ACT

SECTOR METHODOLOGY SUMMARY

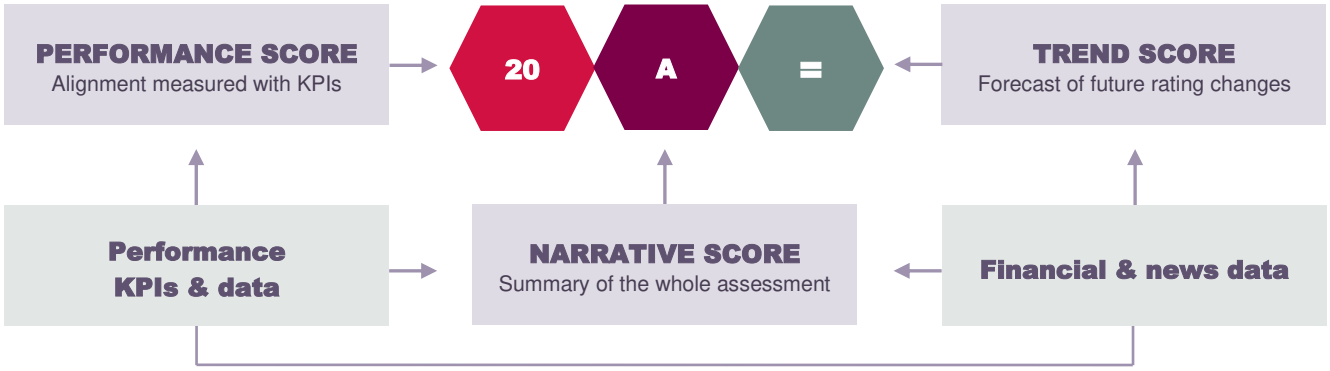
Assessing low-Carbon Transition

Iron & Steel

VERSION 2.0 March 2022

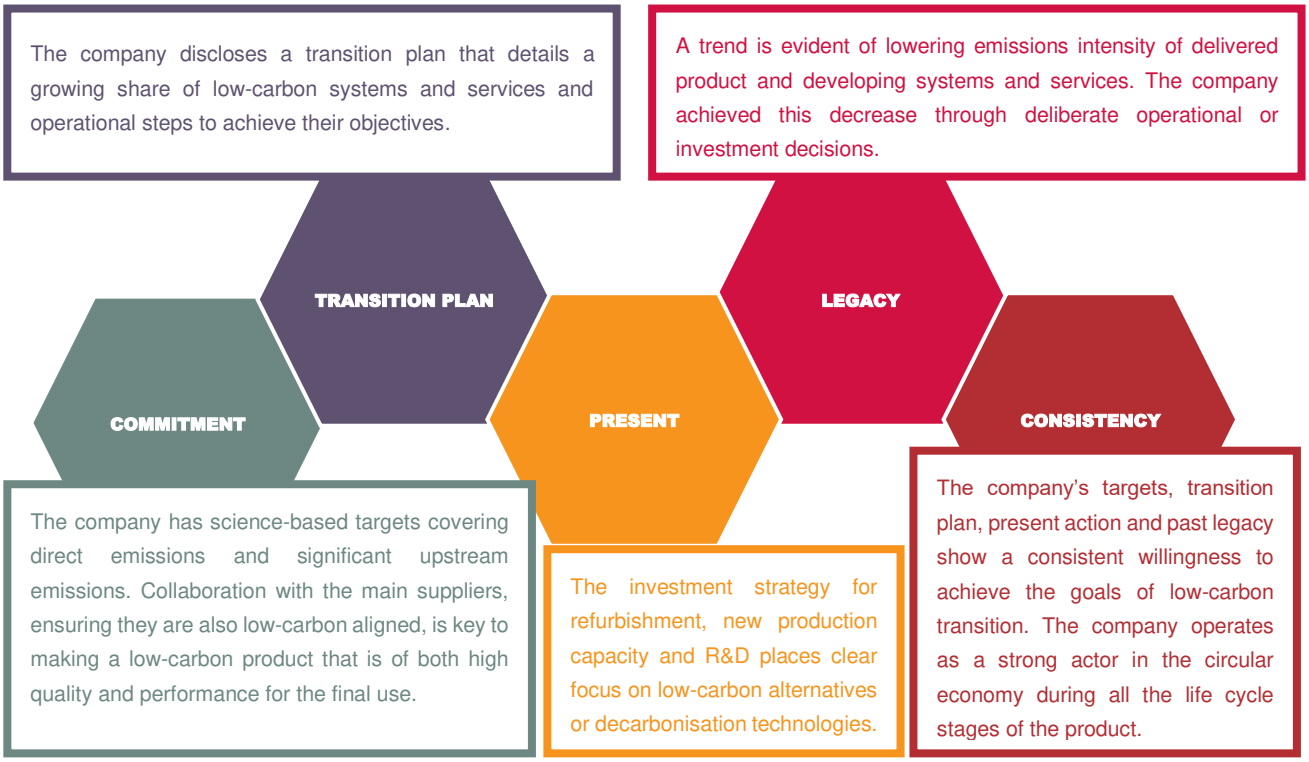
THE ACT RATING

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 IRON & STEEL SECTOR



CONTEXT & PRINCIPLES OF THE ACT IRON & STEEL METHODOLOGY

Iron and steel production is highly energy- and emissions-intensive, accounting for around 8% of global energy demand and 7% (2.6 Gt CO_2) of total emissions from the energy system. According to the IEA, global demand for steel is projected to increase by more than a third through to 2050.

The ACT methodology considers steel- or cast iron-making companies, steel-shaping companies and integrated companies, whatever the percentage of scrap used. The indicators and their weightings vary depending on the type of company and the significance of its upstream indirect emissions, allowing the methodology to be adapted to companies such as stainless steel producers.

The methodology rewards companies that phase out highly emissive process routes, that participate in industrial symbiosis and that foster recycling by taking part in increasing scrap collection and recovery.

BENCHMARK

For the Iron & Steel sector, the benchmark considers emissions from raw material production and preparation, iron making, steel and cast iron making and casting, rolling mills and downstream to finished products, alongside emissions from electricity generation (called “inclusive scope 1+2” in the ACT methodology). The ACT methodology also uses disaggregated benchmarks per technical route: “scrap-EAF” route and “ore” route, combining all technical routes that use mainly iron coming from ore (see Figure 1). The benchmarks were developed using the IEA ETP Sustainable Development Scenario (2020). They are applicable in a Sectoral Decarbonisation Approach for integrated and steel-making companies. An Absolute Contraction Approach is used for steel-shaping companies.

PERFORMANCE INDICATORS

MODULE (% = MODULE WEIGHTING)	INDICATORS*
TARGETS (15%)	1.1 Alignment of emissions reduction targets
	1.2 Time horizon of targets
	1.3 Achievement of previous targets
MATERIAL INVESTMENT (10-32%)	2.1 Trend in past emissions intensity of all crude steel production assets
	2.2 Trend in past emissions intensity per technical route, per type
	2.3 Locked-in emissions of all crude steel production assets
	2.4 Trend in future emissions intensity of all crude steel production assets
	2.5 Trend in future emissions intensity per technical route
	2.6 Scrap reduction strategy
	2.7 Co-products/waste reduction, reuse and recycling activities
INTANGIBLE INVESTMENT (2-10%)	3.1 R&D in climate change mitigation technologies
	3.2 Company climate change mitigation patenting activity
SOLD PRODUCT PERFORMANCE (10-32%)	4.1 Trend in past emissions intensity of purchased crude steel
	4.2 Purchased product interventions
MANAGEMENT (10%)	5.1 Oversight of climate change issues
	5.2 Climate change oversight capability
	5.3 Low-carbon transition plan
	5.4 Climate change management incentives
	5.5 Climate change scenario testing
SUPPLIER ENGAGEMENT (2-10%)	6.1 Strategy to influence suppliers to reduce their GHG emissions
	6.2 Activities to influence suppliers to reduce their GHG emissions
CLIENT ENGAGEMENT (6%)	7.1 Strategy to influence customer behaviour to reduce GHG emissions
	7.2 Activities to influence customer behaviour to reduce GHG emissions
POLICY ENGAGEMENT (5%)	8.1 Company policy on engagement with trade associations
	8.2 Trade associations supported do not have climate-negative activities or positions
	8.3 Position on significant climate policies
BUSINESS MODEL (10%)	9.1 Business activities that increase the use of low-carbon energy
	9.2 Business activities around steel circularity (e.g., end of life collection, circular economy, material efficiency) and contribution to low-carbon optimization of steel services with an equivalent performance.
	9.3 Business activities related to synergies with other industries (e.g., CCU/CCS, H2 or exhaust gas networks, chemical industry, cement industry)

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

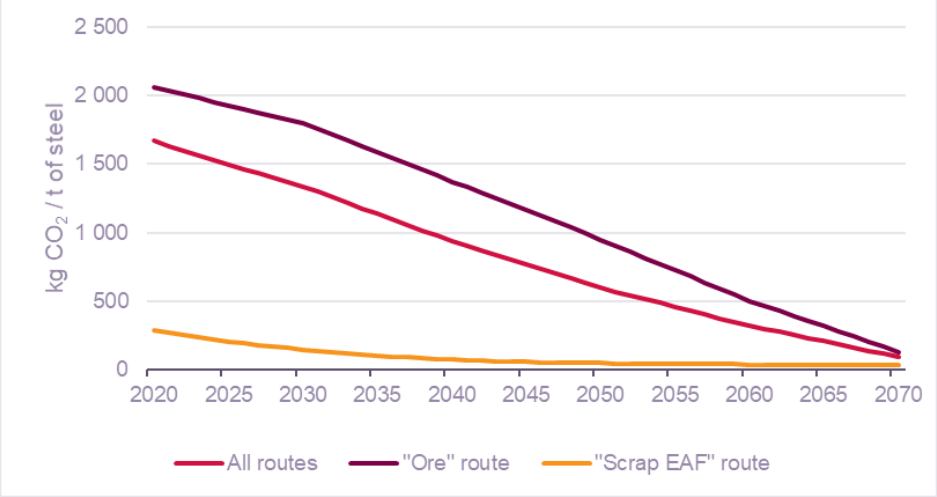



FIGURE 1: BENCHMARKS USED