

Forging demand for low-carbon steel in the Industrial Accelerator Act

Steel is a strategic industry for the EU and one of its most carbon intensive – accounting for **5% of Greenhouse gas (GHG) emissions**¹. The technologies to decarbonise it are already available: **what is missing is demand**. The Industrial Accelerator Act (IAA) can help unlock this, but the **current proposal falls short of what is needed and should be improved on the following points:**

- Increase the 2029 public procurement mandate for low carbon steel to 50%.
- Increase the public procurement mandate for low carbon steel over time to 100% by 2040.
- Adopt a fallback definition for low carbon steel, set at the level achievable by leading decarbonisation technologies, to ensure the procurement obligations aren't softened by a weak low carbon threshold.
- Expand demand side obligations for low carbon steel into the private sector:
 - For construction projects over 1000 m² of useable floor area by 2032.
 - For commercial fleet purchases in the automotive sector by 2032.

The currently proposed procurement mandates in the IAA – obliging public entities to ensure **at least 25% of procured steel in buildings, infrastructure and motor vehicles for civil purposes be low carbon** – would equate to a low carbon steel demand of **3.9 Mt in 2029**, compared with overall EU steel production of **134 Mt**. **The industry is well positioned to meet a much higher target**. Clean Air Task Force (CATF) analysis shows a project development pipeline of **13.5 Mt/year**² for EU facilities capable of manufacturing low carbon steel, accounting only for plants already under construction and expected to be operational by 2029.

There is additionally a significant pipeline of potential low carbon steel projects under development which are yet to take Final Investment Decision (FID), as well as an existing fleet of electric arc furnace (EAF) facilities with an estimated capacity of **approximately 88 Mt/year**³, which can achieve significant emission reductions by using renewable electricity and biogenic carbon sources.

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Europe can produce low-carbon steel at scale, the IAA now needs to create the demand to match.”

¹ EEB, *The State of the European Steel Transition*

² The Impact assessments finding of 29.7 Mt appears to double count production from integrated DRI and EAF plants with both iron and steel numbers – included separately in the source database.

³ Eurofer, *European Steel in Figures 2025*. Determined with production values and average asset utilisation rate.



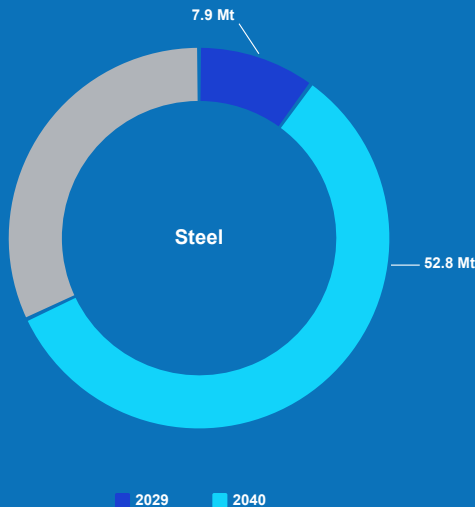


Figure 1: Low-carbon steel demand as share of total EU demand in 2029 and 2040 from CATF's proposed improvements to the IAA

Setting The Ambition

With the definition of low carbon still under development within the Ecodesign for Sustainable Products Regulation (ESPR) and Construction Products Regulation (CPR), there is a risk that the IAA procurement mandates could be drastically weakened if a less ambitious definition of low carbon is adopted. **The IAA should therefore establish a fallback definition for low carbon steel**, by reference to an existing internationally recognised standard providing a robust and credible low carbon threshold set at the level achievable by leading decarbonisation technologies. Upon entry into force of the relevant ESPR or CPR delegated act, its definition shall replace the fallback definition, **provided that it is no less stringent than the fallback**.

The Impact Assessment advised the use of a sliding scale approach to defining low carbon, following the approach used in existing frameworks such as the International Energy Agency (IEA) proposal and Responsible Steel. Adopting such an approach as an interim definition – for example, Responsible Steel with the **top two bands defined as low carbon** – would unlock the investment needed in leading low-carbon production projects.

Even with a stringent definition such as this, the capacity under construction would far outstrip the demand generated from a 25% procurement mandate and **a more suitable target would be 50%** – a level which is **already supported by industry**.

The IAA should also place a cap on the CO₂ intensity of steel used in publicly procured steel-based products. A share-based target governs only the low-carbon portion, while the remainder would stay eligible regardless of its carbon intensity. **A cap closes that gap by screening out the highest-emitting steel on the EU market.**

A Clear Roadmap To Growth

The proposed increase in the public procurement mandates for 2029 can help to support short-term investment in low carbon steel production capacity in the EU, but **further steps are needed to increase the demand for low carbon steel over time**. It is important that **this growth in demand is outlined from the beginning** to give a clear roadmap to project developers to invest in project delivery.

This can be achieved by increasing the public procurement mandates from **50% in 2029 through to 100% by 2040** and **adding in demand from the private sector**, through **demand side obligations** for low carbon steel in the **construction sector for projects over 1000 m² useable floor area and for commercial fleet purchases in the automotive sector**. The inclusion of the automotive sector is important to unlock the required demand for low carbon flat steel that will be needed to progress the decarbonisation of primary steel production. Together, these measures can grow the demand for low carbon steel to around **52.8 Mt by 2040** and **support a major shift in the EU steel industry**.

For further details on these suggested improvements, please see CATF's brief on this topic: [Strengthening Lead Markets in the Industrial Accelerator Act](#).

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