Europäische Metall-Union
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Union Européenne du Metal

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TOWARDS A GREEN STEEL INDUSTRY

At the 18th September General Assembly, EMU created a new working group on Green Manufacturing, chaired by Godfried KAANEN, President of EMU Dutch member Metaalunie. As efforts are done by steel producers, EMU members want to show that inspiration comes from the entire value chain.

Somewhere between 7% and 9% of the world's greenhouse-gas emissions comes from making steel. September 2020 marked an important moment for the prospects of a green steel industry. In Lulea in Sweden a low-carbon steel pilot plant began to test operations. It is the brainchild of HYBRIT Development, a joint venture between SSAB, a steelmaker, LKAB, a state iron-ore producer, and Vattenfall, a state-owned power company. What makes the HYBRIT project unique is that it aims to replace the coking coal with hydrogen to remove oxygen from iron ore. And if that is made with renewable energy (as is the plan), then the process will have virtually no carbon footprint.

Others are following HYBRIT's lead. Thyssenkrupp announced plans to build a similar plant. ArcelorMittal, the world's biggest steelmaker, is experimenting with a range of low-carbon approaches, including carbon capture and storage and replacing the coking coal with a "bio-coal" made from waste wood. Voestalpine, an Austrian steelmaker, launched a green hydrogen-power plant last November.

Much of the action is happening in the European Union. That is partly the result of its emissions-trading scheme (EU ETS), which puts a price on carbon emissions and eats into the steelmakers' profit margins. Next year the EU ETS goes into a new phase. As a result, free carbon allowances, which are dished out to many industries, will be reduced. Many hope that the costs will encourage steelmakers to invest more in green products. Much depends on the price of electricity, which is needed in huge quantities to make the green hydrogen.

COMMISSION PROPOSES NEW CLIMATE TARGETS FOR 2030

In the framework of the Climate Law the Commission proposes to increase the current EU 2030 climate targets to at least - 55% compared to 1990 level. The current targets are – 40%. The Commission revealed its proposal in a Communication that also previews a set of actions required across all sectors of the economy and the launch of revisions of the key legislative instruments to achieve this increased ambition.

This new target, if approved, will involve in 2021 amendments of many pieces of EU legislation, such as the Energy Efficiency Directive, the Renewable Energy Directive, the Emission Trading Scheme and the Joint Effort Sharing regulation to name a few. Moreover, the Commission will present, always in 2021, a proposal for a Carbon Border Adjustment Mechanism in order to avoid carbon leakage.

During its 5th October 2020 Plenary Session, the European Parliament approved the Commission's proposal for a new European Climate Law. However, while the Commission is proposing a 55 % reduction in EU greenhouse gas emissions by 2030, Parliament endorsed the demands of an Environment, Public Health and Food Safety Committee (ENVI) report calling for greater ambition: 60 % reductions in 2030 and all Member States to be climate neutral in 2050.

As for the Council of Ministers, the first position saw a proposal of – 55% without any obligation for the single Member States to reach climate neutrality.

Please click on the following link to see the Communication:

"Stepping up Europe’s 2030 climate ambition: Investing in a climate-neutral future for the benefit of our people"

AN EXAMPLE FOR THE BREXIT NEGOTIATIONS: The Swiss approach to trade with the EU ?

How can the UK ensure a frictionless trade in goods from outside of the EU? A look into the heart of Europe to the Swiss approach could be interesting in this regard. The trade in goods between the EU and Switzerland amounts to 1 billion Swiss francs. Switzerland achieve such an integration without being member of the EU with the so-called ‘bilateral approach’.

The EU-Swiss cooperation is based on a tailor-made set of 120 agreements, of which 25 could be considered as main bilateral agreements between Switzerland and the EU.

Switzerland has a free-trade zone with the EU and with the EEA/EFTA members, which means that there exist no tariffs between the members of this zone. At the same time, Switzerland is not in a customs union with the EU, which means that it does not have to adhere to the same tariffs vis-à-vis third countries.

Switzerland has taken over the majority of EU product rules unilaterally into Swiss law – a voluntary alignment with EU legislation. This ensures a level playing field for the Swiss economy within a wide range of the single market by putting the whole trade system on the same footing. In addition, the Mutual Recognition Agreement further removes trade barriers. In most product sectors, the technical regulations are harmonized, which ensures that there is only one conformity assessment either in the EU or in Switzerland.

This so-called ‘bilateral approach’ works well for both parties. Problems may arise. Currently, Switzerland and the EU deal with questions regarding cross-border services and the protection of salaries. This has given rise to the EU’s firm intention to update the bilateral approach through an ambitious institutional framework agreement, which is not yet concluded as it opens up some delicate questions regarding having a level playing field. This might sound familiar to British ears.

There are quite a few parallels between the Swiss and the UK negotiations with the EU, even though the UK model for cooperation with the EU would be based on a trade agreement whereas the Swiss approach is a partial single market agreement.

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