## The European Steel Processors Association: Analysis of the relevant role of non-vertically integrated steel processors in the EU supply chain of flat steel products

This analysis aims to deliver a more detailed and comprehensive representation of the entire steel supply chain, with particular focus on the flat product segment. It highlights the significant role played by Non-Integrated Steel Operators[1] (processors), represented by the European Steel Processors Association (ESPA), within the European flat steel industry.

The main points can be summarized as follows:

1) **Market Share of Non-Integrated Operators:** The Non-Integrated Operators represent nearly 37% of the overall EU steel supply while integrated steel operators represent the 63%. The steel supply chain structure is more complex than the "steel producers" view and it includes a significant number of Non-Integrated Steel Operators, quite often customers but also competitors of the integrated producer supply chain.
2) **Policy Considerations:** The perspective of Non-Integrated Operators, notably represented by ESPA, must be taken into account by the EU Commission in the development of the upcoming Steel and Metals Action Plan. The processors play a critical role across the first and second transformation stages, as well as in the distribution process, contributing significantly to overall volume, employment, and value creation within the industry.
3) **Role of Imports:** In this highly competitive landscape, imports play a crucial role in supporting the supply needs of Non-Integrated Operators, which often face challenges in securing adequate volumes and competitively priced materials from EU suppliers.
4) **Fair Market Practices & Trade Policies:** ESPA, along with other associations representing the interests of the non-integrated supply chain, strongly supports fair market practices and a level playing field. Therefore, when implementing measures that could profoundly impact the future of the steel supply chain as a whole, it is crucial to give due consideration to the perspectives of independent steel operators. This is particularly important in the context of policies such as CBAM, safeguard mechanisms, and other trade measures designed to address the issue of global overcapacity.

The EU steel industry's supply chain features a highly complex structure that requires thorough understanding before the implementation of targeted industrial policies for the sector. This structural analysis concentrates on flat products, which constitute the majority of steel production in the EU.

In our analysis, the steel supply chain is divided into four segments:

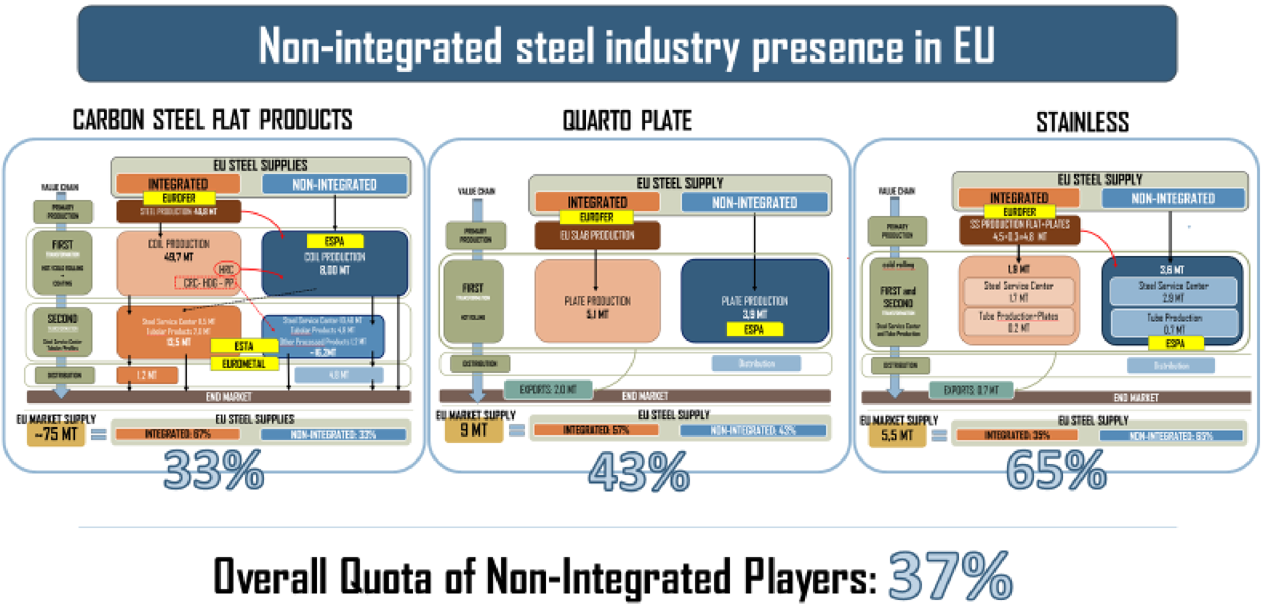
- **Steel Production** – This includes melting and continuous casting processes.
- **First Transformation** – The hot rolling of semi-finished products into Hot Rolled Coils (HRC), followed by subsequent cold rolling and coating.
- **Secondary Transformation** – The further processing of coils by Steel Service Centers, tube mills, and profiling mills to produce finished products.
- **Distribution** – This segment ensures that steel products reach end users across various sectors.

In each segment of the supply chain, the market shares of both "Vertically Integrated" operators and "Non-Integrated" Operators have been considered. For each category, market share was calculated as a percentage of the total volume of carbon flat products supplied within the EU. As the analysis reveals, independent operators represent a significant portion of European steel manufacturing, playing a vital role in generating value-added processes and creating jobs throughout the steel supply chain.

[1] Operators non-integrated with steel production (BOF, EAF)

This structural classification of the European steel industry is crucial for accurately assessing the potential impact of policies on the sector and avoiding unintended distortions that could negatively affect significant parts of the industry. A comprehensive understanding of the industrial supply chain is particularly important for the EU Steel and Metals Action Plan, where the main drivers of the new industrial policy include enhanced trade defense measures, decarbonization efforts, energy transition investments, and state aid regulations.

The main findings of our analysis are summarized in the following table, which illustrates the market share of "Integrated" and "Non-Integrated" Operators within the flat products segment of the market.




**Market Share of Non-Integrated Operators in Flat Products:**

- **Carbon Steel Flat Products:** 33% of the EU steel supply is provided by Non-Integrated Operators.
- **Quarto Plate:** Non-Integrated Operators account for 43% of the EU steel supply.
- **Stainless Steel Products:** Non-Integrated Operators hold a 65% market share.

A detailed breakdown of the market by product category is provided in **Annex 1**.

## *About Steel Processor represented by ESPA (European Steel Processor Association)*

Non-Integrated Steel Operators have been active in Europe for over 50 years and are geographically diverse. Their business model prioritizes sourcing steel from European suppliers whenever possible. However, they also rely significantly on imports of steel products from non-EU countries in certain cases, particularly for semi-finished steel products (e.g., slabs) or Hot Rolled Coils (HRC). These imported materials undergo further processing to produce finished products tailored for downstream customers. Key processing steps include reheating, rerolling, cold rolling, pickling, galvanizing, coating, as well as activities carried out by Service Centers, tube mills, and profiling operations.

The processing industry depends on imports not only to ensure a steady and reliable supply of required volumes but also to meet specific quality mix demands. This reliance is further shaped by the competitive dynamics and sometimes overlapping roles between integrated and non-integrated producers within the industry. Estimates suggests that independent processors rely on imports for 50–60% of their needs—

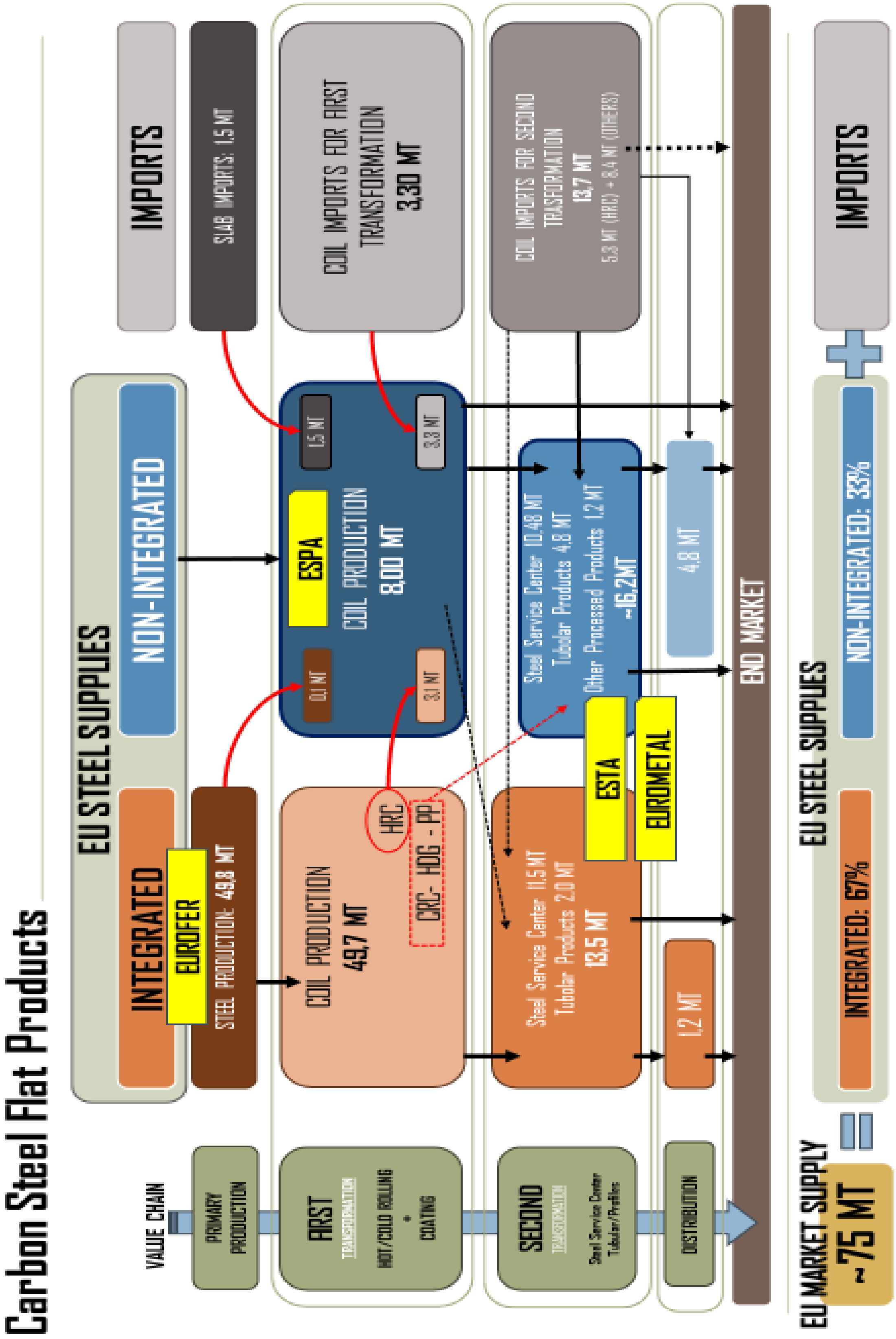
and up to 95% for plate production—compared to Mill-Owned Processors, which rely on imports for only 10–20% of their requirements.

Despite their relatively “less vocal” presence, independent processors play a critical role in the EU steel supply chain. They contribute between 50% and 70% of the added value in steel products while helping to balance supply and demand for finished steel. Moreover, the processing industry provides significant employment opportunities, directly employing more than 30,000 people and supporting around 250,000 jobs indirectly or through induced labor. This accounts for at least 10% of total EU employment in the steel sector.

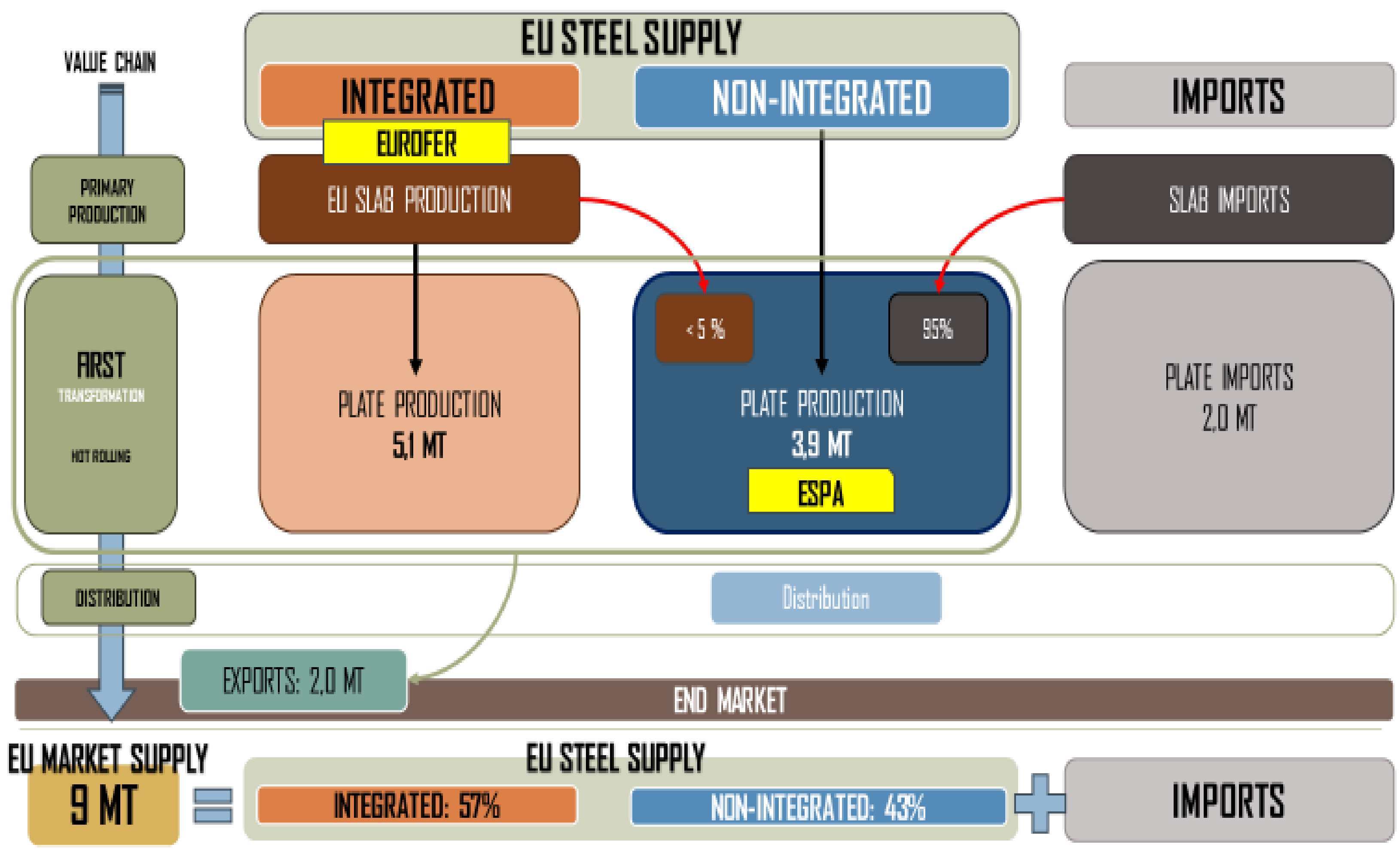
Recognizing their importance, some of the most prominent players in the industry have recently come together to form the **European Steel Processors Association (ESPA)**. ESPA members operate in eight EU Member States, including Belgium, Czechia, Denmark, France, Spain, Poland, Latvia, and Italy. These members play a vital role in local labor markets, often operating in regions undergoing significant industrial restructuring and facing substantial employment challenges.

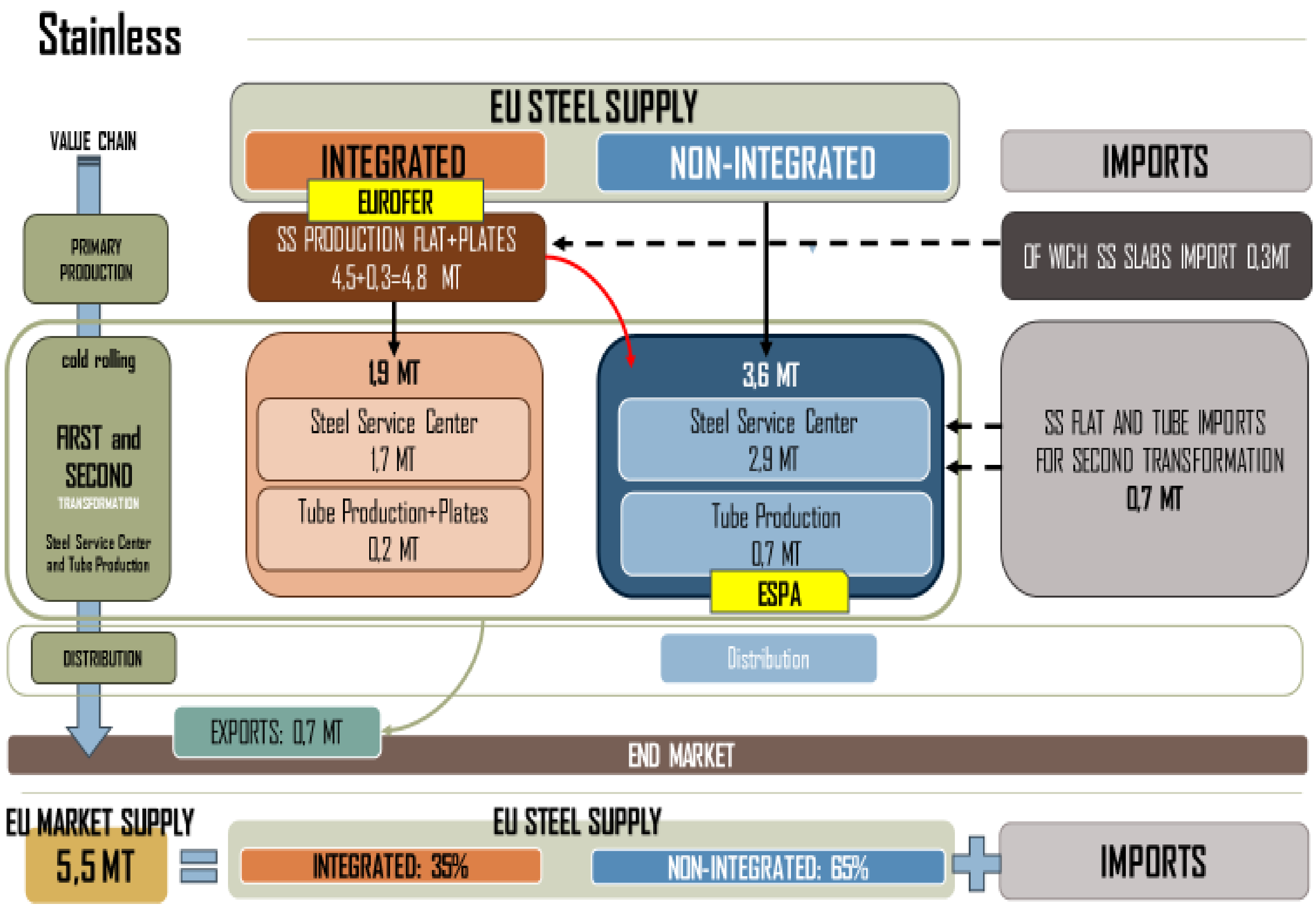
ESPA
European Steel Processors Association

## ANNEX 1



# Quarto Plate




Stainless
VALUE CHAIN
PRIMARY PRODUCTION
cold rolling
FIRST and SECOND
TRANSFORMATION
Steel Service Center and Tube Production
DISTRIBUTION
EU STEEL SUPPLY
INTEGRATED
EUROFER
NON-INTEGRATED
IMPORTS
SS PRODUCTION FLAT+PLATES
4,5+0,3=4,8 MT
OF WICH SS SLABS IMPORT 0,3MT
1,9 MT
Steel Service Center
1,7 MT
Tube Production+Plates
0,2 MT
3,6 MT
Steel Service Center
2,9 MT
Tube Production
0,7 MT
ESPA
SS FLAT AND TUBE IMPORTS
FOR SECOND TRANSFORMATION
0,7 MT
Distribution
EXPORTS: 0,7 MT
END MARKET
EU MARKET SUPPLY
5,5 MT
EU STEEL SUPPLY
INTEGRATED: 35%
NON-INTEGRATED: 65%
IMPORTS