million from Horizon Europe**. This would result in a financing of the Clean Steel partnership in the range of **€500 up to 700 million**, which in combination to industry contributions would ensure the **scaling up of innovative projects**, a key step in demonstrating low-CO₂ technologies in steelmaking.

Nevertheless, EUROFER and ESTEP stress that the financing from ECSC's assets should not exceed €350 million, in order to not endanger the functioning of the RFCS, which would be against the spirit of its legal basis. Moreover, the use of ECSC assets should be limited to the scope of its legal basis, while potentially unused funds from the ECSC assets must be returned to the ECSC.

Due to the substantial co-financing from the ECSC assets, we propose applying the **governance structure of the RFCS to the Clean Steel partnership** as this structure has proven to be a good way incentivising to leverage research and innovation. EUROFER and ESTEP call on the member states to support the revision of the legal basis of the ECSC to allow the use of the assets for the financing of the partnership¹.

Deliverables of the Clean Steel Partnership

In its *Towards carbon neutrality, a European Partnership for Low Co2 Steel - Breakthrough innovation investment needs breakthrough policy vision paper*, EUROFER has clarified its main objectives and the deliverables of a potential partnership on clean steel (see attached document).

We reaffirm our commitments to those objectives and we stress our willingness to further collaborate with the Commission and member states on the development of the research agenda of the *Clean Steel – Low Carbon Steelmaking* partnership in the coming months.

Synergies with other financing programmes

We appreciate and support the proposed 'sequencing mechanism of financing' between the Clean Steel partnership and the ETS Innovation Fund, which should promote projects being successfully developed under the partnership for further upscaling to industrial scale. EUROFER and ESTEP are looking forward to contributing to the setting of the mechanism.

The Clean Steel partnership should be complementary to other European partnerships – e.g. Carbon Neutral and Circular Industry and Clean Hydrogen Europe – to promote synergies among stakeholders and research projects.

EUROFER and ESTEP conclusions on Commission 'Clean Steel – Low Carbon Steelmaking' proposal

The Commission's proposal for a co-programmed European Partnership Clean Steel – Low Carbon Steelmaking has the potential to drive the development and breakthrough technologies in Low Carbon Steelmaking. Not only would these be essential to meeting the EU's climate targets, but they would secure the industrial leadership of Europe's steel sector – and all synergistic sectors related to it. Indeed, part of the strength of this co-programmed partnership proposal is that it would support innovative sectors aligned with steel, including building up new value chains.

EUROFER and ESTEP stand ready to provide any and all information and support to see through this Partnership, and look forward to the ongoing discussions coming to positive outcomes.

We expect that in parallel there will be work done to shape the right regulatory framework for a successful, globally competitive EU steel industry during and beyond its low-CO₂ transition.

¹ Revision of Council Decision 2003/76/EC requires unanimity in the Council; Revision of Council Decisions 2003/77/EC and 2008/376/EC require qualified majority.