Brussels, 11 November 2026

To:

Members of the European Parliament,

Climate attachés of the 27 Permanent Representations to the European Union

Subject: Steel industry and civil society joint statement on the low-carbon steel credits under the CO2 emission standards for cars and vans

Dear co-legislators,

We, the undersigned organisations representing both civil society and the European steel industry, share a common objective: **accelerating the decarbonisation of steel** while **strengthening Europe's industrial base**, **high-quality jobs** and **global competitiveness**.

Many green steel projects have been announced across Europe in recent years. However, some are facing setbacks due to a lack of offtake for low-carbon steel products. Without strong and timely lead market policies, Europe risks losing industrial capacity, jobs and technological leadership.

Creating predictable demand for genuinely low-carbon steel is therefore urgent. If properly designed and unencumbered by additional flexibility or extensions of scope of the car CO_2 emission standards Regulation, low-carbon steel credits can create a lead market for green steel and secure a future for a green steel industry in Europe.

The proposed 7% compensation under the car CO2 Regulation would generate 15 Mt of primary green steel demand by 2035. This aligns with Europe's potential lower carbon steel supply of 21.7 Mt, provided all planned projects transition to green hydrogen (of which around half have not yet reached FID). A supercredit system would only create very limited demand while blurring the signal for green steel and should therefore be discarded.

We therefore call on co-legislators to ensure the low-carbon steel credits deliver on their promise by following the four priorities presented below:

First, protect the car CO2 regulation from additional flexibilities and weakening.
The low-carbon steel credits is the only post-2035 flexibility that results in additional industrial investments and therefore comes with an extra compliance cost for carmakers as all other flexibilities are granted de facto. As a result, if the final text were to include some of the most regressive proposals currently on the table, such as lowering the current ambition, expanding the scope to vehicles running exclusively on eligible fuels, widening the fuels flexibility or weakening the rules for plug-in hybrids, the steel compensation mechanism would remain unused. This would turn a powerful lead-market instrument into an empty shell. The more flexibilities are stacked together, the weaker the overall ambition becomes, making it far less likely that green steel credits will ever be deployed.

Second, starting in 2030 to reward early movers using fossil-free capable infrastructure
Starting the steel credit scheme before 2035 allows to strengthen the fossil-free steel capable projects planned to ramp up from approximately 2030 in Europe by creating green steel demand. Projects that committed and invested in the transition to fossil-free ironmaking and steelmaking that use a mix of green hydrogen and natural gas during 2030-2034 could qualify for the credits. Mass balancing at DRI plant level should then be possible in order to provide flexibility for existing sites by rewarding efforts until their full transition to green hydrogen DRI.

However, earlier credits should be limited to compensating no more than 3% of fleet emissions from 2030 - 2034 in order to protect the electrification target. This balanced approach would support industrial transformation without diluting transport decarbonisation objectives.

Third, the low-carbon steel credits must reward fossil-free ironmaking and steelmaking from 2035.
The low-carbon steel flexibility under the car CO_2 standards should be reserved exclusively for fossil-free ironmaking and steelmaking production pathways aligned with existing labels.

These production technologies face the highest capital hurdles and greatest investment risks; prioritising them through targeted lead-market instruments is essential to de-risk private capital and scale production.

A clear labeling system based on emission intensity thresholds of steel is urgently needed, and should be adopted. The carbon labelling and emission baseline should rely on a sliding scale (i.e. taking scrap content into account) approach to ensure a fair comparison between primary and secondary production pathways.

Fourth, the mechanism must focus on EU-made steel to support Europe's industrial transformation.
Without a clear EU-origin requirement, the mechanism would reward low-carbon steel produced outside Europe, thereby weakening its core industrial rationale.

To ensure that this policy strengthens Europe's strategic autonomy and industrial resilience, eligible green steel should therefore be produced in the European Union. This should explicitly include the Direct Reduced Iron (DRI) phase in order to support the development of this emerging sector in Europe. Because of limited iron supply in Europe, EU-made steel could allow a limited amount of green iron from non-EU origin to be used for steelmaking in order to provide flexibility to producers.

Yours sincerely,


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