

Public Statement: A Credible and Operable Framework for Low-Carbon Steel in the ESPR Delegated Act

Brussels, 12 May 2026

As the European Union prepares to define performance classes for low-carbon steel under the Ecodesign for Sustainable Products Regulation (ESPR), we, a broad coalition of steel value chain, environmental organisations, and experts, call for a forward-looking, ambitious, and practical framework. While the current JRC proposal may serve transparency and comparability – valid goals of the ESPR – it lacks a convincing logic for creating demand for verifiable low-carbon volumes. Lead markets require more than excluding worst performers or clustering today's production into relative classes. They need a framework that recognises early investment in viable breakthrough technologies and remains dynamic and scalable. We urge the European Commission and JRC to take the following actions:

1. Set Ambitious Thresholds That Reflect Real Decarbonisation Pathways

Problem:

The JRC's current thresholds fail to sufficiently distinguish between conventional and low-carbon production routes, risking that most of today's European production qualifies for lead market incentives (e.g. public procurement), while significant decarbonisation investments do not improve the classification. For example:

- **Scrap-based EAF:** A switch to 100% renewable electricity yields no classification upgrade if already in Class A.
- **Wire rod:** Natural gas-based DRI-EAF – despite billions in investments – is placed in the same class as the best-performing BF-BOF routes.
- **Hot-rolled coil:** Natural gas-based DRI-EAF – despite significant emissions reductions and investments – shares Class A with hydrogen-based DRI-EAF, removing incentives to transition from gas to hydrogen.

This fails to recognise progress and undermines incentives for real emissions reductions across all technologies.

Solution:

The top performance class must reflect near-zero steel production, aligned with EU climate objectives. While initially unoccupied, it sets a clear long-term target and avoids frequent adjustments. As the transformation of steel industry progresses, public and private customers may shift towards higher performance classes. To support this transition, the system must set thresholds that incentivise decarbonisation investments, rewarding real emissions reductions and pushing the industry towards near-zero.

→ **We call on the Commission and the JRC to increase the ambition level of the performance classes for lead market regulations.**

2. Adopt a Sliding-Scale Approach for Technology Neutrality

Problem:

A sole focus on product carbon footprints overlooks the structural limitations of scrap-based steelmaking. While scrap availability and quality will improve (e.g., via ELV regulations), high-quality supply remains constrained by lifecycles, sorting challenges, and separation costs. New hybrid routes such as DRI-EAF, which blend

primary and secondary inputs, will further increase demand for scrap. From an ecological, economic, and energetic perspective, scrap-based production should be prioritised wherever technically feasible. Yet, primary steel production remains essential to meet demand for high-quality and specialty grades, as it cannot be fully substituted by secondary production, and overemphasising scrap in Europe risks shifting CO₂-intensive production elsewhere, displacing rather than reducing emissions.

Solution:

A CO₂e intensity- and recycled content-based sliding scale is the only fair way to incentivise all decarbonisation pathways – scrap-based, hydrogen-based or renewable-powered – equally. This approach aligns with IEA/G7 recommendations, ensuring coherence with global trade frameworks (e.g., EU FTA's). It rewards both incremental and transformative reductions while ensuring technology neutrality and avoiding market distortions.

→ **We call on the Commission and the JRC to replace static thresholds with a sliding scale that rewards emissions reductions across all production routes**

3. Simplify the System to Ensure Operability

Problem:

The proposal risks excessive bureaucracy due to overly granular categories and unclear data requirements, overburdening producers, customers, and authorities.

Solution:

To create a practical and effective system, we propose:

- **Focus on key production stages** (e.g., hot-rolled steel, including scope 1–3 emissions up to hot rolling), covering around 90 % of GHG emissions
- **Limit product categories** and account for differences in composition and processes by using adjustment rules (not many individual thresholds based on PCF values)
- **Build on existing certification systems** (e.g., LESS, ResponsibleSteel), which already provide verified, transparent, and science-based methodologies for measuring and classifying low-carbon steel, avoiding duplication of efforts.

→ **We call on the Commission and the JRC to implement a lean, operable classification system.**

4. Act Now to Create Lead Markets for Low-Carbon Steel

Problem:

The first large-scale European DRI plants will start in 2027, producing steel at initially higher costs but with significantly lower emissions. Delays in implementing the ESPR Delegated Act risk jeopardising shaping future markets and Europe's leadership in green steel.

Solution:

A credible and predictable regulatory framework is needed to create demand via public procurement and private-sector incentives.

→ **We call on the Commission and the JRC to finalise and implement the ESPR Delegated Act, ensuring a functioning certification system and regulation for lead markets by 2027.**

Our Commitment

As signatories, we offer our full support to the European Commission and JRC in developing this framework. We stand ready to:

- Share expertise on decarbonisation technologies and certification.
- Engage in stakeholder processes to refine the proposal.
- Take part in a pilot project to demonstrate the feasibility of the ESPR delegated act.

This statement was initiated by LESS and is supported by:



Join Us in Shaping the Future of Steel

We invite all organisations committed to a sustainable and competitive European steel industry to endorse this statement and engage in the ESPR process.

To add your support or for further information, please contact:

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