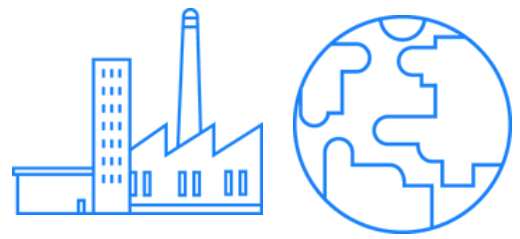


Jernkontoret's position on the Clean Industrial Deal



To achieve increased competitiveness, alongside the EU's ambitious goals of climate neutrality by 2050, the Clean Industrial Deal must promote strong economic growth and decisive decarbonization, particularly in energy intensive sectors such as steel and other metal industries. The Clean Industrial Deal holds great potential to enhance European competitiveness, while driving the transition to a sustainable economy.

Steel is a strategic industry and the foundation of key European industrial value chains. The EU steel industry adds €191 billion a year in value and creates 300 000 direct jobs to the European economy. The Swedish steel industry has, over the past five years produced between 4,3 and 4,7 million tons of crude steel annually. Of the finished steel products, between 85 and 95 percent is exported. Last year, the iron and steel industry exported goods worth SEK 73 billion, making it the fifth largest goods export category in Sweden.

The steel industry is also pivotal in the shift towards a sustainable society and lower emissions. Today, Sweden's steel industry is leading this transformation, producing high-quality materials with a smaller environmental footprint, compared to non-EU competitors. Its products are also often used to increase resource efficiency and lower emissions in final application.

However, global competition for steel is intensifying. We share Mario Draghi's urgent call to strengthen the EU's competitiveness, noting that swift and strategic action is required if Europe is to stay competitive, especially when competing with global economic powers like China and the United States.

We support a Clean Industrial Deal that establishes the right framework conditions across all industries and their value-chains, rather than targeting specific sectors or technologies. The European industry needs stable and favourable long-term conditions, not inefficient and temporary crises measures. We need an overarching framework that empowers businesses to innovate and drive economic growth, while developing the most efficient solutions for reducing emissions. The EU needs to align industrial, energy, environmental, trade and climate policies to create synergies and ensure policy coherence. A more holistic approach can foster a supportive operating environment for innovation and fair competition for industries.

We believe that the Clean Industrial Deal should, at its heart, include **a headline goal of increased industrial growth in Europe by 2050**. This goal should be as important as the goal of climate neutrality, and policies need to be steered and measured towards achieving this goal.

To unlock its full potential and ensure long-term industrial transformation and competitiveness, we believe the Clean Industrial Deal should:

- 1 Reduce red tape and ensure policy coherence**
- 2 Ensure increased fossil-free energy supply and competitive energy costs**
- 3 Build a more resilient economy, supported by efficient environmental regulations**
- 4 Ensure a supportive regulatory framework, when adopting ambitious climate policies**
- 5 Secure investments in framework conditions, while ensuring a level playing field**
- 6 Promote a balanced foreign economic policy that uphold free trade and competitiveness.**

Below, we outline our key positions and recommendations for the Clean Industrial Deal.

1 Reduce red tape and ensure policy coherence

Red tape, reporting requirements and inefficient permitting procedures delay the adoption of clean technologies and facility upgrades, impeding progress toward climate goals. Additionally, regulatory overlaps and inconsistencies within and between policy areas such as energy, environment and competitiveness cause confusion and delay the transition to low-emission production. Improving policy coherence would enable industries to focus on innovation, growth and sustainability instead of spending time and money on navigating unnecessary regulatory hurdles.

Recommendations:

- **Reduce administrative burdens:** The Commission must take decisive action to fulfill its Better Regulation agenda and deliver measurable outcomes that simplify processes and reduce administrative burdens. Reporting requirements stemming from different legislation need to be streamlined and simplified, for example in the case of the new Corporate Sustainability Due Diligence Rules. In legislations stemming from the Green Deal, parallel and overlapping regulations are often included in two or more legislations. For instance, the requirement of a transformation plan is required in at least four different legislations. A Clean Industrial Deal should clarify that it is enough for industry to fulfill the same requirement in one legislation. We look forward to contributing to this work and to being involved in the consultation processes to ensure that our specific challenges and needs are addressed.
- **Improve policy coherence:** Coordination between energy, environmental, climate and competitiveness policies, is necessary to prevent regulatory overlaps. Currently, policy inconsistencies hinder the steel industry's transition to low-emission production. The Commission's initiative to stress-test the acquis is a welcome first step in addressing these challenges and ensuring better policy alignment. Balancing different societal goals simultaneously, asymmetry in legislation detected by Draghi, is key to secure that Europe leads the way to fossil-free production. This can be done through better impact assessments of new and revised legislation as well as a higher involvement of industrial stakeholders at an earlier stage.

- **Simplify permitting – for all projects:** Permitting processes across the EU must be efficient to accelerate decarbonization investments in energy-intensive sectors like steel. These procedures should include setting clear deadlines for approvals and ensuring that companies can rely on a Single Point of Contact at national level for more efficient coordination. Structured pre-application consultations between authorities and companies can further fast-track the process. Additionally, permitting should be digitalized, and relevant Member States' public administrations must be strengthened to handle the workload. These streamlined rules should apply to all projects, regardless of sector, as companies are interconnected within their value chain.

2 Ensure increased fossil-free energy supply and competitive energy costs

Access to affordable, reliable, and fossil-free energy, alongside a well-functioning energy infrastructure, is essential for the energy intensive industry's competitiveness and transition to sustainable production. Sweden has long enjoyed the benefits of competitive, fossil-free electricity from hydro and nuclear power. However, maintaining this advantage requires proactive measures. In Europe, energy prices remain 2-3 times higher than in the US. To ensure the success of the Clean Industrial Deal, focus should be on ensuring competitive energy costs and secure an increased production by expanding both nuclear and renewable energy. The impact of price formation on industry's energy costs and on international competitiveness, as long as fossil dependency remains, needs to be addressed. The need for more bioenergy for industrial purposes must also be addressed during the next legislative cycle.

Recommendations:

- **Ensure access to fossil-free energy, including nuclear power:** The Clean Industrial Deal, and the Electrification Action Plan, should prioritize policies that ensure access to competitively priced, fossil-free energy for energy-intensive sectors. This requires a significant expansion of all kinds of fossil-free energy production, both renewables as well as nuclear power as a stable, reliable, and large-scale source of fossil-free energy. Increased financial support, including from the European Investment Bank (EIB), for innovation in emerging nuclear technologies such as small modular reactors (SMRs) is important.
- **Replace the renewable energy target with a broader fossil-free energy target:** The renewable energy target, as outlined in the Renewable Energy Directive (RED), should be replaced with a broader fossil-free energy target. While RED has successfully promoted renewable energy, its focus on specific technologies is too narrow. A fossil-free target would offer greater flexibility for Member States, incorporating a wider range of solutions, to better support the EU's goals of energy security, cost efficiency, and climate neutrality.
- **Highlight Member states responsibility to increase energy production and promoting EU Energy Union integration:** Greater energy market integration will be essential for a cost-efficient and resilient European energy system, but it must respect, in line with the treaty, the diverse energy needs and choices of Member States. However, for European integration to function properly, Member States must shoulder the responsibility of building national energy systems and sufficient energy production that ensures market stability across Europe. An important prerequisite for deeper EU integration is the establishment of bidding zones based on physical capacity restrictions within countries, as recommended by the European Union Agency for the Cooperation of Energy Regulators (ACER), to promote fair pricing and a functioning market.

- **Ensure access to bioenergy for industrial decarbonization:** Within the framework of the Circular Economy Act, the Commission will also present an updated bioeconomy strategy. As the iron and steel industry relies on, for instance, coal as an alloying element and fuels when heating steel, access to bio-based energy, particularly biogas and biocoal, is essential for decarbonization. The updated bioeconomy strategy should focus on increasing the supply of these energy sources to meet industry needs. However, it should not impose end-use goals, as those decisions should be left to the market.
- **Promote investment in resilient energy infrastructure:** The upcoming Clean Industrial Deal should include long-term investments in grid infrastructure to secure a stable energy supply. It would also be useful for Member States to have guidance on power allocation and grid access, particularly for green industrial clusters and symbiotic industrial-urban projects with national and regional impact. A coordinated, comprehensive EU-level strategy, aligned with Member States, would be useful to address critical infrastructure development needs, as recommended by Mario Draghi. In this regard, the forthcoming Clean Industry Investment Strategy could serve as a key tool to drive investments.
- **Ensure that EU energy efficiency policies support industrial growth and transformation:** In the Commission's upcoming work on demand flexibility and the energy efficiency first principle, it is crucial to ensure that EU's energy efficiency targets do not hinder industrial development and transformation. Caps for national energy use risk being counterproductive, potentially limiting investments that cut emissions and drive growth. Energy efficiency and demand flexibility policies must support, not restrict, industrial innovation and the transition toward a climate-neutral economy.
- **Compensate energy-intensive industries exposed to international trade:** as the Draghi-report highlights, the impact of natural gas on the wholesale electricity price has a severe negative impact on the competitiveness of energy-intensive industries. The CID should therefore include a full implementation in all member states of EU ETS Indirect Costs Compensation for energy-intensive industries exposed to international trade, as well as extended public support in the form of reduction of the levies for the financing of fossil-free electricity generation and an introduction in the CEEAG Section 4.8 of a new form of reduction of the charges for the financing of measures to ensure security of supply such as capacity mechanism.

3 Build a more resilient economy, supported by efficient environmental regulations

A circular and resilient economy is essential for the future of the steel industry. While the steel industry has historically contributed to significant environmental impacts, it is making substantial improvements when it comes to sustainability. Technological advancements have led to reduced emissions and minimizing the overall environmental footprint of production. Steel's ability to be 100% recycled, without loss of quality, makes it a circular material and thus a positive contributor to circularity.

One area that requires urgent attention is water management given the current water crisis. At the same time, outdated and rigid water regulations slow down or stop necessary investments that could further contribute to EU's climate goals. It is therefore urgent to adapt the water regulation to allow for sustainable industrial transformation, which in turn will accelerate emissions reductions.

The intention to present a new Circular Economy Act has the potential to deliver a more circular economy by promoting sustainable resource use. By establishing a clear and supportive framework, the Act could help industries like steel to achieve greater environmental and economic progress, driving innovation while enhancing long-term resilience.

Recommendations:

- **Maintain a well-functioning EU steel scrap market:** The Circular Economy Act will propose measures to boost demand for secondary materials and establish a Single Market for waste. These efforts will be important for some materials, but it is crucial that any new initiatives do not disrupt the well-functioning steel scrap market in Europe. This market is vital for recycling and optimizing raw material use when producing steel. Policy measures must avoid any restrictions in the distribution and use of different scrap qualities.
- **Promote industrial symbiosis:** The Circular Economy Act could also support the use of industrial by-products in order to increase the resource efficiency in society. Examples are metallurgic slags and other residues produced in parallel with steel in steel industry. To increase the use of these materials we need to focus on a balanced approach between non-toxic and circularity and to update guidance on by-products and by-product criteria.

- **Build a new Water Resilience Strategy that supports economic activity and sustainability:** The upcoming Water Resilience Strategy offers a chance to rebalance environmental standards with essential economic activities, especially in water-reliant industries. EU water regulations must evolve to support both societal needs and industrial investments, while advancing sustainability. The Water Framework Directive is currently limiting Member States' flexibility in approving green projects, already slowing progress in key sectors. To address this, Member States should retain the ability to balance interests and allow certain clearly defined exceptions from the non-deterioration principle to advance the green transition.
- **Ensure chemicals regulation that supports the green transition:** Chemicals has an important role in the green transition, as stated in the guiding criteria and principles for the essential use concept (C/2024/2894). The upcoming revision of REACH can be an opportunity to ease the regulatory burden of industry and increase competitiveness. Suggestions in the Draghi report can, if properly implemented, support the main objectives in REACH, i.e. protection of human health and environment, assess safety of chemical substances, promote innovation and competitiveness. We believe it is important to: maintain a risk-based approach in risk management, keep the “safe use” concept and focus where it matters most. Initiatives to simplifying processes should be based on risk management option analysis (RMOA). Other alternatives should be carefully considered before applying generic ban on a group of substances. OECD Guidance on Key Considerations for the Identification and Selection of Safer Chemical Alternatives should be used to identify safer substitutes.
- **Contribute to a transparent accounting methodology for carbon footprint for steel to support decarbonization:** A transparent and harmonised methodology to calculate a carbon footprint is necessary to enable a fair comparison between suppliers. Such a methodology should be developed at a global scale, ensuring consistency and fairness, with the steel industry as a lead actor throughout the process. Important efforts aiming to achieve increased harmonisation of measurement methodologies in the steel sector are currently ongoing through initiatives such as the Steel Standards Principles. In the end such a harmonisation should be confirmed as an international standard, preferably under ISO. This will also be a prerequisite to develop definitions of near zero and low carbon emission steel. Jernkontoret supports the Eco-design for Sustainable Products Regulation (ESPR) and the inclusion of steel products in the first group to be regulated. We propose that the Commission, when drafting delegated acts for different product groups under the ESPR, refer to such international standards to ensure level playing field on the global market.
- **Revise the Public Procurement Directive:** When revising the Public Procurement Directive it is important to enable the use of environmental and climate criteria. The directive should be coherent with the ESPR and avoid overlap. By this, governments can encourage the adoption of low emission technologies, promote innovation, and stimulate the market for near-zero emission steel. More broadly, discussions on how policies to stimulate demand can support the transition of the steel industry needs to turn into action, including establishing and scaling lead markets.

4 Ensure an enabling regulatory framework, when adopting ambitious climate policies

The EU's Fit for 55-package, along with the upcoming climate target for 2040 will set an ambitious climate agenda. As the EU raises its ambitions, future policies must ensure fairness across sectors, particularly for industries facing international competition. A supportive regulatory framework is essential to help industries meet these targets while remaining competitive. EU climate policy must be aligned with industrial, energy, trade policy in order to safeguard the competitiveness of key industries, ensuring a fair and sustainable transition.

Recommendations:

- **Fair distribution of emission reductions:** The industrial and power production sectors have already borne a disproportionate share of emissions reductions. Post-2030 emissions reduction targets should be more fairly distributed between ETS1 and the ESR sectors bearing in mind decarbonisation actions in the ESR sectors, such as electrification, might increase emissions in the power sector.
- **Align ETS with the 2050 climate target by addressing residual industrial emissions:** While the steel sector is committed to achieving near-zero emission production, some small hard-to-abate emissions will persist even when the emission cap is too small for a functioning ETS, necessitating alternative measures. Such measures need to allow industries to continue reducing emissions in a cost-efficient and flexible way including possibilities to trade against negative emissions.
- **Finance decarbonization and energy production through the ETS:** Innovation and decarbonization in industries, particularly in the steel sector, are capital intensive. To support this transformation, a higher and fairer share of ETS revenues should be allocated to Energy intensive industries, focusing on CAPEX support for decarbonizing production processes and to strengthening framework conditions – particularly energy production – benefitting all companies. Hence, in the upcoming ETS revision, we advocate more earmarking of capital towards the Innovation Fund, rather than the Modernisation Fund.
- **Ensure an efficient implementation and extend the scope of the CBAM.** To remain competitive with international actors not facing similar carbon costs, the success of CBAM is crucial. However, it faces challenges such as complex implementation, risk of circumvention, and downstream carbon leakage and its further design and enforcement will impact its effectiveness. The European Commission must closely monitor CBAM's implementation and before the definitive period extend the CBAM scope with additional, steel intensive downstream products, include also indirect emissions, exempt emissions from EU installations from the reporting obligation and propose a concrete legal solution to secure the competitiveness of EU exports.

5 Secure investments in framework conditions, while ensuring a level playing field

The European Commission estimates that the EU needs around €620 billion in annual investments to meet the targets of the Green Deal and the REPowerEU plan. According to Mario Draghi, the EU will require over €800 billion per year — about 5% of its GDP — to stay competitive with major global economic powers like China and the United States.

A significant portion of these investments should come from the private sector to ensure efficient resource allocation and maintain fair competition in the Single Market. For European industries to remain competitive, the Single Market must operate under fair conditions, free from distortions caused by state aid. While the EU has traditionally enforced strict state aid rules, recent years have seen greater flexibility for Member States in supporting their industries. This has created imbalances, allowing companies in countries with stronger fiscal power and a more permitting view on state aid to distort competition, the level playing field and gain an unfair advantage. Therefore, it is crucial that the new state aid framework – building on the experiences from the Temporary Crisis and Transition Framework – returns to a stricter regime, with long-term rules developed in consultation with stakeholders and grounded in the Commission's previous established practices.

Public funding will still have a role to play in certain cases, and the EU has historically allowed limited support in certain areas such as research and innovation, addressing market failures, and supporting the initial deployment of new technologies. Public investment is also necessary for building key infrastructure, like energy production, which are horizontal and benefits all businesses and lays the foundation for sustainable growth. However, public support to specific projects must remain focused, temporary and limited to above mentioned instances, only acting as a catalyst for private investment. It must be applied under clear conditions to avoid creating long-term dependencies or distorting market competition.

By balancing private investment with strategic public funding, the EU can gather the substantial resources needed for the green and digital transitions, while staying upholding a level-playing field and a market-driven approach.

Recommendations:

- **Restore competition on equal terms within the Single Market:** The Commission should ensure a more disciplined and restrictive approach to state aid, as initially recommended in the Draghi-report. Reinstating strict state aid rules will help prevent market distortions and ensure fair competition for all businesses across the EU.
- **EU financing must benefit all Member States.** If the Commission moves forward with establishing a Competitiveness Fund, it must be strictly limited to areas with clear and substantial spill-over effects that benefit all Member States. These areas should in particular include research and development, first industrial deployment, and energy production. By focusing on these areas, a possible Fund must ensure equal opportunities for all companies, avoiding favouritism toward specific industries, technologies or nations.
- **Maintain and expand steel-relevant funding in the upcoming EU Framework Program for Research and Innovation and EU Innovation Act:** It is crucial to maintain and expand funding for the steel industry within the next EU Framework Program for Research and Innovation and the anticipated EU Innovation Act. Strengthening industry participation in partnerships is essential to ensure that calls for proposals are relevant, impactful, and aligned with the sector's needs. Equally important is to focus, increase, and accelerate research and innovation (R&I) funding under the EU budget.

6 ○ **Promote a balanced foreign economic policy that uphold free and fair trade and competitiveness.**

We support the Commission's ambition to conclude new Clean Trade and Investment Partnerships. Such trade deals could be important steps toward securing global supplies of raw materials, clean energy, and clean technologies.

Sweden's iron and steel industry exports between 85 and 95 percent of its production to more than 140 countries worldwide, while also relying on imports of key inputs. Therefore, free and unhindered international trade, protected by a stable global regulatory framework, is vital to the success of Sweden's iron and steel industry.

The world faces significant steel overcapacity, with a record global excess capacity of 560 million tonnes, much of it subsidized. This is further exacerbated with a significant amount of largely subsidized Chinese steel flooding European markets at dumping prices, posing a serious challenge to EU producers. Today, important steel producing countries like China, which produces half of the world's steel, and the US, circumvent the multilateral WTO-rules. The EU must find a more effective solution to counter these efforts. We believe that the EU should develop its WTO-compliant anti-dumping, anti-subsidy and safeguard instruments to be more effective. These tools should be developed to better function in the current economic climate and be used to protect EU producers, while maintaining a fair global trading system, avoiding the need for broader protectionist measures.

However, we do not believe that the solution is to unilaterally raise a permanent tariff wall around the EU. This would most likely provoke trading partners retaliation, weaken the multilateral regulatory framework for international trade and trigger a larger trade war. We need to return to a strong multilateral framework, otherwise trade will be dominated by the interests of large economies like the US and China, without regard for the EU's interests.

Recommendations:

- **Strengthen the WTO with robust trade rules and effective dispute resolution mechanisms:** In an increasingly challenging global trade landscape, a well-functioning World Trade Organization (WTO) is vital to safeguard the principles of free trade. The EU should continue championing a strong WTO, underpinned by clear rules and an impartial dispute settlement system. This is essential to protect EU industries, such as steel, from market-distorting practices like dumping, while ensuring open and fair global markets. Establishing internationally accepted trade rules that consider the environmental performance of products can further encourage the adoption of clean steel technologies. International partnerships, global standards, and trade relations must aim to reduce emissions worldwide while enhancing competitiveness.
- **Deploy EU trade defense instruments strategically and WTO-compliantly:** The EU should more effectively use its anti-dumping and anti-subsidy instruments to counter unfair trade practices. We are also in favor of a continued safeguard in the form of a tariff rate quota maintaining traditional trade flows. These tools offer targeted responses to external threats, like the influx of subsidized steel from China and other countries, while avoiding the risks associated with broad protectionist measures. This approach should be developed to better protect European producers while supporting a global trade system based on fairness and mutual respect.
- **Ensure an effective sanctions regime to stop imports of all Russian steel including slabs:** It is unacceptable that Russian steel continues to enter EU markets given the ongoing war against Ukraine. The European Commission must ensure a more robust and effective sanctions regime that halts imports of Russian steel, demonstrating a firm commitment to the EU's geopolitical stance and supporting Ukraine in the face of the Russian aggression.