

Demand creation for clean products in the steel and chemical industry

Non-paper by The Netherlands, Ireland, Portugal, Luxembourg

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I. Shared objective of clean products

The European energy-intensive industry (EII) provides over 4 million direct jobs and €413 billion in gross value added¹. It forms the backbone of nearly all EU manufacturing and the majority of products we use in everyday life. Furthermore, it is crucial to our strategic autonomy, producing materials for other vital sectors such as defense, healthcare, food and energy supply, and forms an indispensable link in the circular economy of the future. At the same time, the EII is responsible for ~18% of scope 1 GHG emissions. To create a future proof industrial ecosystem with net-zero emissions in the EU, the EII needs to decarbonize and defossilise its processes.

This is no easy task: the industry faces major global competitive challenges and high energy costs in the EU. Moreover, as long as grey industrial products remain easily accessible at a lower price to EU buyers, the economic incentive to decarbonise remains low. Therefore, in order to make our EU industry futureproof and unlock its full clean potential, we need to create the right circumstances to increase clean demand. Creating demand² for low-carbon materials and products can build the necessary certainty for the EII to further invest in sustainable and circular production processes.

With targeted policy interventions we can create lead markets³ for low carbon products and reach our climate, environmental and circularity goals, thus also stimulating the bio-economy. Furthermore, this can stimulate innovation and accelerate economies of scale, investment security, thus being a positive development for the EU's competitiveness as well. The upcoming Industrial Decarbonization Accelerator Act (IDAA) will be an important instrument to achieve the abovementioned goals. The EU steel and chemical action plans also provide important guidance.

In recent years, several standards and tax incentives have been introduced in European countries to stimulate green lead markets. In France, for example, the RE2020 regulation requires carbon footprint thresholds across the entire life cycle of new buildings, thereby driving demand for low-carbon materials such as low-carbon cement. France has also fostered the development of biofuels and e-fuels through a transport-sector tax: it applies when the minimum incorporation threshold for renewable and low-carbon fuels is not met. Similarly, in the Netherlands, a sustainability assessment (MPG-score) is required for newly built houses and offices, taking the carbon footprint of building materials into account. In addition, Dutch local government organisations use an environmental cost indicator (MKI-score) to procure infrastructure projects. Other member states have taken similar measures. These national initiatives provide concrete models for how future EU-level regulations could help create and expand green markets.

Following consultation with stakeholders, such as key industry partners, the Netherlands, Ireland, Portugal, Luxembourg propose a set of targeted measures to strengthen demand creation. This non paper focusses on the steel and chemical sectors, given their EU-wide strategic relevance and foundational role for many European industrial value chains.

II. Guidelines

The [member states] authorities support the Commission's stated intention to deploy lead markets for low-carbon and clean products. The Commission should perform an impact assessment to ensure that measures are:

- **sector-specific**, recognising that each sector or even product group is different; and harmonised, maintaining a level playing field on the EU Single Market

¹ Source: Deloitte, «Mobilizing consumer demand for sustainable investments », September 2025, to appear.

² Demand creation in this context relates to all government interventions seeking to stimulate demand for products/services with the aim of creating/expanding a specific market.

³ Lead markets generally refer to markets that are the foremost in terms of innovation, trends, or financial influence, often guiding the overall market direction. Demand creation may facilitate the establishment/growth of lead markets that in turn stimulate the development of mature (green) end markets.

- **multi-channel** – acknowledging that stimulating lead markets should not be limited to public procurement, but should where possible be supported through regulatory measures in large-scale markets
- **fair**, applying – preferably – to the end of the supply chain to share green cost premiums over all chain partners and prevent evasion. Fair also means that any adverse external effects on the EU's trading partners must be kept to a minimum, so that the EU remains an attractive, fair and reliable trading partner. In addition, specific attention should be paid to the ability of Member State authorities with limited resources to comply with new/tightened standards and definitions of low emission products
- **impactful**: concentrating on strategically important, high-volume markets with both high emission reduction or circularity potential and high economic added value.
- **affordable**, focusing on markets with bridgeable green cost premiums, or inelastic demand, keeping the need of cost competitiveness of the European energy-intensive industry into account;
- **enforceable**, limiting the complexity and the administrative **regulatory burden**; e.g., restricting the impact to a small number of enterprises having to comply; in addition, building, where possible, on existing or announced (product) regulations and administrative systems in the relevant sector. Further, it is important that regulations allow for a feasible timeframe for operators to adapt. Equally, the operationalisation and practical feasibility of controls and certifications must be ensured, so that compliance mechanisms remain realistic, proportionate, and verifiable in practice. Lead markets should remain a limited instrument intended for "first movers," and not aim to decarbonise the entire market, which falls under the ETS.
- **traceable and auditable**, optimizing traceability and transparency for auditability and consumer acceptance, while balancing the impact on regulatory burden.

The impact of these measures on costs must nevertheless be carefully assessed by the European Commission through an impact assessment.

III. Overarching measures for both sectors

- Create a 'European Lead Markets Platform' under the upcoming Industrial Decarbonisation Accelerator Act (IDAA), building on the experience of previous EU-initiatives such as Industry Alliances. The Platform should provide a forum for public-private cooperation at EU-level to identify relevant sectors/products to further develop lead market instruments to boost demand for clean European industrial production.
- Create European definition/standards of what can be defined as 'green' and/or low carbon to stimulate European market creation for clean products and make European labelling easier. These definitions/standards should be market driven and build on existing work, e.g. what has already been developed within the International Energy Agency (IEA). Underlying methodologies and definitions/standards should be designed in a manner that allows for global application given the global nature of industry supply chains.
- Enable, within the right instruments, the targeted and temporary use of European preference criteria to strengthen resilience, stimulate strategic clean lead markets and strengthen the EU energy intensive industry. These criteria should relate only to precise product categories, and be subject to objectively measurable parameters, explicitly referring to e.g. security, critical dependencies, resilience criteria or demonstrated carbon leakage. Temporary application of European preference criteria may also serve to prevent that introducing new/tightened product norms leads to European subsidising of low-carbon industry outside Europe to the detriment of the competitiveness of European industries.
- Prioritise transparency, auditability and consumer acceptance in chain of custody models, while balancing the enforceability burden, e.g. by using mass balancing.
- Use targeted non-price criteria to stimulate decarbonisation and circularity
- Strengthen competitiveness and foster clean technologies development within the EU through the intensification of R&D&I and the promotion of Technology Transfer to industry to mitigate the risk of losing research investments to third countries.
- Any measure should stimulate an ecosystem approach for lead markets, thus encouraging EU and cross-border cooperation. This approach may also entail the promotion of industrial clusters as a means to enhance local synergies, economies of scale, and collaborative innovation.

- Explore the introduction of Clean Trade and Investment Partnerships (CTIPs), announced in the CID, to diversify supply chains and secure access to critical raw materials.
- Expand harmonised minimum content targets for recycled or biobased content in upcoming relevant product regulations that increase gradually over time, which are proportionate and subject to an impact assessment beforehand.

IV. Demand creation for clean products in the steel sector

The goal of specific demand creation measures in the steel sector needs to reduce emissions and hazardous and environmental impact in both primary and secondary steel and iron production and needs to reduce primary production by encouraging blending of scrap. We propose the following measures:

- Set minimum circular and/or green design criteria, for example with the Ecodesign regulation, for iron and steel, taking international standards into account. These criteria should include both a maximum carbon and environmental footprint for primary steel and a minimum share of (post consumption) scrap/recycled content. Additionally, criteria for water resource footprint may be considered. In this, it should be taken into account that increasing the scrap rate is generally already driven by economic incentives; therefore, a differentiated approach such as a sliding scale for scrap input should be considered alongside measures to ensure quality differentiation and adequate recycling capacities for post consumption iron and steel.
- Explore possible inclusion of ferrous scrap as a strategic input material for secondary material production in the Circular Economy Act, and/or other relevant measures, to ensure availability of high-quality scrap⁴.
- Adopt mandates to build upon the work done under the CPR⁵ to stimulate private B2B and B2C markets for low-carbon construction steel.
- Accelerate the implementation of minimum percentages of scrap and green steel for at least the non-functional elements in the ELV⁶ regulation to trigger the market for low-carbon and more sustainable automotive steel.
- Design EU guidelines for public procurement as a means to boost clean steel production by stimulating demand

It will be important to ensure that the impact on downstream sectors, in particular the automotive sector, remains under control given their exposure to international competition, by imposing equivalent quotas or levies on imported automobiles.

V. Demand creation for clean products in the chemical sector

The goal of specific demand creation measures in the chemical sector are to improve the sectors' resilience and stimulate clean growth, reducing emissions and other hazardous emissions in primary production (scope 1 emissions) as well as increasing circularity and reducing emissions of the product lifecycle (scope 3 emissions) by substituting fossil with sustainable or recycled feedstocks. The establishment of lead markets for chemicals must also take into account the specific challenges facing the sector's competitiveness in Europe. To this end, we advocate the following measures:

- Develop proportionate and targeted policy measures that require minimum sustainable or recycled feedstock content (namely mechanically or chemically recycled, biobased) to generate demand for and unlock necessary investments in green products:
 - Set ambitious, progressive targets for recycled content in product regulation such as the PPWR, ELVR, ESPR and CPR⁶. Additionally, introduce minimum content targets for sustainable biobased feedstock in these upcoming product regulations. Create the flexibility in legislation to include a minimum target for CO₂ based materials at a later stage.
 - Include a broad range of comparable end products in the horizontal Ecodesign measure for recyclability and recycled content comprising, if possible, also a target for biobased feedstock.

⁴ It should be noted that currently there is no shortage on scrap in general in the EU. However, several primary steel producers have indicated that there is in fact already a shortage on high quality scrap, which is estimated to increase over time with the enhanced demand as a result of foreseen mandates.

⁵ The Construction Products Regulation; Regulation (EU) No 305/2011.

⁶ The Packaging and Packaging Waste Regulation (PPWR), the End-of-Life Vehicles Regulation (ELVR), Ecodesign for Sustainable Products Regulation (ESPR), and the Construction Products Regulation (CPR), respectively.

- Apply harmonised minimum content targets to the end of the value chain, in order to create market 'pull' of green products through the entire chain.
- Roll out a harmonised compliance / chain of custody system in product regulations, targeting the use of recycled or biobased content in chemicals and plastics favouring the timely and progressive implementation and reduce administrative burden.
- Introduce an incentive for fossil-free (fully circular, biobased, or CO₂ based) and environmentally preferable products, for example with multipliers in certificate trading systems, to stimulate development of initiatives in this field
- Design one metric to address emissions of primary production together with the impact of using sustainable feedstocks, such as product carbon footprint, with specific attention for feasibility and enforceability.
- Research and develop additional (financial) instruments such as certification or Extended Product Responsibility to enable the end-users of low-carbon-footprint- or circular products in contributing to upstream investments in decarbonisation and defossilisation within the same value chain. This should not lead to disproportionate increase in price downstream or market distortions or further fragmentation within the market.
- Design EU guidelines in European public procurement regulations, for the addition of product carbon footprint and sustainable feedstocks in sustainability criteria for key chemical applications⁷.

VI. Call for action

The Netherlands, Ireland, Portugal, Luxembourg call upon the European Commission to develop and implement the demand creation measures described in the proposal for the Industrial Decarbonization Accelerator Act, the Circular Economy Act, the Bioeconomy Strategy or other applicable proposals. We would like to further elaborate general and sector-specific measures to create demand in an unfragmented green European Single Market that is competitive, resilient and stimulates clean production and consumption in Europe. In addition, we would also like to discuss and share ideas on how demand creation can support other strategic sectors (e.g. biotech, semiconductors) and energy-intensive industries (e.g., the cement, glass, textile and fertilizer sectors, as well as the production of renewable and low-carbon fuels for the aviation and maritime industry) not covered in this document by following a similar approach.

⁷ E.g., piping, sound walls, insulation materials, charging stations for electronic vehicles or textiles for uniforms.