How the EU Industrial Accelerator Act can de-risk low-carbon steel investments

Press Release

Rules on public intervention under the EU Industrial Accelerator Act could secure meaningful demand for low-carbon steel by 2030, providing investment certainty for the industry, a new Agora analysis finds. To fully realise this potential, the IAA design should allow for increasing low-carbon content requirements if demand proves insufficient.

Brussels, 10 September 2026. Europe is moving towards cleaner steel production, but uncertainty around demand for low-carbon steel is holding back many of the planned projects. Part of the answer lies with the EU Industrial Accelerator Act (IAA) and its low-carbon content rules for public procurement and other forms of public intervention.

A new analysis by Agora Industry and Agora Energiewende finds that the IAA could drive demand for roughly 9 million tonnes of low-carbon steel by 2030, including 2-5 million tonnes of flat steel (used in cars, home appliances and packaging) and 2-3 million tonnes of long steel (used in construction, infrastructure and machinery).

Demand for low-carbon long steel could be covered by existing steel plants, but low-carbon flat steel requires investments in new direct reduced iron (DRI) and electric arc furnace (EAF) plants. The analysis shows that the currently announced investment pipeline totals 18 million tonnes for DRI and 36 million tonnes for EAF. Meanwhile, the upper range of the potential flat steel demand corresponds to about 60 percent of Europe's DRI and a third of its EAF capacity already under construction and expected to reach the market by 2030. The findings suggest that the requirements, however, still fall short of fully de-risking investment in low-carbon steel production.

Julia Metz, Director, Agora Industry said:

"Europe's steelmakers have already started to invest in clean production – but they need certainty on who will buy their product. Public intervention can be a strong and reliable driver of this demand. The Industrial Accelerator Act sends a good signal. It is now crucial to further strengthen it to create the lead markets that will secure robust demand for low-carbon steel."

The analysis lands as the European Parliament lawmakers are expected to debate their position on the IAA proposal. The Agora paper quantifies the steel volumes potentially generated through the IAA requirements and compares this demand potential with Europe's announced 2030 investment plans for DRI and EAF flat steel production. It then evaluates whether IAA provisions can both reduce risks for existing investment and enable new ones.

The potential of public procurement

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Green steel projects awaiting final investment decisions primarily struggle because buyers are hesitant to commit to purchasing the steel, the authors note. Investors committing billions to new DRI-EAF plants need long-term, reliable buyers for a product that carries a price premium in a market where steel prices are low and competition is strong.

So far, voluntary corporate commitments have not been enough as they are often short term and lacking in the certainty investors need. Agora notes that public procurement and other forms of public intervention are a good way to fill this gap because governments can guarantee payments, sign long-term contracts, establish support schemes and accept slightly higher prices for sustainability reasons.

A dynamic approach aligned with steel supply regulations

To ensure a strong investment signal, Agora outlines design proposals for the IAA rules. Most importantly, the IAA should include a monitoring system that allows the currently included 25 percent minimum low-carbon steel threshold to be raised in line with market conditions if demand proves insufficient.

Secondly, the IAA should set stronger demand targets for 2035 to support additional hydrogen-based DRI and EAF projects in reaching final investment decisions. It should also work alongside other key policies, such as the EU's Automotive Package and the Steel Regulation, to create consistent market signals that drive investment in low-carbon steel across the economy.

Finally, Agora emphasises that public intervention alone will not be enough to transform the steel sector. The IAA should encourage broader adoption of low-carbon steel through eco-design requirements and future IAA revisions, while also exploring strategic measures like a Union-origin requirement to secure Europe's leadership in clean steel production.

Frauke Thies, Director Europe, Agora Energiewende said:

"Europe's steel transformation needs a well-designed boost. The IAA is an important part of a coherent strategy which must combine elements from a robust carbon price to innovation and strong supply chains. This is critical to reduce dependence on fossil imports and build a more resilient, low-carbon steel sector that holds its ground in a highly competitive global landscape."

The 16-page policy brief Scaling European low-carbon steel – an assessment of the Industrial Accelerator Act's potential to drive investment draws on a quantitative analysis by consultancy Systemiq and is available for free download below.

About Agora Industry

Agora Industry develops scientifically sound and politically feasible strategies for successful pathways to a climate-neutral industry – in Germany, Europe and internationally. The organisation which is part of the Agora Think Tanks works independently of economic and partisan interests. Its only commitment is to climate action.

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