

# Creating a low-carbon world

The case for a Carbon Border Adjustment



## The challenge for steel: reaching carbon neutrality

Steel is one of the most sustainable materials on earth – infinitely recyclable and integral to how we create, build, work and live. Yet steelmaking produces 7% of the world's carbon emissions. If we are to meet our obligations under the Paris Agreement, a pathway to carbon-neutral steelmaking is essential.

At ArcelorMittal, we are developing technologies to make carbon-neutral steel a reality, and these underpin ArcelorMittal Europe's target to reduce carbon emissions by 30% by 2030 and ambition to be carbon neutral by 2050. But we need the right legislation to make this change. In the absence of a global carbon scheme, that is why we are calling for a **Carbon Border Adjustment** that shares the burden fairly and supports all of us who are committed to reducing carbon emissions.

## Steel for a low carbon world

Currently within the EU, producers pay a carbon cost under the EU Emissions Trading System (ETS). But this doesn't apply to steel producers from markets outside the EU, who can sell steel with comparable, or often significantly higher, carbon emissions, at a lower price. The result is that steel production is moving to non-EU countries where carbon emissions legislation is often less strict, undermining efforts to combat climate change.

## The case for a Carbon Border Adjustment

There is a solution. ArcelorMittal supports the introduction of a **Carbon Border Adjustment** as proposed in the EU Green Deal. This would mean that when steel comes into the EU, the carbon costs that European producers pay would be added to the imported steel, equalising the cost of carbon for every producer to create a fair market and, crucially, encourage investment in lower-emissions steel production.



## How will this work effectively?

A **Carbon Border Adjustment** can be applied in various ways, as long as it neutralises the disparities in carbon costs between domestic products and imports, and incentivises the transition to low carbon steel production. This is how it could work best:



- **Producers** exporting to the EU should be charged the same marginal carbon emission cost as European producers pay under the ETS. This should serve as a catalyst to other countries to introduce their own carbon schemes and invest in technologies to decarbonise.



- **The CBA** should initially be applied to primary goods, rather than end products like household appliances and everyday tools. This is the most practical way to introduce the CBA.

**To be effective, free allocation of ETS allowances, which are gradually being phased out by the European Commission, should be maintained in the first stage of the Carbon Border Adjustment, alongside compensation for high energy costs as an indirect result of the ETS. This is crucial to enabling European steel to stay competitive, make investments and transition to a lower carbon footprint without disruption.**

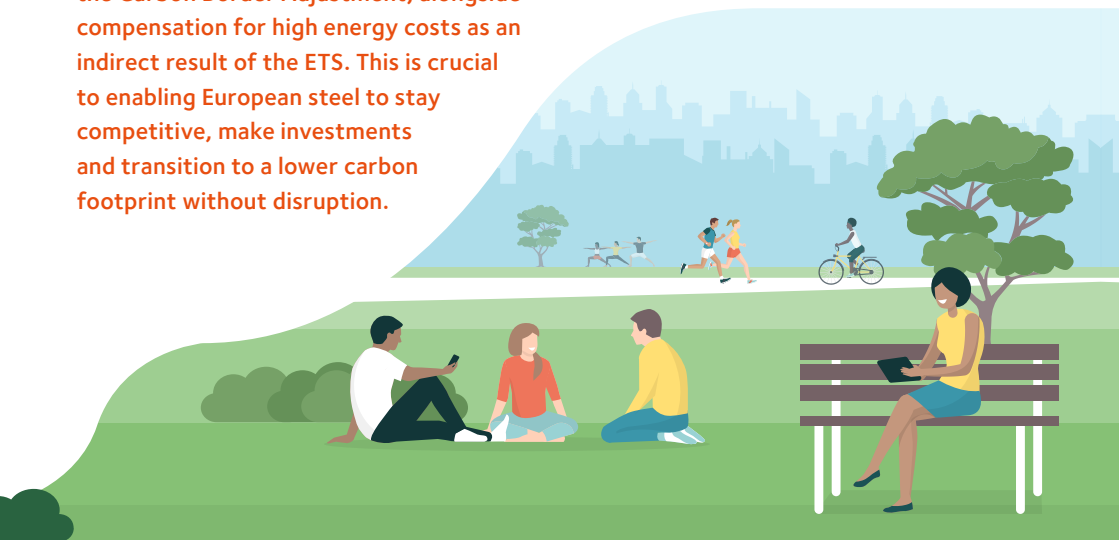
## The impact of a Carbon Border Adjustment

The Energy Transitions Commission estimates that the total annual investment requirements to decarbonise the steel industry globally are around USD\$80 billion per year. With a well designed and fair **Carbon Border Adjustment** and public and private financing to roll out the technology, we are a step closer to making this happen.

We know we need to invest more to decarbonise our industry, but a **Carbon Border Adjustment** will ensure we all contribute equally to a low-carbon world. It means that the price of steel will go up, adding around 1% to the cost of a car for example.<sup>1</sup> However, crucially, the proceeds will be invested in large-scale green technologies that lead to a new era of lower carbon emissions and a cleaner, greener steel industry.

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<sup>1</sup>Mission Possible, Energy Transitions Commission, November 2018



# There are no borders in the sky...

At ArcelorMittal, we are committed to our role in decarbonising the steel industry and delivering on the objectives of the Paris Agreement. Reducing carbon emissions is a global challenge that will require a global solution. Every region and country will need to make a fair contribution in order to transition to a low-carbon world.

## For more information

<https://corporate.arcelormittal.com/sustainability/climate-action-in-europe>

