

SCIENCE-BASED TARGET-SETTING IN THE STEEL SECTOR

INVITATION TO PARTICIPATE

October 2021

About

The Science Based Targets initiative (SBTi) mobilizes companies to set science-based targets and boost their competitive advantage in the transformation to the net-zero economy. It is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), and one of the We Mean Business Coalition commitments.

The SBTi defines and promotes best practice in science-based target (SBT) setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets. The SBTi's overall aim is that SBT setting will be standard business practice and corporations will play a major role in driving down global greenhouse gas (GHG) emissions.

The SBTi will develop a set of science-based target-setting methodologies, tools and guidance that will help steel companies and other stakeholders understand the level of target-setting ambition required to meet the Paris Agreement 1.5°C goals.

Background

Globally, the steel sector's direct CO₂ emissions amounted to 2.6 Gt in 2019, or 7% of total energy sector emissions and 28% of industrial emissions. (When indirect emissions are included, this total rises to around 3.6 Gt.)¹. In the absence of material efficiency measures, absolute demand for steel is due to grow by some 30% by 2070¹.

In 2015, the SBTi developed the Sectoral Decarbonisation Approach (SDA), a scientifically-informed method for companies to set GHG reduction targets necessary to stay within a 2°C temperature rise above pre industrial levels. This interpreted data about carbon budgets from the IPCC and IEA to allow companies to set their own targets that were in line with science. Subsequently a well-below 2°C pathway and an Excel tool were developed.

Sector-specific pathways are relevant because they enable companies to apply the SBTi's Sectoral Decarbonization Approach methodology for target-setting. The SDA greatly facilitates science-based target-setting by companies in sectors where emission reductions are considered particularly

¹ [Energy Technology Perspectives, IEA \(2020\)](#)

challenging by allowing them to set targets that align with science-based decarbonization pathways, while taking into account the particular barriers and opportunities in their sector.

The Paris Agreement and the recent [IPCC 6th Assessment Report](#) have highlighted the need to keep warming within a 1.5°C temperature rise. By setting emission reduction targets in line with this objective and defining appropriate decarbonization strategies, steel companies can help accelerate the transformation to a net-zero economy and avoid the worst effects of climate change.

The SBTi has launched its Net-Zero Standard, which will allow companies to set long-term net-zero targets. This project will provide more detailed guidance to companies in the steel sector on setting both near-term 1.5°C-aligned SBTs and long-term net-zero targets.

Project overview

Through this project, the SBTi intends to develop a set of resources to guide the adoption of short-term and long-term GHG emission reduction targets for the production of steel with the ambition required to limit warming to 1.5°C according to the best available science.

The current SDA for well-below 2°C for iron and steel provided by the SBTi does not differentiate between the main steelmaking routes nor raw material sources: iron ore and secondary material (scrap). It is recognized that an appropriate disaggregation of the pathway into such subsectors would encourage diverse types of companies in the sector to set science-based targets. Considering the future global steel demand and the availability of scrap, this project will assess how best to take these into account in the 1.5°C emissions scenarios pathways and guidance, in order to provide the right incentives for decarbonization.

To ensure the independence and scientific rigour of this work, the project envisions an inclusive and transparent multi-stakeholder process that involves setting up an Expert Advisory Group (EAG) with representation from key stakeholders that will accompany the project throughout the process. A multi-stakeholder approach will be used allowing participation of other relevant companies and groups, such as ResponsibleSteel, the Net Zero Steel Pathway Methodology Project (NZSPMP), the Mission Possible Partnership (MPP) and others. The work the NZSPMP has conducted to date on a new SDA for steel SBTs will be a key input for the kick off of this project. A first stage of the project will be an independent review and appraisal of the proposals of the NZSPMP and consider what adaptations would be needed to integrate them in an SDA for steel.

Deliverables

The project will build on the previously developed SDA methodology to develop 1.5°C resources for setting near-term and long-term targets for companies in the steel industry, and deliver the following guidelines and tools:

1. Adjustment of SDA method to allow modelling of targets at the **sub-sector level** and integration of sub-sector level targets at the company level.
2. Identification and assessment of **scenarios** for modelling of 1.5°C-aligned near-term and long-term net-zero targets for primary and secondary steel production.
3. Update of the SBTi target-setting **tool** to integrate adjusted SDA calculation method.
4. **Road-testing** of new target-setting resources.
5. Development of **guidance** for science-based target-setting in the steel sector.

Governance and participation

This sector development project will follow an inclusive engagement approach with extensive opportunities for feedback from stakeholders, public workshops and webinars.

The SBTi as the project lead will act as convening agent and project manager. Participating in this project is possible via the following groups:

- **Technical partners.** Will co-develop project deliverables, participate in decision-making discussions and be recognized as co-authors in the final deliverables.
- **Expert Advisory Group.** Composed of technical experts from stakeholder organizations and companies interested in setting an SBT, and contributing to the project execution.
- **General stakeholder consultation.** Both industry and non-industry representatives will be able to provide feedback on each project component through workshops and webinars. The project lead will ensure a balanced participation of stakeholder categories.

Joining our Expert Advisory Group

Expert Advisory Group (EAG) members will benefit from directly participating in specialized methodological discussions with industry and civil society peers, obtaining better insights into the data, tool and guidance, and will receive recognition as project supporters in the final deliverables and on the SBTi website.

Eligible participants include private sector companies, civil society organizations, investors, policymakers, academics, industry associations and experts. Invitations for participation in the EAG will consider the need for a balance of stakeholder categories, geographical diversity and gender balance.

Organizations interested in joining the EAG are encouraged to make an SBT commitment, if relevant (e.g. [submitting a commitment letter to the SBTi](#)). It is expected that EAG members will participate in monthly calls, public consultations, online and/or limited in-person events, and in the review of draft

materials. The effort estimated to participate in all activities is maximum 1 FTE day per month over the duration of the EAG. In addition, EAG members may, if they wish, also support progressing the project to final deliverables through financial and/or in-kind contributions, although this is not obligatory². (EAG members interested in making a financial contribution to this project can contact the project team.)

See Annex I for Terms of Reference of the EAG.

Timeframe

The SBTi will convene EAG members from October to November 2021. A tentative project kick-off is planned for end November 2021.

The estimated project duration is 12-18 months from kick-off date.

Tentative project timeline:

- End of November 2021: Convening the EAG and project kick-off.
- December - April 2022: Initial review of different scenarios, carbon budgets, steel demand and reports.
- May - August 2022: Review of target-setting methodologies and pathways and development of recommendations and draft target-setting methodology (technical partner).
- August - September 2022: Preliminary SBTi review.
- October 2022: Feedback on the methodology by EAG and drafting the guidance.
- November - January 2023: Public consultation and revision of documents.
- **November - January 2022: Public consultation.**
- February 2023: Revision of the guidance documents and tools.
- March 2023: The SBTi review and approval.
- April 2023: Incorporation of new resources into SBTi Target Validation Protocol and Integration of pathways into the target-setting tool.
- May 2023: Publication of final deliverables (tools and guidance).
- June 2023: Socialization of resources developed.

EAG calls:

- Monthly EAG update calls (November 2021 - March 2023).

² Initial funding for this project has been provided by ArcelorMittal.



PARTNER ORGANIZATIONS



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



Contact

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Annex I – Terms of Reference for Expert Advisory Group (EAG)

Membership

The Expert Advisory Group (EAG) will have a maximum of 20 members. Eligible participants include private sector companies, civil society organizations, investors, policymakers, academics and experts.

Invitations for participation in the EAG will consider the need for a balance of stakeholder categories, geographical diversity and gender balance.

For the purpose of this project, the minimum acceptable level of ambition must be compatible with the definitions for 1.5°C of the SBTi, as defined in the [Foundations of Science Based Targets](#) document.

Role and Responsibilities

- Review draft methodologies and deliverables presented by the SBTi and its technical partners in particular within the constraints of minimum acceptable levels of ambition of this TOR, as it pertains to allocation mechanisms and reference scenarios.
- Acknowledge the challenges and limitations of any methodology, with its assumptions, methods and indicators, and propose alternatives and pragmatic ways forward or help define the limits of its validity and applicability.
- Provide inputs and suggestions to be incorporated into the drafting of methodologies in a constructive spirit, namely in improving its clarity and scientific or technical accuracy.
- Support the translation of climate science into business parameters for the industry.
- Participate in monthly EAG calls or face-to-face meetings.
- Test and review draft methodologies and tools developed for use by companies.
- The EAG will play an advisory role and will not approve the final draft of the methodologies. CDP will present the methodologies to the four partner organizations (CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF)), represented in their Technical and Leadership teams for approval.
- Funding provided by EAG members does not confer any special status in the EAG or project governance.
- EAG members will not misuse their position to argue for reduced climate mitigation ambition.
- EAG members must consent to the use of their company name in relation to the EAG, but not for any additional purpose.

- EAG company members are encouraged to submit their commitment to set a science-based target to the SBTi before publication of the final deliverables.
- Contentious issues and challenges shall be recorded, and main opposing views and rationales noted. If they cannot be resolved within the EAG, CDP will propose a way forward, recording the pros and cons of the proposal as well as alternatives proposed. Areas of disagreement might need to be forwarded to the Steering Committee of the SBTi for final resolution.
- The decision over approval of final deliverables rests solely with the Steering Committee of the Science Based Targets initiative.
- All information must be treated as confidential and not to be shared with other organizations that are not members of the EAG.

Timeline

The expected duration of the EAG was 12 months, but this has been extended for a further 3 months until March 2023.

Communicating involvement and branding

All financial contributions from private sector companies for the work conducted under this ToR will be publicly acknowledged.

The organizations and the SBTi (together the “participants”) will use the following language when referring to participation in the initiative and will not portray or imply any other association or collaboration between the participants:

“[Company name] participates in the Expert Advisory Group of the Science Based Targets initiative (SBTi) contributing to the development of science-based target methodologies for the steel sector. The Expert Advisory Group has an advisory role, and decisions on final methodologies will be made by CDP, UNGC, WRI and WWF as founders of SBTi. The methodologies developed in this project will be available at no cost to all stakeholders with the aim of supporting alignment with the Paris Agreement goals.

Affiliation and termination policy

In case of changes in the professional affiliation or termination of the membership, the following requirements and measures will apply:

- EAG members will inform the SBTi of changes to their professional affiliation during their commitment period.

- EAG members will inform the SBTi if they would like to terminate their membership before the commitment period expires; the member will be removed from the SBTi website, communications and upcoming resources, and replaced by a new external expert.
- EAG members that join one of the SBTi partner organizations as an employee will be removed from the EAG and replaced by a new external expert.
- The SBTi retains the right to terminate membership of any EAG member.

Please indicate your acceptance of these terms by signing and returning a copy of this letter to Brenda Chan.

Agreed for and on behalf of [Company name]

Name: _____

Title: _____

Date: _____