

CBAM scope extension: thyssenkrupp Steel input on prioritising strategic downstream products

thyssenkrupp Steel Europe AG | February 2025

For thyssenkrupp Steel, it is essential to identify strategically important "priority downstream products" to be included in the CBAM scope before it is fully applied in 2026. We recommend focusing on products that are at the highest risk of production relocating to third countries. Current trade intensity alone does not adequately reflect this risk. Instead, we propose an assessment based on current trends in production relocation, import patterns, and capacity expansion in other countries. We urge the European Commission to prioritise products from the automotive and energy value chains, which are vital to the EU's prosperity and security.

1. Automotive value chain

Stamping products, such as motor laminations and cores (falling under HS heading 8503)

- Stamped steel products, such as motor laminations and cores, are essential components of electric drives for electric vehicles. They are predominantly composed of a specialised type of steel known as non-grain-oriented electrical steel (NGOES).
- Imports of motor cores and laminations falling under HS heading 8503 have doubled from 284,000 tonnes to over 400,000 tonnes per year between 2020 and 2023. Approximately 60% of these imports are from China.
- European manufacturers of these products, supplying electric powertrain producers and OEMs, face significant economic pressure from rising production costs and intense competition from Asia, particularly China and Serbia.
- OEMs are pressuring European producers of stamped products to relocate their production to lower-cost countries in Asia, Serbia, and North Africa.
- Foreign greenfield investments have exceeded 4.5 billion euros, with a focus on parts production in Serbia. There is a significant increase in stamping capacity in this country, and if the planned projects come to fruition, Serbia could potentially meet a large portion of European demand. Notably, there are substantial Chinese investments in Serbia, including companies like Lianbao, Suzhou Fine-Stamping, and Ningbo Zhenyu.
- Processing Chinese steel in Serbia into stamping products or engines allows Chinese importers to bypass trade measures and CBAM in the future.
- In light of these threatening developments, Italian stamping companies have recently established a specific trade association to better advocate for their interests at the national and EU level.

Electric engines (HS heading 8501)

- Electric engine imports for battery electric vehicles have increased fivefold, from 131,000 units in 2020 to 580,000 units in 2023. Nearly 70% of these imports are from China. Traction motors mainly consist of steel and aluminium, which easily add up to 90% of total weight. Therefore, this component is highly relevant for CBAM.

Vehicle Body parts (HS code 8708)

- The majority of vehicle body parts are made of steel, accounting for a significant portion of usage of high-quality steel in the EU.
- Imports of steel parts from China have increased more than threefold between 2014 and 2023.
- Key wheel producers have established manufacturing facilities in Turkey and are supplying the EU market.

2. Energy value chain

Cores and laminations for power transformers (HS heading 8504)

- Cores and laminations are essential components of power transformers, playing a crucial role in expanding Europe's electricity grid. They are constructed entirely from grain-oriented electrical steel (GOES). Therefore, it is important to include cores and laminations in the CBAM (Carbon Border Adjustment Mechanism) to prevent circumvention of the system through the import of cores and laminations instead of GOES itself.
- This risk is real. Even today, trade measures and sanctions are being bypassed by processing GOES in third countries.
- Asian steel mills are already establishing processing centres (making cores and laminations HS code 85049013) in China and have informed European OEMs (transformer makers) about their plans to invest in similar centres in Turkey.
- Non-EU processing centres in Turkey, North Africa, Dubai, India, and China process GOES coils from China, Russia, Korea, and Japan into cores/laminations and ship them to the EU, bypassing the minimum import price for GOES.
- Hitachi Energy (formerly ABB) has relocated core cutting equipment from Germany, Spain, Italy, and Poland to Turkey. The purpose is to process Asian GOES into cores and laminations, which are then transported to transformer plants in the EU countries mentioned above.
- The EU currently imports around 50,000 tons of cores and laminations per day. If a Carbon Border Adjustment Mechanism (CBAM) doesn't include these products, it could lead to even more imports and encourage the relocation of production to other countries due to investments and planned investments in those countries.
- China has heavily invested in the production of GOES, creating a significant oversupply compared to domestic demand. This overcapacity puts immense pressure on the European GOES value chain. Additionally, China protects its domestic market with import tariffs.

- Imports of cores and laminations have risen from 2,700 tons per month in 2021 to 4,067 tons per month in 2023.

Transformers (HS heading 8504)

- The imports of transformers that are most important for grid expansion¹ almost doubled between 2021 and 2023, increasing from 85.877 to 151.881.
- The share of steel in these transformers amounts to approximately 50%-75%, depending on the transformer type.

3. Additional sectors

White goods

Additionally, we recommend including white goods (e.g. those categorised under HS Heading 8450). The European white goods industry is experiencing considerable economic pressure and is facing intense global competition. A significant portion of production has already been shifted to third countries. As CO2 costs for European steel continue to rise, manufacturers of white goods, which remain committed to producing in the EU, will incur additional costs that their competitors in third countries do not have to bear.

¹ HS 85042210 – Liquid dielectric transformers, having a power handling capacity > 650 kVA but ≤ 1.600 kVA; HS 85042290 – Liquid dielectric transformers, having a power handling capacity > 1.600 kVA but ≤ 10.000 kVA; HS 85042300 – Liquid dielectric transformers, having a power handling capacity > 10.000 kVA