



Steel Purchaser Framework

Investor support for development of low emission steel

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Introduction

Steel is one of the world's most widely used materials. An increasing number of companies, connected to the production or use of steel, are setting climate ambitions and pursuing actions that support the transition to a net zero world. Achieving decarbonisation in the steel sector can be supported by stakeholders across the steel value chain.

Over the past five years, investors who are part of the Institutional Investors Group on Climate Change (IIGCC) and the Climate Action 100+ Initiative, have been engaging with major steel producers to support producers to develop their own effective climate transition plans, reduce transition risk and deliver a just transition for their workforce and communities. As an outcome of this engagement, the [Climate Action 100+ Global Sector Strategies report](#), authored by IIGCC, identified a number of actions that would be required across the value chain to deliver this transition, including the need to engage steel purchasers to commit to low emission steel procurement. In 2022, IIGCC formed an investor working group to engage with the demand side and other stakeholders through a series of roundtables and direct dialogue and to develop disclosure guidance for low emission steel purchasing commitments.

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As a result, investors have now developed a series of proposed commitments which purchasers of steel can opt to publicly disclose for procurement of low emission materials in line with an appropriate 1.5°C aligned pathway, both directly and through purchase of sub-components. This framework aims to provide support and enable investors and relevant stakeholders to assess, compare and track steel purchasing commitments in support of the timely development of decarbonisation technologies for this economically critical sector. This is the first iteration which will evolve over time as industry definitions and pathways advance.

Key asks of the Framework

Companies purchasing steel can support the demand signals for low emissions product and the drive to net zero by choosing to publicly agree to:

- 1. Set a 2030 target for % of steel procured with emissions intensity (per tonne of steel purchased) at or below:**
 - a) SteelZero's Low(er) Embodied Carbon Steel benchmark.¹**
 - b) IEA Near Zero Steel Production emission intensity threshold.² (equivalent to ResponsibleSteel Performance Level 4: Near Zero³)**
- 2. Set a 2030 target for average emissions intensity for total, primary and secondary steel.⁴**
- 3. Set a 2030 target for increasing proportion of suppliers with externally verified 2050 net zero commitments consistent with 1.5C, through engagement and enabling mechanisms for these commitments.**
- 4. Commit to procuring by 2050 100% of steel with net zero emissions intensity.**

**This framework recommends that companies join [SteelZero](#) to signal their ambition and receive support in implementing commitments. However, investors rely on public disclosure and therefore this framework recommends members of SteelZero additionally publish their procurement commitments and supporting disclosures via this framework.*

Disclosure

To support the credibility of commitments, investors recommend that steel purchasers disclose additional information to enable adequate granularity and comparability and an assessment

against a 1.5 degree pathway (subject to restrictions on sharing any non-public and/or competitively sensitive information, in each case to be assessed by each individual purchaser before disclosing such information). The elements recommended for disclosure are set out below, covering background information, climate targets and steel mix and intensity, as well as an opportunity to comment on key barriers to providing such details or delivering on commitments.

Topic/Criteria	Framing of Criteria	Company disclosure
1) Topic: Background Information (steel usage, purchasing strategy and corporate emissions targets)		
1.1 Existing steel uses	Summarise the uses of steel within your organisation setting out its importance to the company and any relevant quality/performance requirements relevant to low emission steel	
1.2 Existing steel purchasing strategy	To the extent possible, summarise your current steel procurement strategy including source regions and average length of procurement contracts	
1.3 Existing corporate emissions targets	State existing corporate GHG emissions reduction targets (base year, base year value, % reduction, target year, scopes and operations covered etc.). State if steel purchasing (Scope 3, category 1) is included in your targets and the contribution from low emission steel in both absolute or % terms	
2) Topic: Current steel purchasing mix and emission intensity		
2.1 Current procurement	State the proportion of steel purchased directly and that purchased through sub-components	
2.1 Current mix of primary and	State the mix of primary (BF-BOF and DRI-EAF)/secondary (scrap-based EAF) steel purchased in the last financial year and target base year in either	

secondary steel purchased

absolute or % terms and any additional splits or relative measures that might be useful to track commitments.

Where steel is purchased indirectly, state the mix, stating estimates used if data is not provided by suppliers and engagement being undertaken to secure this information.

2.2 Current emission intensity

State the average emissions intensity for total, primary (BF-BOF and DRI-EAF) and secondary (scrap-based EAF) steel purchased in the last financial year and target base year in metric tonnes CO₂e/metric tonne of crude steel, explicitly stating the emissions metric⁶ used. Use industry averages where necessary, stating the source and calculation.

Where steel is purchased indirectly, state the intensity, stating the estimates used if necessary and the engagement being undertaken to improve data from suppliers.

2.3 Current % of steel purchased from steelmakers with net zero commitments

State the proportion of steel purchased from steelmakers with public net zero commitments that have been externally verified) as consistent with 1.5°C (by TPI or SBTi)

3) Topic: Future steel purchasing mix and target emission intensity

3.1 Estimated mix and intensity of primary and secondary steel in 2030

Estimate a) the mix of primary (BF-BOF and DRI-EAF)/secondary (scrap-based EAF) steel purchased in 2030 in % terms (parameters can be stated as a narrow range)

4) Topic: Low Emission Steel Purchasing Strategy and Barriers

4.1 Low-Emissions Steel Purchasing strategy

Describe the actions required to deliver on these commitments including signing additional bilateral offtake agreements, value chain engagement, shifting procurement regionally, agreements to return scrap

	from product to producers and deployment timescale as appropriate	
4.2 Financial implications of low emissions steel strategy	Describe and quantify (where possible) expected financial implications of these commitments and how these might be addressed	
4.3 Barriers – policy, economic, technological	Describe the key uncertainties (policy, technology and other) to delivering on these commitments, how the company plans to address these and where investors could support to reduce these	

Definitions and clarifications

1. The SteelZero Low(er) Embodied Carbon Steel 2030 benchmark is currently established at 1.4 tCO₂e/t for primary steel and 0.2 tCO₂e/t for secondary steel. Intensity values underpinning this benchmark may shift slightly in the future as analysis on emissions pathways in steel consistent with 1.5°C evolves (Appendix A, [SteelZero Commitment Framework](#), 2021)
2. The IEA Near Zero Steel Production emission intensity threshold is defined as 0.4 tCO₂e/t for primary steel with 0% scrap and 0.05 tCO₂e/t for secondary steel with 100% scrap (Technical Annex, [Achieving Net Zero Heavy Industry Sectors in G7 Members](#), IEA, 2022)
3. The ResponsibleSteel Performance Level 4: Near Zero has been aligned to the IEA Near Zero threshold ([ResponsibleSteel Standard Version 2.0](#), 2022)
4. Primary steel is that generally produced using Blast Furnace and Basic Oxygen Furnace (BF-BOF) or using Direct Reduced Iron with an Electric Arc Furnace (DRI-EAF). These methods use raw input materials. Secondary steel is produced using scrap steel as an input, usually with EAF. As proposed by the IEA, 30% scrap use should be considered the cut-off below which primary near zero emission production is explicitly recognised ([Achieving Net Zero Heavy Industry Sectors in G7 Members](#), IEA, 2022)
5. The emissions boundary used to determine emissions for the production of steel should be consistent with that used by ResponsibleSteel, which includes Scope 1, Scope 2 and upstream Scope 3 including emissions associated with material extraction, material preparation and processing and transportation ([ResponsibleSteel Standard Version 2.0](#), 2022)
6. Sub-components can be defined as smaller components or parts that are already partially or fully manufactured and are ready to be integrated into a larger assembly or product.

Reminder on Legal Parameters

All communications and initiatives undertaken by IIGCC are designed solely to achieve climate change and sustainability objectives in accordance with the relevant laws, including data protection and privacy, competition laws and acting in concert rules.

Competition law prohibits agreements and concerted practices that have the object or effect of preventing, restricting or distorting competition. The most serious breaches of competition law often involve the exchange of competitively sensitive information and coordination of strategic behaviour between competitors. This is relevant to IIGCC members to the extent they are each other's competitors and since the members' investment companies may also be competitors. It is therefore important that strict rules are followed by the participants in collaborative engagements or initiatives. Participants will not be asked for and must not disclose or exchange strategic or confidential information about their competing businesses, meaning data or information that reduces uncertainty as to how they intend to act commercially now or in the future (e.g. pricing, volumes, detailed costs, detailed customer or supplier information, business strategy, investment plans). Members are responsible for assessing whether information relating to their company is competitively sensitive prior to any disclosure of such information. Participants will not be asked to and must not coordinate views or conduct in such a way that could restrict competition between members or the investment companies, or result in members or the investment companies acting in concert.

In addition, whilst IIGCC's vision is to achieve climate change goals through shareholder engagement, participants in collaborative engagements must take care not to coordinate the strategic competitive behaviour of competing companies, whether members or competing companies. As a condition of participation in any engagement, participants acknowledge that their participation is subject to complying fully with relevant laws.

Please also note that IIGCC's services to members do not include legal, financial or investment advice and if you have any queries regarding any element of this statement please contact your compliance team.