

# New Approaches to Help Address Global Excess Capacity

## GFSEC Stakeholder Event

27 March 2024

While international awareness of the excess capacity problem in the global steel sector has been increasing, the challenge of excess capacity remains significant. This impacts the profitability and sustainable development of steel industries worldwide. The urgency to present policy solutions to address this issue and prevent its re-emergence in the future is growing.

In response, **the OECD facilitated the Global Forum on Steel Excess Capacity Stakeholder Event on *New Approaches to Help Address Global Excess Capacity***, on March 27, 2024. The event sought to explore innovative solutions, thinking 'outside the box,' and encouraged the participation of Global Forum on Steel Excess Capacity stakeholders to contribute ideas and options. All ideas from different stakeholders were collected, so policymakers can consider next steps and reflect on further ideas to adopt effective and tailor-made policy instruments that target the global excess capacity problem.

**The event underscored the urgent call for action by industry representatives**, drawing participation from global industry organisations representing regions such as Latin America, North America, Europe and Southeast Asia. The resounding message conveyed was that **collective action, coupled with firm government commitment, is imperative**. Industry leaders emphasized that unilateral efforts are insufficient to address the issue of unfair subsidies leading to excess capacity. They advocated for a comprehensive approach, emphasizing the necessity of short-term measures alongside longer-term warranties.

**Various ideas and options to tackle the problem of global excess steel capacity were put on the table, including both sectoral and non-sectoral international agreements**. Sector specific agreements, such as a binding steel overcapacity agreement, were discussed, highlighting the feasibility of preferential trade agreements and revisions to most favoured nation rates. **Multi-faceted solutions were also explored, encompassing the monitoring of support measures, heightening awareness of excess capacity impacts, and reinforcing compliance with rules-based trade**, with active involvement from the WTO. Additionally, **digital solutions were presented as viable options for tracing steel digitally and identifying sources of excess capacity**, contingent upon universal adoption of digital ownership signatures.

**The Stakeholder Event also highlighted key considerations that should be borne in mind when evaluating potential solutions**. One such consideration is whether the definition of excess capacity is still up-to-date. Accounting for indirect steel trade in assessments of domestic steel demand requires collecting data according to differing viewpoints or definitions to discern disparities. To address these definitional challenges, the implementation of an "excess capacity thermometer" could prove beneficial. Another key issue includes **addressing global excess capacity in conjunction with the challenges of climate change and decarbonisation**.

**Future steps were outlined, underscoring the necessity of a statement by a "coalition of the ambitious" to kickstart any proposed solutions or scenarios**. This statement would likely focus on commitments to reduce excess capacity, address trade-related issues, implement governmental discipline and support measures, and explore the nexus between carbon emissions and excess capacity. Urgency pervaded the discussion, with a call to lay the groundwork for solutions within the current year. **The OECD is eager to further facilitate an ongoing dialogue and to take forward further work on these issues, in order to provide assistance to help its members with tackling the global steel excess capacity problem**.