Position: EU Steel Safeguards

Electrical Steels and the Electro & Digital Industry's Priorities

Executive Summary

This position focuses on non-grain-oriented and grain-oriented electrical steel (**NGOES/GOES**). The EU's planned reset of steel safeguards – halving quota thresholds and applying **a 50 percent out-of-quota duty** – is likely to result in a downstream **cost increase of about 6-8 percent** and to aggravate existing supply constraints. At a time when Europe is accelerating grid buildout, industrial electrification, and e-mobility, this will **extend lead times**, **increase relocation pressure** on EU manufacturing, and ultimately **undercut both decarbonization and competitiveness**.

We call on the Commission and co-legislators to: (1) **exempt NGOES** (and, where justified, GOES) from the reset; (2) **maintain effective quota** volumes and **prevent quota gaming**; (3) differentiate **trusted partners** in line with EU trade and security goals; (4) complete a **downstream impact assessment** before adoption; and (5) **align product scope** and **procedural steps** with the **U.S.** framework.

Why NGOES/GOES matter

GOES and NGOES are **system-critical inputs** for transformers, electric motors, and generators. They often account for **15-35% of raw material value** and, therefore, strongly shape final prices and lead times. EU supply remains insufficient for several grades, and sudden quota cuts combined with high out-of-quota duties would further **exacerbate availability risks**.

EU safeguards and their impact on electrical steels

The planned EU reset – cutting TRQ thresholds and applying a 50% out-of-quota duty – would turn today's price pressure on NGOES/GOES into **actual supply rationing**. For specification-sensitive grades, this creates room for EU suppliers to **align prices upward** (the umbrella effect), so the real burden is **higher than the tariff arithmetic suggests**. If corporate groups use the same TRQs for their own third-country sourcing, the quota **effectively available** to motor, transformer, and switchgear manufacturers shrinks further. In practice, the reset would **raise the floor price, narrow supply options, and lengthen lead times**.

U.S. Section 232 and global pricing

In the case of electrical steels, the U.S. tariff environment becomes an important **price driver**. While one might expect U.S. tariffs to free up supply for Europe, the opposite tends to occur in a tight, qualification-bound market. A 50% duty raises the **marginal landed cost** in the world's largest demand center; producers then **test higher offer prices elsewhere** and allocate scarce NGOES/GOES to destinations with the best **net return** after freight, duty, and risk. Crucially, electrical steels are **not readily substitutable** and supply is also **concentrated**, so diversion is slow and partial at best. Europe does not automatically benefit because **access is constrained**: TRQs are tight and largely **pre-allocated**; out-of-quota entries face a **50 % duty**; shipments carry timing and compliance risks. The result is **not** a flood of cheap steel into the EU but **scarcity spread across two protected markets**: higher reference prices, narrower availability, and longer lead times. The U.S. lifts the **price anchor**, while EU quotas restrict **access**. In short: *Tariffs build walls that only costs can climb.*

Downstream impact (summary)

- **Price:** 50% out-of-quota duty → prices gravitate to landed-cost levels.
- **Availability:** Halved TRQs + high duty → tighter supply (esp. cold-rolled **≥ 600 mm**).
- **Delivery:** Longer component lead times → downstream project delays.

Net effect: Higher floor prices, tighter supply, longer lead times. (*Detailed worked examples and import figures are provided below and in the Annex.*)

Cost Impact: Cost increase scenarios for a 55kw induction motor

Every percentage point of cost increase translates directly into margin erosion. Given single-digit operating profitability in EU manufacturing (EU-27 gross operating rate ~10.8% in 2022; sectoral rates for electrical machinery historically below the average)[1], even a few percentage points erode margins materially.

Scenario	Assumption	Δ cost (€)	on BOM €1,200	on BOM €1,500
Minimum (Annex)	35 kg · €2.50/kg · 50% duty	43.75	+3.6%	+2.9%
Realistic	60 kg · €2.50/kg · 50% duty	75.00	+6.25%	+5.0%
Realistic + umbrella	+ 10% mark-up on NGOES	90.00	+7.5%	+6.0%
Stress case	70 kg · €3.00/kg · 50% duty + 15% mark-up	136.50	+11.4%	+9.1%

Mapping the tariff impact on an induction motor, prices will increase even under the most minimal of assumptions. Given real-world conditions (50–70 kg), the immediate tariff effect is likely to land between 5-7%; with typical umbrella pricing, some 6-8% can be expected. A stress case scenario settles around 10%. While the latter would certainly be prohibitive, cutting into the margin will always have a **critical impact on European competitiveness**.

Demands

1. **Set the tariff at 0 % for NGOES** until the Commission verifies, via an annual review, that **(i)** EU nameplate capacity and utilization **sustainably cover downstream demand**; **(ii)** allocation lead times have **returned to pre-reset levels**; and **(iii)** the EU-import **price spread has normalized** (no persistent umbrella effect). Once all three criteria are met, the 0% rate can be phased out. Introduce a **snap-back to 0%** if lead times or price spreads widen again.
2. **Maintain existing TRQ volumes and prevent quota gaming.** Do not count intra-group third-country imports by EU steel producers against the quota available to downstream manufacturers; implement transaction-level monitoring and quarterly disclosures.
3. **Differentiate trusted partners (FTA/EFTA) to stabilize supply:** larger **sub-quotas** or **lower out-of-quota duties**, paired with robust anti-circumvention screening (origin, value-added, and transit checks).
4. **Conduct a downstream impact assessment prior to adoption,** quantifying per-product cost increases (EUR and %), lead-time effects, relocation risk, and consistency with grid buildout and electrification targets; use **transparent methodology** and **stakeholder data**.
5. **Align EU-U.S. scope and procedures for electrical steels:** pursue mutual exemptions/equivalence for NGOES/GOES and synchronize HS product lists; do not extend to new derivatives without prior notification, consultation, and review.

Engagement principles

- **Proportionality & predictability:** Avoid unintended harm to downstream users critical to the green and digital transitions.
- **Transparency:** Publish quota-utilization dashboards and consult downstream users before scope changes.
- **Time-boundedness:** Attach sunset/review clauses tied to clear supply–demand indicators.

[1] Eurostat (2025) Statistics Explained: Business in the manufacturing sector; URL: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Businesses_in_the_manufacturing_sector (accessed 11/2025).

Annex A – Product scope (HS)

GOES/NGOES (indicative list): 7225 11 00; 7225 19 10; 7225 19 90 (≥600 mm); 7226 11 00; 7226 19 10; 7226 19 80 (<600 mm).

Annex B – Illustrative import and price effects

Source window: 2024 full-year values; change = first 8 months of 2025 vs. prior-year period.

HS code	Product (short)	2024 import value (€)	Change 8M-2025 (%)	Note
7209 16 10	Electrical sheets (≥600 mm, cold-rolled)	987,850	10.0	Low absolute value; high volatility
7209 17 10	Electrical sheets	263,089	95.0	Low base effect
7209 18 10	Electrical sheets	120,618	−82.1	Very small stream
7209 26 10	Electrical sheets (<600 mm)	11,155	−98.4	De minimis
7209 27 10	Electrical sheets	32,271	1,980.0	From very low base
7209 28 10	Electrical sheets	5,815	367.7	From very low base
7225 11 00	GOES (≥600 mm)	—	—	Listed for context only
7225 19 10	NGOES, hot-rolled (≥600 mm)	—	—	Listed for context only
7225 19 90	**NGOES, cold-rolled (≥600 mm)**	**256,339,306**	**−6.6**	**Material flow; directly hit by quota halving + residual duty**
7226 11 00	GOES (<600 mm)	—	—	Listed for context only
7226 19 10	NGOES, hot-rolled (<600 mm)	—	—	Listed for context only
7226 19 80	**NGOES, cold-rolled (<600 mm)**	**13,966,534**	**9.5**	**Non-trivial; complements ≥600 mm stream**

Reading note: 7209 lines are comparatively small in value; the policy-critical items are 7225 19 90 (cold-rolled NGOES ≥600 mm) and 7226 19 80 (<600 mm). A move to a 50% residual duty with halved thresholds would raise EU price levels and tighten availability for these grades.

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