POSITION PAPER

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New EU steel safeguards: a devastating threat for European steel users

Executive summary

Orgalim strongly opposes the legislative proposal for a *Regulation of the European Parliament and of the Council addressing the negative trade-related effects of global overcapacity on the Union steel market.* While the proposal aims at levelling the playing field for the steel sector in Europe, this will come at the cost of dealing a fatal blow to the competitiveness of downstream steel users.

We therefore call on the European Commission and the co-legislators to **refrain from adopting such a measure**, while standing ready to explore other possible solutions that would restore a level playing field for EU steel producers without adversely affecting the competitiveness of downstream industries.

Should the proposal be adopted, it is absolutely essential to minimise its negative impact on Europe's technology industries. In this respect, Orgalim recommends the following:

- **Exempt selected product categories** from the scope of the proposal to avoid negative impacts on technologies and value chains that are essential for the EU's industrial competitiveness, decarbonisation and economic security.
- **Refrain from raising the out-of-quota duty to 50%** and instead maintain the 25% duty that applies under the current safeguard measures on steel imports.
- **Ensure adequate quotas for steel products that are not produced in sufficient quantities in the EU.**
- **Exclude steel products originating from Switzerland and the UK** from the scope of the new measure.
- Ensure **quotas are administered on an annual basis.**
- **Reinstate the carry-over mechanism.**
- **Exempt small importers** from the requirement to comply with the "melted and poured" rule.
- Provide maximum flexibility to importers in terms of the **documents that can constitute "appropriate evidence"** of the country in which the steel was melted and poured.

Higher costs and greater administrative burden for steel users

Background and key provisions

Europe's technology industries are experiencing their **third consecutive year of economic downturn**, with a 5.6% contraction in annual turnover, a 1.2% decline in employment and a 3.2% decline in investments in 2024[1]. These figures are a clear warning sign that the fundamental conditions for manufacturing technology in Europe in a successful, competitive way are deteriorating at a fast pace. Growing cost pressures, often resulting from ill-conceived and burdensome EU policies, are becoming progressively intolerable and risk to drive new investments in manufacturing increasingly outside the EU.

As outlined in the Draghi report, Europe's innovation and industrial competitiveness depend on, and benefit from, the full presence of entire industrial value chains. Especially in the technology industries, innovation occurs in ecosystems by combining unique expertise from upstream and downstream parts of our value chains. Hence, it is vitally important for the competitiveness of our industries to keep European steel production viable and competitive.

The EU steel safeguards, due to expire on 30 June 2026, constitute a clear example of EU policies that negatively affect the competitiveness of our industries. Orgalim, alongside other downstream EU industry associations[2], has consistently opposed the EU safeguard measures on steel imports since their provisional imposition in 2018. The safeguard measures:

- unduly **restrict our access to steel at competitive prices;**
- prevent manufacturers from accessing **highly-specialised steel products that are manufactured by a small set of suppliers worldwide;** and
- generate a **severe administrative burden** for our industries.

As a result, they significantly raise the overall costs of manufacturing in the EU[3], putting our industries at a significant structural disadvantage vis-à-vis international competitors.

As of 1 January 2026, the negative impact of steel safeguards will be reinforced by the negative effects of **Carbon Border Adjustment Mechanism (CBAM)** and the phase-out of free allowances under the EU Emissions Trading System (ETS). These measures will further increase the cost of steel for our industries (irrespective of whether it is sourced from EU suppliers or from third countries), resulting in a massive loss of competitiveness both on the EU market and on foreign export markets

Compared to the existing steel safeguards, the legislative proposal for a *Regulation of the European Parliament and of the Council addressing the negative trade-related effects of global overcapacity on the Union steel market* (hereinafter "the Proposal") constitutes a much more restrictive system **and fails to offer any solution or alleviation for the massive loss in competitiveness for downstream manufacturers**. In particular, the Proposal foresees the following restrictions:

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[1] https://orgalim.eu/wp-content/uploads/Orgalim-Economics-and-Statistics-Report-Spring-2025.pdf
[2] https://orgalim.eu/wp-content/uploads/Joint-Industry-Statement-Steel-Safeguard-Measures_0.pdf
[3] For a more comprehensive overview of our position on steel safeguards and the burden they generate for our industries, please refer to our most recent submission to the investigation on the possible review and extension of the steel safeguards launched on 9 February 2024: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C_202401460

- **a 47% reduction in the overall available quota volume** for steel importers compared to the existing steel safeguards system.
- **the doubling of out-of-quota tariff** to 50%.
- **the elimination of the carry-over mechanism** that allowed unused quota volumes at the end of a given quarter to be carried over to the next quarter.
- the introduction of a **burdensome requirement for importers to provide proof of origin** of the country in which the steel was "melted and poured".

Expected impacts: massive cost increases and competititveness losses

Orgalim analysed the expected increase in import costs that the Proposal could bring to EU steel users and found that:

- **It will cost a total of €5.4 billion a year in out-of-quota tariff costs**, representing a staggering 660% increase in out-of-quota tariff costs compared to 2024 (in which importers paid an estimated €700 million in out-of-quota tariff costs). This estimation is based on the assumption that imports of steel products subject to safeguards remain at the same level as in 2024 and that downstream steel users manage to utilise the import quotas fully (which is unrealistic).
- **It could eventually result in even higher out-of-quota tariff costs of up to EUR 9.3 billion a year** (representing a 1,200% increase compared to 2024) under the assumption that importers will effectively be able to use only about half of the allocated quota volume (as was the case throughout the implementation of the existing safeguards system)

Still, these figures do not reflect the negative impact of the Proposal in terms of additional costs for downstream steel users in its entirety. Historically, trade defence measures have also triggered **price increases for domestically produced steel**. As domestic downstream manufacturers lose access to competitively priced imports, domestic steel producers have a clear incentive to raise prices.

This is what has happened during the past seven years: an Orgalim analysis based on the Eurostat PRODCOM database of over 140 relevant PRODCOM codes shows that the average selling price of EU-produced iron and steel products has increased by **over 40% since 2018** (including both domestic sales and exports outside the EU), i.e. since the moment when provisional safeguard measures on imports of steel were imposed. This suggests that safeguards and other trade defence measures on steel implemented since 2018 have significantly contributed to higher EU domestic steel prices.

In line with this, the Proposal can be expected to trigger an even greater incentive for EU steel producers to raise their prices. As a result, downstream steel users in Europe will be squeezed: not only will they have to shoulder **additional import costs** due to the prohibitive out-of-quota tariffs, but they will also face **increases in the price of domestic steel**, leading to a devastating impact on the competitiveness of European manufacturing.

Finally, the proposal will also **increase the administrative burden for importers under the quota**, who will now also have to comply with the requirement to provide proof of origin of the country in which the steel was "melted and poured". Such an increase in the administrative burden will **penalise SMEs in particular**, as they do not have the necessary resources to comply with such detailed and demanding traceability requirements.

With regards to the Commission's own impact assessment (IA) of the Proposal outlined in the accompanying Staff Working Document, Orgalim wants to underline the fact that it clearly shows that the Proposal will have a negative impact on both the sectoral output and the exports of Europe's technology industries, even if the estimated impact was deemed to be rather small in relative terms. However, Orgalim wants to point out that this creates a misleading picture due to the limited scope of the IA. A cumulative impact assessment would have revealed the true extent of the negative impact by analysing the negative effects of this measure, combined with CBAM and the phase-out of ETS free allowances, as well as other measures which will raise the domestic prices of steel, such as the planned ESPR Delegated Act on steel.

Recommendations to minimise impact on competitiveness

Orgalim strongly opposes the Proposal, which constitutes yet another example of a measure that will level the playing field for the steel sector, but at the cost of **sacrificing the competitiveness of downstream steel users**. We therefore call on the Commission and the co-legislators to refrain from finalising the adoption of such a measure, while standing ready to work with the Commission to explore other possible solutions that would restore a level playing field for EU steel producers without adversely affecting the competitiveness of downstream industries.

From the perspective of Orgalim, one possible solution would be the creation of a **plurilateral arrangement on steel**, whereby the EU would agree with a like-minded group of countries on common measures to address steel overcapacity. Member countries would agree, for example, on an acceptable level of tariffs and/or import quota volumes applicable to steel imports from non-members, while ensuring duty- and quota-free trade in steel among members. The arrangement could also have a climate dimension and ensure a harmonised price of carbon for domestic steel production in all member countries, while ensuring the same carbon price applies to imports from non-members.

Should the Commission and the co-legislators still wish to proceed and adopt the Proposal, it is absolutely essential to amend it, in order to reduce as much as possible its negative impact on Europe's technology industries.

In this respect, Orgalim calls for the following 8 amendments to be included:

1. **Exempt selected product categories** from the scope of the Proposal to avoid negative impacts on technologies and value chains that are essential for the EU's industrial competitiveness, decarbonisation and economic security, while ensuring downstream manufacturers have access to highly-specialised steel products with few worldwide suppliers.

2. **Maintain the current 25% duty rate** that applies under the current safeguard measures on steel imports. Considering that a higher share of imports will be subject to the out-of-quota duty because of the reduction in quota volumes, this would help to minimise the additional costs for steel users and reduce the negative impact of the measure on competitiveness.

3. **Ensure adequate quotas for steel products that are not produced in sufficient quantities in the EU**, such as stainless steel. When setting quota volumes, the Commission should always take into account the *actual* availability of products on the EU market, not just the *theoretical* production capacity of the EU steel sector. Steel producers with capacity could still decide not to produce a given product if there is no clear business case.
4. **Exclude steel products originating from Switzerland and the UK** from the scope of the new measure. Switzerland and the UK are close EU partner countries, with regulatory frameworks that are aligned with the EU and that therefore do not subsidise domestic steel production and do not contribute to world steel overcapacity. Furthermore, they have supply chains which are very closely integrated with the EU, and

several key manufacturing value chains in the EU depend on them. Including Switzerland and the UK in the scope of the measure would lead to supply chain disruptions and negatively affect the competitiveness of EU technology manufacturers. If Switzerland and the UK are not excluded from the scope of the measure, adequate country-specific quotas for both countries should be established to avoid the risk of damaging existing, highly-specialised supply chains.

5. Ensure **quotas are administered on an annual basis**, to reduce the risk of frequent exhaustion of individual quarterly quotas, thereby preventing supply chain disruptions and prohibitive extra tariff costs while increasing legal certainty for companies importing under the quotas.

6. **Reinstate the carry-over mechanism** to ensure unused quota balances can be carried over to the next quota period.

7. Introduce **simplifications to minimise the impact of the "melted and poured" rule**, namely:
   a. **Exempt small importers** from the requirement to comply with the rule
   b. Provide maximum flexibility to importers in terms of the **documents that can constitute "appropriate evidence"** of the country in which the steel was melted and poured

8. **Ensure more frequent evaluations of the proposal**, which should take place every year and also take into account the impact of the Proposal on the competitiveness of downstream steel users.

Conclusion

In the light of the severe cost increases, supply constraints and red tape set to arise from the Proposal, Orgalim urges the Commission and co-legislators to change course and adopt a full value-chain approach that safeguards Europe's industrial competitiveness, innovation ecosystems and decarbonisation goals. Our strong preference remains that the Proposal does not proceed and that the EU instead pursues a plurilateral arrangement on steel with likeminded partners to address global overcapacity.

Should the EU nevertheless decide to move forward, **the measure must be fundamentally amended to minimise downstream damage:**

- exempt priority product categories essential for Europe's industrial competitiveness, decarbonisation and economic security and with limited global suppliers;
- refrain from raising the out-of-quota duty to 50%;
- exclude Switzerland and the UK or implement adequate country-specific quotas;
- manage quotas annually and reinstate the carry-over mechanism; and
- significantly simplify the "melted and poured" requirement, including an exemption for small importers and more flexibility in terms of evidence that can be provided to prove the origin of the steel.

Such amendments are essential for the EU to avoid inflicting lasting harm on the competitiveness of its technology industries and the many European jobs they sustain.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,750 billion, manufacturing one-third of all European exports and providing over 11 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

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