Fight brews over Commission plan to prop up green steel

Companies representing nearly half of European steel production are warning against a low-carbon label, while NGOs worry about greenwashing. It's an unusual alliance between businesses and climate campaigners, reflecting the Commission's challenges in creating a cleaner EU industry. The EU executive, meanwhile, says it's considering all options, with both carbon and competitiveness in mind.

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by **Ciaran Sunderland**

Pushback is mounting over how the European Commission plans to support green steel production in the European Union.

The EU executive is considering introducing a voluntary carbon emissions labelling system that is meant to support the creation of lead markets and stimulate early demand for low-carbon European steel.

But the move has drawn widespread criticism, bringing industry and climate NGOs into an unusual alliance against the idea.

The controversy behind the so-called sliding-scale approach, which is being considered for the upcoming 10 December Industrial Accelerator Act (IAA), has struck at the heart of the bloc's challenge of balancing the needs of its existing industry while encouraging new technologies.

We unpack what it all means.

What is the sliding scale?

The sliding scale is a way to classify products.

For low-carbon steel, it sets emissions limits that change depending on how much recycled steel (scrap) is used. The more scrap used, the lower the emissions-intensity threshold needed to qualify as low-carbon.

Depending on the carbon intensity of how the steel is produced, the scale can create different emissions thresholds.

Europe's steel sector relies on two main production routes: the iron ore-based blast furnace-basic oxygen furnace (BF-BOF) process and the recycling-based electric arc furnace (EAF). BF-BOF, which uses coal, is far more carbon-intensive and is commonly described as a primary production route, while EAF, which uses scrap, emits significantly less and is known as a secondary production route.

Proponents of the sliding scale — primary producers such as ArcelorMittal, thyssenkrupp and Tata Steel — say the method pushes both production routes to decarbonise by rewarding new clean technologies rather than simply boosting scrap use in existing plants. They add that scrap supplies are finite, so iron ore steelmaking is here to stay.

Germany, for example, already uses the sliding scale model domestically to encourage the decarbonisation of steel production. The government in Berlin also wants to promote this standard at an EU and international level.

The EU executive hasn't formally endorsed the idea of including a sliding-scale approach in the IAA; a Commission spokesperson told Contexte it was "carefully considering all options".

> "The Commission is working on a carbon-intensity label for steel to incentivise the decarbonisation of this energy-intensive industry," the spokesperson said on 22 November, adding that the EU executive "aims to secure a resilient decarbonisation pathway for European steelmakers while fostering competitiveness".

But industry alarm has grown after exchanges with Commission Executive Vice-President Stéphane Séjourné's cabinet, as well as recent public comments from top Commission officials who seemed to indicate the methodology is informing Brussels' next steps.

What's the problem?

First of all, the finite nature of scrap in the EU is heavily debated.

Critics of the sliding scale cite a study by the Commission's Joint Research Centre published in June 2025 to dispute the bloc's potential "scrap shortage" in the medium term.

Secondly, EAF producers object to their steel products potentially being classified with the same label given to highly carbon-intensive ones.

They fear that their low-carbon production methods won't be rewarded sufficiently, losing public procurement contracts and market share with the introduction of this form of non-price criteria to create a lead market.

EAF producers say the sliding scale overly favours the decarbonisation of the coal-based method and shouldn't define sector-wide labels. That's because the label leaves out key parts of steel's lifecycle: it excludes what's known as Scope 3 emissions, the upstream and downstream carbon emissions data of the final product.

Industry pushback

Italian steel association Federacciai, whose members mainly come from the EAF production route, wrote a letter in mid-October, warning against the use of the label. It argued that using the sliding-scale method would undermine the Commission's efforts to define green steel.

Then, on 3 November, 29 European manufacturers from 15 countries, also using the cleaner EAF method, sent a letter to the Commission warning about "the direction of current discussions" on low-carbon steel.

Collectively, the signatories represent 45% of steel produced in the EU.

Using a sliding-scale methodology in the IAA to create a low-carbon label would have "dire consequences" for the EU's steel industry and its value chain, they stated in the letter, seen by Contexte.

The resistance is cross-sectoral.

Putting EAF steel production in similar categories as more carbon-intensive blast furnace production could undermine Europe's recycled metals industry, lobby group Recycling Europe said in an open letter to the Commission.

Expanding on previous criticism, the letter states that a sliding scale risks increasing dependence on raw material imports such as iron ore. The method incentivises the decarbonisation of the most carbon-intensive process at the expense of recycled steel production, it read.

The construction lobby, a major steel consumer, has also come out against the idea. It warned in a 4 November statement that "introducing additional 'green' labels risks adding unnecessary complexity".

NGO pushback

Climate NGOs are also against the sliding-scale methodology, partly mirroring the core concerns of the EAF producers, which make less carbon-intensive steel.

NGOs worry the Commission "risks obscuring vast differences in carbon intensity" by labelling low-carbon steel if it follows through with the idea, Daniel Pietikäinen, steel policy manager with the environmental NGO Bellona, told Contexte.

> "In some cases, products made with three times higher emissions could end up with the same rating," Pietikäinen added.

Boris Jankowiak, steel policy coordinator at Climate Action Network Europe, told Contexte an effective label should support low-carbon-intensive products and "not lump them in with fossil fuel steel and call it progress", he said.

Joen Martinsen, EU industrial policy specialist at climate think tank EPICO, warned that the sliding-scale approach "risks undermining" Europe's advantage in the circular steel sector by penalising recycling.