Open Letter by Civil Society Groups Critical of Industry-Created “Global Steel Climate Council”

To: Representatives of Steel Breakthrough Agenda Signatory and G20 Nations

August 22, 2023

We are international civil society organizations that share a common goal of achieving a decarbonized global steel industry. From wind turbines to railroads to electric vehicles, steel is a backbone of a clean energy economy. Our organizations work globally across markets and together with the major actors including steelmakers, steel buyers, investors, financial institutions and policymakers. The future of steel production has important implications for the global climate as it is currently responsible for approximately 7% of global greenhouse gas emissions. Industry needs to move quickly and decisively to contribute to keeping the global temperature increase under 1.5°C.

We recognize that the establishment of a global standard to certify low-emissions and responsibly-produced steel is necessary for achieving these goals. We are writing to share our concerns about a new “standard” proposed by the industry-created Global Steel Climate Council (“GSCC”).

Summary

Any standard needs to result from a credible multistakeholder process, be globally relevant, drive industry change to align with limiting warming to 1.5C degrees and consider the full environmental and social impacts of steelmaking. Unfortunately, in our opinion, the “standard” proposed by the industry-created Global Steel Climate Council (“GSCC”) does not because it:

- lacks a credible multi-stakeholder process, enabling industry to set its own rules
- threatens to set back efforts for decarbonization. Any “standard” that gives secondary production a pass while setting potentially counterproductive terms for primary producers risks irrelevance as it rewards the status quo in richer countries, and does not sufficiently incentivize primary producers to invest in low-emissions technologies.
- adds to confusion around standardization. Even in the scrap sector, on which it focuses, it lacks ambition to drive emissions down.
- ignores labor, social and wider environmental issues beyond decarbonisation.

This is why we have decided not to engage in their process and express our concerns publicly. We concluded GSCC is not fit for purpose as a third-party system to certify low-emissions steel.

Our recommendations:

- We ask policymakers not to use it as a basis for trade agreements or government standards, noting that an impetus behind its creation was to influence trade agreements or other government standards,
- We recommend steelmakers not to seek certification under this system, and that buyers not use it in their purchasing decisions.

1. Industry Players Are Writing Their Own Rules Without Clear, Credible Governance
The effectiveness of GSCC in creating a system to reduce emissions from the steel sector is undermined by having specific commercial interests write the rules. The GSCC "standard" was created and entirely backed by commercial entities within the steel industry rather than conceived as a global multi-stakeholder initiative. There are best practices for international standard setting issued by WTO and a Standard-Setting Code from ISEAL, neither of which GSCC appears to have adhered to.

From its conception it appears to have been a closed process lacking representatives from the many civil society organizations working on issues related to steel production. These include expert organizations in decarbonization, organizations working to address pollution and community harm from steel mills, organizations working on labor rights, organizations working on upstream environmental and human rights impacts related to steel production, including mining of coal and iron, scrap recycling and forest protection. GSCC members comprise only steel producers, steel recyclers and trade associations.

In any credible international standard, decision-making needs to be impartial and with an intention to reach consensus. Proper governance is needed to ensure industry and non-industry voices carry equal weight in decision-making, first on deciding the process itself and then developing the actual standard together.

Initially, GSCC announced its existence in November 2022 via a press release, then issued a draft "standard" on April 26th based on its own work without a deliberative public process. The GSCC website did not detail the rest of the process including when and how input would be integrated nor when it would be finalized. The announcement launching the standard simply says all comments were reviewed and the nature of any future engagement with civil society is not clear.

2. Rebranding Recycled Steel Does Not Drive Global Decarbonization Forward
GSCC states the rationale behind their "standard" as: "*The standard must lead to everyone in the global steel industry working to reduce carbon emissions. This can be achieved by creating a science-based emissions standard based on actual emissions that would apply to all producers equally on a global basis.*"

We agree that to be relevant any standard should be globally applicable. But this standard is not. It is not relevant to primary production of steel from iron ore, which accounts for 70% of global steel production and 90% of the sector's emissions. Only 30% is made in electric arc furnaces (EAFs), mainly, but not solely, from scrap.

We recognize that more work is needed by industry, government and civil society to unlock higher rates of circularity in the sector. We must drive material efficiency in design to use less steel for longer periods. When that usefulness has come to an end we need to improve recycling systems for steel scrap, especially as increased quantities of scrap become available in the coming decades. These strategies must sit alongside efforts to decarbonize primary steel.

Unfortunately in our opinion, the proposed GSCC “standard” does not provide tools to achieve any of these ends.

Climate stability cannot be achieved without significant emissions reductions by 2030. Reductions from ironmaking are unavoidable as global scrap supplies are limited. The International Energy Agency (IEA) estimated the global recycling rate for scrap is already at 85%. Over time, as steel infrastructure ages and recycling systems improve, more scrap will become available, and secondary production will replace much of primary production, but primary production will still be needed for decades to come. The Mission Possible Partnership concludes that “even in a more circular economy, over one billion tonnes per annum of primary steel (using iron ore feedstock as opposed to scrap) will be needed globally by 2050.” We need the emissions intensity of primary production to quickly decline.

Any global standard needs to recognize that scrap supplies are also unevenly distributed[1]– steel scrap is abundant in regions with a long enough history of steelmaking where steel has reached the end of its useful life and been recycled, namely Europe, the United States and Japan. Scrap is in short supply in emerging markets, including the world’s largest steel-producing country, China, as well as India, the fastest growing steel-producing country.

The “standard” proposed by GSCC would simply award a green label to those companies that specialize in scrap-based electric arc furnace production, and be out of reach for the majority of primary producers. Any “standard” that gives secondary production a pass while setting potentially counterproductive terms for primary producers risks irrelevance as it rewards the status quo in richer countries, and does not sufficiently incentivize primary producers to invest in low-emissions technologies. GSCC’s factsheet criticizes the notion of a sliding scale based on scrap usage but this provides a mechanism that can be used to accelerate change across the entire industry. Every other mainstream standard normalizes for scrap content.[2]

So if the purpose of this “standard” is to drive decarbonization of steel, it cannot achieve that. Furthermore, the press release announcing the GSCC’s formation indicates some alternative

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[1] See Mission Possible Partnership “Making Net Zero Steel Possible” figure on p.32: “BAU demand for crude steel and scrap availability by region” for regional comparisons of scrap availability. Even with increased circularity instead of business as usual there are still sizable gaps, especially in Asia which drives the growth of global steel demand.
https://missionpossiblepartnership.org/wp-content/uploads/2022/09/Making-Net-Zero-Steel-possible.pdf

[2] The International Energy Agency issued recommendations for G7 members regarding achieving near zero emissions steel that proposed threshold ranges for steel production using a sliding scale of 50-400 kg of CO2 equivalent per tonne (kgCO2e/t) depending on the amount of scrap used.
The Science Based Targets Initiative created guidance for steel producers to align themselves with 1.5 degree scenarios. The guidance set a total budget for the steel industry and then apportioned it between iron ore and scrap. Steelmakers will be required to decarbonize regardless of scrap use as emissions reduction targets are adjusted based on percentage of scrap.
Rocky Mountain Institute’s Steel Emissions Reporting Guidance concludes that “Analyzing the emissions intensity of steel products by considering the amount of scrap used to generate the product is critical.”
The ResponsibleSteel standard includes a sliding scale for all steel producers that normalizes emissions based on scrap content with lower emissions targets as percentages of scrap use increase.

motivations. The release ties the creation of the GSCC to a need to influence political negotiations in Europe and the United States over the definition of low-emissions steel: "*The GSCC — is challenging the "sliding scale" proposal that the United States and European Union are considering as they negotiate a new emissions standard for steel production."*
GSCC explicitly expresses concern about "*penalizing EAF producers.*"

The composition of the founding membership of the GSCC gives additional reason to believe that influencing trade negotiations is a main driver. The founding members are the Steel Manufacturers Association [trade association for US EAF companies], Nucor Corporation [EAF-based US steelmaker], CELSA Group [European EAF-based steelmaker], Steel Dynamics, Inc. [US EAF-based steelmaker metal recycler], Commercial Metals Company [global EAF steelmaker and metal recycler] and the Institute of Scrap Recycling Industries [US-based "Voice of the Recycling Industry"].

Creating a "global standard" that ignores Asia, and is tailored to a narrow slice of the steel industry primarily in North America and Europe, does nothing to move the global industry. We need a standard that incentivizes companies to do their part to reduce emissions and keep warming under 1.5°C. We need to reward ironmakers for switching from high-emissions processes to near-zero emissions processes like direct reduced iron made from renewable hydrogen. Rather, this "standard" facilitates cherry-picking, where steelmakers with access to scrap supplies can be rewarded for meeting an emissions standard they designed without doing anything additional for years to come.

The reality is scrap-based steelmakers are already well-positioned to achieve near zero emissions by powering their facilities with renewable energy, are competitive in the marketplace today and do not need to tilt the scales in their favor.

3. Worsens Marketplace Confusion Around Standards
Steelmakers need to recoup their investments in new and cleaner methods of producing steel. Certified steel is a way to differentiate such investments and create value with buyers. There are numerous steelmaker-specific steel product standards based on disparate methodologies of varying quality.

The proliferation of standards has led to calls for coherence in standard setting and measurement in. GSCC claims to be a global product standard but lacks credibility and aims to compete with an already-established multiple stakeholder steel site and product standard, ResponsibleSteel. It also claims to be a global science-based standard for steel producers, but Science Based Targets Initiative already has pathways for steel companies and the release of a 1.5°-aligned pathway was finalized in July 2023 and was created by industry and civil society together after an extensive public consultation process.

The proliferation of overlapping standards itself is a widely recognized problem. ISEAL sets normative guidelines for standards-setting, advising potential standards-setters to avoid duplication of existing standards so as to achieve "measurable progress towards their social

and environmental objectives, without creating unnecessary barriers to international trade." The WTO states, "Where international standards exist or their completion is imminent, the standardizing body shall use them, or the relevant parts of them, as a basis for the standards it develops." GSCC does not appear to follow WTO or ISEAL guidance as we do not see signs of attempts to build upon existing standards.

4. Fails to Address Environmental and Social Issues Beyond Climate Change
GSCC's scope starts and stops with climate change. ISEAL Credibility Principle #3 for Relevance states: "There is an assessment of the most significant social and environmental challenges faced by the sector or industry. Requirements in the standard primarily focus on these most significant sustainability issues."

The GSCC does not attempt to address the numerous other environmental and social impacts with steel production beyond greenhouse gas emissions. Steel today is dependent on mining for coal and iron, both of which can cause significant environmental harm. Wood, charcoal and biomass are sometimes used instead of coal and can contribute to forest degradation or deforestation. The deconstruction and recycling of steel into scrap can be polluting and hazardous for workers. Steel mills themselves are significant sources of air pollution.

Decarbonizing steel and the full supply chain is our opportunity to build a sustainable steel industry for the next century. While shifting to cleaner technologies, the industry can simultaneously take action on air and water pollution, human rights and workers' rights. Those affected should have a voice and say in decision-making. Any robust standard would have environmental and social concerns within the scope and those stakeholders at the table from the start.

Conclusion
The decarbonisation of the entire steel sector is essential to climate stability, and standards for green steel can play an invaluable role in shifting the market. But any standard needs to result from a credible multistakeholder process, be globally relevant, drive industry change to align with limiting warming to 1.5C degrees and consider the full environmental and social impacts of steelmaking.

We do not see the Global Steel Climate Council "standard" as fulfilling these criteria. For these reasons we

- recommend that steelmakers not seek certification under this system,
- discourage buyers from specifying GSCC certification in their procurement of low-emissions steel, and
- ask policymakers not to adopt it into standards, trade agreements or other protocols.

The undersigned (in alphabetical order):

Climate Catalyst	International
E3G	International
Friends of the Earth Finland	Finland
Global Energy Monitor	International
Mighty Earth	International
NEXT Group	South Korea
Public Citizen	United States
SteelWatch	International
The Sunrise Project	International
WWF Australia	International