

INTERNATIONAL BUSINESS ALERT

NOVEMBER 18, 2021

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US-EU aluminum and steel tariffs agreement: What to expect

By [Matt Lapin](#) and [Katharine Walton](#)

On Oct. 31, 2021, the United States and the European Union [announced an agreement](#) regarding current U.S. tariffs on steel and aluminum imports. The agreement is scheduled to become effective Jan. 1, 2022. This agreement, and the mechanisms through which it will be implemented, may offer opportunities for U.S. companies to adjust their supply chains to import more items sourced from the E.U. at a lower cost. Importers and exporters dealing in steel and aluminum products should examine the parameters and compliance requirements of the deal for such economic opportunities.

Background on aluminum and steel tariffs

This agreement seeks to ease the 25% and 10% tariff rates the U.S. imposed in June 2018 under [Section 232 of the Trade Expansion Act of 1962](#) on certain steel and aluminum products imported from the E.U. The E.U. responded to these tariffs by announcing imposition of a 25% tariff on certain U.S. goods such as whiskey, orange juice and motorcycles. The current agreement addresses both the U.S. steel and aluminum tariffs, and the reciprocal E.U. tariffs. The deal includes an agreement to suspend World Trade Organization disputes regarding steel and aluminum and a stated intent of limiting trade in so-called "dirty steel" (steel produced with high carbon emissions) as part of the COP26 global climate change summit.

Agreement framework

Tariff-rate quotas

Effective Jan. 1, 2022, the U.S. will permit a fixed volume of E.U. imports

to enter the U.S. duty-free. This allowance, under so-called tariff-rate quotas (TRQs), will be set at aggregate amounts based primarily on prior years' volumes (determined by each E.U. member state's historical exports to the U.S.). The TRQs will cover 54 categories of steel products and 16 categories of aluminum products. Any imported quantities above the set quotas will incur the higher 25% and 10% tariffs.

The TRQs will be administered quarterly, with volumes filled on a first come, first served basis for each product category. Up to 4% of unused volumes during the first quarter will carry over to the third quarter, any unused TRQ volume from the second quarter will carry over to the fourth quarter and any unused TRQ volume from the third quarter will roll over to the first quarter of the following year (both subject to the same limit).

Imports of steel and aluminum "[derivative products](#)," as defined in Proclamation 9980, will not be subject to Section 232 tariffs.

Origin requirements

The agreement outlines different origin requirements for steel and aluminum imports.

For aluminum imports, an importer must provide a Certificate of Analysis (COA) for each aluminum product imported into the U.S. It is anticipated the U.S. will release further information regarding COA requirements, but likely it will be consistent with current [regulations](#), which require goods to undergo a particular type of testing with specified results.

Steel imports must be *melted and poured* in the E.U. – a new rule of origin standard and major departure from the current one, under which goods are originating from European and other countries where they have been substantially transformed there.

Under 19 C.F.R. § 360.103, U.S. law defines *melted and poured* as "the original location where the raw steel is: (A) First produced in a steel-making furnace in a liquid state; and then (B) Poured into its first solid shape. . . . The first solid state can take the form of either a semi-finished product (slab, billets or ingots) or a finished steel mill product."

Retention of exclusion process

Companies that were granted and used Section 232 [tariff exclusions or exemptions](#) to import certain steel products in the past year will be permitted to request extension of exemptions for up to two years by the Commerce Department. The department will continue to enable companies to seek Section 232 tariff exemptions for steel and aluminum products.

Recommendations for exporters and importers of aluminum and steel products

- **Verify HTS codes of imported materials and products:** Review products to verify if the Harmonized Tariff Schedule (HTS) codes under

which they are imported into the U.S. are covered by the noted [TRQ categories](#).

- **Verify origin requirements and documentation:** Determine if you can obtain mill test certificates to verify meeting the melted and poured standard for steel products or certificate of analysis for aluminum products.
- **Exclusion process:** If your imported products are not included in the covered HTS codes or do not meet the origin requirements, you may want to determine whether application for an exclusion would be valuable.
- **Supply chain planning with TRQs:** As noted above, TRQs will be administered quarterly, thus there may be benefits to stocking-up on inventory of covered items early in a quarter (even at a higher price) to avoid much higher tariffs if quotas are reached before the end of a given quarter.

Conclusion

Although the E.U.-U.S. deal does not completely remove the outstanding Section 232 steel and aluminum tariffs, it represents significant progress towards a more normalized trade relationship between the E.U. and the U.S., as well as a potentially important step towards addressing climate change through increased emphasis on sourcing of metals produced in accordance with environmental requirements to be further codified by global trade partners in the future. In this context, importers and exporters dealing in steel and aluminum products should examine the parameters and compliance requirements of the deal for opportunities to adjust their supply chains to import more items sourced from the E.U. at a lower cost.

For assistance in further review of the tariff agreement, contact [Matt Lapin](#) or any member of Porter Wright's [International Business and Trade Group](#).