Issue: 21-23 | Date: 30 May 2023

## **聞 This week:**

# European CBAM gets final approval, accelerating steel green transition globally

The new Carbon Border Adjustment Mechanism (CBAM) legislation has officially been approved and published, giving the go ahead for the implementation of the first transitional phase from October.

During the first transitional phase, importers of steel products in Europe will need to implement a system to report to authorities imports on an annual basis - the first reporting period ends on 31 January 2024. The transitional phase will serve for all players as a preparation period and allow authorities to gather more information to be used in a report review for publishing before the definitive system begins in 2026.

"During this period, importers of goods in the scope of the new rules will only have to report greenhouse gas emissions embedded in their imports (direct and indirect emissions), without making any financial payments or adjustments," the European Commission explains.

The transitional phase will finish at the end of 2025; from the beginning of 2026, the permanent system will come into force.

"Importers will then need to declare each year the quantity of goods imported into the EU in the preceding year and their embedded greenhouse gas emissions. They will then surrender the corresponding number of CBAM certificates. The price of the certificates will be calculated depending on the weekly average auction price of EU ETS allowances expressed in €/tonne of CO2 emitted," according to the European Commission.

In line with the implementation of CBAM, there will also be a complete phase-out of free CO2 allocations under the EU ETS system, which will take place in parallel to the phasing-in of CBAM in 2026-2034.

At the Kallanish Europe Steel Markets conference, speakers debated at length the role of CBAM in the future development of the European steel market. Executives from steelmakers voiced their concerns mainly about CBAM not including a rebate for European exporters of steel, therefore limiting the competitiveness of European steel exports.

Alexander Julius, managing director at MacroMetal and Eurometal board member, added during his presentation that it is likely CBAM will limit the share of steel imports in Europe. He noted that importers will need to register as authorised CBAM agents going forward. The request to pre-pay CBAM certificates will moreover limit the possibility of smaller companies operating in import markets, further concentrating trade in the hands of fewer players.

#### STEEL GLOBAL SUPPLIERS

Global players in the steel supply are reacting to CBAM implementation in Europe. The system, for example, has raised concerns among Indian steel suppliers.

The Indian commerce ministry, on behalf of the steel industry, is having formal discussions with EU authorities over the mechanism, as it will have a detrimental impact on the Indian steel industry.

"We have had discussions with the commerce ministry, who are in turn taking this matter up with the European Union," Indian steel secretary Nagendra Nath Sinha informed media during the Federation of Indian Chambers of Commerce and Industry (FICCI) India Steel 2023 event. "The commerce ministry will be involved in a formal way [with the EU]. But, in principle, we believe the EU shouldn't impose its standards because different nations have varying levels of development and, consequently, varying responsibilities," Sinha added.

# STEEL **//ARKETS** =ORUM **15 JUNE Q** DUBAI

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# Global Overview

# **Americas:**

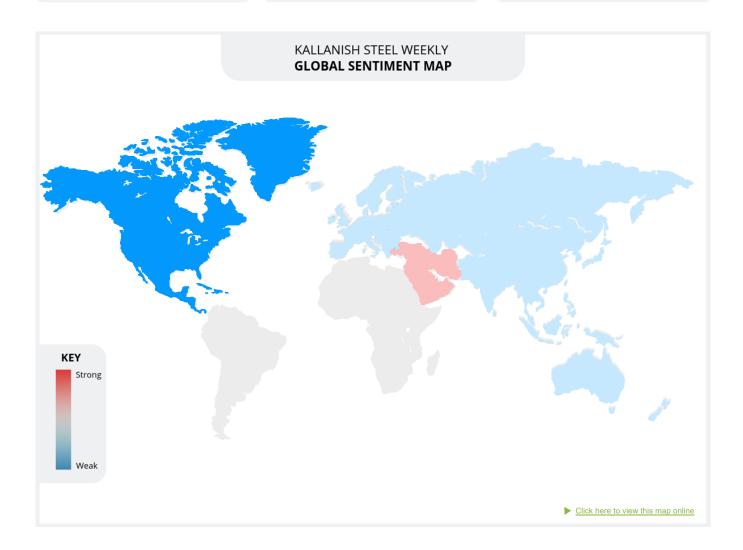
- US rebar prices down US coils levels correct further
- Utilisation rate at US mills decreases

#### **Europe:**

- European longs prices down despite production cuts Italian HRC prices fall ArcelorMittal's French mills up
- production to compensate Dunkirk accident

#### Asia:

- Chinese domestic prices down Indian scrap prices recover HRC market in Vietnam down



#### CIS:

CIS pig iron sluggish after restocking

#### Middle East:

- Turkish scrap rebounds Turkish rebar exporters' struggles
- continue GCC HRC softens further

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# **Ferrous**

Ferrous is the term used to indicate the presence of iron in a metal and will also be used to distinguish iron and steel from non-ferrous metals.



### □ Contact

If you found this issue of Kallanish Steel Weekly interesting please let us know, we would love to hear from you.

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