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Sustainability in Steel Production: Can Green Steel Be Profitable?

Stephen Adam*

Department of Structural Engineering, Politecnico di Torino, Corso Duca Degli Abruzzi, Turin, Italy

Introduction

Steel production is one of the largest contributors to global carbon emissions, accounting for nearly 8% of total CO_2 emissions worldwide. As industries and governments push for decarbonization, the steel sector faces increasing pressure to adopt sustainable practices. The concept of green steel produced using renewable energy and innovative technologies such as hydrogen-based reduction has gained momentum [1]. Traditional steelmaking relies heavily on coal and coke in blast furnaces, which release vast amounts of carbon dioxide. In contrast, green steel production methods, such as using hydrogen or electric arc furnaces powered by renewable energy, significantly reduce emissions. Despite its environmental advantages, green steel faces several economic and technological barriers [2]. The shift to green steel requires substantial capital investment in new infrastructure, including hydrogen electrolysis facilities and renewable energy plants. Many steelmakers are hesitant to commit due to uncertain returns and long payback periods.

Description

Producing hydrogen via electrolysis requires vast amounts of electricity, making it costlier than traditional fossil fuels. While green hydrogen prices are expected to fall with technological advancements and economies of scale, current costs remain a major hurdle. Although there is growing demand for sustainable materials, green steel is more expensive than conventionally produced steel. Without regulatory incentives or corporate sustainability commitments, buyers may hesitate to pay the premium [3]. The global steel industry is built around conventional blast furnace technology. Transitioning to green steel requires significant modifications to existing plants, supply chains and logistics, making widespread adoption a slow process [4]. 2. M a n y industries, including automotive and construction, are prioritizing sustainability. Companies such as Volvo, Mercedes-Benz and BMW have committed to using green steel, creating a niche but growing market willing to pay a premium. As more steelmakers transition to sustainable production, costs will decrease due to large-scale adoption. This will make green steel more competitive in the global market.

Green steel production relies on affordable renewable energy sources, such as wind and solar. The expansion of renewable energy infrastructure will play a crucial role in lowering green steel production costs. Countries like Sweden and Germany are at the forefront of integrating renewables into steel production [5]. Governments and financial institutions are playing an essential role in making green steel economically viable. The EU's Green Deal and the U.S. Inflation Reduction Act offer incentives for low-carbon industrial solutions. Additionally, financial investors are increasingly favoring companies with strong Environmental, Social and Governance (ESG) credentials, pushing steelmakers toward greener practices. Public and private partnerships are also accelerating the transition. Initiatives like the Green Steel Partnership and the Industrial Deep Decarbonization Initiative (IDDI) bring together major economies to support the development of low-carbon steel technologies. These collaborations help mitigate financial risks and create a supportive ecosystem for green steel investments.

Conclusion

The profitability of green steel depends on a combination of policy support, technological advancement and market demand. While challenges remain, the shift toward sustainable steel production is inevitable as global decarbonization efforts intensify. In the long run, early adopters who invest in green steel today may gain a competitive advantage as regulations tighten and sustainability becomes a key market differentiator. Furthermore, as consumer awareness grows and industries commit to carbon neutrality, the demand for green steel will rise. This will drive competition and innovation, ultimately making sustainable steel an economically viable and dominant force in the global steel industry. The transition to green steel is challenging but necessary for a sustainable future. While the initial costs and infrastructure changes are significant, long-term economic benefits, regulatory support and market demand indicate that green steel can indeed be profitable. The steel industry must embrace innovation, collaboration and strategic investments to ensure that sustainability and profitability go hand in hand.

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Conflict of Interest

None.

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***Address for Correspondence:** Stephen Adam, Department of Structural Engineering, Politecnico di Torino, Corso Duca Degli Abruzzi, Turin, Italy; E-mail: adams.88@gmail.com*

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