

Question for written answer E-001999/2025

to the Commission

Rule 144

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Subject: Emissions trading system and carbon border adjustment mechanism – DRI steel loophole

Under Article 31 of the carbon border adjustment mechanism (CBAM), importers only pay for embedded carbon if EU producers incur equivalent costs under the EU emissions trading system (EU ETS). However, current free allocation benchmarks for flat steel are process-based and reflect emissions from coal-based production. As a result, long steel products produced in gas-fired reactors – often with high raw material inputs – can enter the EU free of CBAM charges. These imports can undercut electric, scrap-based steelmakers who have their own benchmarks and start paying for emissions immediately.

With gas-based long steel capacity of several million tonnes per year in the Middle East and North Africa, this loophole will persist until free allowances for flat steel fall to 50 % in 2030 and zero in 2034. Meanwhile, low-carbon circular steel producers in the EU risk being displaced.

In the light of this:

1. Is the Commission considering safeguard measures to protect domestic circular and electric steel production from this CBAM gap in embedded carbon coverage?
2. Does the Commission acknowledge that the use of production method benchmarks, rather than product-based benchmarks, for free allocation have discouraged steel circularity?

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