

Steel Product Certification Requirements Working Groups – Headlines from virtual meetings on 22 April 2020

1. Background

The first meetings of the ResponsibleSteel working groups on steel product claims, greenhouse gas emissions and raw materials all took place on 22 April. The three groups each met in two sessions to allow participation from working group members based in Australia, Europe and the Americas. Working group members then reconvened in joint sessions on 24 April to listen and comment on the headline findings.

All three working groups are considering the requirements that will need to be met in order for claims to be made about the ResponsibleSteel certified status of steel products.

Some 60 participants took part across the three working groups, including active participation from mining and steelmaking businesses and interest groups, downstream steel users, civil society organisations, assurance bodies and consultancy organisations.

This paper documents just the headline elements from the working group sessions. The slides for the sessions, the collated anonymised comments submitted in advance, as well as a recording of an earlier briefing session of 11 March and the accompanying slides are all available on the Resources page of the ResponsibleSteel website.

It should be emphasized that these headlines are not comprehensive and do not reflect formal decisions or agreements of the working groups. They are intended to be indicative of the initial discussions.

2. Headline elements

2.1 Steel Product Claims WG Headlines

Key areas of discussion:

1. Majority support for single level – at least at launch. Some discussion around developing further tiers over time – but possibility that with existing RS standard revision process this may not be necessary. Important to ensure there is a way to achieve continuous improvement and how that could be achieved through a one tier model
2. Needs to be market driven: need to have clearer idea of what the market wants and understand the requirements of leading steel buyers – conduct market/stakeholder survey possibly via webinar/survey monkey – although framing the questions to ensure we extract the most useful information is critical and may vary from sector to sector (ie construction and automotive) . This may mean we need to conduct the survey via a number of tel calls as well as online. We should include civil society in this survey.
3. As part of Survey above, include questions about which existing standards end users already like, support and get asked about

4. Data sheets – essential – would information required be different for different sectors/end users? What are the key critical questions on data sheets. Need detailed info on GHG and raw material sourcing specific to that site so that the market is able to make its own decision if acceptable thresholds met
5. Essential to include embodied emissions and related environmental impacts
6. Goal is to have data available to choose least impactful steel products from least impactful steel sites. Discussion around what proportion of steel makers/producers might current be able to achieve the standard – eg 1%, 10%, 50% etc??? and Does RS have a target itself – eg 105 of steelmakers by which date etc
7. Confirmation that this is seen as part of one overall standard including site and eventually final product
8. Discussion around global reach of support for this standard – esp from China, Japan, S Korea – needs to not feel as if its “made in Europe”
9. Need to more clearly define what is the ambition – RS needs to meet needs of leading buyers of steel – it’s the requirements of leading buyers that are important and should help determine the Raw Materials and GHG input

2.2 Raw Materials WG headlines

In summary, the 2 groups were of divided views. Where one group said one thing, the other said the opposite on many of the issues that were raised. We discussed 8 high-level questions, received input below in summary.

Should we define different levels of performance for raw material sourcing or just one?

Both approaches have positives and negatives. Having 1 level only clearly keeps complexity low and is easier to understand, but high-performers will not be able to differentiate from others. Different levels help incentivise improvement and show a clear pathway for improvement, but it is difficult to get the levels right and not set them too low or too high.

Groups were of split minds. One said "1 level only", the other said "different levels".

GHG and raw material sourcing performance: Should these be separated or should they be combined for certification?

Achieving the GHG requirements will be a long-term effort. A decent level of performance when it comes to sourcing might potentially be achieved in a shorter period, so the challenges in these areas are quite different and we should de-couple the two. This means that a site should become certified against the product standard if it achieves the raw materials requirements but not the GHG requirements and vice versa. This was the opinion of the one group and means that we should de-couple GHG and raw material sourcing. The other group felt that RS would lose

credibility if sites with good raw material sourcing but bad GHG performance would become certified or the other way round, so we should keep the 2 together.

Which raw materials should be covered by our requirements? Should it be all raw materials? And what about the sourcing of scrap?

Many important things were said on this one, but one comment in particular important to keep in mind when we revise the requirements: What we request in terms of transparency along the supply chain, in terms of due diligence and in terms of certification should influence the number or the volume of raw materials we expect to be covered by a site's efforts in creating and ensuring "responsible" supply chains. In other words, if we have really ambitious demands on transparency, due diligence and certification, we should not ask for too much of the raw materials to be covered. If the effort for achieving our requirements becomes too high, no company will strive for that and RS will not have an impact. So, balance and a reality-check is key here.

In terms of scrap, all agreed that it is a huge challenge to determine the origin, but most agreed that we should not leave it aside.

What (if anything) is the role of 'due diligence'? What is that of mine site certification?

All agreed that certification of mine sites is what we should be pushing for. However, everybody realises that certified mined material is not yet widely available, so we need an interim solution to make progress. A risk-based approach seems to make sense - identify, assess, prioritise and address your risk step by step (i.e. a due diligence-like approach), but make sure you not only address the worst forms of human rights abuses and not only in red-flag areas, there are other issues as well.

Should we ask for traceability or chain of custody from mine site to steel site? And what about traceability within a steel site?

Traceability is complex but necessary. One option could be a mass balance approach. This means, if, for example, you receive 10% of your raw material from certified mine sites, you can claim any 10% of your steel products to have achieved RS steel product certification. This means that you do not have to keep certified and non-certified raw material separate on your site and allows you to make claims at the same time. Whether this would be an acceptable approach for downstream users and civil society is another question.

Is the reporting of data for sourcing important, in addition to the basic claim that a steel product 'is RS certified'?

Transparency is key, so yes, data on for example the %age of raw material from certified mine sites, has to be made public.

Key to all of the above will be the answer to the following question: Which approach will enable RS to shift the steel sector effectively towards greater responsibility along its supply chains? If we can answer this question and if we align our requirements to that answer, we will do a good job.

2.3 GHG WG Headlines

The morning and afternoon groups were somewhat different and are noted separately:

Morning session:

1. Broad (though not unanimous) support for single threshold rather than multiple levels
2. Essential to make sure that any claim is consistent with the facts (and note that e.g. supply chain/ performance can change over time, so need to make sure that wouldn't invalidate the claim)
3. Good to carry out market research to understand downstream needs better
4. Should define three elements: i) future goal (e.g. 'net zero'), ii) requirements/ progress for the transition, iii) current performance
5. Need to clarify terminology: 'steel product' requirements really relate to site performance. They're not product performance specifications, they are supplementary site requirements.
6. Stainless steel has a different GHG profile to other steel – need to consider this
7. The ideal would be to have a global methodology for calculating GHG emissions intensity – but regional standards may be sufficient
8. Some elements need to be agreed and applied consistently: e.g. the use of national emissions factors for electricity not global ones; boundary issues
9. The construction sector must be provided with GHG performance data it can use to measure progress towards its own goals – this is critical.

Afternoon session:

1. On one tier vs multiple levels: some quite strong support for multiple levels – not consensus. But a strong strand that 'if we have to have a single level then it MUST be a high single level' – equivalent to something like the 'gold' level in a multi-level scheme; if we have levels, then it should be a maximum of 3 levels; if we don't have levels we must produce guidance on the pathway to achieve the required (high) single level; some discussion as to whether a high single threshold should be about the level of the current top 1%, or the top 10%; and discussion of whether it could be a dynamic target, that gets automatically higher year by year (perhaps in line with sectoral transition pathway);

some concern that if we have a single level it would be ‘watered down’; could levels tie in with different sectoral transition pathways (1.5 degrees, 2.0 degrees, 2.5 degrees)?

2. Additional data (e.g on RS data sheets) is going to be vital either way
3. Support for market survey proposal, and some follow up questions about timeline: our initial thinking was to do this in parallel with the 30-day consultation on the standard.
4. Support from European stakeholders (mainly non-steelmaking) for the EU Sustainable Economy Taxonomy
5. Consensus that RS needs to build a system that can be referenced by green/transition finance schemes and related policy initiatives, and not only consider downstream steel users
6. Noted that scrap has a role in the circular economy, and reduces waste, separate from GHG measurement per se; and noted that LCA considers issues that RS currently does not;
7. The identification of pig iron as a ‘raw material’ is creating a bit of confusion – ‘why is pig iron being discussed by the raw material working group and not the GHG working group’, and ‘what about DRI as a raw material’. Clarification required.
8. Some concerns about mass balance (based on experience of consumer reactions in relation to other schemes, e.g. Fairtrade)
9. On question of single vs multiple standards for measurement: consensus that a single methodology would be preferable – but acknowledgment that existing models are different and each has its own problems: e.g. consensus that ISO 14404 reference to global emissions factors for electricity is problematic; concern about allocation of emissions to co-products in the GHG protocol; Asian/ Latin American steelmakers do not support EN standards.
10. ISO14404 may be considered better as a ‘footprinting’ standard, EN better as a ‘process benchmarking/ carbon efficiency’ standard. Proposal to seek expert advice on pros/cons of different existing standards. Suggestion that RS may recognise a limited number of approved standards, but with additional guidance (e.g. if you choose 14404 then you have to do x, y, z; if you use EN 19694 then you have to do a, b, c; if you use GHG Protocol you have to l, m, n) so that there is consistency on key issues, and each base methodology gives more comparable results.