

Trade Forum for Decarbonization Standards:

Promoting coherence and transparency in the steel sector

TRADE FORUM FOR DECARBONIZATION STANDARDS (AND TECHNICAL MEETING): INFORMAL SUMMARY

Note by the Secretariat¹

The [Trade Forum for Decarbonization Standards](#)² held on 9 March, and the technical meeting with stakeholders held the following day, highlighted **challenges**, suggested **ways forward**, and identified **opportunities** for the WTO.

1 CHALLENGES FOR STAKEHOLDERS: THE COST OF FRAGMENTATION

- **The current diversity of standards costs producers time and money and may put the brakes on decarbonization investments.** Steel buyer requirements vary widely based on different low-emissions steel performance thresholds and definitions. This diversity does not necessarily contribute to decarbonization or near-zero technology deployment, increases administrative burden, and fails to provide needed certainty for investment.
- **The right policy environment and a level playing field can help decarbonize steel.** Technologies are available, but these depend on access to the right inputs like renewable or fossil-fuel free electricity and hydrogen, or scrap. Decarbonization could increase steel production costs by between 10-20%, translating to around \$100-200 increase in the price of a typical car. The industry could absorb the costs of decarbonization provided there are markets that command a price premium for low-emissions steel, underpinned by a level playing field to avoid low-emissions steel being undercut by cheaper, higher-emission steel. Deep decarbonization depends on all industry participants moving together toward a low-greenhouse gas future – ensuring no company obtains a competitive advantage by failing to decarbonize. Coherent decarbonization standards help provide the foundation for a level playing field.
- **Standards fragmentation is a challenge, but not an intractable one.** There are currently between 20 and 40 different standards, initiatives, or definitions for low-emissions steel. These have different purposes and applications, ranging from measurement to procurement or financial reporting.
- **Overcoming the minor differences between existing measurement standards is a low-hanging fruit, but stronger cooperation is needed.** There is general convergence around existing measurement standards, but stakeholders highlighted these would benefit from some spring cleaning to further align methodologies on issues like scope and boundaries (see annex). This work is already underway (e.g. ISO, G7, IEA, IDDI, etc.) but coordination is complex. Multilateral cooperation across the WTO membership, including all major steel producing countries, would help ensure inclusivity and full buy-in from stakeholders.
- **The larger challenge is bridging divergent "green steel" definitions and emissions intensity performance thresholds (tCO₂/t crude steel).** Disagreement stems from conflicting views on how to incentivize decarbonization in different steel production processes through a performance-based solution (e.g. blast oxygen furnace, electric arc furnace); how to take into account regional differences, levels of development and unique decarbonization pathways; and whether a single target or multiple targets is best for climate ambition (see annex).

¹ This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights and obligations under the WTO.

² The full recording of the Trade Forum for Decarbonization Standards is available here: <https://www.youtube.com/watch?v=eXUnemPBcbc>

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2 INTERNATIONAL COOPERATION FOR A PRAGMATIC AND INCLUSIVE WAY FORWARD

- **Recognize unique pathways.** Different regions will follow unique decarbonization pathways, considering, *inter alia*, national circumstances and historical context, Nationally Determined Contributions (NDCs) and climate commitments, market requirements, and access to relevant inputs. For instance, the availability of scrap and expected future steel demand will vary by region, and this bears, among others, on the extent to which electric arc furnaces can be used as a decarbonization pathway. Scrap has the potential to be reused indefinitely, but increased use or export bans in some regions may decrease availability in other regions. However, some economies support most of their steel production with electric arc furnaces, and other economies may be able to replicate this pathway in future. Likewise, the timeframe for steelmakers around the world to access fossil-free electricity and hydrogen will vary significantly. In this context, different views were expressed on how to consider the UNFCCC principle of Common But Differentiated Responsibilities.
- **Promote interoperability.** Participants emphasized the objective of interoperability, not full harmonization. They suggested a stepwise approach towards interoperability, moving progressively from: (i) *measurement standards*; to (ii) *performance thresholds and definitions*; and (iii) discussion on *regulation including reporting and verification*. Stakeholders agreed that reaching consensus and consistency on (i) *measurement standards* was a priority, and that alignment may be achievable in the medium term although more could be done to strengthen inclusivity in this work. On the other hand, (ii) *performance thresholds and definitions* may continue to diverge considering different needs and objectives underlying them. To avoid breakdowns in trust or trade, it is important that the underlying methodologies talk to each other, and that data can flow seamlessly between thresholds and definitions with a minimum of transaction costs. Interoperability thus needs to be achieved across different types of steel decarbonization standards with various scopes and boundaries, including those for measuring emissions associated with crude steel production, or those for assessing emissions embodied in steel products (lifecycle inventory for product carbon footprint). A further step could involve mutual recognition of different approaches (and results), to promote interoperability and build confidence.
- **Build Trust in "green steel" standards and labels.** Notwithstanding divergent views on definitions and thresholds, there is a shared interest in building confidence and understanding around low-emissions steel to avoid false claims or greenwashing. The same steel product, made with the same production technology, can be assessed to have a different carbon footprint and performance rating under the various standards, methodologies, and initiatives. This may lead to supply chain inefficiencies, trade frictions, and undermines buyer trust by creating uncertainty in the market. For instance, consumers may not understand claims and labels, or whether underlying standards are ambitious enough. Enhancing international cooperation on low-emissions steel claims and labels can help build trust.
- **Consider SMEs and other value chain stakeholders.** Different upstream and downstream players in the iron and steel value chain and smaller firms may face different decarbonization challenges, buyer requirements, and data availability. Participants called for increased consideration of perspectives of these firms in efforts to align standards. Downstream users of steel products (e.g. cold rolling, coated steel) are often small and medium-sized enterprises (SMEs), and they may need more and capacity resources and capacity to navigate and apply different standards.
- **Look to demand-pull policies.** Governments play an indispensable role in stimulating demand for low-emissions steel and changing consumer behaviour to recognize its environmental value, including procurement. Policies and regulations provide certainty and incentives for decarbonization investment. Policies must also drive product circularity, reuse, and remanufacturing, thereby limiting new demand for steel with high emissions and energy intensity.

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3 BUILDING COOPERATION WITHIN THE WTO: PROMOTING STAKEHOLDER DIALOGUES

- Stakeholders helped delineate a potential role for the WTO to support steel decarbonization. It was clearly expressed that WTO should not try to set standards or choose winners amongst standards nor begin negotiating sector-specific rules for steel that are not Member driven. Stakeholders identified a range of potential **opportunities where the WTO could help** support a level playing field for steel decarbonization:
 - **WTO Members.** The WTO should **promote multilateral cooperation and dialogue among Members to enhance understanding on how steel decarbonization standards can impact trade.** Members can discuss approaches and best practices for calculating embedded emissions, data collection, accounting methodologies, and emission factors. Members can also share information about their development and use of related standards, technical regulations, and conformity assessment procedures. These exchanges can promote regulatory cooperation, and enhance transparency, efficiency, and effectiveness of trade-related climate measures, while minimizing negative trade effects building on WTO rules and informed by the TBT agreement. In this way, the WTO can work as a lynchpin to transmit information and could benchmark progress on decarbonization initiatives amongst its Members and stakeholders, including on regulation. ePing can be used as a tool to track relevant technical regulations and conformity assessment procedures proposed by Members.
 - **Standards body views.** The WTO already provides a guiding framework for developing standards in general, that can enhance inclusivity and minimize trade friction. In this respect, the WTO may **promote the use of applicable WTO good practices and principles** by relevant standardizing bodies, including in their efforts to align measurement standards. These may include ensuring transparency in standards development, enhancing developing country participation in standards setting, or promoting coherence and avoiding duplication. The WTO could shed light on how decarbonization standards are developed in line with these good practices and principles.
 - **Private sector views.** The WTO could launch **stakeholder dialogues or an open platform for standards alignment or mutual recognition.** These could serve as a multi-stakeholder space for industry to exchange ideas transparently and openly – which can help build trust for advancing work on decarbonization standards. In this context, the WTO should bring SMEs and other firms across the iron and steel value chain into the conversation (e.g. mining, automotive, and other steel users and buyers). The WTO could support case studies on mutual recognition to delve deeper into points of convergence and divergence.
 - The WTO could explore propositions related to other **trade policy instruments and frameworks that favour the acceleration of decarbonisation** (e.g. some participants suggested an environmental goods and services liberalization approach for low-emissions steel) to facilitate trade in low-emissions steel.
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ANNEX – DIVERGENCES BETWEEN STANDARDS

Measurement standards

The IEA has identified five existing measurement standards which are widely used by industry:

- World Steel Association CO₂ Methodology (production);
- World Steel Association LCI methodology (products);
- ISO 14404 series (production);
- ISO 20915 (products);
- ResponsibleSteel International Standard version 2.0 (Principle 10) (production and products).

There are objective factors that lead to divergence, such as whether these standards apply to products or production process at the installation level. On the other hand, there are small methodological differences that could be clarified to enhance interoperability between these standards, such as:

- **Scope and boundaries.** For instance, there are differences in treatment of upstream indirect emissions: ResponsibleSteel includes indirect emissions from fossil fuel and raw material supply, while ISO 14404 does not; Worldsteel CO₂ methodology excludes indirect emissions from transport of raw materials. There other differences such as under which scope of a steelmaker's emissions do inputs produced within an installation fall, as opposed to those inputs purchased outside (e.g. pellets used for direct reduced iron (DRI))
- **GHGs covered.** e.g. CO₂ only, or CO₂ and other gases like CH₄ or N₂O
- **Emissions factors.**

Definitions and emissions intensity performance thresholds (tCO₂/t crude steel)

There are at least three different approaches to low-emissions steel definitions and their related emissions intensity performance thresholds. These approaches differ in terms of **treatment of steelmaking technologies** (e.g. flexible considering different technologies and inputs, or focusing solely on emissions intensity), whether they provide **single or multiple thresholds and performance levels** (e.g. ResponsibleSteel includes four different performance levels, which vary depending on the amount of scrap used in producing crude steel, to be reviewed every five years; Global Steel Climate Council is proposing two absolute emissions intensity thresholds for flat and long products, declining over time), and how they account for **regional differences**. Further detail on three approaches is provided below:

1. A **sliding scale** (e.g. ResponsibleSteel) is supported by a number of stakeholders because in their view it provides decarbonization incentives across all steelmaking technologies and the industry as a whole, while reflecting the finite supply of scrap.
 2. **Regionally differentiated sliding scales** are proposed by other stakeholders for more appropriately reflecting the situation and timelines facing developing countries in terms of access to fossil-free electricity and hydrogen, or scrap.
 3. An **absolute performance threshold** is preferred by other stakeholders (e.g. Global Steel Climate Council), because in their view this favours the uptake of the lowest emissions intensity technologies and provides greater clarity to consumers.
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