

Industrial Accelerator Act: Why EU Content Requirements Are Essential for “Green Steel” Lead Markets

The European Commission is preparing to create lead markets for low-carbon steel under the Industrial Accelerator Act, including minimum quotas for its use in publicly funded buildings and transport projects. However, recent indications suggest these quotas may not be linked to European content requirements.

If confirmed, European taxpayers' money will drive demand for low-carbon steel produced outside the EU – just as European steelmakers face critical decisions on multi-billion-euro decarbonisation investments.

Such an outcome would weaken investment certainty, risk diverting capital away from European production, and slow the continent's industrial transition. It would also run counter to the core logic of lead markets under the Clean Industrial Deal: to accelerate decarbonisation within Europe by strengthening demand for clean products manufactured in the EU.

Foreign competitors are ready to flood Europe's green steel market

Europe is not alone in scaling up low-carbon steel production. The EU is likely to face increasing inflows of CO₂-reduced steel from neighbouring and near-shoring regions, including Turkey, the MENA region, and the United Kingdom. Globally, a growing number of full-scale decarbonisation projects are already operational, under construction, or approaching final investment decision, with substantial new capacity expected by 2030. Of 28 full-scale steel decarbonisation projects currently identified worldwide, at least ten are located outside the EU, with China among the leading countries.¹

Major non-EU producers are already commercialising low-carbon steel. Baosteel, the world's largest steel producer, operates a low-carbon steel facility capable of producing a full range of grades with a near-zero carbon footprint. Its competitor HBIS Group is expected to begin low-carbon steel production in 2026. The Turkish steelmaker Tosyali already supplies low-carbon steel from facilities in Turkey and Algeria.

If the EU stimulates demand for low-carbon steel through public procurement mandates or financial support schemes, international suppliers will be well positioned to respond immediately. Many benefit from structurally lower energy costs, strong state backing, and vertically integrated supply chains, enabling them to offer competitive pricing at scale.

Absent targeted European content requirements or equivalent safeguards, a substantial share of the EU's emerging low-carbon steel market risks being captured by imports, undermining domestic industrial investment, strategic autonomy, and jobs.

European projects are advancing — but the investment case remains fragile

European steelmakers are committed to climate neutrality and have launched the first industrial-scale decarbonisation projects across the continent. Yet these investments

¹ Source: Green Steel Tracker developed by LeadIT in collaboration with Lund University and Global Energy Monitor.

remain exposed to major uncertainties, including the availability of affordable low-carbon energy, infrastructure rollout, the emergence of a green steel premium, and sluggish demand in key sectors such as automotive and construction. This is why many projects have required substantial public support.

At the same time, Europe's low-carbon steel ecosystem is still only emerging. A handful of projects are underway, but many more investment decisions will be needed in the coming years if Europe is to remain a serious steel-producing region.

Creating lead markets without European content requirements would add further uncertainty precisely when these decisions must be taken, potentially delaying or preventing the next wave of investments.

Trade policy tools will not prevent a surge of green steel imports

The EU's new trade measure addressing global overcapacity is essential. It will help restore market balance and improve capacity utilisation in the European steel sector.

Yet, neither this measure nor the Carbon Border Adjustment Mechanism ensures that low-carbon steel will be produced in Europe. CBAM, in its current design, will encourage foreign producers to channel their cleanest production to the EU. Producers are already marketing low-carbon steel specifically to European buyers, and emerging capacity is being built to capture the European market.

If lead-market incentives are introduced without European content requirements, they will reinforce this trend, increasing import penetration in the very segment meant to anchor Europe's decarbonised steel future.

Steel localisation policies are already standard practice globally

Major economies are increasingly linking industrial support and procurement to domestic steel production, and these requirements apply to all steel, not just low-carbon grades.

Under the USMCA, for example, 70% of steel used in car manufacturing must be sourced regionally, effectively favouring domestic production across the automotive value chain. Public procurement rules in North America, as well as industrial policies in China and India, similarly support local steel production.

In this global environment, Europe would be an outlier if it created demand for low-carbon steel without ensuring that this demand supports production within Europe.

Conclusion

Lead markets can accelerate steel decarbonisation — but only if they strengthen European production.

Without European content requirements, lead markets would boost imports rather than investment, undermine the business case for European projects, and stall the continent's industrial transition.

To make green steel a reality in Europe, the European content requirements in the Industrial Accelerator Act are not optional—they are essential.