

Statement on

The Industrial Accelerator Act (IAA)

German Steel Association's Policy Recommendations

Brussels, 06 May 2026



Executive Summary

The Industrial Accelerator Act (IAA) marks an important step in the EU's ambition to build lead markets for low-carbon industrial products. The German Steel Association had placed high expectations in this initiative as a decisive instrument to incentivise domestic transformation investment, to strengthen European industrial resilience, and to create real demand for low-carbon steel made in EU. However, while the IAA sets a broadly appropriate strategic direction in this regard, its scope remains insufficient to drive the systemic change required.

The IAA represents an important step towards promoting lead markets. Nevertheless, it does not yet establish a mandatory link between low-carbon criteria and Union origin requirements for steel. A connection that is indispensable if the regulation is to achieve its stated objectives, namely fostering a resilient and low-carbon EU industry.

The frequently put forward argument that the EU steel industry is already protected by the new trade defence instrument (based on tariff quotas) coming into effect on 1 July is not convincing. This is because the new trade defence instrument merely addresses the problem of overcapacity in non-EU countries, whereas preferential rules are intended to stimulate low-carbon steel production in the EU.

Furthermore, a static minimum share of 25% low-carbon steel in public procurement does not reflect the stepwise nature of the industry's transformation and risks leaving low-carbon steel a niche product rather than becoming the market standard. A clear trajectory of increasing minimum share for the demand of low-carbon steel is therefore crucial to align market incentives with this transformation path, give producers the confidence to take investment decisions as low-carbon capacities in Europe are scaled up.

Without a credible lead market framework, the investment case for low-carbon steelmaking in Germany and across the EU is weakened at precisely the moment when it needs to be strengthened. The German Steel Association calls therefore on the European Parliament and Council to consider the following points:

- Unconditionally link low-carbon criteria with Union origin requirements in public procurement, funding schemes, and support instruments, as in other sectors.
- Define Union origin consistently across article 7, 8, and 9 and with regard to steel strictly as melted and poured in EU27 + Member States of the European Free Trade Association (EFTA).
- Increase the share of low-carbon steel over time to incentivise the stepwise transformation of the steel industry and extend requirements to technologies under the Net Zero Industry Act (NZIA), strategic components and appropriate sectors.
- Lay the foundation for a credible steel label: compatibility with existing industry standards and labels, inclusion of Scope 1, 2, and 3 upstream emissions, and hot-rolling as the system boundary.

Introduction

The Industrial Accelerator Act (IAA) is embedded in the broader architecture of the European Clean Industrial Deal, which is set out to reconcile industrial competitiveness with the Union's climate ambitions. At the heart of this agenda lies a fundamental commitment: to ensure that the transition to a climate-neutral economy strengthens European industry. Lead markets for low-carbon industrial products are a key instrument towards this goal, creating structured demand that rewards decarbonised production and supports the transformation of Europe's most energy-intensive sectors.

For the steel industry in Germany, this agenda could not be timelier. The sector is navigating one of the most demanding structural transitions in its history: replacing coal-based blast furnace production with hydrogen- electricity-based routes requires substantial capital investment from both private and public sources, while the industry is increasingly facing the negative effects of continuously growing global excess capacity, structurally high energy costs and a dramatic fall in domestic demand. The German steel industry employs around 80,000 people directly. When the primary processing sector is included, this figure rises to around 400,000 and supports some 4 million jobs in steel-intensive sectors – from automotive and mechanical engineering to construction, energy infrastructure, and defence. Without a credible lead market framework, the investment case for low-carbon steelmaking in Germany and across the EU is weakened at precisely the moment when it needs to be strengthened.

The IAA therefore represents a genuine opportunity. A robust lead market framework could simultaneously strengthen investment decisions, rebuild demand for domestically produced steel, and make European industrial supply chains more resilient against geopolitical disruptions. However, for the IAA to fulfil this potential, the instrument must be designed with precision and ambition. As the following sections outline, the current proposal requires substantial improvements in several key areas.

Detailed Assessment and Recommendations

1. Mandatory Link Between Low-carbon and Union origin Requirements

A consequential shortcoming of the current IAA proposal is the absence of a mandatory connection between low-carbon steel criteria and Union origin requirements for steel. While retained for other materials, this link is missing for steel and subsequently not reflecting steel's critical role in defence and security infrastructure requiring resilient European supply chains.

Demand incentives established through public procurement or funding schemes that reward low-carbon steel not melted and poured in the Union do not strengthen European steel industrial capacity. Instead, it undermines Europe's resilience efforts. This is risking to directing public funds towards investments in third countries, rewarding foreign producers who benefit from lower energy costs, weaker environmental and work

safety standards, or non-compliant EU subsidies. Union origin requirements must therefore be mandated across all IAA instruments.

To ensure public funding effectively drives lead markets for low-carbon materials, the low-carbon requirements under Article 12 should be strengthened. Limiting Annex II Part II requirements to funding programmes covering at least 45% of national budgets, risks undermining the demand signal. A full application (100%) across all relevant funding programmes would ensure consistency and policy coherence, in line with the Union origin requirements already foreseen under Annex III for corporate vehicles. Disproportionate costs should also be assessed at the level of the overall project or investment to prevent unintended circumvention.

For consistent implementation, the wording of Annex II should be harmonised across Part I and Part II. While Part II specifies that minimum shares refer to the total volume of steel used in the product or project concerned, this clarification is missing in Part I. Aligning the wording would prevent divergent interpretations and ensure that minimum shares apply to the overall steel content of the relevant product, contract or works contract, thereby strengthening legal certainty and avoiding unintended circumvention through narrow component-level interpretations.

Further clarification is also needed regarding the scope of products covered by Annex II. The current use of different terms such as depends mainly on steel and depends primarily on steel may lead to inconsistent interpretation. A harmonised formulation should therefore be introduced. In addition, it should be specified that products are covered where their structural or functional performance materially depends on steel. This would improve enforceability and support consistent application of low-carbon steel requirements across sectors.

We therefore propose following addition:

Proposed Amendments for Article 12, No. 1:

*“Member States shall apply the requirements referred to in the first subparagraph to public support schemes accounting for at least **100%** of the total national budget allocated to the public support...”*

Proposed Amendments for Annex II

*Part I (a), addition: “Steel and any product the performance of which depends mainly on steel **or contains steel** intended for use in buildings, infrastructure, **NZIA technologies, railway** and motor vehicles for civil purposes: at least 25% of the total volume of steel used **in the product, contract, or works contract concerned** shall be low-carbon; **and of Union origin as defined in Article 8. The minimum share of the total volume of low-carbon steel shall increase over time to 50% in 2030 and 75% in 2035.***

*Part II (a), addition: “steel and any product the performance of which depends **mainly on steel or contains steel**: at least 25% of the total volume of steel used in in the product, **contract, or works contract** that receives support shall be low-carbon; **and of Union origin as defined in Article 9. The minimum share of the***

total volume of low-carbon steel shall increase over time to 50% in 2030 and 75% in 2035.

Annex III, Part II, new point (g):

“(g) at least 25% of the total volume of steel used in the vehicle shall be low-carbon steel as defined pursuant to Article 10, and of Union origin as defined in Article 7 Nr. 2.”

2. Strict Definition of Union origin while considering melted and poured approach

Union origin effectiveness depends on precise definition only steel melted and poured within EU27 + EFTA Member States should qualify. This approach is established in EU trade defence and ensures traceability and enforceability. Expanding the geographic scope of Union origin beyond EU27+EFTA Member States for example to include partner countries or candidate states would fundamentally dilute the instrument. It would reduce the investment signal for European producers, create opportunities for circumvention, and undermine the IAA's objective of strengthening domestic production capacity. The definition must be held firm and applied consistently across all IAA instruments and any forthcoming delegated or implementing acts.

The concept of Union origin in this Regulation is structured across three key provisions. Article 7 No. 2 establishes the general definition of Union origin by reference to the Union Customs Code. Articles 8 and 9 extend this concept by allowing content originating in certain third countries to be treated as equivalent to Union origin for public procurement and other forms of public intervention.

For Articles 8 and 9, Union origin equivalence should therefore be limited to production within the EU27 and EFTA Member States. This would prevent material originating from outside the European economic area from qualifying as equivalent to *Union origin* content and strengthen supply chain resilience.

Article 7 No. 2 currently refers to the general rules of origin laid down in Regulation (EU) No 952/2013 (Union Customs Code), under which origin is determined based on the last substantial transformation carried out in the Union. For steel products, this allows Union origin to be conferred on imported semi-finished products that undergo a final processing step in the EU, even though carbon-intensive production stages have taken place outside the Union. In the context of the Low-Carbon Steel Credits under Article 14(2)(b), these risks weakening the intended demand-pull effect for European low-carbon steel.

Article 7 should therefore be amended through a material-specific clarification for steel. In this respect, the *melted and poured* approach already introduced by the Commission in the context of the new trade tool for steel could be used as a blueprint. It ensures traceability, creates coherence, and is accompanied by corresponding verification requirements.

Such an adjustment would therefore be of considerable importance:

“Article 7 (3) (new):

For steel products, Union origin shall be determined on the basis that steel was melted and poured in the European Union and EFTA Member States.”

Article 8 No. 1:

*With respect to the Union origin requirements referred to in Article 11, content originating **in the European Union and EFTA Member States** shall be deemed to be Union origin.*

Article 9 No. 1:

*With respect to the Union origin requirements referred to in Article 11, content originating **in the European Union and EFTA Member States** shall be deemed to be Union origin.*

3. Increasing minimum share of low-carbon steel over time extend requirements to NZIA technologies, strategic components and appropriate sectors.

Lead markets require progressive ambition. A static 25% share of low-carbon steel provide neither meaningful demand signals nor transformation roadmaps. The minimum share must start at achievable level while increasing on a defined trajectory: 50% by 2035, 75% by 2040 reflecting progressive transformation of low-carbon production. (see **Proposed Amendments for Annex II under Part I (a) and Part II (a))**).

These pathways must be anchored in legislative text, not delegated acts, providing long-term investment security for capital-intensive projects. Review cycles should align with steel sector investment horizons to avoid abrupt regulatory shifts that could disrupt supply-chain planning for downstream industries. Increasing minimum share are not a burden on the sector: they are a precondition for the lead market to function as intended. Only a framework that continuously raises ambition will translate public demand incentives into structural investment decisions.

Furthermore, NZIA technologies, strategic components, and appropriate sectors offer strategic demand opportunities thereby accelerating commercial deployment and strengthening European industrial value chains. Offshore wind, energy infrastructure, railway and construction are particularly suited as anchor markets. Public authorities should integrate low-carbon requirements into procurement, auctions, and support schemes for these technologies. Introducing minimum shares of low-carbon steel in Annex II especially for wind turbines and railway systems would ensure these instruments contribute directly to European lead markets (see **Proposed Amendments for Annex II under Part I (a))**).

In addition, targeted sectoral demand segments should be leveraged. Corporate vehicle fleets represent a suitable segment for accelerating demand for low-carbon steel. Vehicles benefiting from public support under Annex III should therefore include requirements or incentives for the use of low-carbon steel. Linking net-zero requirements with Union origin would strengthen European value chains while reducing the carbon footprint of supported fleets.

Amendment to the text of Annex III, Part II by addition:

"Vehicles benefiting from public support under this Part shall additionally comply with the low-carbon steel requirements applicable to motor vehicles under Part II of Annex II. Member States shall ensure that these requirements are reflected in the design of support measures and may introduce additional incentives to promote the use of low-carbon steel of Union origin."

4. Cost Premium Cap: Applicability and Level

The IAA currently foresees a 25% cost premium cap as an eligibility criterion for public procurement and support instruments. The cost premium of low-carbon steel relative to conventional steel, expressed as a share of the total cost of the final product (e.g. vehicle, wind turbine, or building), is typically modest (<1-5%). However, expressed as a share of the steel input cost itself, the same premium can appear disproportionately large.

Applying the 25% cap at the level of the steel product rather than the final product therefore creates an artificially restrictive barrier that would exclude a large share of low-carbon steel from the IAA's scope precisely the opposite of the intended effect.

The cap must ensure equal treatment of all steel products regardless of production route, category, or application. Applying it in ways disadvantaging certain product groups would distort competition within steel markets and across value chains.

The cap must therefore apply at final-product level, not individual materials or components. Article 11 should clarify that derogations remain narrowly defined based on verifiable evidence, with disproportionate costs assessed at project or procurement level rather than individual materials or components:

Amendment in the text of Article 11, paragraph 3 (c) by addition:

"... and contracting entities to be disproportionate; **Estimated cost differences exceeding 25% shall be assessed at the level of the overall project or investment concerned and not at the level of individual components or basic materials.**"

5. Principles for a Credible Steel Label

A voluntary steel label, as foreseen under the IAA, can become a powerful market signal, but only if it is designed on sound technical and policy principles. The German Steel Association calls for the following design principles to be embedded in the framework:

- Inclusion of Scope 3 upstream emissions: A credible low-carbon classification must account for the full upstream emissions footprint, including those from raw materials extraction and processing. Limiting the scope to direct (Scope 1 and 2) emissions would create a systematically incomplete picture and disadvantage producers who use higher-quality, lower-emission raw material inputs.

- Transformation-incentivising thresholds: The label must not serve as a static certification tool but as a dynamic instrument that rewards continuous improvement and progressive decarbonisation. Threshold levels should be tiered and increase over time.
- Compatibility with existing standards and methodologies: The label must recognize established industry standards, labels, and declarations (LESS, EPD). A new parallel system that ignores existing practice would generate unnecessary administrative burden and market fragmentation.
- Hot rolling as system boundary: For consistency with established measurement methodologies and to ensure comparability across different production routes and product types, the system boundary for emission accounting must be set at the hot rolling stage. This reflects the point at which the primary product enters the downstream value chain and aligns with existing industry practice.
- Equal treatment of all steel products: The labelling framework must ensure that all steel products are treated equally. The methodology should therefore be designed in a product-neutral manner that guarantees comparability across flat and long products as well as across different production technologies.

Excessive use of delegated acts shall be avoided. Therefore, the industry should be consulted closely to include the framework for a label already in the text, as outlined in recital 22.

6. Acceleration Areas

The concept underlying Acceleration Areas is to provide targeted and coordinated support to industrial regions undergoing decarbonisation. This is welcome, as it can unlock important synergies across interconnected value chains, similar to the logic of Net-Zero Valleys. Steel production is often embedded in broader industrial ecosystems and located in close proximity to downstream manufacturing clusters. This geographic and industrial co-location, for example between steel sites and major automotive or industrial hubs, creates opportunities for shared infrastructure, coordinated investment planning, and demand aggregation for low-carbon materials. A well-designed regional approach could therefore support the decarbonisation of the steel sector, provided that Union origin requirements effectively prioritise genuinely EU-based production and reinforce the investment case for decarbonisation within these industrial clusters.

Contact

Gerhard Endemann | Head of Environmental and Sustainability Policy
+49 1713749891 | gerhard.endemann@wvstahl.de

Dr. Yannik Sparrer | Head of Industry Policy and Circular Economy
+49 170 6693450 | yannik.sparrer@wvstahl.de

Charlotte Zinke | Legal Advisor
+49 151 159 40 801 | charlotte.zinke@wvstahl.de



Wirtschaftsvereinigung Stahl
Französische Straße 8
10117 Berlin

+49 30 2325546-0

info@wvstahl.de
www.wvstahl.de

Mitglied im

