The EU CBAM gives a boost to Algeria's iron exports

On 16 and 17 February, Sandbag contributed to a conference in Algiers hosted by the German development agency GIZ and the Algerian Ministry of Hydrocarbons and Mines. The conference brought together stakeholders from both sides of the Mediterranean including DG TAXUD, DG CLIMA and the EU's Algerian representation, as well as a large number of delegates from several Algerian ministries and state-owned and privately own industrial conglomerates. Stakeholders shared information and discussed issues in relation to the scheme's implementation, including procedures and methodologies of emissions monitoring, reporting and verification, as well as sector specific impacts of the CBAM.

The overall impact of CBAM is very limited for Algeria, as CBAM goods only cover 2.7% of the country's exports to the EU. We estimated that the scheme's net cost for Algerian goods would, in total, be only about €136 million per year in a business-as-usual scenario based on 2024 export figures. Yet, some sectors will be more impacted than others, and Algerian stakeholders expressed some anxiety about the scheme.

The effect of CBAM on iron and steel

Sandbag's Director on iron and steel

During the conference, we held a workshop on the potential impact of CBAM for Algeria's iron and steel exports to the EU. In 2024, Algeria exported about 350,000 tonnes of long steel products to the EU, such as rebar (CN codes 7203 and 7214) and semi-finished products for construction (7207), but also 230,000 tonnes of direct reduced iron (DRI, with code 7203).

The CBAM will raise the cost of Algeria's imports but also the selling price of those products in the EU market, as the phasing out of free emission permits in the EU ETS will force EU producers to pass their higher carbon costs through to consumers. Higher EU market prices mean **higher revenues for Algerian exports**.

Based on Sandbag's estimates: For exports of long steel goods, the net CBAM cost (calculated as CBAM fees minus increased revenue from higher selling prices) will be positive by 29 million euros, making these products rather uncompetitive in the EU market. By contrast, exports of DRI will enjoy a significant increase in revenues, as EU blast furnaces face increasingly expensive carbon costs which will push the market price up by €94 per tonne. Since Algerian DRI has much lower emissions than European pig iron, which currently receives a large number of free allowances, the **CBAM should create a net profit of €54 per tonne of DRI**, and €12 million for the 350kt. The country has already raised its production capacity with investments from Turkiye's Tosyali and Qatar's AQS for increases of about 5 million tonnes in yearly DRI output.

A scenario in which Algeria would replace its current 350kt annual long steel exports with 350kt DRI exports to the EU would turn **a €29m net loss into a €19m net gain** for the country. These numbers are based on the assumption of a European allowance price of €80 and a pass-through rate of 80%. Methodological details are available on Sandbag's CBAM Simulator webpage. We will soon update the Simulator to include a forward-looking transformation scenario.

Table 1 Algeria's top 8 most exported CBAM products to the EU

Code	Description	Intensity DZ (t/t)	Cost EU (EUA/t)	CBAM fees (€)	Net CBAM cost (€)
252310	Cement clinkers	0.875	0.693	105,350,594	38,629,772
310210	Urea, whether or not in aqueous solution	1.380	0.862	103,994,886	52,027,587
2814	Ammonia, anhydrous or in aqueous solution	2.080	1.512	57,759,703	24,170,214
7214	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling	1.135	0.108	17,921,369	16,556,854
7203	Ferrous products obtained by direct reduction of iron ore and other spongy ferrous products, in lumps, pellets or similar forms; iron having a minimum purity by weight of 99,94 %, in lumps, pellets or similar forms	0.500	1.464	9,216,906	-12,370,416
7207	Semi-finished products of iron or non-alloy steel - Containing by weight less than 0,25 % of carbon - Of rectangular (including square) cross-section, the width measuring less than twice the thickness - Rolled or obtained by continuous casting	1.135	0.108	7,192,110	6,664,510
7213	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel	1.135	0.108	6,418,215	5,929,538
	Other			13,027,554	4,802,406
				320,798,585	**136,222,443**

We presented these figures at the conference in a workshop we conducted on iron and steel, which was very well received by the audience of Algerian steelmakers and government officials.