Inside the EU steel tariff rate quota allocation under the Steel Regulation: What economic operators need to know

Trade Compliance

Cattwyk Rechtsanwaltsgesellschaft mbH & Co. KG

Hohe Bleichen 8, D-20354 Hamburg
Rue d'Arlon 25, B-1050 Brussels

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On 30 June 2026, the European Commission published Implementing Regulation (EU) 2026/1457, allocating the country-by-country tariff rate quotas opened under the new Steel Regulation (Regulation (EU) 2026/1384), which replaces the steel safeguard that was in place since 2019 but expired on 30 June 2026. The scale of the shift is significant: the new framework opens tariff quotas totalling 18,345,922 tonnes across 26 product categories, with any import above quota now subject to a 50% *ad valorem* duty. The Implementing Regulation applies from 1 July 2026 to 31 December 2026, and the Commission must assess by year-end whether the product scope needs to be expanded to include additional products.

1. A two-track quota architecture

The defining feature of the new system is the division of each quota into two parts. The Most-Favored Nation ("**MFN**") Part is open to all third countries on an non-discriminatory basis, with each country's share allocated according to its average proportion of EU imports in the relevant category over the 2022–2024 reference period, consistent with Article XIII of the GATT 1994. The Free-Trade Agreement ("**FTA**") Part is reserved for countries with an existing or future free trade agreement with the EU. The definitive list of qualifying FTA partners, covering agreements that are signed, in force or politically agreed, is set out in Article 2 and Section 1 of Annex II.

2. How the quotas operate in practice

Country-specific quotas. Countries with a significant historical share of imports in a given category receive a country-specific quota ("**CSQ**"), combining their MFN and (where applicable) FTA volumes under a single order number. Economic operators can draw on both the MFN and FTA portions simultaneously, since the two function as a single quota under a single order number.

Once an FTA partner exhausts its country-specific quota, its operators may access an additional pool, the "FTA Quota – Country-Specific Quota" ("**FTA Quota – CSQ**"), on a first-come first-served basis, competing with economic operators from other FTA partners in the same position. Section 2 of Annex II reflects the origins of products that have access to the FTA Quota – CSQ in each product category.

Residual quotas. Countries without a country-specific quota in a given category instead rely on residual quotas, which are likewise split into two: an "**Other countries**" MFN volume open to all countries except those listed in Section 3 of Annex II, and an "**FTA Quota – Other countries**" volume reserved for FTA partners listed in Section 4 of Annex II.

Countries with existing or future trade agreements with the Union can access both parts of the residual quota simultaneously from the first day of each quarter. For certain product categories, named FTA partners receive ring-fenced volumes within the residual FTA quota rather than competing on a first-come, first-served basis. Section 5 of Annex II identifies which countries hold such a reserved allocation under the "FTA Quota – Other Countries".

Category 1A: a special case. Category 1A (i.e., non-alloy and other alloy hot-rolled sheets and strips) is treated differently, since it accounts for nearly one-third of the total quota volume and has historically seen large import swings. For this Category, the Commission has guaranteed specific volumes to certain trading partners under both residual quotas ("MFN – Other countries" and "FTA – Other countries"), including for Brazil, Indonesia, North Macedonia, Switzerland, and the United Kingdom, citing the need to diversify supply and prevent the crowding out of particular origins. Ukraine, as a candidate country facing an exceptional security situation, benefits from a more preferential distribution of quotas than other FTA partners.

3. Administration and compliance points

All quotas are administered on a first-come, first-served basis under Articles 49 to 54 of the Union Customs Code Implementing Regulation ("**UCC IA**").

Article 3(3) merits particular attention, as it departs from standard quota administration: returned quantities are not always recoverable. Where a quarterly quota has been stopped, exhausted, or closed, any quantities subsequently returned do not reopen that quota for new drawing requests. The same principle applies to carried-over balances. Volumes returned after an unused balance has rolled into the next quarter are effectively lost to operators.

The determination of origin follows the EU's non-preferential rules of origin. However, EU-originating products that undergo processing in a third country without a change of origin under these rules will be treated as originating in that third country. This is a point importers should watch closely when structuring supply chains that involve any processing outside the Union.

Finally, by way of derogation from Article 53(2) of the UCC IA, which sets out the rules on the critical status of tariff quotas, the new tariff quotas are not considered "critical" under the Union Customs Code ("**UCC**"). This matters because the default position under the UCC is considerably stricter. Where a quota is considered critical from the day of its opening, release of the goods is conditional on the operator providing a guarantee equal to the amount of the out-of-quota duties, effectively tying up capital until the quota's status is confirmed. By expressly designating the new steel quotas as non-critical, the Regulation spares operators the guarantee requirement that would otherwise apply to newly opened quotas of this kind – a meaningful cash-flow benefit, given that the quotas are newly created and would ordinarily meet the criteria of Article 53(2).

4. Takeaways for importers and traders

Importers should determine, category by category, whether their supplying origins benefit from a country-specific quota, access to the FTA competitive pool, or only residual MFN volumes. To determine this, Annexes I and II must be read together. Quota strategy holds greater importance than under the previous safeguard regime: the sequencing rules governing access to the “FTA Quota – CSQ” volumes, the simultaneous quarterly opening of residual MFN and FTA volumes, the county -reserved volumes within the “FTA Quota – Other Countries”, and the strict treatment of returned quantities each favour early and carefully planned customs declarations.

Isabel Fressynet
Lawyer | Counsel
i.fressynet@cattwyk.com

Anna Golouchko
Lawyer | Associate
a.golouchko@cattwyk.com

Jin Woo Kim
Lawyer | Counsel
jw.kim@cattwyk.com

Cattwyk I European Trade Lawyers
Rue d’Arlon 25, B-1050 Brussels
Hohe Bleichen 8, 20354 Hamburg