# Outokumpu's position on European strategic questions

Future infrastructure – from clean technologies to construction, transport and defence – rely on steel. At the same time, the outlook for the European steel market remains very challenging, due to persistently high Asian import share and the downturn in steel-using sectors. In 2024, European stainless-steel demand was the lowest in 9 years.

**About Outokumpu**

Outokumpu is the European market leader in stainless steel and the second largest in the Americas. Our turnover in 2024 stood at EUR 5.9 billion. Our European production is in Finland, Germany and Sweden. Our business is based on the circular economy, and we use more than 90% recycled steel in our production – enabling us to achieve 75%[1] lower carbon footprint compared to the industry average. Outokumpu also has the only chromium mine in the EU, which is a critical raw material to produce stainless steel. This unique position offers a competitive advantage and strengthens Europe's self-sufficiency in low-emission raw materials. Outokumpu is also the largest single consumer of electricity in Finland and considers low-emission and cost-effective electricity production to be a vital competitive advantage.

*[1)] Outokumpu' 1.6 kg $CO_2$e per kg of stainless steel based on lifecycle assessment. Global average carbon footprint of stainless steel: (2024): 7 kg $CO_2$e per kg of stainless steel. Outokumpu's calculation based on data provided by CRU, worldstainless and Kobolde & Partners AB.*

Regarding certain topical issues, we would like to comment on the following:

**Steel and Metals Action Plan:** We welcome the Steel & Metals Action Plan as it clearly identifies the challenges that European steel industry faces. Now it is critical that we find concrete solutions to some of the challenges to ensure the competitiveness of Europe and achieve the Clean Industrial Deal's goal to turn decarbonization into a driver of growth for European industries.

**Carbon Border Adjustment Mechanism (CBAM):** We welcome the intention to address the challenges of circumvention, missing downstream products and export sales.

The following points should be considered in the CBAM design and implementation to level the playing field between the stainless steel and ferrochrome producers in the EU and the non-EU countries.

1. **All scopes of emissions should be covered**
   Currently direct emissions (scope 1) and partly emissions of the value chain (scope 3) for certain ferroalloys are covered. The indirect emissions (scope 2) must also be included in CBAM calculations as they are responsible for a very significant part of the total emissions of the imports produced with more emission-intensive electricity sources. Currently also EU ETS covers scope 2 emissions and CBAM should be aligned with it.

2. **Solution to prevent "resource shuffling"**
   CBAM can be circumvented by "resource-shuffling" which means that low-emission steel from the third countries is directed to the EU while the emission intensive steel is exported to the other markets without price for carbon. To prevent this happening, it should be mandatory to apply default values based on the most representative steel grade and have emissions reporting obligations in place on entire corporate groups regarding their total production.

3. **Default values should reflect real emissions**
   To prevent payments for lower than real emissions, the default carbon values should be based on the average of most imported grades (austenitic grades, mostly 304) - with much higher carbon emissions - instead of calculating default carbon values based on an average of all grades. The gap between these values is significant as actual emissions are roughly double the current default value. If this is not fixed, the CBAM will fail to capture the true carbon intensity of imports, creating an unfair advantage for emission intensive steel producers outside the EU.

4. **Key downstream sectors should be covered**
   Key downstream sectors must be included in CBAM to maintain competitive environment and avoid carbon leakage. If they are not included, this could further encourage relocation of steel consuming industries to the third countries, which would be detrimental for both the steel producers and consumers. The products with the highest intensities in terms of steel content, emissions and trade should be included.

5. **Rules of origin should be based on "Melted & Poured" principle to prevent circumvention**
   In steel making more than 90% of emissions come from the liquid steelmaking process. The current rules define the origin of a product to be where the product is finished. The rules of origin should however be based on the "Melted & Poured" principle, so the origin of any steel good is the place where steel was melted and poured, regardless of where it is further processed.

**Trade Defence:** The industry remains threatened by global excess capacities and by global distortions from China and other countries that artificially support their domestic industries or circumvent the current measures. We need to respond to this unfair practice with more assertive solutions as fast as possible and eventually replace current trade safeguards with more effective measures from July 2026.

The root cause of the problem is the massive **excess capacity of steel** by far surpassing demand commissioned in these counties over the last two decades. These excess capacities can only be maintained with abundant state subsidies and other non-market practices distorting competition like dumping the excess steel in the EU market. This threat is further exacerbated by the 50%

tariffs imposed by the US on steel which is causing diversion of trade flows from these countries with excess capacities to the EU instead of the US.

To respond to these distortions the EU has at its disposal trade defence measures such as anti-**dumping, anti-subsidy** and **safeguard measures** (tariff rate quota against the import surges such as a sudden trade diversion from the US or quotas to maintain traditional import flows plus market growth) that it has imposed on stainless steel imported from number of mostly Asian countries.

However, the current level of protection is not enough and should be improved.

Anti-dumping & anti-subsidy measures can easily be circumvented by processing steel originating for example from Indonesia in other countries with lower level of duty imposed by the EU.

The following actions would level the playing field between the domestic and foreign producers on the EU market and ensure EU steel sector's viability in the critical role as producer of strategic materials.

1. To immediately replace the current safeguard measures with more effective solutions to prevent the trade diversion from the countries with excess capacities to the EU.

2. To prevent the circumvention of the trade defence measures by using more assertively the anti-circumvention measure and applying the method of Melted & Poured for the rules of origin.

3. Renew the trade defence measures (anti-dumping & anti-subsidy) imposed on stainless steels expiring in 2025-2027.

4. Initiate promptly new investigations also based on the threat of injury (to domestic industry) and improve the current measures in place with the help of interim reviews.

**Energy**: As the single largest user of electricity in Finland, low-emission and cost-efficient energy is crucial to our stainless-steel production. The Steel & Metals Action plan highlights that the share of energy costs in production costs is higher in the metal sector than in other sectors. Energy costs have increased in Europe. It is essential to find solutions to compensate the energy-intensive industries – such as steel – through including indirect emissions to CBAM or strengthening the state aid rules for compensating indirect emissions under ETS to level the playing field across European countries.

We support a policy that guarantees no additional cost burdens on the metal industry, which is already operating under tight global competition. In addition, we support measures that enhance industry capabilities for voluntary flexibility in electricity consumption. By investing in infrastructure, digital tools, and incentives that allow companies to adjust demand voluntarily, the EU can help industries to maintain stable production and enabling greater integration of renewables. These actions are vital for a just, smart, and future-proof industrial transition.

**Circular Economy:** Outokumpu's business is built on circularity, and our over 90% recycling rate is the highest in industry. It is therefore critical to ensure the availability of scrap steel and to create a strong internal European market for recycled materials. We welcome the Commission's proposal to ensure sufficient availability of scrap steel in the EU and support creating a market for the whole supply chain. This supports our low-emission steel production, promotes circularity, and strengthens Europe's industrial self-sufficiency while reducing dependency on imported raw materials.

**Demand for Low-Emission Products:** It is significant that the Commission intends to propose sustainability and resilience criteria under the Industrial Decarbonisation Accelerator Act that will boost demand for clean products manufactured in the EU. Recycled raw materials play a crucial role in the decarbonisation of stainless steel and most of Outokumpu's emissions come from the supply chain instead of its direct operations. The sustainability criteria should be based on product carbon footprints and there should be two separate criteria for stainless and carbon steel. Outokumpu's production has up to 75% lower carbon footprint than the industry average when considering the whole carbon footprint. It is crucial that regulation supports the market position of low-emission products.

**Omnibus packages to simplify legislation:** Outokumpu supports the goal of the Omnibus Simplification Package to simplify and unify sustainability reporting obligations to reduce administrative burdens and eliminate overlapping requirements.

However, we don't support the proposed limitation of the due diligence obligation to only direct business partners in the Corporate Sustainability Due Diligence Directive, CS3D. This would increase administrative burdens for companies that already apply risk-based due diligence. With only focusing on direct partners, companies do not necessarily identify the riskiest suppliers in their supply chain.

If CBAM is limited only to the largest importers, it must be ensured that circumvention through smaller companies is not allowed. It is important to maintain the climate and other sustainability goals set by the Commission to ensure that the clean transition remains a cornerstone of EU competitiveness.

For more information, please contact:
Karoliina Rasi, Head of Public Affairs, Europe
GSM. +32 476 349 263
Karoliina.rasi@outokumpu.com

**About Outokumpu**

Outokumpu is the European market leader in stainless steel and the second largest in the Americas. Our turnover in 2024 stood at EUR 5.9 billion and our European production is in Finland, Germany and Sweden. We also have the only chromium mine in the EU, which is a critical raw material for producing stainless steel. Our business is based on the circular economy with over 90% recycled material content – enabling up to 75% lower carbon footprint compared to the industry average. Outokumpu also brought to the market the first towards-zero stainless steel which has up to 93% lower carbon footprint.