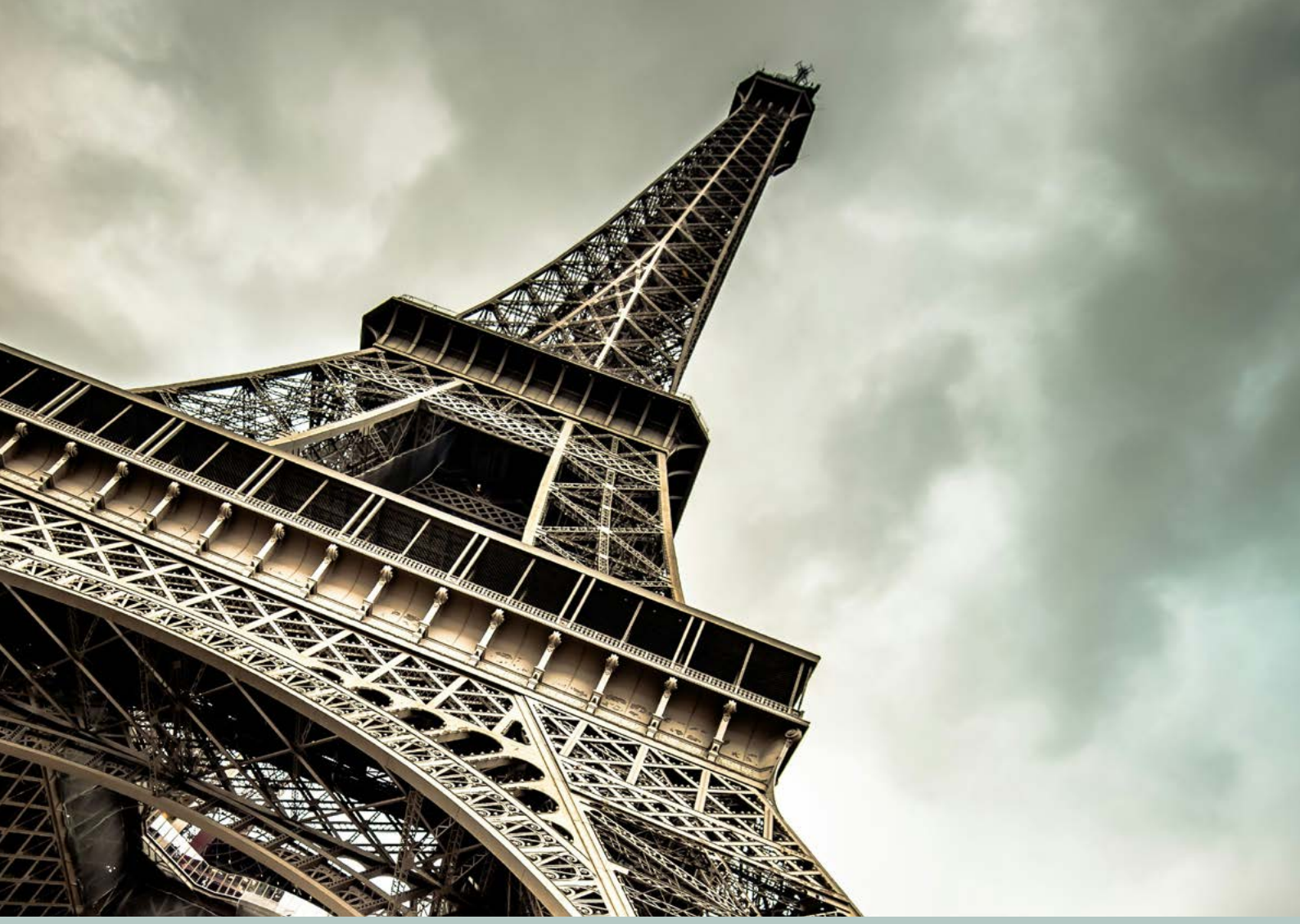

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Navigating disruption:

How EU steel users can adapt to market shifts

An industry perspective

This viewpoint is based on insights from a survey conducted by Implement Consulting Group in Q1 2025 among 35 European steel-consuming businesses, complemented by expert interviews and desk research. We gathered perspectives from sourcing leaders, procurement teams, and strategic decision-makers across industries such as manufacturing, transport, and construction – all facing the realities of rising costs, shifting regulations, and uncertain supply.

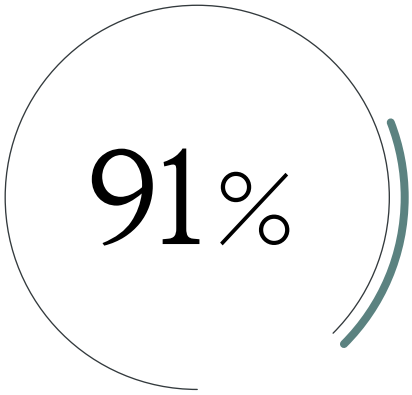
As advisors to steel-intensive industries and supply chains, we at Implement work alongside many of these organisations to navigate precisely these disruptions – from redesigning sourcing models to preparing for the Carbon Border Adjustment Mechanism (CBAM) and accelerating the shift toward low-carbon steel.

We would like to extend our sincere thanks to all survey respondents and interview participants who generously shared their perspectives and time. Your input was critical in shaping the insights, risks, and opportunities outlined in this publication.

All insights have been handled anonymously, and the businesses participating in the survey and interviews cannot be identified.

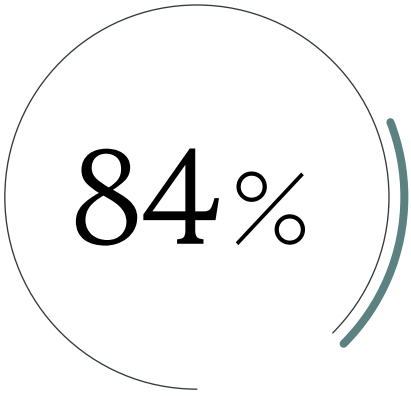
European steel-consuming businesses are navigating an increasingly complex market – but many remain unsure how to respond, and will need to change their game to stay competitive

Our 2025 survey reveals **three top-of-mind** disruptions facing European steel users.



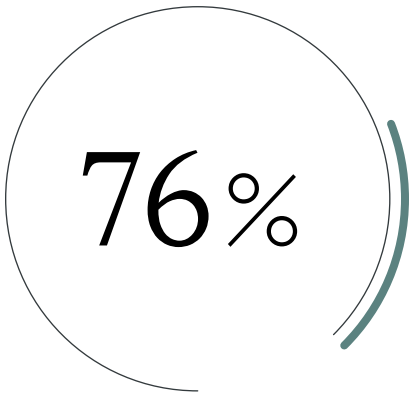
... cite **steel price volatility** as a pressing operational risk.

Yet, **up to 82%** of businesses do not plan changes to their contracting length, despite increased price volatility.



... view **tariffs, trade barriers, and supply instability** as key threats to their business.

Yet, **56%** of businesses are not considering geographic diversification as a strategic response to the disruptions.



... see **CBAM** and other regulatory shifts as significant disruptions shaping strategic choices.

Yet, **only 28%** % say they will prioritise greener carbon sources in response to expected changes.

Steel markets are shifting – and EU businesses must rethink how they source and manage steel

Across Europe, steel-consuming companies are navigating a period of intense disruption. Regulatory pressure is mounting, tariffs and other trade measures are reshaping global supply, supply routes are less stable, and price movements have become harder to predict.

These shifts are no longer isolated shocks – they represent a new operating reality. In this viewpoint, we explore how businesses can respond with greater strategic clarity.

Our analysis focuses on three disruptions that surfaced as the most influential forces in our survey, as well as in dialogues:

1. Steel price volatility
2. Tariffs, trade barriers, and supply instability
3. Carbon costs and regulation

For each, we examine the drivers behind the disruption, assess the implications for European businesses, and provide practical strategies to adapt with confidence.

1. Steel price volatility

The historical steel pricing cycle has given way to chaotic, frequent swings, and uncertainty remains *the new normal.*

Unlike the historical pattern of multi-year cycles, the period from 2020 to 2024 saw unprecedented swings in steel prices, layered on top of a structural downward drift caused by global overcapacity. In 2021, prices of European hot-rolled coil (HRC) peaked above €1,400/tonne as post-pandemic demand outpaced supply. By 2024, prices had settled around €600/tonne, pressured by weak demand, oversupply from Asia, and a slowdown in the European automotive industry. Heavy US tariffs introduced in 2025 are now diverting excess steel toward Europe, adding further downward pressure. Forecasts issued in 2024 suggested prices could decline, yet with HRC now hovering just under €630/tonne – and with easing inflation and lower interest rates improving financing conditions – some analysts still believe the market could see a short-term rebound.

Our research highlights five key forces underpinning continued volatility:

Global overcapacity With an estimated 550 Mt of latent capacity and another ~100 Mt announced, the market is structurally oversupplied, causing price erosions.

Uncertain trade policy The introduction of heavy US tariffs in 2025, along with speculation about broader trade retaliation, is contributing to pricing instability across transatlantic flows. Capacity unable to enter the US may end up in Europe, adding further downward pressure.

High energy costs Steelmaking is highly energy-intensive. Ongoing gas price fluctuations, particularly in response to geopolitical shocks, are a major cost driver – especially in Europe.

Geopolitical shocks Ongoing instability related to the war in Ukraine and mounting US-China tensions keep risk premiums high and impact supply-demand expectations.

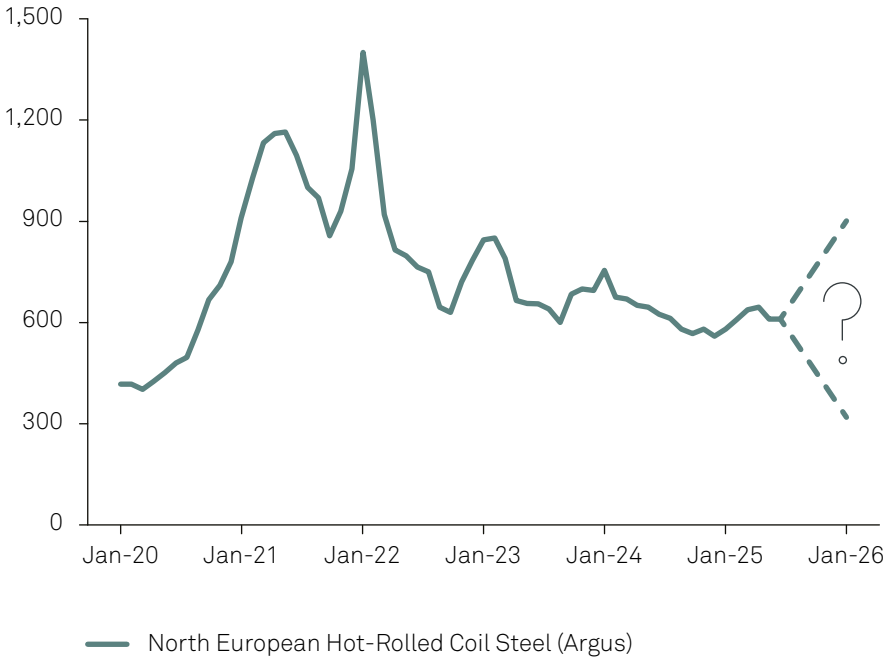
Demand-side uncertainty While prices seem to have stabilised since the dramatic swings in previous years, key steel-consuming sectors (e.g. automotive) remain uneven in recovery, creating unpredictable movements in consumption.

Sources: Implement Consulting Group (2025), SteelOrbis (2023), GMK Center (2024), EUROFER (2024), and CME Group (2025).

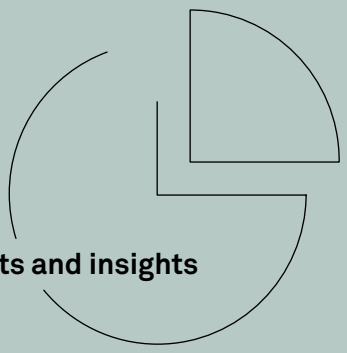
The continued volatility makes steel prices harder to forecast, planning difficult, and many traditional contracting models obsolete. Firms must strike a difficult balance: long-term contracts offer price stability but risk locking in high prices during downturns; spot markets offer flexibility but expose firms to sudden spikes. Volatility also makes budgeting, forecasting, and contracting significantly more complex, putting strain on procurement teams and creating potential for missed deliveries or margin erosion.

Recent earnings data of European steel producers suggest mixed effects of price volatility. ArcelorMittal have posted better than expected results, with a net income of $805 million in Q1 2025, while SSAB reported similarly strong results, particularly in high-margin, specialised steel products. Several interviewed European steel-consuming businesses point to product differentiation, including higher quality, better performance consistency, and technical support, as a key reason for continuing to source locally despite cost pressure. For industries like automotive or precision engineering, these attributes can justify higher prices by reducing production risks, improving product reliability, and supporting sustainability goals.

Steel price development
€/tonne



Sources: Implement Consulting Group (2025), SteelOrbis (2023), GMK Center (2024), EUROFER (2024), CME Group (2025), ArcellorMittal (2025), and SSAB (2025).



Facts and insights

Among survey respondents ...

58%
... expect **higher steel price volatility** as the main impact on the European steel market.

91%
... cite high steel **price volatility** as a **key sourcing driver**.

82%
... do not currently expect to **change contracting length**, while 9% and 5% expect to change to shorter-term (<1 year) and longer-term (>1 year) contracting, respectively.

1. Steel price volatility

How can steel-consuming businesses manage *price volatility* while maintaining operational and financial flexibility?

Recommendations

Segment and mix contracts Structure steel purchases into core volumes secured via long-term agreements, while sourcing additional volumes through indexed or spot-based contracts to capture short-term price dips.

Use risk-sharing pricing models Embed index-linked pricing and escalation clauses into customer and supplier agreements to reduce exposure to price swings. Align this with strengthened S&OP processes to ensure procurement, finance, and commercial teams are coordinating on margin protection and volume planning.

Deploy financial hedging tools Where available, engage in commodity hedging or explore risk-pooling mechanisms with suppliers.

Adopt agile forecasting Integrate steel price risk into rolling forecasts and production planning, simulating scenarios with ±30-50% price movement to guide production and inventory decisions.

Build optionality into supply Qualify multiple suppliers per steel grade and geography to maintain leverage and responsiveness during price spikes.

> Market volatility and subsequent price volatility makes it difficult to manage costs effectively."
>
> Interviewee, steel-consuming business (Manufacturing of Material Handling Equipment and Transport Solutions)

2. Trade barriers and supply instability

Trade policy is becoming one of the *dominant drivers* of steel prices in Europe.

Trade policy is becoming one of the dominant drivers of steel prices and availability in Europe. A complex set of overlapping barriers and constraints is reshaping sourcing landscapes. President Trump's heavy tariffs on steel and aluminium imports have already triggered a transatlantic trade conflict. This has brought higher steel tariffs, retaliatory measures, and political uncertainty that further undermine predictability for European buyers. Our research highlights four key policy and trade dynamics that are reshaping steel prices and procurement in Europe:

White House trade war with the world President Trump announced 50% tariffs on imports of European steel and aluminium, effective 4 June 2025 – intensifying transatlantic tensions and raising the risk of a broader trade conflict, further destabilising European sourcing strategies.

EU safeguard measures Import quotas and tariffs are expected to remain in place at least until mid-2026 to prevent market flooding. These measures were originally introduced in response to global steel overcapacity. While the safeguard measures shield EU producers from price-undercutting, they also limit sourcing options for buyers.

Targeted anti-dumping and anti-subsidy duties These are imposed on specific countries or producers (e.g. up to 38% on Chinese HRC in 2023-24) where unfair pricing or state aid is proven. These measures affect over 3 million tonnes of imports annually, narrowing sourcing options for European users of steel.

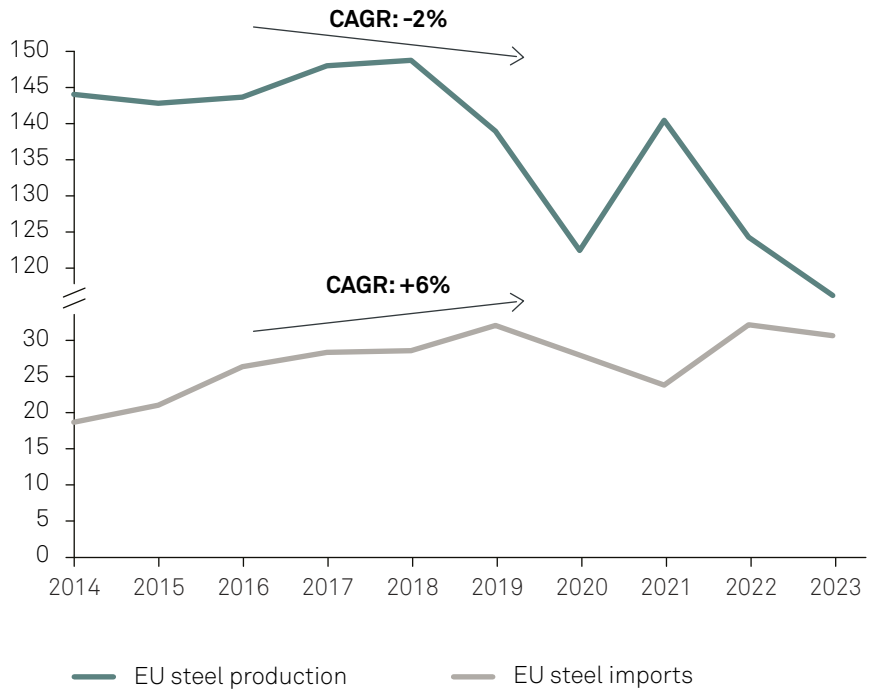
Geopolitical shocks Russia's invasion of Ukraine removed key suppliers of steel for European steel users. Continued tensions between China and the US could have spillover effects on the European steel market, as Chinese producers look to redirect their excess output to other markets. For European buyers, this could lead to a surge of lower-cost imports that undercut domestic prices but carry compliance and quality risks – placing greater importance on strategic sourcing and regulatory vigilance.

Sources: Implement Consulting Group (2025), European Commission (2024), European Commission (2025), EUROFER (2025), Reuters (2025)

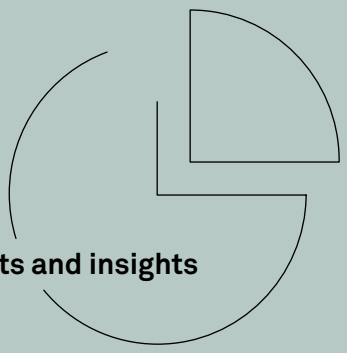
Layered on top of these policy shocks are deeper structural shifts in Europe's steel trade balance that further heighten business exposure to trade disruptions. Since 2014, EU steel production has declined by an average of 2% annually, while extra-EU imports have grown by an average of 6% per year. By Q3 2024, imports accounted for 28% of EU steel consumption, up from 22% in Q1 2023, despite extended safeguard quotas. For 2025, import data are not yet finalised, but early indicators and policy shifts point toward a likely decline compared to 2024. In February 2025, however, EU finished steel imports were estimated to be 15.6% lower year-on-year, reflecting a combination of tightened safeguard quotas, lower shipments from Turkey and India, and subdued demand in key end-use sectors such as automotive and construction. While this drop is significant and could reflect lower demand, the data remain preliminary. Nonetheless, reliance on external supply magnifies the impact of trade policy decisions.

The ramifications for European steel-consuming businesses include higher EU steel prices, longer lead times, and more erratic supply – especially for specialised grades of steel such as high-strength alloys, electrical steel, or precision-engineered products. This creates not just cost risk, but the threat of missed deliveries and halted production.

EU steel production and imports
Million metric tonnes



Sources: Implement Consulting Group (2025), European Commission (2024), European Commission (2025), EUROFER (2025), and IISB (2025).



Facts and insights

Among survey respondents …

84%

… expect **trade barriers and protectionism** to shape the steel market over the next one to three years.

56%

… do not yet have plans to adapt their **geographic sourcing composition**.

How can steel-consuming businesses *future-proof* supply chains against geopolitical risk and trade disruption?

Recommendations

Redesign the sourcing footprint Transition from globalised supply models to EU resilience to balance access, risk, and cost. For example, an "EU+1" approach might combine core sourcing from European mills with one additional supplier from a non-EU country to ensure diversification and resilience.

Secure supplier allocations Build stronger relationships with domestic and EU mills to gain preferential access during quota congestion.

Stock strategically Identify the most vulnerable steel inputs and hold buffer inventory, either internally or through supplier consignment.

Invest in market intelligence Establish a capability (internal or external) to monitor trade policy shifts, export bans, and quota usage in real time.

Run disruption simulations Stress-test production schedules and margins against worst-case trade scenarios, including loss of access to major suppliers or sudden duty spikes.

> "Higher steel prices due to US-imposed tariffs and threat of a potential trade war will cause enormous disruptions in the market."
>
> Interviewee, steel-consuming business (Manufacturing of Precision Engineering Equipment)

3. Carbon costs and regulation

Regulatory changes are *shifting* steel cost structures.

The EU's Carbon Border Adjustment Mechanism (CBAM), in transition through 2025 and set for full implementation by 2026, marks a fundamental shift in how carbon is priced into steel. It is not just a new levy; it is one of several interlinked regulatory forces reshaping how European steel is sourced, priced, and reported. Together, regulatory shifts are driving sustained upward pressure on costs and redefining supplier attractiveness. Our research highlights five key regulatory dynamics:

CBAM import charges Starting in 2026, importers will need to purchase CBAM certificates for the embedded emissions in imported steel. These certificates will be priced in line with the EU Emissions Trading System (ETS), whereby CBAM costs reflect the same carbon price paid by EU producers. Charges apply only to emissions not already covered by free allowances or paid carbon costs in the country of origin. Based on EU ETS price forecasts, this could add up to €150 per tonne to the cost of high-emission imports by 2030.

Rising ETS compliance costs As the EU phases out free carbon allowances under the ETS, EU steel producers will bear higher compliance costs – increasing the price of domestically produced steel.

Increased reporting complexity Companies must prepare for new requirements in emissions tracking, embedded carbon accounting, and supplier disclosure – all of which require procurement teams to integrate climate data into core processes.

Emerging policy levers The EU is exploring scrap steel export restrictions to secure feedstock for green EAF production. Keeping more scrap in the region supports decarbonisation - but if new demand from green-steel projects outpaces scrap collection, the local market could still tighten and lift European scrap prices.

Shifting geographic competitiveness Suppliers from countries without strong carbon pricing regimes, especially in Asia and Eastern Europe, are losing cost competitiveness in the EU market. This is likely to accelerate sourcing shifts toward domestic and EU suppliers.

Sources: Implement Consulting Group (2025), GMK Center (2023), S&P Global (2023), E3G (2025)

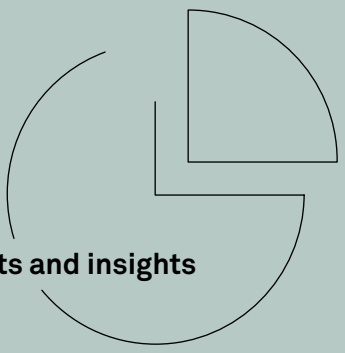
Together, these forces are driving sustained carbon-related cost pressures and setting a baseline cost for both imported and domestic steel in the EU market. Both imported and domestic steel are becoming more expensive, and carbon performance is emerging as a key determinant of supplier attractiveness in the EU. At the same time, the slow pace of green steel transition remains a structural vulnerability. According to the 2025 State of the European Steel Transition report, over 30 EU blast furnaces still lack clear retrofit or closure plans, potentially locking in high-emissions capacity for decades and delaying market-wide cost convergence toward greener options.

For European steel producers, CBAM brings both opportunity and pressure. On the one hand, it levels the playing field by imposing a carbon cost on imported steel, reducing the risk of carbon leakage and enhancing the competitiveness of lower-emission EU producers. On the other hand, the simultaneous phase-out of free allowances under the EU ETS significantly raises compliance costs for domestic production.

CBAM also has direct implications for European businesses that use steel as a critical input. As carbon costs are increasingly embedded in material prices, most buyers will face higher steel input costs – whether importing or sourcing locally. Procurement teams must now assess price, quality, and carbon performance in parallel. They will also need to prepare for stricter reporting requirements, source from compliant or low-carbon suppliers, and manage increased sourcing complexity – particularly if they lack established climate data systems or green procurement strategies.

> “The CBAM will add significant administrative effort and cost challenges for companies.”
>
> Interviewee, steel-consuming business (Manufacturing of Precision Engineering Equipment)

Sources: Implement Consulting Group (2025), GMK Center (2023), S&P Global (2023), and E3G (2025).



Facts and insights

Among survey respondents ...

76%

... expect **CBAM and other regulatory forces** to be significant influences on the European steel market over the next one-three years.

28%

... currently have plans to prioritise **greener/low carbon** steel sources in response to the expected changes, suggesting potential uncertainty and time lag.

3. Carbon costs and regulation

How can businesses *decarbonise* their steel supply chains without sacrificing cost competitiveness?

Recommendations

Map emissions and exposure Build a supplier-specific carbon footprint map across all purchased steel types. This provides the foundation for future CBAM cost simulations and strategic sourcing decisions.

Engage in early partnership building Secure access to green steel by locking in agreements with producers already transitioning to electric arc furnace production, hydrogen-based DRI, or carbon capture systems.

Secure recycled steel access As competition for low-carbon scrap intensifies, proactively secure recycled steel feedstock through long-term supply agreements or partnerships with scrap processors.

Redesign with carbon efficiency in mind Work with engineering teams to identify opportunities to reduce steel mass per unit of output, substitute lower-emission materials, and maximise internal scrap reuse.

Prepare your reporting stack Set up internal data systems for CBAM-ready emissions tracking and verification and begin requesting verifiable carbon intensity disclosures from key suppliers.

Track regulatory shifts proactively The CBAM review in 2025 could alter cost calculations dramatically. Stay informed and model multiple policy evolution scenarios to ensure procurement resilience.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Disruption is real

– but it does *not* have to be disorienting.

The firms that succeed in this new steel landscape will be those that act now: rethinking sourcing, redesigning supplier portfolios, adapting to carbon regulation, and managing volatility with confidence.

We help steel-consuming businesses turn disruption into competitive advantage. Whether you are:

- Rebalancing sourcing strategies in response to trade protectionism
- Preparing for CBAM and building a decarbonised supply chain
- Managing volatility through smarter contracting and forecasting
- Strengthening supplier resilience or procurement operations

... and we can help you move from reaction to resolution.

How we support our clients

Procurement & supply strategy

- Supplier segmentation & contracting models
- Sourcing strategies & risk mitigation
- Steel category management

Trade & carbon readiness

- Emissions mapping & supplier due diligence
- CBAM cost modelling & compliance planning
- Green steel procurement strategy & pricing
- Regulatory screening & monitoring
- Global trade shifts & geopolitics

Commercial agility & resilience

- Financial hedging & price risk management
- Scenario-based S&OP & agile forecasting
- Strategic inventory & supplier resilience

Broader capabilities

- Cost-out & monetisation
- Operating model redesign
- Sustainability reporting
- Strategic innovation & transformation
- Impact assessments & readiness

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