



ArcelorMittal

Industry Association Report Addendum



Introduction

After COP27, there is no doubt about the commitment most countries have to transition to a resilient, low-carbon economy. Likewise, it is also clear that we are not yet on track to achieve the emissions reduction needed to limit global warming at 1.5°C and avoid the worst impacts of climate change.

Meaningful and purposeful collaboration will be critical to accelerate progress towards these shared goals across all sectors of the global economy. Of particular relevance is how businesses can engage constructively with governments and civil society to create the opportunities to either enhance decarbonization strategies, accelerate technology breakthroughs or advocate for better climate policies.

Policy impacts the framework in which the global economy operates. It has the capacity to drive investment in low-carbon technologies, increase the competitiveness of low-carbon products and shift customer preferences. It ultimately plays an important role in creating the right environment for public and private stakeholders, and society more broadly, to transition to net-zero.

To set ArcelorMittal's CO2 emission reduction targets, we have made a set of key assumptions, including the introduction of climate-friendly policies in the different regions where we operate. Policy is required to address not only the significant capital expenditure needed to transition to zero carbon-emissions technologies, but also the considerably higher operating costs associated with these technologies, and their enabling infrastructure, in their early stages of implementation. Policy instruments, such as contracts for difference used to enable competitive renewable energy, will play an important role in ensuring a level playing field during the transition period. ArcelorMittal actively and directly engages with policymakers and organisations that advocate for the policies and conditions that will enable the steel sector to accelerate and achieve its net-zero transition globally while remaining competitive.

Engagement with trade associations and other membership organizations plays a key role in our advocacy work, notably in their capacity to aggregate and communicate sectoral input to policymakers and offer feedback on upcoming legislation. Therefore, it is essential that the positions and activities of industry associations are aligned with the Paris Agreement and our broader policy priorities, both for the extensive transition of the market to net zero, and for ArcelorMittal to meet its medium and long-term decarbonization targets.

ArcelorMittal has done a periodic assessment of industry associations in 2020 and 2022. The latter involved the assessment of 61 associations because they either had an influential role in climate-related public policy; represented sectors or activities that are relevant to climate change; and/or operated in regions or countries where we have significant business activities.

This report is an addendum to the full report published in March 2022 "Mapping ArcelorMittal's advocacy alignment with the goal of net zero by 2050". It focuses on 5 industry associations that were highlighted in InfluenceMap's review of our industry associations and that have displayed changes in their positions since our last report.

In parallel to this report, we continued to engage with industry associations that were found not to be fully aligned in the past reporting cycle and who's positions have not changed. This is being done by clarifying our policy positions, highlighting our expectations from industry associations, encouraging them to refine their public narrative on policy advocacy and create dialogue between the industry associations and third parties that assess of industry associations (e.g. InfluenceMap). We will continue to engage these industry associations until the publication of our next report, possibly in Q4 2023. We will take that as an opportunity to review our action plan (e.g. potential escalation in the case of misalignment).

Paris-aligned advocacy

As ArcelorMittal highlighted in its Climate Action Report 2 (CAR2), an important element of our long-term business strategy is to achieve the goals of the Paris agreement through meeting our target of net zero carbon emissions by 2050. One of the key actions to achieve this is to support climate policy that facilitates our sector's accelerated decarbonisation in each of our jurisdictions. In CAR2, we outlined the vital policy conditions needed for the sector and ArcelorMittal to achieve this, as follows:

- 1. Measures to incentivise the production of zero carbon emissions steel e.g. emissions trading systems, carbon taxation
- 2. Fair and competitive market conditions to avoid carbon leakage e.g. carbon border adjustment mechanisms
- 3. Financial support to make long-term investments e.g. carbon contracts for difference
- 4. Access to sufficient, affordable clean energy
- 5. Measures to incentivise the consumption of zero carbon emissions steel

Different combinations of the policy conditions described above (hereafter referred to as our policy priorities) can be used to deliver the necessary end result: where the five policy conditions outlined above are achieved, low and zero carbon-emissions steel will be at least as competitive as higher carbon emissions steel and the decarbonisation of steelmaking will accelerate. Currently this is happening at different levels across the main jurisdictions in which we produce steel, as we highlight in the table below.

Methodology

Similarly, to previous versions of this report, we determined the extent of overall alignment for each association in two steps.

- The first step was to assess each industry association's policy priorities and lobbying activities against ArcelorMittal's five policy priorities alongside commitment to the Paris Agreement to determine whether they are broadly consistent with ours, absent or misaligned. Absence of alignment on a policy priority may be due to the nature of the industry association, whereby the policy priority is irrelevant, or because there is lack of consensus amongst the association's membership.
- The second step was to determine whether the overall industry association is: (1) Aligned; (2) Partially Aligned; (3) Not engaged; or (4) Misaligned. The key considerations were whether the associations stated their support for, or had activities aligned with, the Paris Agreement goal to limit global warming to well below 2 °C. If they did not, they could only be categorised as Partially Aligned, Not Engaged or Misaligned, depending on the number of broadly consistent positions. The specific criteria for each category are outlined below:

Alignment			
Extent to which the association works towards ArcelorMittal's policy priorities			
Aligned	Partially aligned	Not engaged	Misaligned
Stated support for the Paris Agreement. No evidence of policy positions or activities misaligned with ArcelorMittal five policy priorities. ≤ 50% of areas where we found no position.	Alignment with ArcelorMittal policy positions in some or most areas. No evidence of policy positions or activities misaligned with ArcelorMittal policy priorities. No position on > 50% policy priorities.	No evidence of policy positions or activities on any of ArcelorMittal's policy priorities.	Evidence of policy positions or activities misaligned with ArcelorMittal policy priorities.

Mapping exercise results

Policy priorities

1. Measures to incentivise the production of zero carbon emissions steel e.g. emissions trading systems, carbon taxation
2. Fair and competitive market conditions to avoid carbon leakage e.g. carbon border adjustment mechanisms
3. Financial support to make long-term investments e.g. carbon contracts for difference
4. Access to sufficient, affordable clean energy
5. Measures to incentivise the consumption of zero carbon emissions steel



Industry association	Paris	1	2	3	4	5	Assessment	Next steps
International Federation of Industrial Energy Consumers (IFIEC)	Aligned	Aligned	Aligned	Aligned	Aligned	No position	<p>Level of engagement: On the board of directors Alignment: partially aligned</p> <p>IFIEC's position is aligned with the aims of the Paris agreement, while maintaining the EU should operate on a level playing field with other, non-EU based competitors¹. IFIEC also supports an ETS that both delivers climate targets cost efficiently and supports the decarbonisation of the EU industry, and the introduction of Carbon Border Adjustment as a measure to address the risk of carbon leakage².</p> <p>In 2021, IFIEC stated that revision of the renewable energy directive could help industry decarbonise provided access to abundant, competitive secure and low carbon energy and hydrogen is assured, also point out that the revision should create the necessary legal certainty for investment in low-carbon and breakthrough technological solutions³.</p> <p>In 2022, it strongly supported the EU's increased 2030 GHG target, while again stressing the risk of carbon leakage and impacts on international competitiveness due to unilateral increases in the EU's climate ambition⁴. Finally, it advocates for carbon contracts for difference to finance breakthrough technologies⁵.</p>	<ul style="list-style-type: none"> • ArcelorMittal will remain a member of IFIEC, while we continue to engage on areas where we do not have alignment and that are relevant to its nature. • By way of this report and other communications, we signal to IFIEC our policy positions and the need for continued alignment in the future. • Alignment will be periodically tracked, with the aim of reflecting any changes in the industry association's position, and any changes in ArcelorMittal's policy priorities.
Canadian Chambre of Commerce (CCC)	Aligned	Aligned	Aligned	Aligned	Aligned	No position	<p>Level of engagement: Member Committees/ working groups: International Affairs and Liaison Alignment: aligned</p> <p>CCC broadly supports Canada's NDC and climate strategy, while seeing the development of policy recommendations to ensure the decarbonisation of Canadian energy grids as a catalyst for further economic growth and development⁶. CCC is in favour of government's net zero support (Net Zero Accelerator Initiatives and input tax credits) but calls for more support such as an incentives-based approach to net zero⁷. It has also recommended the direction of majority of revenues from the carbon tax towards efforts that directly facilitate businesses' transition to a low-carbon economy (e.g. investment in low-carbon processes). In 2022, it also supported a carbon border adjustment mechanism that reduces the risk of carbon leakage, maintains the competitiveness of domestic industries, and drives climate action. It recommended that revenues from such a mechanism be used to support investment in private sector decarbonization initiatives⁸.</p>	<ul style="list-style-type: none"> • ArcelorMittal will remain a member of CCC, while we continue to engage on areas where we do not have alignment and that are relevant to its nature. • By way of this report and other communications, we signal to CCC our policy positions and the need for continued alignment in the future. • Alignment will be periodically tracked, with the aim of reflecting any changes in the industry association's position, and any changes in ArcelorMittal's policy priorities.

¹ https://www.ifeceurope.org/fileadmin/Downloads/20151214_IFE_Press_Release_Real_action_to_follow_the_Paris_agreement_is_needed.pdf

² https://www.ifeceurope.org/fileadmin/Downloads/Climate/Ells_joint_statement_on_ETS.pdf

³ https://www.ifeceurope.org/fileadmin/Downloads/Climate/IFIEC_Europe_final_response_to_RED_18.11.21.pdf

⁴ https://www.ifeceurope.org/fileadmin/Downloads/Climate/Ells_joint_statement_on_ETS.pdf

⁵ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12228-EU-Green-Deal-carbon-border-adjustment-mechanism-/F2751888_en

⁶ <https://chamber.ca/strategicissues/natural-resources-environment-energy/>

⁷ <https://chamber.ca/wp-content/uploads/2022/09/2022-09-15-Canadian-Chamber-of-Commerce-Oil-and-Gas-Sector-Emissions.pdf>

⁸ <https://chamber.ca/wp-content/uploads/2022/02/2022-01-31-CCC-Border-Carbon-Adjustments.pdf>

Industry association	Paris	1	2	3	4	5	Assessment	Next steps
Federation of German Industries (BDI)							<p>Level of engagement: On the board of directors Alignment: aligned</p> <p>The BDI has been mandated with the presidency of the B7, which has the role of consolidating the interests of the business community of the G7 countries and develop concrete and actionable recommendations. The B7 issued recommendations in 2022 focusing on Climate Policy. In which it welcomed the exploration of the "climate club" concept, which aims to accelerate industrial decarbonization while addressing carbon leakage concerns.</p> <p>The document supports the commitment of all industrial nations to Paris-aligned short and long-term objectives, including reductions by 2030, and to net-zero targets by mid-century, as a condition for a global carbon price⁹¹⁰. It also acknowledges that technologies and approaches to expand deployment of diverse energy sources, including renewable energy, are important to meeting climate goals and energy security. In relation to finance, the document argued for scaling up climate finance for developing countries from developed nations, in addition to technical assistance (e.g. through climate partnerships).</p> <p>The document also called on governments to resolve issue of standards and common definitions for green base materials, including green steel, while also considering appropriate measures (e.g. Green Public Procurement) for the creation of corresponding markets. Finally, the document urged all G7 governments to aim to introduce carbon pricing.</p>	<ul style="list-style-type: none"> ArcelorMittal will remain a member of BDI. By way of this report and other communications, we signal to BDI our policy positions and the need for continued alignment in the future. Alignment will be periodically tracked, with the aim of reflecting any changes in the industry association's position, and any changes in ArcelorMittal's policy priorities.
South African Iron and Steel Institute (SAISI)							<p>Level of engagement: Member Alignment: aligned</p> <p>In 2022, SAIISI adopted the World Steel Association's policy paper "Climate change and the production of iron and steel" which indicates support of the aims of the Paris Agreement. The paper also calls for policy support for the mitigation of first mover disadvantage when it comes to the production of low-carbon steel. This would come in the form of increasing the demand for low-carbon materials and creating a market for low-carbon steel. It also calls on governments to enable access to finance for the transition, and ensuring availability and affordability of low-carbon resources (e.g. hydrogen)¹¹. Some evidence also suggests SAIISI supports a carbon tax in South Africa¹².</p>	<ul style="list-style-type: none"> ArcelorMittal will remain a member of SAIISI. By way of this report and other communications, we signal to SAIISI our policy positions and the need for continued alignment in the future. Alignment will be periodically tracked, with the aim of reflecting any changes in the industry association's position, and any changes in ArcelorMittal's policy priorities.
American Iron and Steel Institute (AISI)							<p>Level of engagement: Member Alignment: partially aligned</p> <p>AISI supports some of the goals of the Paris Agreement around climate change mitigation and energy transition. In February 2022 in comments to the Department of Energy, the association supported the decarbonization of the steel industry by advocating for renewable energy, CCS, and clean hydrogen¹³, and has expressed support for renewables and nuclear provisions in the Inflation Reduction Act, which would increase financial support available for energy related investments.</p> <p>As part of its energy and climate change principles, AISI also highlighted the importance of including effective border adjustment in future climate legislation, as well as the adoption of policy that acknowledges that emission reduction is dependent on the development of new processes for steelmaking that significantly reduce GHG emissions by minimizing reliance on carbon-intensive fuels¹⁴.</p> <p>It also it supported the US government's action to stimulate purchasing low-carbon materials for federal projects. In December 2022, AISI published supported the Federal Buy Clean Initiative, which would prioritize lower-carbon construction materials in Federal procurement and federally funded projects¹⁵.</p>	<ul style="list-style-type: none"> ArcelorMittal will remain a member of AISI. By way of this report and other communications, we signal to AISI our policy positions and the need for continued alignment in the future. Alignment will be periodically tracked, with the aim of reflecting any changes in the industry association's position, and any changes in ArcelorMittal's policy priorities.

⁹ <https://english.bdi.eu/article/news/climate-club-as-the-starting-point-to-globally-align-climate-ambitions/>

¹⁰ <https://english.bdi.eu/article/news/b7-climate-policy-recommendations-energy-electricity-gas>

¹¹ <https://www.saisi.org/steel-industry/environment/>

¹² https://www.engineeringnews.co.za/article/opinion-south-african-steel-industry-is-an-industry-in-distress-2020-03-06/rep_id:4136

¹³ <https://www.steel.org/2022/09/aisi-comments-on-white-house-buy-clean-announcement/>

¹⁴ <https://www.steel.org/public-policy/energy-and-climate-change/>

¹⁵ <https://www.steel.org/2022/09/aisi-comments-on-white-house-buy-clean-announcement/>