

# Assessing low-Carbon Transition

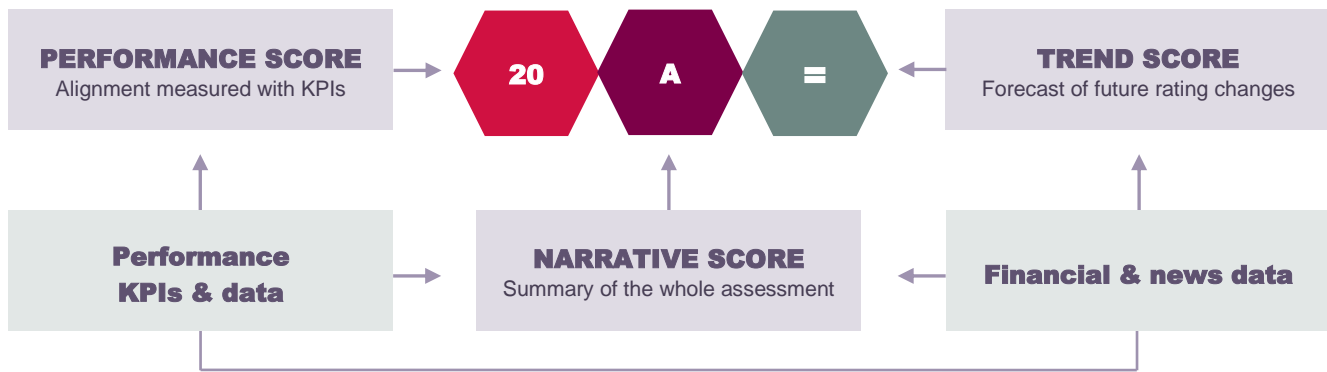


## Aluminium

VERSION 2.0 | OCTOBER 2022

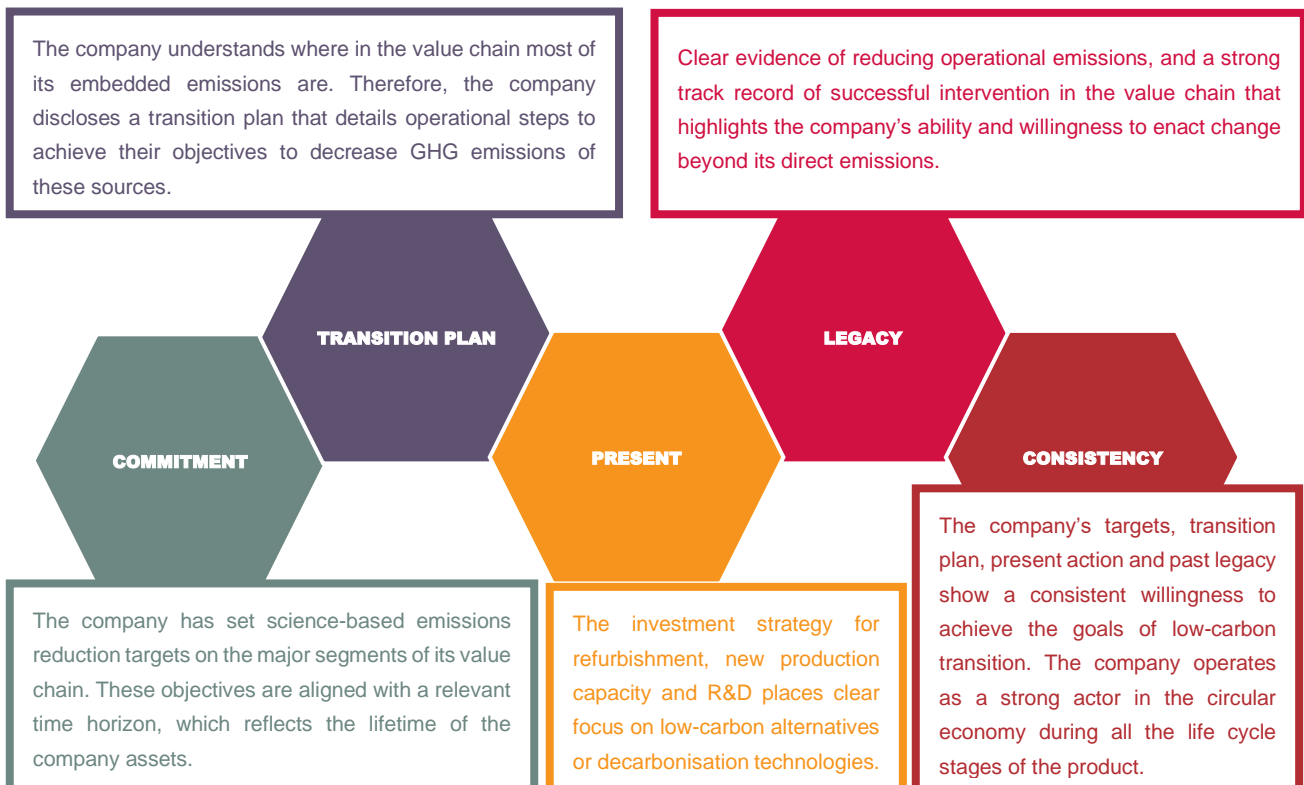
### THE ACT RATING

The ACT rating is based on 3 scores (performance, narrative and trend) as shown in the diagram below.



The maximum achievable rating is 20A= and the minimum is 1E=. To achieve the maximum score, a company must be completely aligned with the low-carbon transition.

### ALIGNED STATE FOR A COMPANY IN THE ALUMINIUM SECTOR



## CONTEXT & PRINCIPLES OF THE ACT ALUMINIUM METHODOLOGY

According to IEA, the aluminium industry is currently responsible for 2% of global GHG emissions (1.1 Gt/year), aluminium being the second most-used metal in the world after iron. As aluminium is a key metal, especially in the context of the low-carbon transition, its production is thus expected to grow. A low-carbon world therefore requires a low-carbon transition of the aluminium sector.

The ACT methodology considers all companies producing alumina and/or aluminium, including remelters and refiners. The indicators and their weightings vary depending on the type of activities covered by the company and the significance of its upstream indirect emissions.

The methodology rewards companies that implement low-carbon processes, that foster circular economy (ecodesign, scrap collection and sorting, recycling) and for smelters that contribute to new low-carbon power generation and/or a more flexible grid.

## BENCHMARK

The ACT aluminium methodology uses the low-carbon scenario developed by the International Aluminium Institute<sup>1</sup> (see Figure 1).

This scenario is disaggregated per step of the aluminium value chain (bauxite mining, alumina refining, anode production, electrolysis, casting, internal scrap remelting, semis production, recycling), enabling a granular assessment of a company's activities.

The benchmark considers different types of emissions: process (CO<sub>2</sub> and non-CO<sub>2</sub> GHG), electricity, ancillary materials, thermal energy, transport.

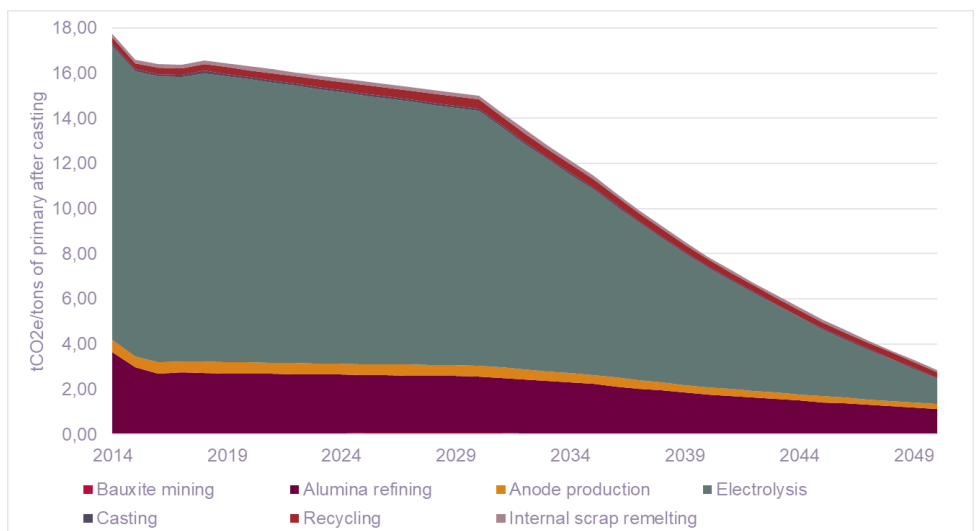
The benchmark is applicable in a Sectoral Decarbonisation Approach.

## PERFORMANCE INDICATORS

| MODULE<br>(% = MODULE WEIGHTING)        | INDICATORS*  |
|---|--|
| <b>TARGETS (15%)</b>                    | 1.1 Alignment of scope 1+2 and scope 1+2+3 emission reduction targets<br>1.2 Time horizon of targets<br>1.3 Achievement of past and current targets  |
| <b>MATERIAL INVESTMENT (12-35%)</b>     | 2.1 Past performance for aluminium assets, per step of the value chain<br>2.2 Locked-in emissions<br>2.3 Future performance of aluminium assets, per step of the value chain<br>2.4 Contribution to low-carbon electricity generation<br>2.5 Reducing process-scrap generation   |
| <b>INTANGIBLE INVESTMENT (10%)</b>      | 3.1 R&D spending in low-carbon technologies<br>3.2 Company low-carbon patenting activity   |
| <b>SOLD PRODUCT PERFORMANCE (7-30%)</b> | 4.1 Cradle-to-gate aluminium carbon footprint<br>4.2 Purchased product interventions<br>4.3 Recycled scrap traceability  |
| <b>MANAGEMENT (10%)</b>                 | 5.1 Oversight of climate change issues<br>5.2 Climate change oversight capability<br>5.3 Low-carbon transition plan<br>5.4 Climate change management incentives<br>5.5 Climate change scenario testing   |
| <b>SUPPLIER ENGAGEMENT (4%)</b>         | 6.1 Strategy to influence suppliers to reduce their GHG emissions<br>6.2 Activities to influence suppliers to reduce their GHG emissions   |
| <b>CLIENT ENGAGEMENT (4%)</b>           | 7.1 Strategy to influence clients to reduce their GHG emissions<br>7.2 Activities to influence clients to reduce their GHG emissions   |
| <b>POLICY ENGAGEMENT (5%)</b>           | 8.1 Company policy on engagement with associations, alliances, coalitions or thinktanks<br>8.2 Associations, alliances, coalitions and thinktanks supported do not have climate-negative activities or positions<br>8.3 Position on significant climate policies<br>8.4 Collaboration with local public authorities and local actors |
| <b>BUSINESS MODEL (10%)</b>             | 9.1 Low-carbon business models that aim at increasing low-carbon power production and/or a more flexible grid<br>9.2 Low-carbon business models that aim at switching to low-carbon processes<br>9.3 Low-carbon business models that aim at taking part in aluminium circular economy  |

\* More information on the indicators and module rationales are available in the full sector methodology

FIGURE 1: BENCHMARKS USED



<sup>1</sup> IAI, Aluminium sector greenhouse gas pathways to 2050, 2021