Volkswagen Group and Salzgitter AG sign Memorandum of Understanding on supply of low-CO2 steel from the end of 2025

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For Volkswagen, the reduction of CO emissions in the supply chain is a key element in the Group's strategy to gradually become a carbon-neutral mobility provider by 2050.In doing so, the manufacturer is pursuing the approach of a so-called hot spot analysis: it is concentrating on reducing CO emissions where they are mainly generated during the production of a car. In addition to the battery-electric powertrain and aluminium components, this is particularly the case with steel. In future projects such as Trinity - the fully connected electric car of the next generation, which will be manufactured in Wolfsburg from 2026 - the use of CO -reduced steel can therefore make a significant contribution to improving the overall CO balance sheet. By the end of 2022, both partners intend to concretise and contractually agree on purchase quantities for the low-CO steel in the period 2025 to 2030.

For its part, Salzgitter AG has set out to massively reduce CO emissions in steel production with the transformation program "SALCOS - Salzgitter Low CO -Steelmaking". In contrast to pig iron production using carbon-based blast furnaces, the steel and technology group wants to produce steel in future using green hydrogen and renewable energies on a new production route. Hydrogen electrolysers, direct reduction plants and electric furnaces are being built in Salzgitter for this purpose. Step by step, the steel producer wants to reduce CO emissions by more than 95 per cent by 2033. This would avoid one percent of Germany's total CO emissions.

Cooperation between the two companies on so-called "green steel" has already begun. Last year, Volkswagen AG processed sample quantities of CO -reduced steel from the Salzgitter AG for the first time. This is produced on the scrap-based electric steel route in Peine and has a 66 percent reduced CO footprint. This year, Volkswagen plans to purchase a further 3,000 tonnes.

Another aspect of the joint agreement is the goal of establishing a closed-

loop recycling system for steel between Volkswagen's main plant in Wolfsburg and the integrated steelworks in Salzgitter. Accordingly, the Volkswagen Group makes the steel residues from production available again to Salzgitter AG, which melts them down, processes them into new steel products and delivers them to Wolfsburg for car production again. The aim is to extend this "closed loop" for steel to other Volkswagen Group production sites in the future.

Murat Aksel, Group Board Member for Purchasing at Volkswagen AG, emphasised the strategic importance of the cooperation: "Purchasing is a decisive factor for the Volkswagen Group on the road to CO neutrality. And we want to achieve this goal by 2050 at the latest.Even today, parts of our production are CO -neutral in balance sheet terms - for example, in ID.3 production in Zwickau. The transformation to e-mobility is significantly increasing the importance of corporate purchasing in terms of decarbonisation: while the supply chain has so far been responsible for 17 percent of CO emissions over the entire life cycle of the Golf, this figure has already risen to 42 percent for the ID. 3. For the further improvement of our CO balance, the use of materials - above all the raw material steel - plays a central role. The use of C0 -reduced steel is an important step here, as is the recycling of steel residues.

With green steel and a recycling loop, we will make Volkswagen's supply chains even more environmentally friendly in the future."

Gunnar Groebler, Chairman of the Executive Board of Salzgitter AG, welcomes the expansion of the long-standing cooperation with Volkswagen to include this important purpose for the future: "The decarbonisation of society and the economy can only succeed with the cooperation of strong partners. Our joint project is an excellent example of this new way of doing business - the circular economy with closed material flows. The close proximity of steel and car production is another ecological plus of this planned cooperation. By supplying green steel and taking back the steel residues from car production, we are supporting our long-standing customer Volkswagen in achieving its climate targets. This is another very concrete step towards expanding and strengthening the market-based structures of the Circular Economy."

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