



EUROFER

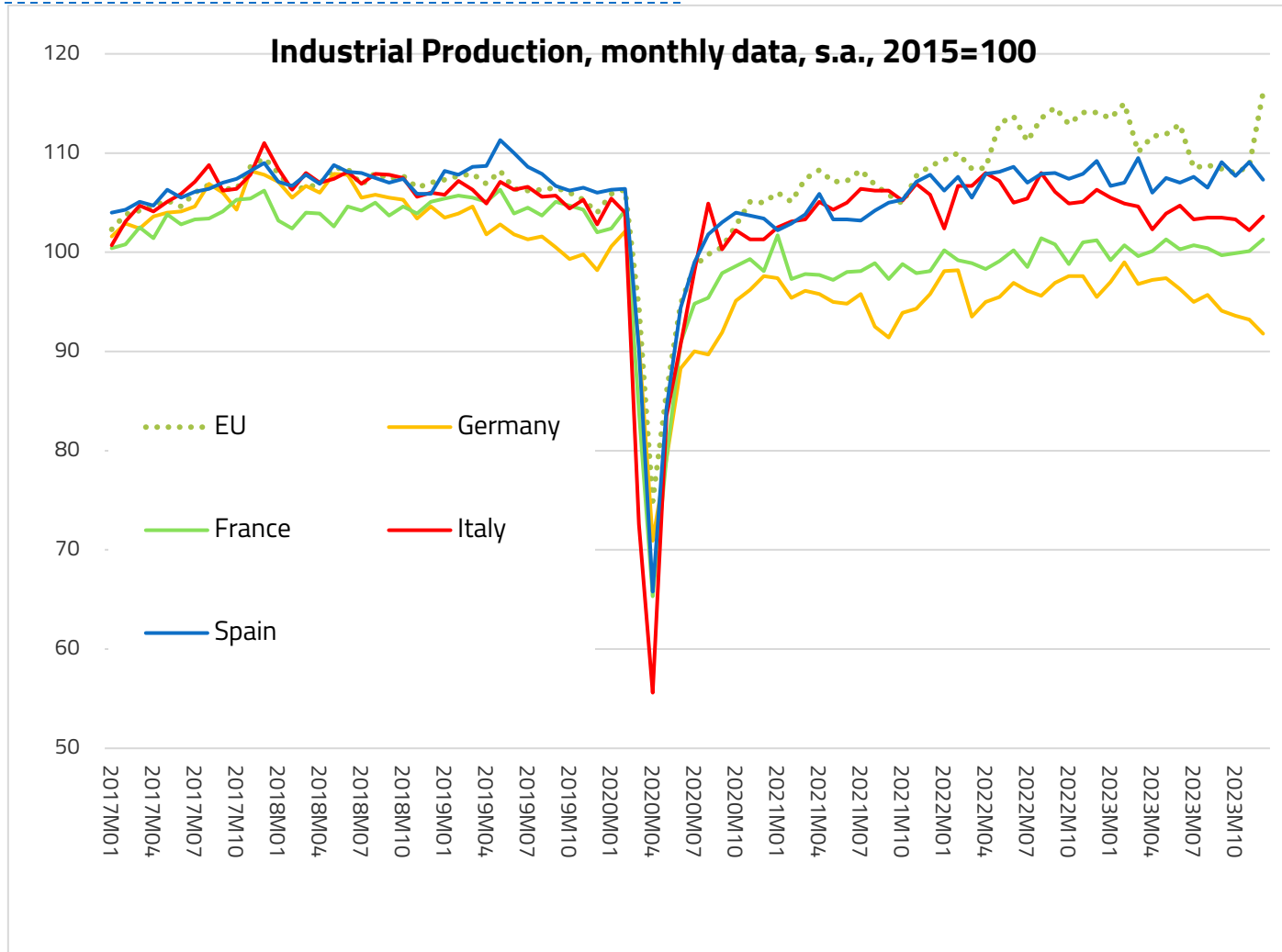
THE EUROPEAN STEEL ASSOCIATION

OECD Steel Committee – Paris, 25/26 March 2024

1. Content

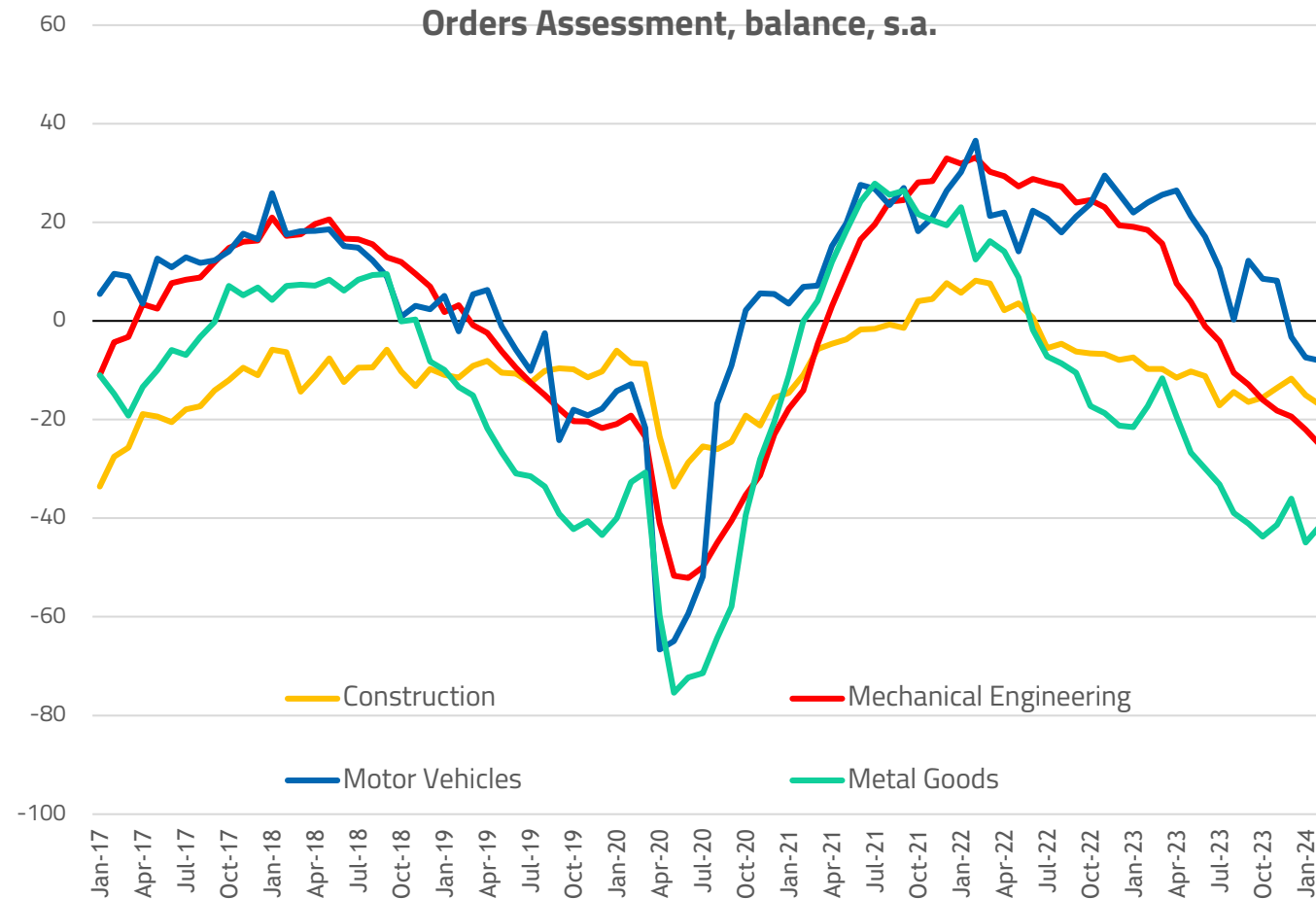
1. EU steel market situation and outlook
2. EU climate & energy policy

EU INDUSTRY LEADING INDICATORS



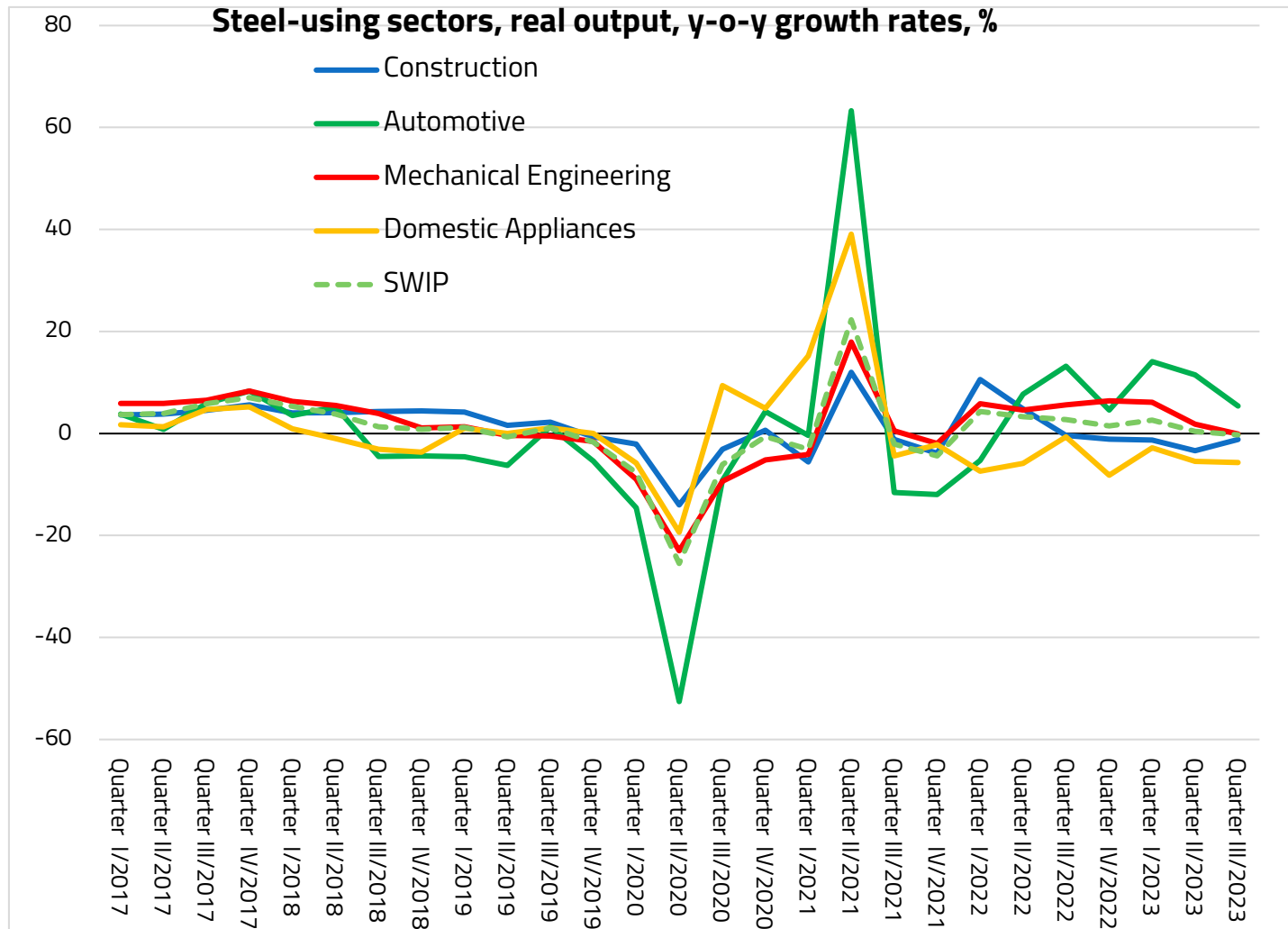
- Industrial output remains below pre-pandemic levels in Germany and France

EU INDUSTRY LEADING INDICATORS



- Orders from main steel-using sectors have been decreasing sharply during 2023 reflecting outlook deterioration
- Automotive orders fell in negative territory in Jan. 2024
- Construction and metal goods in negative territory for more than a year

EU STEEL-USING SECTORS



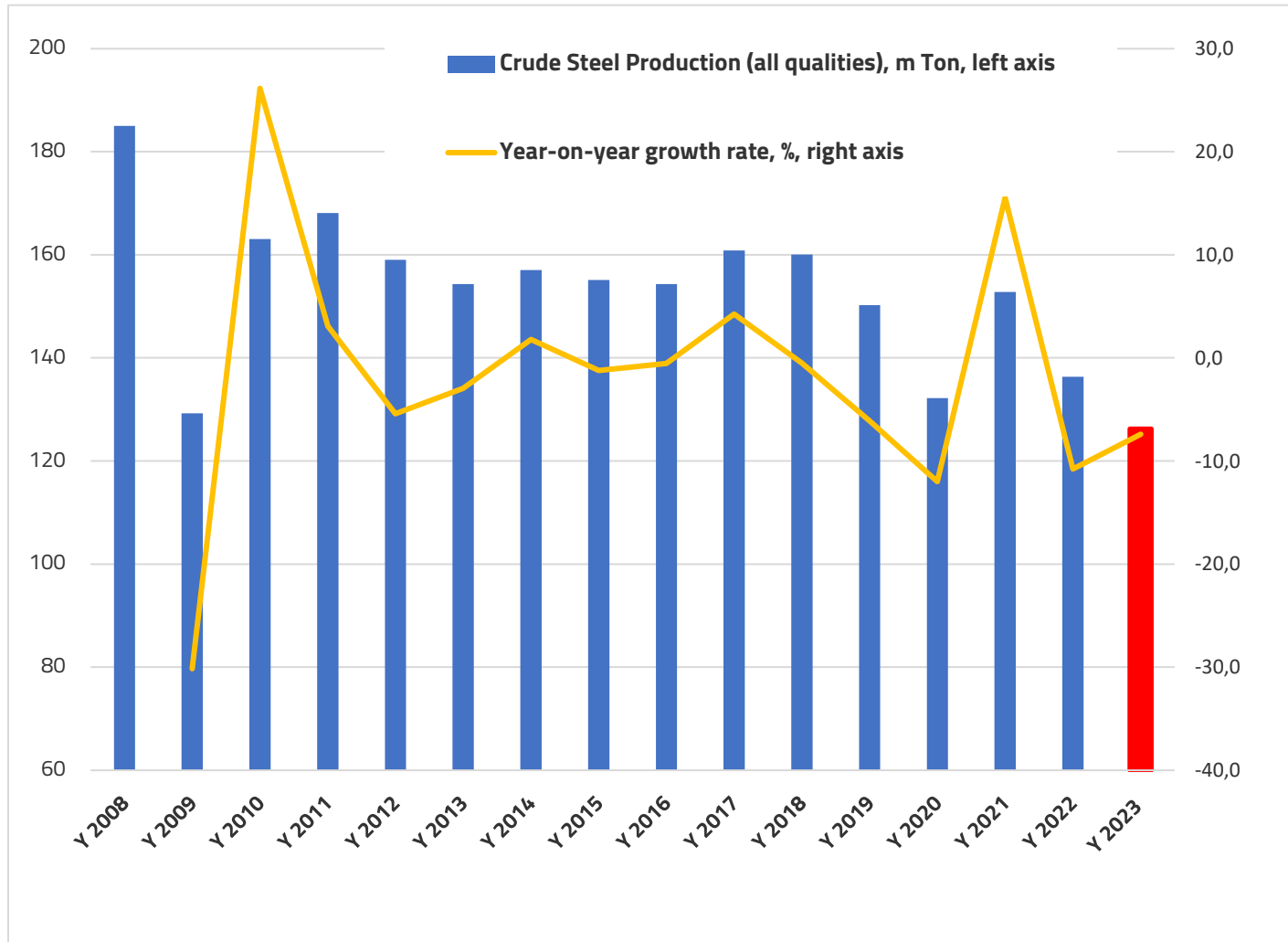
- Growth in steel-using sectors has continued to slow down since Q2 2022
 - Q3 2023: -0.3%
 - Construction fell into negative territory already in Q3'22 (five quarterly output drops, -1.2% in Q3 '23)
- All sectors except automotive in negative territory in Q3 '23
- Automotive output has rebounded for the last six quarters, but output volumes remain below those of 2019

EUROFER forecast, real output growth (%), January 2024

	2020	2021	2022	2023 (f)	2024 (f)
Construction	-4.6	6.3	3.3	-2.1	-0.4
Domestic appliances	-2.7	9.9	-5.6	-3.1	3.1
Mechanical Engineering	-11.8	14.3	5.6	1.6	-0.5
Metalware	-8.9	8.2	2.3	-3.3	0.1
Automotive	-18.8	2.8	4.7	8.8	0.1
Other transport	-10.2	2.8	8.0	0.5	1.2
SWIP	-10.1	6.9	3.0	0.7	0.2

- SWIP growth in 2022 of 3% but lower growth (0.7)% in 2023, A meagre 0.2% in 2024
- Construction output recession has intensified in 2023 (-2.1%) due to severe interest rate-led housing downturn
- Another mild recession (-0.4%) in 2023
- Growth in automotive output strengthens in 2023 (8.8%), but almost flat in 2024 (0.1%)

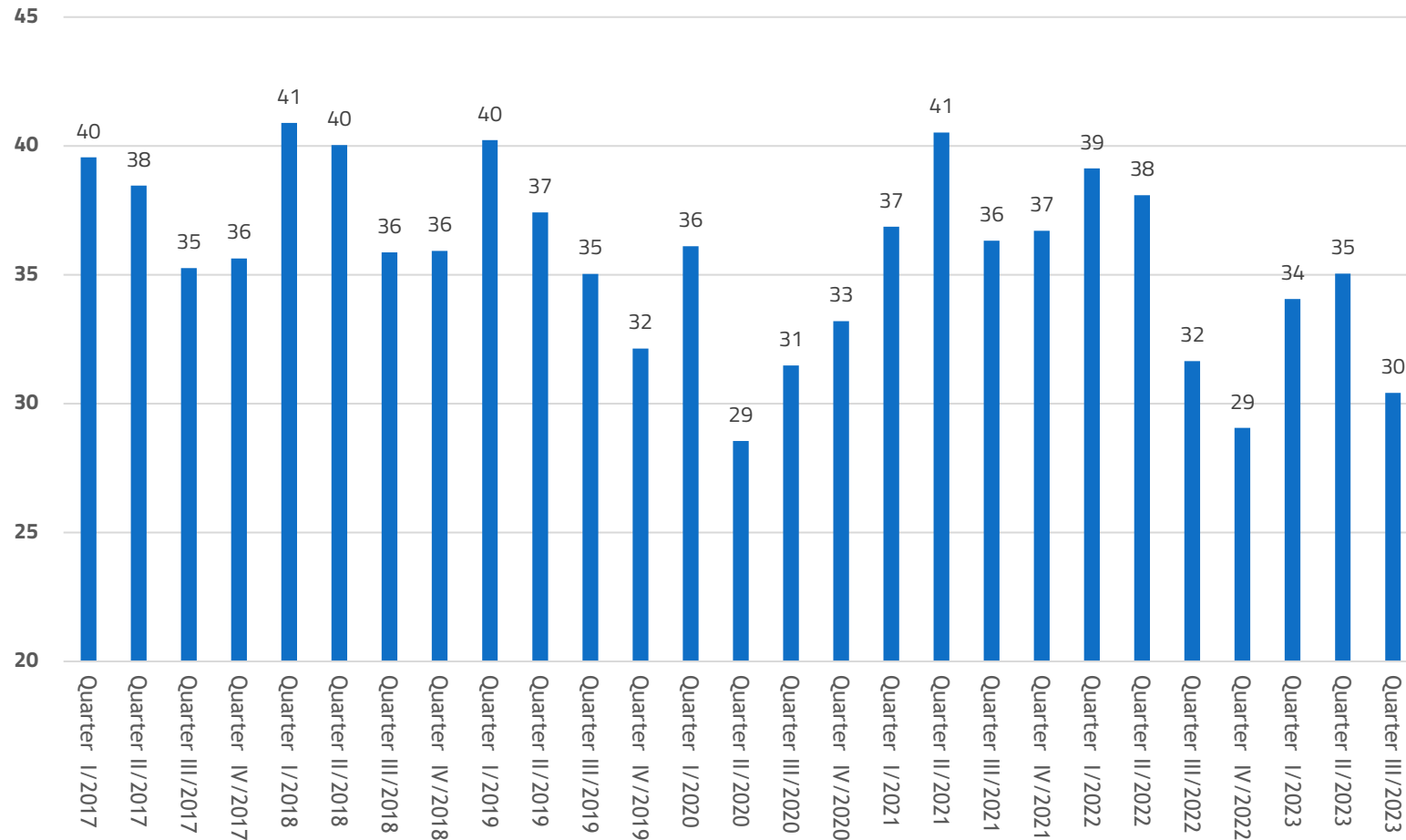
EU Steel production dropped 2022 & 2023 due to energy & war-related shocks



- Crude steel production decreased sharply in 2022 (-11%) due to the impact of the war and the energy crisis, down to **136 Mt**, that is 13 Mt lower than in 2019.
- Another drop of -7% down to **126 Mt** in 2023
- CAGR 2008-2022: -4%

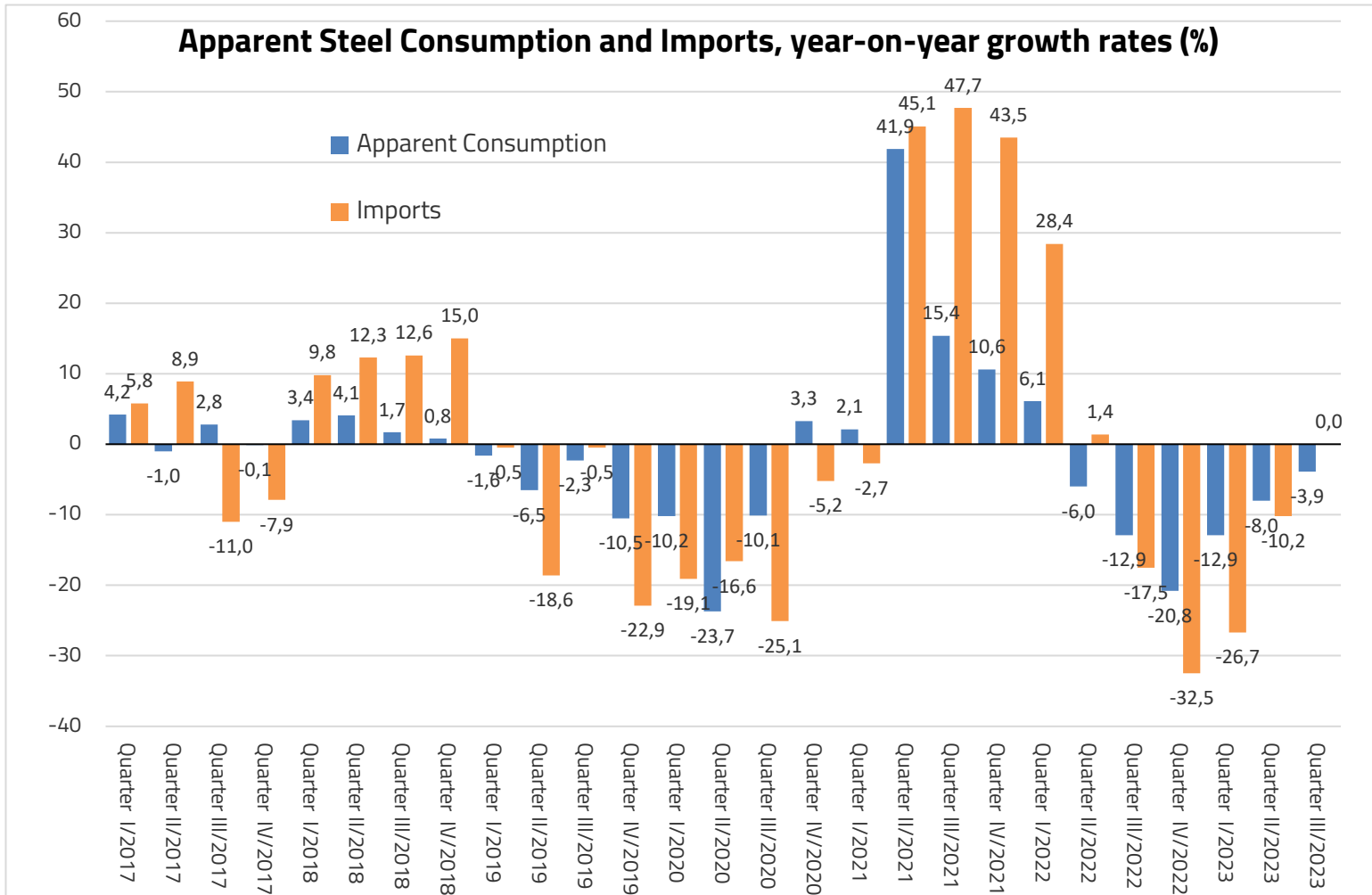
APPARENT STEEL CONSUMPTION

Apparent Steel Consumption, EU, m T



- Clear downturn since Q1 2022, after the strong post-Covid rebound
- In Q4 2022, second lowest levels on record after Q2 2020
- -3.9% drop in Q3 2023, third lowest volume since the pandemic
- Market conditions expected to improve in H1 2024

APPARENT STEEL CONSUMPTION



- Apparent consumption:
- -5.2% (2019), -10.7% (2020),
- rebound by +16% (2021)
- **recession of -8.3% in 2022**

**EUROFER's latest outlook (January'24):
-6.3% in '23 (formerly set at -5.2%)
followed by +5.6% in '24 and +2.9% in
2025.**

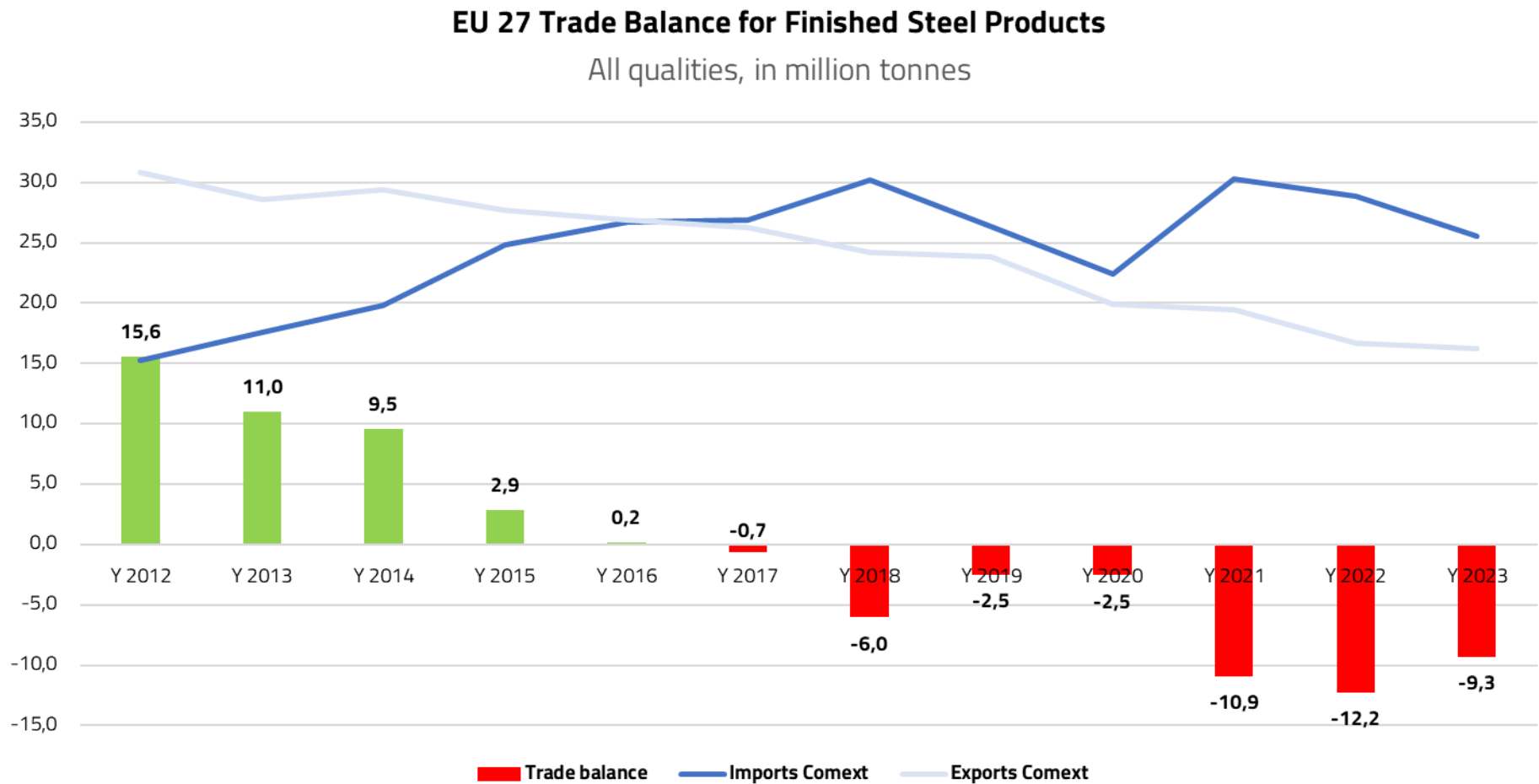
But volumes in '24 still 8Mt below pre-pandemic levels of 2019.

EU steel industry and market performance 2012-2023

Performance indicators

<i>Million tonnes, crude steel unless otherwise indicated</i>	2012	2017	2023	% change ('23/'12)	
Demand (finished steel)	132	152	136		↓
Production	159	161	126	- 21%	↓
Capacity utilisation	74% (2015)	77%	65% (2022)	-12 p.p.	↓
Import market share*	11%	17%	19%**	+ 8 p.p.	↑
- of which flat products	14%	20%	23%**	+ 9 p.p.	↑
EU imports*	15	27	26	+ 75%	↑
EU exports*	31	26	16	- 48%	↓
EU trade balance*	+16	-1	-10	- 163%	↓
Steelmaking cost (EUR/t)	377	337	452	+ 20%	↑
Direct employment (k)	329	319	306 (2022)	- 7%	↓

Since 2017, the EU27 **trade balance** has been **negative for finished steel products**
 The situation worsened in 2021 and reached a negative peak of 12,2 million tonnes in 2022



EU carbon price

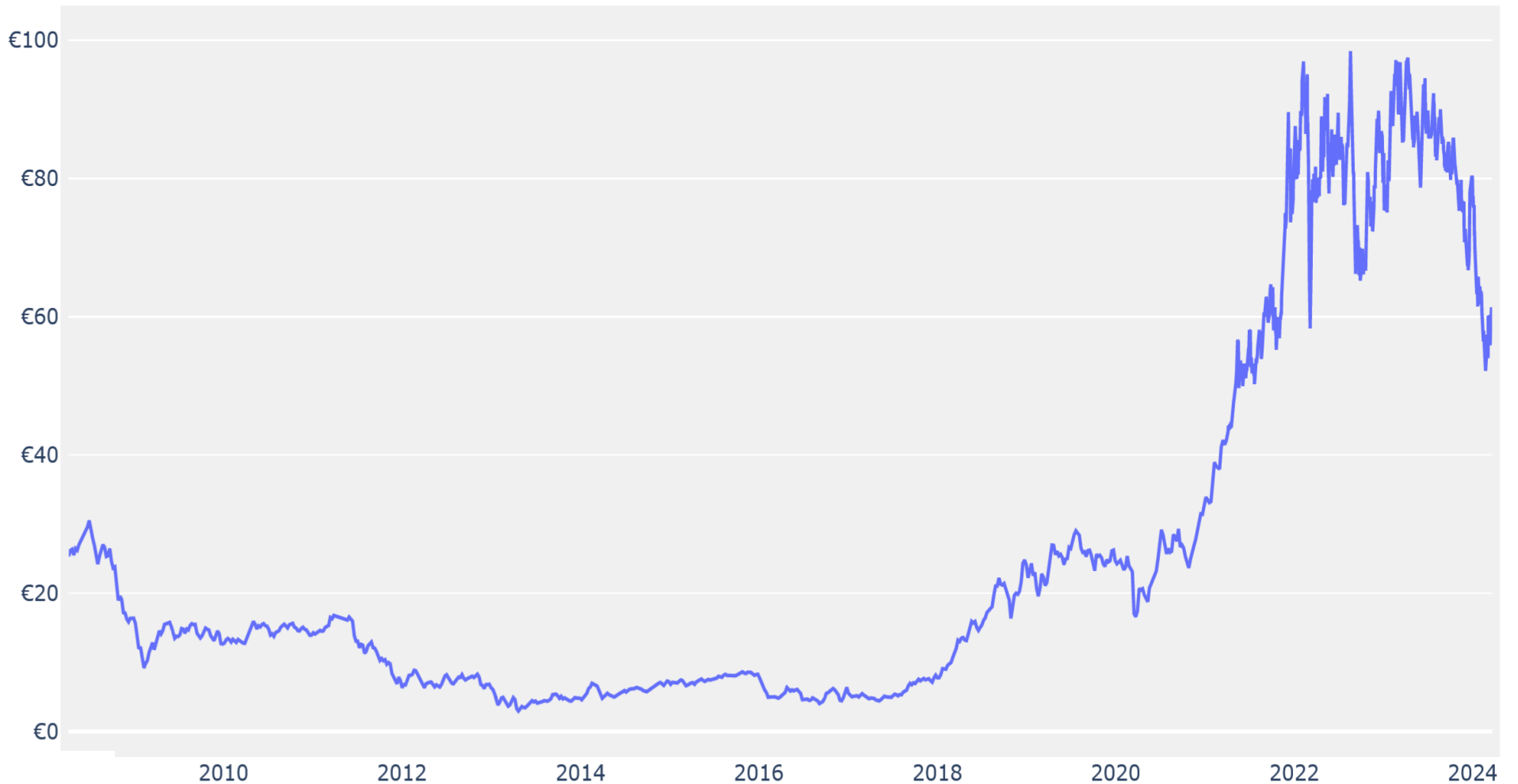
Development 2008-2024

Last updated: Mar 2024

EUA Futures
21/03/2024

€59.41

Dec 25
[Source](#)



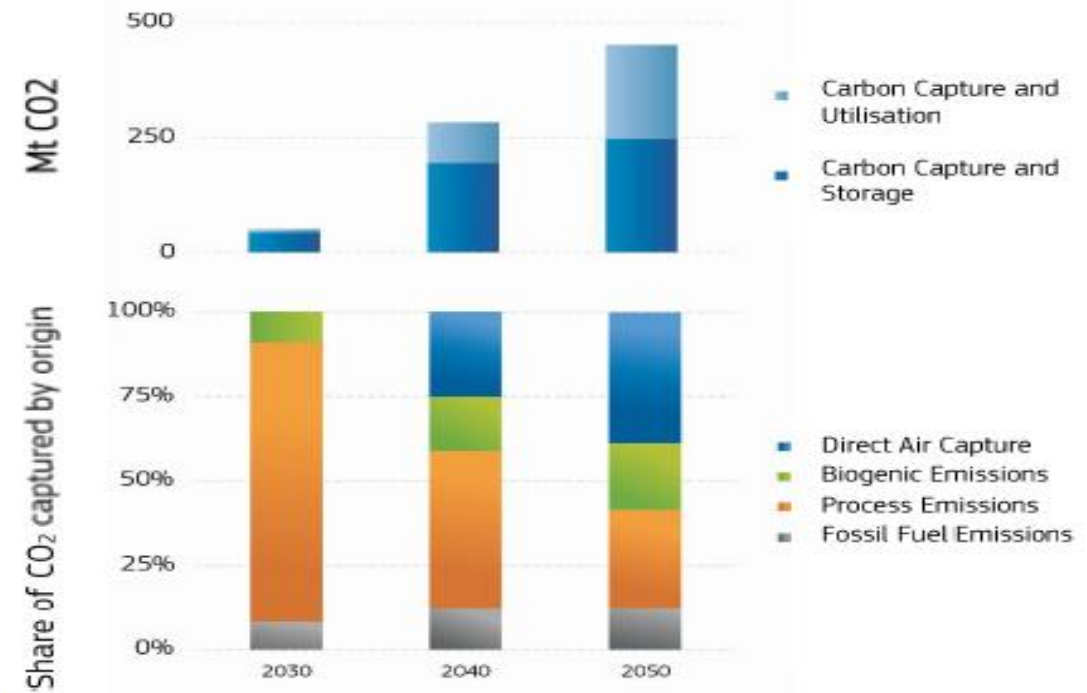
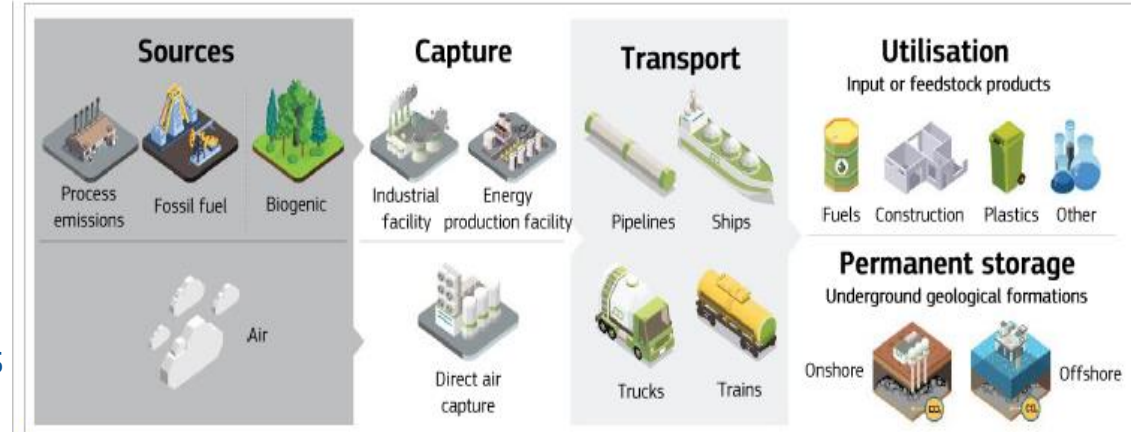
Source: Sandbag

2040 EU Climate Targets

- Commission recommends **90%** target by **2040** vs 1990
- The target requires around **95% target on EU industry**
- Key technology solutions for industry: alternative energy sources, carbon capture, circularity, energy efficiency
- Very large investment need: Industry's historical **investment to increase by factor 6**
- 2040 target to be inserted in the **EU Climate Law** through ordinary legislative procedure

Industrial Carbon Management Strategy: key elements

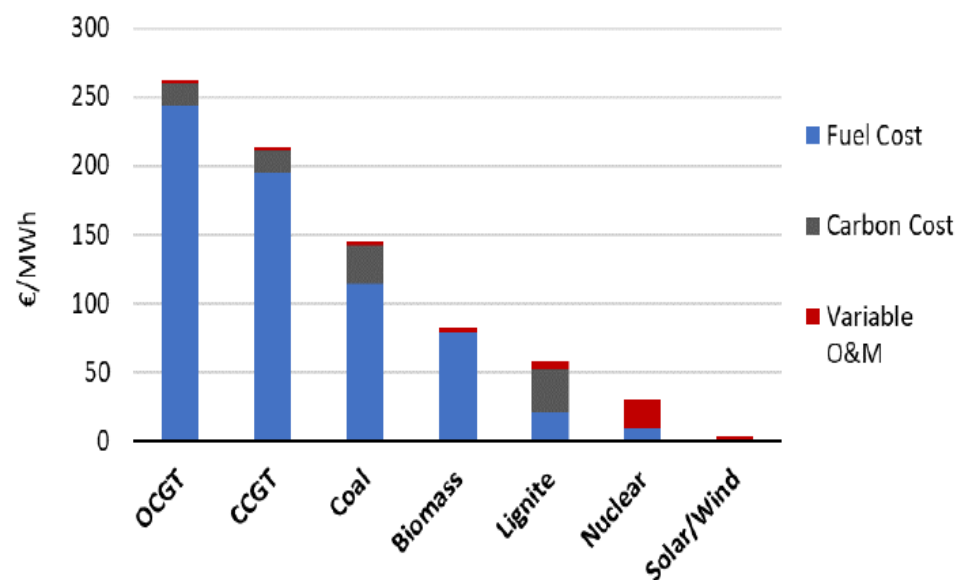
- **ICM** covers: **CCS + Carbon Removal + CCU** with permanent & non-permanent + development of CO₂ transport infrastructure as strategic enabler of the value chain
- This Communication recognises that industrial carbon management technologies are part of the solution towards achieving climate neutrality by 2050. These technologies are needed to continue reducing and managing carbon emissions in industrial processes in the EU, notably where mitigation options are limited
- **CCS** targets
 - 50mio tCO₂ in 2030 [NZIA]
 - 280mio tCO₂ in 2040
 - 400mio tCO₂ in 2050
 the EU is injecting less than 2mio tCO₂/y as of 2022
- **Carbon Removal:** Potential for 400mio tCO₂/eq
 - Assessment of removals in ETS sector by 2026 without nullifying emissions reduction efforts
- **CCU:**
 - No targets



Joint Research Center Study on wholesale power price formation (09/2023)

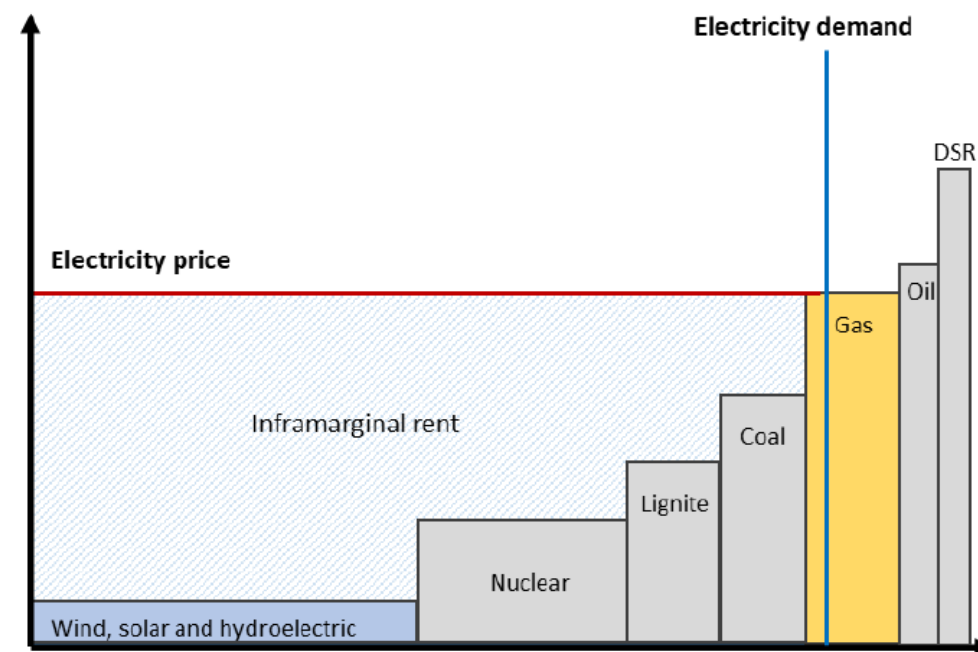
- Alarming findings for all consumers as fossil-fuels will keep determining the wholesale electricity markets beyond 2030
- Electricity Market Design reform did not solve marginal pricing.

Figure 1 – Generation technologies marginal production cost 2022 – simplified example



Source: EC JRC, based on external data providers (among others S&P)

Figure 2 – Simplified merit order supply demand stack



Source: EC JRC

European Hydrogen Bank (EHB)

- First round of **auctions** for the award of fixed premium subsidy to **renewable hydrogen producers** concluded in February with more than 130 bids
- DG CLIMA will disclose a **lessons learnt** report end March/April 2024
- A second round of auctions by end of 2024 is planned but no indications concerning the budget.
- Possible modifications to the current design:
 - Inclusion of low-carbon hydrogen
 - Better link between rewarded hydrogen production and end-users [EUROFER asks]



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Thank you