

THE EUROPEAN STEEL PROCESSORS ASSOCIATION
POSITION ON NEW SAFEGUARD MEASURES 2026

EXECUTIVE SUMMARY:

With the introduction of new safeguard measures planned in 2026, the European Steel Processors Association (ESPA) stresses the need for a robust framework that ensures fair competition while adhering to WTO rules.

ESPA advocates for policies aligned with EU priorities to mitigate trade dependencies without resorting to protectionism. Key recommendations include:

1. **Establishing Environmental Standards:** Implementing decarbonization policies integrated with industrial and trade strategies to foster growth and support the transition to green steel.
2. **Utilizing the Carbon Border Adjustment Mechanism (CBAM):** Leveraging CBAM to incentivize global decarbonization and prevent carbon-intensive imports from undermining EU emission reduction efforts.
3. **Developing a Cap System for Imports:** Introducing structured import caps across the steel value chain—highest for raw materials, moderate for semi-finished products, and most restrictive for finished goods—to protect the domestic industry against non-market excess capacity while ensuring local processing needs are met.
 1. The most restrictive cap (approx. 15% of the EU total historical consumption levels) should be applied to finished goods. And Thresholds can be dynamic, reflecting fluctuations in demand and EU production capacity. Any imports exceeding the established quota levels should be subject to a tariff higher than the existing tariff of 25% in order to effectively dissuade extra volume of imports.
4. **Ensuring Compliance with WTO Rules:** Structuring import caps under national security justifications to safeguard the industry from unfair competition, thus providing a viable alternative to traditional safeguard measures. **Any 'melted and poured' clauses should be avoided.**
5. **Promoting Supply Chain Transparency:** Enhancing auditing and tracking mechanisms to prevent circumvention through production shifts and ensure the integrity of the steel value chain.

By implementing these measures, the EU can reinforce the competitiveness of its steel sector, strategically address vulnerabilities, and align with broader sustainability objectives. The proposed cap system should be temporary (but may be needed during the transition period of the phase-out of free CO₂ allowances and the carbon transition), with regular reviews to adapt to changing market conditions and policy goals.

The Steel Sector Action Plan explicitly calls out the need to introduce new safeguard measures starting in 2026.

The European steel sector faces significant challenges due to non-market excess capacity from third countries, leading to distortions in global trade and unfair competition for European producers. The expiration of the existing safeguard measures in 2026, as well as the new wave of trade restrictions led by the US administration, **necessitates a new instrument that ensures a fair and competitive market while aligning with WTO rules and EU strategic autonomy objectives.**

To address these challenges, Europe must implement policies, such as those outlined in the Clean Industrial Deal, to address non-market excess capacity and facilitate the green steel transformation. These policies should focus on **redirecting demand back into the domestic market**, thereby **reducing trade dependencies without resorting to protectionist measures and raising trade barriers.**

A key element of this strategy is establishing a level playing field on environmental standards. Decarbonization policies, when effectively integrated with industrial, competition, economic, and trade policies, can be powerful growth drivers. To lead the global green transition, Europe needs comprehensive steel policies encompassing the entire supply chain. The Carbon Border Adjustment Mechanism (CBAM) should be used as a tool to achieve this level playing field. Its primary purpose should be to prevent the undermining of EU emission reduction efforts by carbon-intensive imports, thereby incentivizing global decarbonization and carbon pricing.

Therefore, the development of a new instrument to address non-market excess capacity and facilitate the green steel transformation should be carried out with a few things in mind:

- Detailed understanding of the functioning of steel value chains and the needs of all parties of the EU steel ecosystem (integrated producers vs processors)
- A clear view of potential risks stemming from strategic dependencies of the EU steel sector (e.g., the absence of specific raw materials necessary for steelmaking such as iron ore, DRI in Europe)
- Industry developmental objectives set by EU policy (decarbonization and reindustrialization)
- Proportionality and the legality of the measure from the EU and global trade rules point of view

To ensure the WTO compatibility of the new instrument and thus its acceptance by EU major trading partners, Europe should strive to rely on existing trade and environmental concepts when developing the measure. This means the EU should **avoid reverting to controversial instruments such as 'melted and poured' that have not yet been tested over time**. Following the US example and relying on the melted and poured idea, the EU risks triggering a serious, irreversible change in the rules of origin that could set a precedent for EU trading partners, leading to future demands for similar restrictions on EU-processed goods - such as vehicles, industrial equipment, and components for renewable energy projects (e.g., wind turbines) - thereby undermining the global competitiveness of EU exports.

To prevent circumvention through production shifts, post-SG measure needs to focus more on supply chain transparency, and a broad product coverage. By implementing stronger auditing, tracking, and international cooperation, the EU can avoid risk of products reshuffling. Supply chain monitoring and transparency is the solution to track the value chain and trace where raw materials and intermediate products originate. The concern that information will not be available is overestimated – regular market participants wanting to participate in the EU market have shown willingness to be transparent about their supply chains.

CAPS (MAXIMUM THRESHOLDS) ON IMPORTS OF FOREIGN GOODS ACROSS THE VALUE CHAIN

ESPA believes that a structured cap system could be introduced to regulate foreign steel imports based on their position in the value chain. This system would ensure necessary industry protection against non-market excess capacity and align with EU industrial policy goals while preventing import shortages at critical processing stages.

If necessary, the global import caps can be further regulated by setting per-country caps and/or specific country quotas similar to those currently implemented by the SG Regulation.

Potential Structure of the Cap System:

1) Raw Materials (Iron ore, fellow alloys, other critical inputs such as scrap, DRI)

The highest (approx. 90%) cap based on historical consumption levels (or no cap for critical decarbonization materials like Scrap/DRI) should be introduced for raw materials, given their limited domestic availability in the EU.

2) Semi-Finished Products (Slabs, Billets)

A moderate cap (approx. 50% of the EU total historical consumption levels) should be placed on semi-finished steel imports to ensure local processing industry needs are satisfied.

3) Finished Steel Products (Coils, Plates, Tubes, etc.)

The most restrictive cap (approx. 15% of the EU total historical consumption levels) should be applied to finished goods, ensuring that value-added processing occurs within the EU safeguarding high-skilled jobs in Europe. An appropriate cap per country should also be considered to allow a more diversified source of imports.

Thresholds can be dynamic, reflecting fluctuations in demand and EU production capacity. Any imports exceeding the established quota levels should be subject to a tariff higher than the existing tariff of 25% in order to effectively dissuade extra volume of imports.

Legal and Policy Justification:

Import caps can be structured in compliance with WTO rules under the national security justification (Article XXI GATT) to protect the industry from non-market excess capacity and unfair competition. Given the inability to rely again on Article XIX GATT (Safeguard Measures), this approach could offer a viable alternative. The EU has already implemented a similar principle in the Critical Raw Materials Act, which sets import dependency thresholds and local production targets to ensure strategic autonomy.

The proposed measure will align with the EU's Green Deal Industrial Plan and Strategic Autonomy Framework, reinforcing the competitiveness of the EU steel sector while strategically addressing vulnerabilities within the steel value chain.

The cap system can be designed as a temporary mechanism with a regular review process, allowing for adjustments based on evolving market conditions and industrial policy objectives. By structuring import caps in this manner, the EU can effectively address non-market excess capacity while enhancing industrial resilience. This approach ensures compliance with international trade rules and advances the European strategic autonomy and sustainability objectives.