



# LIFE COASE

## Workshop on the role of carbon markets in reaching carbon neutrality

17 - 21 June 2023

09:15-11:30 | Session 6: Decarbonising industry and agriculture

**Presenter:** Maxime Gérardin (France Stratégie)

**Title:** Steelmaking and Decarbonization: Don't Set the Wrong Objectives!

**Abstract:** With almost 10% of the world's CO<sub>2</sub> emissions, steel production is one of the major activities to decarbonize. Producing one tonne of steel today emits around 2.1 tonnes of CO<sub>2</sub> if it is "primary" steel, i.e. from iron ore, but only 0.4 if it derives from recycling. Hence, at first glance, recycling appears as the solution. However, the available steel scrap is already widely collected and recycled, because it is profitable to do so. It will cover a growing proportion of the world's steel supply, but will not exceed 50% by 2050, a long way from complete circularity. To successfully decarbonize steel, we must therefore first insist on the technological decarbonization of its primary production, and on keeping the amount of steel used under control. By contrast, most corporate climate policies and some public policies are based on environmental product declarations (EPDs), which "rate" steel higher when it incorporates a high proportion of recycled material. This practice, if continued, will tend to reduce the decarbonization drive of the most ambitious purchasers to a "battle for scrap", reorganizing flows with no effect on total emissions, and obscuring the importance of reducing the amounts of steel used. Yet, other accounting methods have already been proposed that avoid these biases. Their wider adoption would be highly desirable. In Europe, the end of free allocation of emission allowances and its replacement by the carbon border adjustment mechanisms is poised to bring about a powerful and cost-effective decarbonization of the European consumption of industrial products - if allowance prices settle lastingly at the necessary level, and if the adjustment mechanism is extended to better cover "carbon leakage". However, in its initial form, the adjustment mechanism presents the abovementioned bias, and will therefore tend, for steel, to translate the European lead in decarbonization into a simple attraction of scrap and recycled steel to Europe. To re-establish a full European contribution to the global decarbonization of the steel industry, the method for determining the carbon adjustment may be brought in closer coherence with the workings of the market economy. Technically, this is a relatively simple change, but it represents a very significant conceptual leap, that must be carefully justified.

Webpage and programme [here](#).



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