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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
No. prev. doc.:	16080/25
Subject:	Proposal for a Regulation of the European Parliament and of the Council addressing the negative trade-related effects of global overcapacity on the Union steel market - Preparation for the trilogue

1. On 7 October 2025, the European Commission submitted to the Council its proposal for a Regulation addressing the effects of global overcapacity on the EU steel market (documents ST 13702/25 INIT, ST 13702/25 ADD 1 and ST 13702/25 ADD 2).
2. The proposal is set to replace the current steel safeguard measure, which will expire on 30 June 2026. The draft Regulation aims to address the negative trade-related effects resulting from third countries adopting measures aimed at limiting imports into their markets, thereby making the EU market the primary recipient of global excess capacities by reducing of steel import quotas by nearly half. The proposal introduces a new tariff-rate quota (TRQ) system which reduces the overall volume of steel import quotas by approximately 47% compared to the 2024 safeguard quotas and increases the out-of-quota duty to 50%.
3. On 12 December 2025, the Permanent Representatives Committee agreed on a mandate for negotiations with the European Parliament based on the Danish Presidency compromise proposal (ST 16902/25).

4. On 27 January 2026, the European Parliament’s Committee on International Trade (INTA) adopted its first-reading report on the Commission proposal by a strong support, which was subsequently confirmed at its plenary meeting on 11 February 2026, without objections and decided to open interinstitutional negotiations.
5. On 23 February 2026, the first political trilogue took place under the Cyprus Presidency where the two co-legislators presented the main elements of their respective mandates in detail and recognised the urgency of the file while confirming their commitment to conclude the negotiations in due time. It was agreed to hold a second trilogue on 17 March, to be prepared by four interinstitutional technical meetings (ITMs) on 26 February and on 3, 4 and 12 March 2026. In the absence of a political agreement, a third trilogue could take place on 14 April, preceded by two additional interinstitutional technical meetings (ITMs) on 20 and 23 March 2026.
6. The Council Presidency highlighted the strong alignment between the Council and the European Parliament on the core elements of the Regulation, in particular the establishment of a tariff-rate quota system, the level of the out-of-quota duty and the introduction of a “melt and pour” requirement. The Presidency explained that the Council’s approach seeks to ensure a measure that is effective in addressing global overcapacity while remaining legally robust and operational for national administrations and economic operators. It also stressed the importance of maintaining the scope of the Regulation in line with the existing steel safeguard measure and ensuring that the quota allocation system remains consistent with the Union’s international obligations.
7. The European Parliament emphasised the broad political support for the measure and stressed the strategic importance of the steel sector for the EU economy, security and the green transition. Parliament underlined a number of priorities, notably the introduction of a ban on imports of products where the steel was melted and poured in Russia or Belarus, the possible extension of the product scope of the Regulation, strengthened provisions regarding the management and allocation of tariff-rate quotas, and the introduction of a detailed framework for the implementation of the “melt and pour” requirement aimed at preventing circumvention.

8. The Commission underlined the political importance of the file and expressed its readiness to facilitate the negotiations. It highlighted areas of convergence between the co-legislators while noting a number of issues requiring further discussion, including the proposed ban on Russian and Belarusian “melt and pour” imports, the possible expansion of the product scope, the operationalisation of the “melt and pour” regime, the treatment of Ukraine, and the management of unused quota volumes.
9. Discussions at technical level were constructive and structured around five clusters: scope, TRQs, Melt and Pour, Timelines and procedures, and implementing and delegated acts. Progress was achieved on several technical provisions, in particular where the positions of the co-legislators were already closely aligned.
10. However, divergences remained significant on a number of key issues, notably:
- the possible extension of the product scope of the Regulation;
 - the proposal to introduce a ban on imports of steel melted and poured in Russia and Belarus;
 - the treatment of Ukraine in the allocation of tariff-rate quotas;
 - the evidence requirements and the operational use of the “melt and pour” and implementation;
 - the possible carry-over of unused quota volumes within a given year; and
 - the inclusion of additional criteria related to ILO conventions and multilateral environmental agreements, decarbonisation and references to the security and defence policy.

11. The Presidency informed Member States on the progress of the negotiations during meetings of the Working Party on Trade Questions held on 17 February, 2 March, and 10 March 2026.
12. Technical discussions reflected the need for a flexible approach ahead of the trilogue negotiation scheduled on 17 March to prepare landing zones regarding sensitive political issues:
- the review period of the product scope: given that including at this stage additional products as proposed by the Parliament would not ensure the WTO compliance of the measure, a shorter period for a review could pave the way for an agreement;
 - the import ban on Russia/Belarus: an alternative wording on Russia and Belarus that ensures that the regulation under trade policy does not conflict with the restrictive measures framework under the CFSP;
 - Ukraine: a stronger wording to take into account the position of the European Parliament;
 - the “melt and pour” requirement: in view of the impact that using the country of “melt and pour” as the basis to benefit from the tariff rate quotas would have on the rules of origin, a possible avenue for a compromise could instead entail using the country of “melt and pour” as one of the factors in the allocation of quotas per third country under the implementing acts adopted pursuant to Article 4;
 - additional criteria suggested by the Parliament: ILO Conventions and Multilateral Environmental Agreements in Article 4, decarbonisation path, security and defence policy in Article 6;
 - the carry-over of unused tariff quotas: to maintain the Council’s mandate.

13. In conclusion, it appears that there may be a possibility to conclude the trilogue negotiations if all sides are willing to show flexibility.
 14. Against this background, and with a view to the trilogue with the European Parliament scheduled on 17 March, the Permanent Representatives Committee is invited to consider providing the Presidency with the flexibility indicated on the sensitive political issues referred above, within the limits of the Council's negotiating mandate, to continue negotiations with the European Parliament with a view to reaching a political agreement, upon condition that the Parliament is ready to compromise on the most critical issues for the Council.
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