Managing the steel transition under multiple constraints

the role of governments

Worldsteel Open Forum

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Why the transition matters

Industry transition to low emission production can deliver multiple benefits

Competitiveness and innovation

- new production processes, value creation

Energy security

- reduced exposure to fossil fuel volatility

Economic and social outcomes

- jobs, regional development

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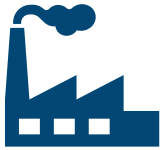
Yet it faces multiple specific challenges

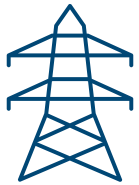
Excess capacity

- Increases unabated emission intensive capacity
- Compressess margins
- Delays or cancels investment
- Alters the level playing field



Energy constraints

- High costs, scarcity
- Competition across sectors for low emission energy



Regulatory uncertainty

- Carbon pricing, and border adjustment measures
- Unclear demand signals
- Lack of investment support

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That compound to other structural challenges affecting the sector

- Massive export surges
- Increase in trade remedies actions
- Growing circumvention of trade measures through re-routing
- On the background of increasing levels of excess capacity
- With major importers considering a Comprehensive Framework for joint action to address this unprecedented challenge

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OECD Steel Outlook 2026

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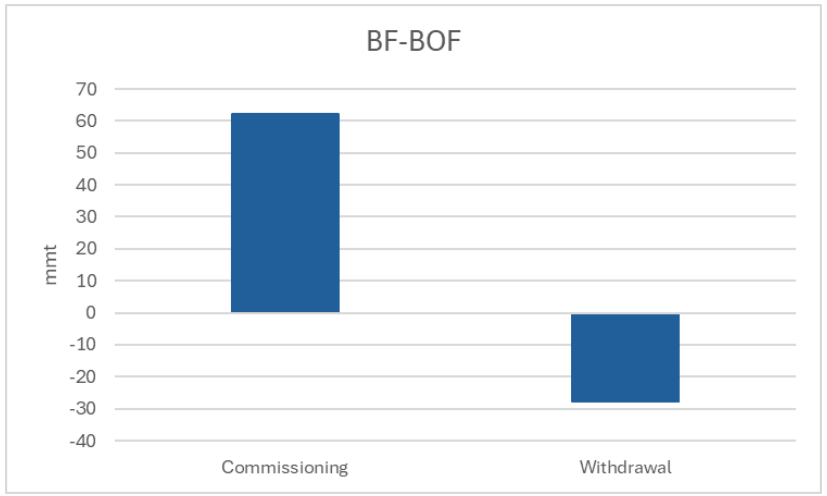
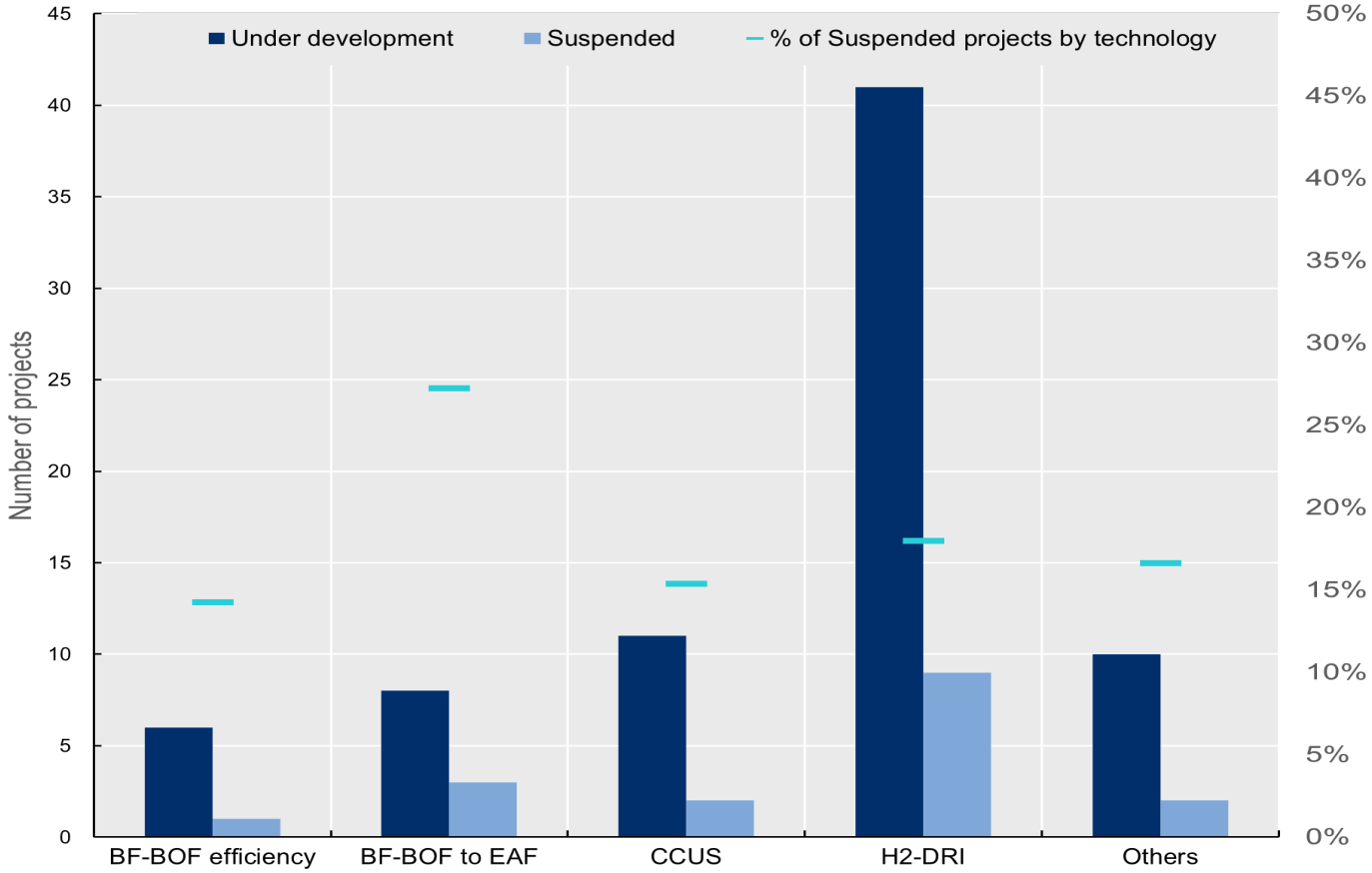
Zooming in on excess capacity

A. Delaying closures and sustaining additions of unabated emission-intensive plant



B. Slowing down near-zero emissions and retrofit projects



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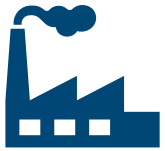
What can governments do?

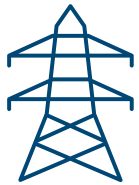
Addressing excess capacity

- Restoring the level playing field
- Restoring conditions for investment

Closing the cost gap

- Contracts for difference, financial support
- Derisking instruments to enable investment





Reducing uncertainty

- Carbon frameworks,MRVs measures
- Lead markets creation

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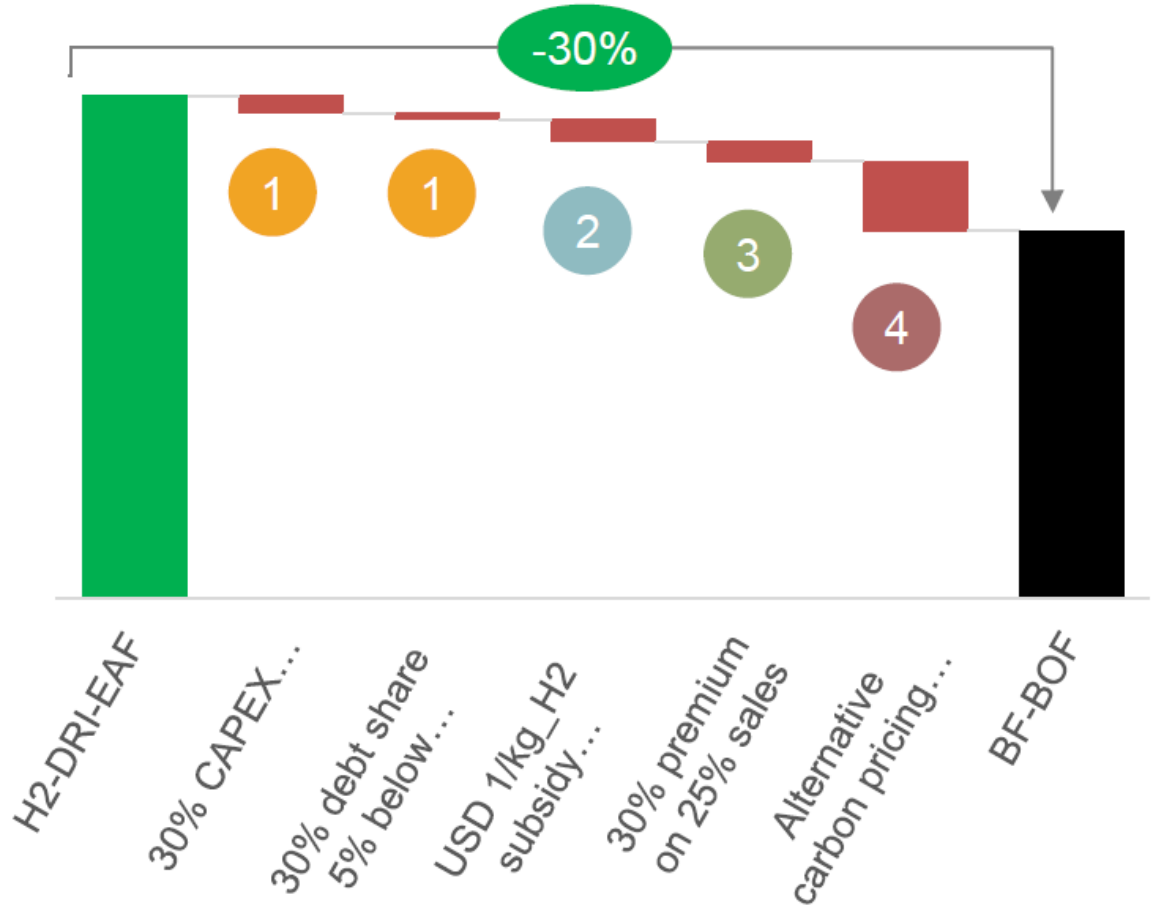
Zooming in on closing the cost competitiveness gap

- ***CAPEX** instruments are useful but **not sufficient** to close the gap*
  Grants, tax rebates, concessional loans
- *Instruments for **OPEX** are **crucial***
  Price cap, targeted support for energy & raw materials, CfDs
- ***Demand-side** mechanisms are important to create a sustainable market*
  Green premium
- *Mechanisms that **give a value to the CO_2** (emitted or avoided) are key*
  ETS, carbon tax, carbon credits

Illustrative example: Hydrogen for the steel sector



H2-DRI-EAF: steel produced via hydrogen-base direct reduced iron and electric arc furnace
BF-BOF: steel produced via blast furnaces and basic oxygen furnace (benchmark case)
CfD: Contracts for Difference

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Government interventions shaped by different starting conditions, constraints and comparative advantages

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Leading to different, yet complementary policies

	Structural starting conditions	Capacity transition conditions	Illustrative lead market policies
A	Large BF-BOF assets	High technical and engineering capability Strong public finances	Contracts for Difference (CfDs) Large-scale demonstration support
B	Limited legacy capacity Abundant clean energy / H_2 or CO_2 storage	Infrastructure gaps	Infrastructure funding (power, H_2, CO_2) Certification and measurement standards systems
C	Limited domestic production High reliance on imports	Strong regulatory & procurement capacity	Green public procurement Product standards and certification

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While international cooperation can strengthen policy complementarity and lead to system change

National policies play complementary roles

- Demand creation to anchor markets
- Risk mitigation tools to mobilise investment
- Infrastructure and monitoring to enable scale

Coordinated sequencing of action

- Early movers deploy innovative solutions, with learning effects for others to follow

Cross border benefits and diffusion

- Cost reductions, standard and certification systems extend internationally accelerating global market development

Collective impact through differentiated contribution

- Diverse national actions, coordinated through international cooperation, reinforce each other, leading to system change

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Thank you for your attention