

THE EUROPEAN STEEL PROCESSORS ASSOCIATION

SUGGESTIONS FOR A STRONG, FAIR AND COHERENT FRAMEWORK TO STRENGTHEN THE EUROPEAN STEEL ECOSYSTEM

EXECUTIVE SUMMARY:

The European Steel Processors Association (ESPA) is dedicated to maintaining a strong, competitive steel industry amid ongoing global overcapacity and rising geopolitical tension. With the current safeguard regime expiring in June 2026, ESPA welcomes the establishment of a new framework that is proportionate, fair, and legally reflects the realities of modern steel value chains.

Additionally, with the Carbon Border Adjustment Mechanism (CBAM) now in force, ESPA supports its effective application across the value chain to address carbon leakage risks, as well as the establishment of strong anti-circumvention mechanisms. In this context, ESPA presents the following core principles and recommendations:

- **The upcoming safeguards mechanism must remain within the trade defence framework.** ESPA stresses that any reference to, or use of the “melted and poured” concept within the new safeguard mechanism must remain targeted, proportionate and legally coherent, which requires existing EU trade and customs rules. It is essential to avoid the creation of a parallel origin regime that would undermine legal certainty and impose disproportionate burdens on legitimate trade.
- **A fair and market-reflective architecture and country split under the new safeguard regime.** ESPA considers that the most balanced, functional and future-proof configuration of the TRQ system would consist of a single global quota for each product category, combined with a country cap of 13-15%. This model enhances transparency, reduces administrative complexity and better reflects evolving trade patterns while ensuring accessible supply for EU processors.
- **Accelerate the extension of CBAM to protect downstream industries.** While CBAM currently addresses emissions embedded in steel production, significant segments of the value chain such as downstream goods remain exposed to carbon leakage and unfair competition. ESPA therefore stresses that effective industrial protection requires a progressive extension of CBAM to downstream products that made of steel.
- **The regime must preserve the operational viability of EU processing and re-rolling.** Safeguarding the steel market requires stable access to suitable inputs, avoiding recurring quota exhaustion in high-demand categories, and preventing procurement volatility that could weaken downstream competitiveness or drive industrial relocation.

The **European Steel Processors Association (ESPA)** supports the European Union's efforts to address the negative trade impacts of global steel overcapacity. Representing steel processors and re-rollers, ESPA plays a central role in Europe's manufacturing value chains, supplying key downstream sectors, including mobility, construction, energy infrastructure, machinery, and consumer goods, with both EU-produced and imported steel.

With the current safeguard regime expiring in June 2026 and ongoing global steel capacity imbalances, a coherent new framework must be proportionate, practical, and legally secure. ESPA recognises the importance of safeguard measures to prevent sudden import surges and protect the EU steel ecosystem. Nevertheless, the forthcoming regime must also reflect the operational realities of steel value chains.

ESPA highlights that the new safeguard regime should remain strictly within the European Union's trade policy framework. Trade distortions arising from non-market excess capacity should be addressed through trade defence mechanisms and instruments compatible with WTO rules. In addition, climate policy objectives should be appropriately pursued through the Carbon Border Adjustment Mechanism (CBAM). In this context, ESPA provides the following suggestions to safeguard the European steel industry, ensuring it remains competitive and retains strategic sovereignty.

1. THE UPCOMING SAFEGUARDS MUST REMAIN WITHIN THE TRADE DEFENCE FRAMEWORK

ESPA supports the Commission's goal of strengthening transparency to detect and prevent circumvention of steel import regime. However, this goal must not come at the expense of legal certainty, proportionality, and workable import procedures. Mandatory reporting of a country of "melt and pour" for every shipment would, in effect, establish a parallel origin regime, creating unnecessary administrative burdens without improving enforcement effectiveness.

Thus, within the new safeguard framework, ESPA recommends applying the "melted and poured" requirement only when the country of melting and pouring differs from the country of last substantial transformation. ESPA also stresses that references to the "melted and poured" principle in the Regulation should clearly define its intended and limited purpose, namely, to enhance traceability and detect circumvention of trade defence measures, without implying a broader or universal application to all steel trade flows.

ESPA proposal:

- The obligation to provide "melted and poured" data should arise only when the country where steel was melted and poured differs from the country of exportation.
- Where both countries coincide, no additional reporting obligation should apply to avoid duplication with existing customs origin documentation.
- The Commission's delegated powers to define the technical implementation of the "melted and poured" requirement should be limited to cases justified by circumvention risks.

2. A FAIR AND MARKET-REFLECTIVE TRQ ARCHITECTURE AND COUNTRY SPLIT UNDER THE NEW SAFEGUARDS' REGIME

The evolving structure of global steel trade, the transformation of import flows into the Union, and the need to ensure the stability of supply for EU downstream industries require that the future TRQ architecture remain transparent, proportionate, and fully aligned with actual market dynamics. ESPA therefore supports a simplified model with a single global quota per product category and a country cap to prevent excessive concentration. This approach preserves the safeguard's protective function, ensures accessibility for EU importers and processors, improves transparency, reduces administrative complexity, and better reflects evolving import patterns. A country cap of 13-15% provides a stable framework for diversification and supply continuity without relying on outdated historic allocations.

However, if a mixed architecture is retained, ESPA strongly recommends recalibrating country quotas using a recent and representative reference period, such as 2022-2024, to align allocations with effective trade flows. In all cases, a reasonable "other countries" quota is essential to preserve non-discriminatory access and supply resilience, especially in categories with a diversifying supplier base.

ESPA proposal:

- Move to a single global quota per product category with a 13–15% country cap to simplify the system, prevent import concentration, and ensure accessible, diversified supply for EU processors.
- If a mixed system is kept, recalibrate country quotas using 2022–2024 import data to reflect real trade flows and avoid underused or "paper" quotas disconnected from market demand.
- Preserve a reasonable "other countries" quota to guarantee non-discriminatory access, supply resilience, and continuity for downstream industries relying on diversified sourcing.

3. ACCELERATE THE EXTENSION OF CBAM TO PROTECT DOWNSTREAM INDUSTRIES

ESPA welcomes the Commission's proposal, published on 17 December 2025, to extend the scope of CBAM to downstream goods and to strengthen anti-circumvention measures. With CBAM in force since the 1st of January 2026, its success in preventing carbon leakage and maintaining EU industry competitiveness depends on addressing risks throughout the steel value chain, which is why ESPA strongly supports accelerating the extension of the mechanism to downstream products made of steel.

If CBAM applies only to steel products, carbon leakage may shift to processing and manufacturing. Extending CBAM to downstream products is crucial to enhancing EU industrial competitiveness, creating a level playing field, and supporting the Union's decarbonisation objectives. Nonetheless, such an extension should be manageable and proportionate in administrative terms, particularly for operators who lack full supply chain oversight.

Furthermore, ESPA supports strengthening anti-circumvention measures as necessary to safeguard the integrity and effectiveness of CBAM. However, it considers that risks such as transshipment, reshuffling and production shifts are most effectively addressed through enhanced transparency, traceability requirements, auditing mechanisms and targeted investigations, aligned with the Union Customs Code and existing trade defence practices. A transparency-based approach allows authorities to detect and address circumvention in a precise and proportionate manner.

ESPA proposal:

- Address circumvention by prioritising transparency, traceability, and auditing instead of relying on origin-based prohibitions.
- Implement safeguards that ensure supply continuity and maintain the operational viability of EU processors and re-rollers.

CONCLUSIONS

ESPA invites the European Commission to design the post-June 2026 safeguard architecture to be transparent, proportionate and legally robust, while preserving the competitiveness and operational continuity of EU steel processors and downstream industries.

In ESPA's view, the most effective approach is a single global quota per product category, complemented by a country cap to ensure diversification. If a mixed architecture is retained, quota allocations should be recalibrated based on recent utilisation patterns and the "other countries" quota should remain large enough to prevent supply disruptions.

Across all options, ESPA supports applying the "melted and poured" requirement only when the melting and pouring countries differ from the country of last exportation. Circumvention should be addressed through strengthened supply chain transparency, auditing and traceability. This approach would enhance enforceability while minimising unintended disruption of legitimate trade flows and industrial supply chains.

ESPA stands ready to engage constructively with the Commission services and all relevant stakeholders to provide further technical input reflecting the operational realities of steel processing and re-rolling activities in the European Union.