



March 5th, 2020

Non-Confidential

Public consultation on the revision of the ETS State aid Guidelines

The European Steel Tubes Association (ESTA) welcomes the establishment of a public consultation on the compensation of the indirect costs of the EU emissions trading scheme. Indeed the costs of CO₂ diffused in electricity prices affect the competitiveness of companies in our sector, increasing the risk of carbon leakage resulting in the deterioration of the EU 's carbon footprint due to increased imports, the cancellation of efforts undertaken so far to lower CO₂ emissions in Europe and increase CO₂ emissions on a global scale. ESTA which brings together more than 150 companies in EU involved in the production of steel pipes in 22 countries includes many electro intensive sites. It has to face very significant costs for its indirect emissions.

The steel pipe sector is covered by the Nace code 2420. The pipes are generally split in three large categories, seamless steel pipes (Nace 24201) which are the main interest for indirect emission compensation, large welded steel pipe (Nace 24202- diameter > 406,4mm) and small welded steel pipe (Nace 24203-diameter <= 406,4 mm). The whole sector is included in the carbon leakage list for the period 2021-2030. The seamless steel pipes are, among the different categories of pipes, those which, in addition to steel manufacturing are produced with a hot process and so emit a High level of GHG. As shown in the films, following the link <https://youtu.be/0x1uRR9Jb34> their production process is completely different than for welded steel tubes. Their mills are the only ones emitting more than 20kt CO₂/ year and consequently are the ones covered by the ETS directive.

In 2012, the qualitative assessment allowed the seamless steel pipe sub-sector (24201) to be included in the list of eligible sectors with the Steel sector (2710: manufacture of basic iron and steel and of ferro alloy including seamless pipes).

The Commission's decision not to include sectors at Prodcom level leads to the exit of the seamless steel pipe sub-sector (24201), despite an index of 0, 42, a high commercial intensity (64%) and a high indirect emissions intensity (0, 65).

The situation of seamless steel pipes subsector (Nace 24201) has worsened since 2012 and its exposure to the risk of carbon leakage due to the combined effect of its high indirect emission costs and its very important exposure to international trade has increased. Under such circumstances, there is no reason to exclude from Phase 4 seamless steel pipes (Nace 24201) which were eligible for compensation in Phase 3 when the fundamentals leading to carbon leakage risk have worsened including the greater risk coming from the increase of the CO₂ price.



We ask that this sector which has a carbon leakage risk of at least medium is subject to a new qualitative analysis and is reinstated in the list with Steel (2410) as it is currently the case.

This position is supported by EUROFER as seamless steel pipes belong to the steel value chain and contribute to the risk of carbon leakage from the steel sector as a whole.

Respectfully,

A handwritten signature in blue ink, appearing to read "Richardot", with a horizontal line underneath.

Dominique Richardot

Secretary General

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