The short-term impact of the EU steel overcapacity regulation on Ukraine's exports to the EU

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Structure

1. Motivation

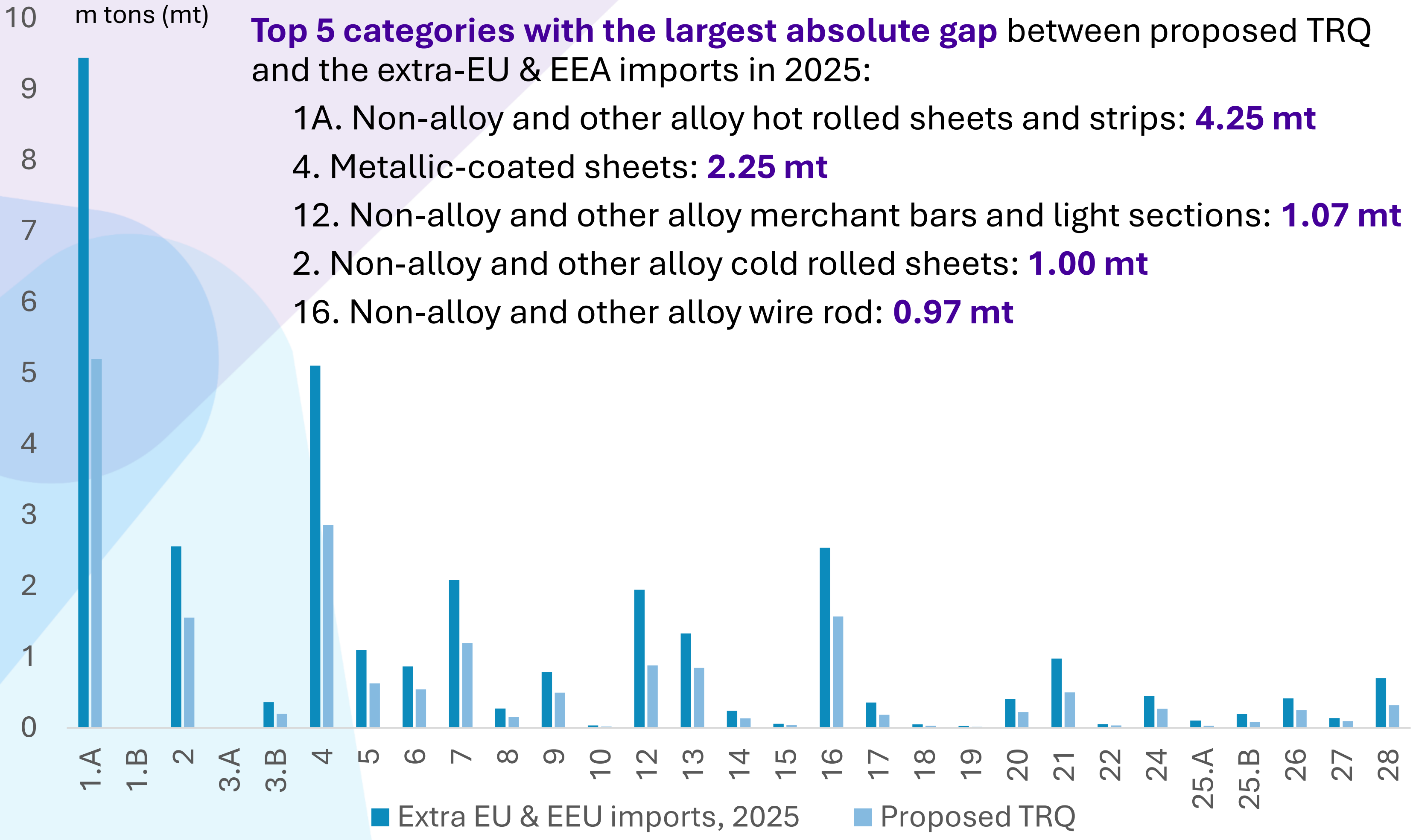
- January 2016: The EU-Ukraine DCFTA stipulated mutual duty-free access for industrial products; for some, after transition periods. BUT: The parties have retained the right to use safeguards and other trade remedies
- July 2018: The EU has applied the provisional safeguard measures on steel. In February 2019, they were replaced by definitive measures. Ukraine had also been subject to these safeguards
- May 2022: the EU suspended the safeguards for Ukraine. Suspension was prolonged for another three years in May 2025
- June 2026: the EU safeguard measures on steel are set to expire on the last day of June. The EC has been planning to replace them with new measures to shield the EU against global overcapacity in the steel market
- **Aim of the study**: to assess the impact of the new overcapacity regulation on Ukraine's steel exports to the EU and develop recommendations

2. Overview of the EU regulation

The 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 (COM/2025/726 final) was presented in October 2025

	Proposed overcapacity regulation	Current safeguards
1	30 distinct categories & sub-categories	30 distinct categories & sub-categories
2	Tariff rate quotas (TRQs) with within-quota tariff-free import volumes up to 18.3 million tonnes per year, a 47% reduction compared to 2024 TRQ levels	The 2024 TRQ level: 34.5 million tons
3	Out-of-quota duty level: 50%, a double compared to the current level	Out-of-quota duty level: 25%
4	Apply to all origins except EEA countries, a major extension of the coverage; potentially, a special treatment of Ukraine	No applied to EEA countries; discretely applied on products originating from developing countries – members of the WTO, including Ukraine
5	*To be defined*	Individual TRQs for selected countries; for each category, the set of individual TRQs differ
6	A "melt & pour" requirement	No “melt & pour" requirement
7	Not a safeguard measure	Safeguard measure (compliant with the WTO rules)

EU proposal by product categories



Top 5 categories with the largest absolute gap between proposed TRQ and the extra-EU & EEA imports in 2025:

1A. Non-alloy and other alloy hot rolled sheets and strips: **4.25 mt**

4. Metallic-coated sheets: **2.25 mt**

12. Non-alloy and other alloy merchant bars and light sections: **1.07 mt**

2. Non-alloy and other alloy cold rolled sheets: **1.00 mt**

16. Non-alloy and other alloy wire rod: **0.97 mt**

1.A	Non-Alloy and Other Alloy Hot Rolled Sheets and Strips
1.B	Non-Alloy and Other Alloy Hot Rolled Sheets and Strips
2	Non-Alloy and Other Alloy Cold Rolled Sheets
3.A	Electrical Sheets (other than GOES)
3.B	Electrical Sheets (other than GOES)
4	Metallic Coated Sheets
5	Organic Coated Sheets
6	Tin Mill products
7	Non-Alloy and Other Alloy Quarto Plates
8	Stainless Hot Rolled Sheets and Strips
9	Stainless Cold Rolled Sheets and Strips
10	Stainless Hot Rolled Quarto Plates
12	Non-Alloy and Other Alloy Merchant Bars and Light Sections
13	Rebars
14	Stainless Bars and Light Sections
15	Stainless Wire Rod
16	Non-Alloy and Other Alloy Wire Rod
17	Angles Shapes and Sections of Iron or Non-Alloy Steel
18	Sheet Piling
19	Railway Material
20	Gas pipes
21	Hollow sections
22	Seamless Stainless Tubes and Pipes
24	Other Seamless Tubes
25.A	Large welded tubes
25.B	Large welded tubes
26	Other Welded Pipes
27	Non-alloy and other alloy cold finished bars
28	Non-Alloy Wire

Source: 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 (COM/2025/726 final), Eurostat

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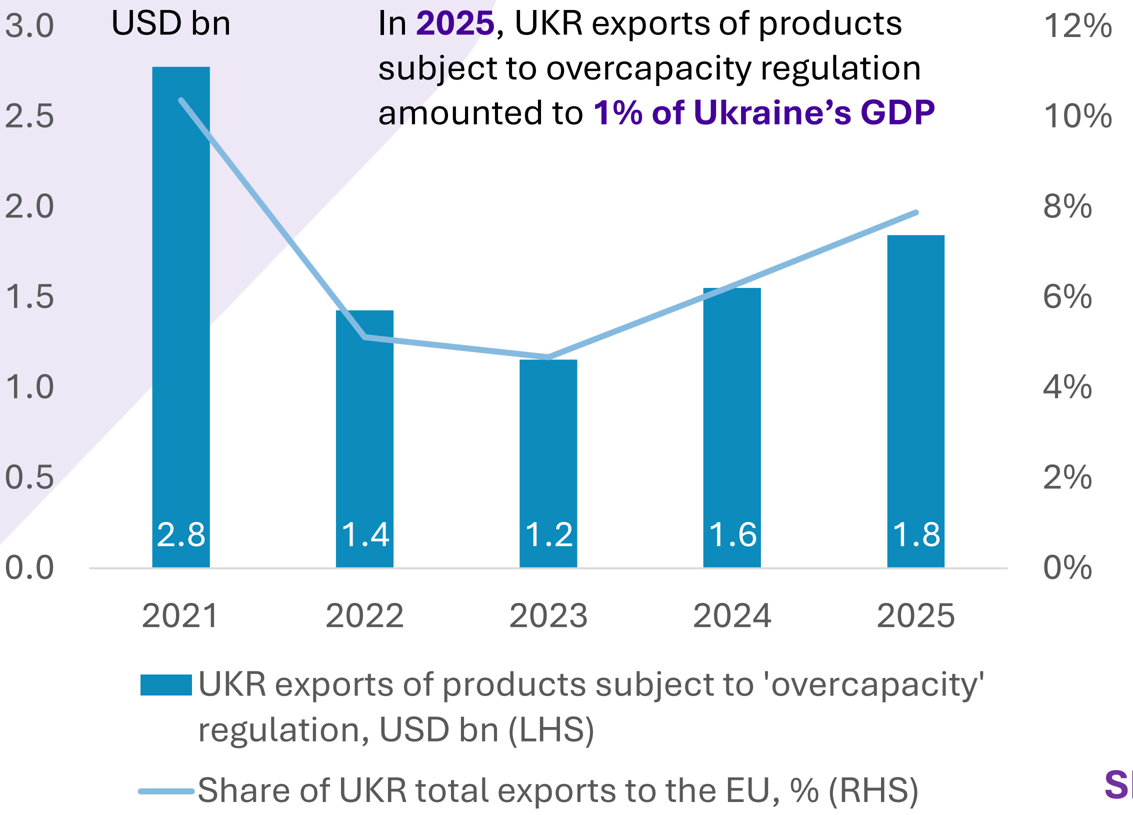
3. Ukraine's exports to the EU

Ukraine's exports to the EU, 2021-2025



Source: own display based on estimated Ukraine's exports (see Annex II for details)

Structure of Ukraine's exports to the EU, 2021-2025

		2021	2025	Diff 2025-2021, p.p.
1.A	Non Alloy and Other Alloy Hot Rolled Sheets and Strips	21%	42%	**21**
16	Non Alloy and Other Alloy Wire Rod	5%	12%	7
24	Other Seamless Tubes	1%	9%	9
13	Rebars	3%	8%	5
2	Non Alloy and Other Alloy Cold Rolled Sheets	12%	8%	-5
22	Seamless Stainless Tubes and Pipes	5%	6%	1
28	Non Alloy Wire	2%	6%	3
21	Hollow sections	2%	4%	1
4	Metallic Coated Sheets	12%	2%	-11
7	Non Alloy and Other Alloy Quarto Plates	26%	0%	**-26**
	Others	11%	4%	-7

Sharp restructuring of Ukraine's exports to the EU, with lost exports of non-alloy and other alloy quarto plates and a major reduction in metallic coated sheets and cold rolled sheets

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4. Ukraine in the EU overcapacity regulation

- The impact of the EU overcapacity regulation on Ukraine’s exports depends on how Ukraine will be treated by the EC
- According to the proposal, “*The Commission shall adopt implementing acts laying down the country allocation of the tariff quotas set out in Annex II to reflect the following elements, as applicable: … the situation of a candidate country facing an exceptional and immediate security situation*” (Article 4.g)
- Thus, the EC has a discretion to apply:
  - No TRQs
  - Individual TRQs
  - General TRQs
  - Mixed approach, varied by product category
- If individual TRQs are applied, the impact will vary depending on the reference period

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5. Methodology

- We apply a **partial equilibrium model** to assess the impact of the overcapacity regulations:
  - **For individual TRQs**: the 50% out-of-quota duty is applied on Ukraine's exports exceeding the individual TRQ level. That increases import prices, affecting EU importers, who adjust their demand in line with the EU import demand elasticity. We assume no substitution between sources of imports on the EU market
  - **For general TRQs**: the 50% out-of-quota duty is applied on Ukraine's exports when the total EU imports reach the TRQ threshold. As we cannot predict how successful Ukraine is in ensuring within-quota market access, we assume that the EU importers based their demand on the assumption that all of Ukraine's exports are subject to out-of-quota duty (upper bound assumption)
- **Data**: Ukrstat for UKR trade data, Eurostat for EU imports, WITS SMART for EU elasticities
- **Base year**: 2025

Scenarios

We developed several scenarios for possible levels of TRQs faced by Ukraine:

s1	s2	s3	s4	s5	s6	s7	s8	s9	s10
Individual TRQs for each product category are proportional to the level of average EU imports from Ukraine in:								Individual TRQ at 53% of 2025	General TRQ
2022-2024	2023-2025	2021-2025	2021	2025	2013	2013-2021	2019-2021		

See Annex III for a detailed explanation of how scenarios for individual TRQs were estimated

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6. Impact on Ukraine’s exports

Aggregate impact of the overcapacity regulation on Ukraine’s exports to the EU, baseline year: 2025

	s1	s2	s3	s4	s5	s6	s7	s8	s9	s10
	2022-2024	2023-2025	2021-2025	2021	2025	2013	2013-2021	2019-2021	53% of 2025	General TRQ
Change in Ukraine’s exports to the EU:										
USD m	-698	-608	-643	-694	-488	-620	-698	-741	-549	Up to -1,168
% year on year	-38%	-33%	-35%	-38%	-26%	-34%	-38%	-40%	-30%	Up to -63%

Source: own estimates

- The optimal outcome would be that the overcapacity regulation does not apply to Ukraine, permanently or temporarily
- The next-best option is the introduction of individual TRQs for Ukraine, preferably with 2025 as the reference period, as it features a minimum loss at USD 0.5 bn (-26 % yoy). If the 2022-2024 period is selected as proposed in a draft regulation, Ukraine’s losses amount to USD 0.7 bn, or -38% yoy
- Being bundled into a general TRQ is the worst-case scenario, causing up to USD 1.2 bn (-63% yoy) reduction in exports to the EU

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Impact by key product category (1/2)

Impact on Ukraine's exports to the EU, change compared to baseline, USD m

	Products	s1	s2	s3	s4	s5	s6	s7	s8	s9	s10
		2022-2024	2023-2025	2021-2025	2021	2025	2013	2013-2021	2019-2021	53% of 2025	General TRQ
1.A	Non-Alloy and Other Alloy Hot Rolled Sheets and Strips	-248	-209	-241	-289	-176	-119	-262	-340	-184	-391
2	Non-Alloy and Other Alloy Cold Rolled Sheets	-63	-53	-46	-6	-42	-46	-25	-11	-50	-107
4	Metallic Coated Sheets	-4	-6	0	0	-6	-12	0	0	-6	-13
5	Organic Coated Sheets	-1	-1	-1	0	-1	-2	-1	-1	-1	-2
13	Rebars	-123	-99	-105	-102	-54	-142	-103	-88	-70	-149
14	Stainless Bars and Light Sections	0	-2	0	0	-3	0	0	0	-3	-6
16	Non-Alloy and Other Alloy Wire Rod	-82	-71	-80	-100	-54	-51	-75	-95	-67	-142
21	Hollow sections	-31	-26	-29	-30	-21	-13	-24	-27	-21	-44
22	Seamless Stainless Tubes and Pipes	-30	-31	-26	-10	-30	-36	-25	-14	-38	-81
24	Other Seamless Tubes	-90	-81	-87	-122	-67	-154	-144	-130	-79	-167
27	Non-alloy and other alloy cold finished bars	-1	-2	0	0	-3	-2	0	0	-4	-9
28	Non-Alloy Wire	-22	-21	-25	-35	-25	-39	-36	-35	-22	-46
	Total	**-698**	**-608**	**-643**	**-694**	**-488**	**-620**	**-698**	**-741**	**-549**	**-1,168**

Source: own estimates. The table covers the categories absorbing 99% of the impact

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Impact by key product category (2/2)

Impact on Ukraine's exports to the EU, change compared to baseline, % year on year

	Products	s1	s2	s3	s4	s5	s6	s7	s8	s9	s10
		2022-2024	2023-2025	2021-2025	2021	2025	2013	2013-2021	2019-2021	53% of 2025	General TRQ
1.A	Non-Alloy and Other Alloy Hot Rolled Sheets and Strips	-32%	-27%	-31%	-37%	-23%	-15%	-34%	-44%	-24%	-50%
2	Non-Alloy and Other Alloy Cold Rolled Sheets	-45%	-38%	-33%	-4%	-30%	-33%	-18%	-8%	-36%	-77%
4	Metallic Coated Sheets	-12%	-20%	0%	0%	-19%	-41%	0%	0%	-20%	-42%
5	Organic Coated Sheets	-6%	-5%	-4%	-1%	-4%	-9%	-7%	-5%	-4%	-9%
13	Rebars	-83%	-67%	-71%	-69%	-36%	-95%	-70%	-59%	-47%	-100%
14	Stainless Bars and Light Sections	0%	-21%	0%	0%	-24%	0%	0%	0%	-25%	-54%
16	Non-Alloy and Other Alloy Wire Rod	-36%	-31%	-35%	-44%	-24%	-22%	-33%	-41%	-29%	-62%
21	Hollow sections	-47%	-40%	-43%	-45%	-32%	-20%	-37%	-42%	-31%	-66%
22	Seamless Stainless Tubes and Pipes	-28%	-29%	-24%	-9%	-28%	-33%	-23%	-13%	-35%	-75%
24	Other Seamless Tubes	-51%	-47%	-50%	-70%	-39%	-88%	-82%	-74%	-45%	-95%
27	Non-alloy and other alloy cold finished bars	-11%	-19%	-2%	0%	-21%	-14%	0%	0%	-33%	-71%
28	Non-Alloy Wire	-21%	-21%	-25%	-34%	-25%	-38%	-35%	-34%	-21%	-46%
	Total	**-38%**	**-33%**	**-35%**	**-38%**	**-26%**	**-34%**	**-38%**	**-40%**	**-30%**	**-63%**

Source: own estimates. The table covers the categories absorbing 99% of the impact

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7. Conclusions and recommendations

- If Ukraine is not exempted from the EU overcapacity regulation, it will have a significant negative impact on Ukraine's exports to the EU, reinforcing the challenges related to the launch of the CBAM, which covers all products within the overcapacity regulation
- Depending on the scenario, the overcapacity regulation could cause a reduction in Ukraine's exports ranging from USD 0.5 bn to USD 1.2 bn, or from -26% to -63% of the 2025 exports
- From Ukraine's standpoint, the hierarchy of possible outcomes is the following:
  - **Optimal**: Ukraine is permanently exempt, so it is treated in the same way as the EEA countries. Reasons: Ukraine is a candidate country that has lost almost half of its steel manufacturing capacity due to the full-scale war. Therefore, Ukraine cannot be treated as the source of overcapacity on the EU steel market
  - **Second-best**: Ukraine is exempted temporarily, in the spirit of the three-year suspension of safeguards adopted in 2025
  - **Third-best:** Ukraine is subject to individual TRQs. The impact will depend on the selection of the reference period and the product categories, for which the individual TRQs are set. According to our estimates, the year 2025 is a preferable reference period

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Annex I: The list of product categories and subcategories (1/2)

Category	Products	Proposed TRQ (tons)
1.A	Non-Alloy and Other Alloy Hot Rolled Sheets and Strips	5,198,712
1.B	Non-Alloy and Other Alloy Hot Rolled Sheets and Strips	4,581
2	Non-Alloy and Other Alloy Cold Rolled Sheets	1,554,759
3.A	Electrical Sheets (other than GOES)	612
3.B	Electrical Sheets (other than GOES)	199,079
4	Metallic Coated Sheets	2,859,681
5	Organic Coated Sheets	627,871
6	Tin Mill products	542,840
7	Non-Alloy and Other Alloy Quarto Plates	1,196,903
8	Stainless Hot Rolled Sheets and Strips	153,186
9	Stainless Cold Rolled Sheets and Strips	496,342
10	Stainless Hot Rolled Quarto Plates	17,025
12	Non-Alloy and Other Alloy Merchant Bars and Light Sections	881,735
13	Rebars	844,526
14	Stainless Bars and Light Sections	133,595

Source: 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 (COM/2025/726 final)

The list of product categories and subcategories (2/2)

Category	Products	Proposed TRQ (tons)
15	Stainless Wire Rod	40,462
16	Non-Alloy and Other Alloy Wire Rod	1,569,532
17	Angles Shapes and Sections of Iron or Non-Alloy Steel	184,607
18	Sheet Piling	31,263
19	Railway Material	16,472
20	Gas pipes	222,413
21	Hollow sections	499,493
22	Seamless Stainless Tubes and Pipes	32,967
24	Other Seamless Tubes	268,901
25.A	Large welded tubes	28,749
25.B	Large welded tubes	83,616
26	Other Welded Pipes	250,757
27	Non-alloy and other alloy cold finished bars	97,315
28	Non-Alloy Wire	317,886

Source: 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 (COM/2025/726 final)

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Annex II: Data sources and estimates

Sources for trade data:

UKRSTAT: data on UKR export values and volumes by destinations at CN8. Period: 2021-2024

EUROSTAT: data on EU import values and volumes by sources at CN8. Period: 2021-2025

Coverage: goods, subject to the overcapacity regulation

UKR exports to the EU:

In the analysis, we rely on the **constructed estimate of UKR exports to the EU**

The price information (unit values) is sourced from the UKR (exporter), and the volume information is sourced from the EU (importer). For 2025, unit values of the previous year are used, as there is no full-year information at the needed level of disaggregation

The constructed export estimate allows for avoiding mirror statistics biases caused by, e.g., discrepancies between the country of contract and the country of destination in UKR export data, differences in the date of the product leaving the UKR customs territory and entering the EU customs territory, as well as any misreporting or mistakes

Annex III: TRQ estimates for scenarios

- According to the draft regulation, the country allocation of the tariff quotas per product category should reflect the share of imports that each product category held over the period 2022-2024, calculated as a share of the tariff quota levels set for this product category
- Based on the above, for each product category and each reference period (scenarios 1 to 8), the over-TRQ exports are estimated in several steps:

  Step 1: Calculate the share of Ukraine in the EU import volume

  Step 2: Calculate the potential individual TRQ as a product of the total TRQ and the share of Ukraine in the EU imports for this category

  Step 3: Calculate the share of TRQ in Ukraine's export volume to the EU for this product category

  Step 4: Calculate the share of over-TRQ export volume as one minus the TRQ share in Ukraine's export volume to the EU

  Step 5: Calculate the over-TRQ export value as a product of the share of over-TRQ export volume and Ukraine's export value to the EU

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