



The Sustainable STEEL Principles

Making climate a part of every steel debt transaction globally

The Sustainable STEEL Principles provide a **sector-specific measurement and disclosure framework for banks**, enabling lenders to support the decarbonization of the steel sector and assess climate progress. Banks are invited to demonstrate leadership on the net-zero transition by using this framework, which launched at Climate Week NYC in September 2022.

The Sustainable STEEL Principles includes a fit-for-purpose methodology, crafted to harmonize across various standards and **optimize for emissions reductions in the steel sector**. The data collection and reporting guidance for steelmakers and lenders streamlines disclosure and increases transparency, and the inclusion of granular net-zero scenarios informs target-setting and supports client engagement. The framework was developed over 12 months by RMI and five Working Group banks — ING, Societe Generale, Citi, UniCredit and Standard Chartered — in consultation with 20 additional banks. In total, it was **reviewed by over eighty institutions across finance, industry, and civil society**, including 30 steelmakers and industry associations.

Background

Steel is an emissions-intensive sector, accounting for roughly **8% of global greenhouse gas emissions (GHGs)**,ⁱ with demand projected to grow 30% by 2050.ⁱⁱ In order to avoid carbon lock-in, the decarbonization of this hard-to-abate sector is both demanding and urgent. Financial institutions have a particularly important role to play, since lending is one of the largest sources of capital for the sector. This means **lenders are well-positioned to play a key role** in supporting clients in reaching net-zero.

For financial institutions, climate alignment means actively pursuing climate objectives by using lending and investment decisions, advisory services, capital markets activities, and advocacy to move the real economy toward net-zero decarbonization pathways. Now that nearly 40% of global banking assets are included under the net-zero commitments of the Net-Zero Banking Alliance,ⁱⁱⁱ the world must move from target-setting toward implementation. Steering portfolios in line with climate targets will **require benchmarking progress and engaging clients, to facilitate the decarbonization of the real economy**.

The Sustainable STEEL Principles

A participating financial institution, or User, of the Sustainable STEEL Principles will follow five principles:

1. Standardized assessment

To report on the climate alignment of their steel lending portfolios, Users will annually assess their climate alignment according to the Sustainable STEEL Principles' guidance and methodology.

2. Transparent reporting

Portfolio climate alignment scores, a brief narrative, and the percent of their portfolio represented by emissions reduction targets will be published on an annual basis.

3. Enactment

Users will make best efforts to source data from clients, or when not available, from a recommended third-party data provider.

4. Engagement

Using the information obtained from the alignment scores of steelmakers, Users are encouraged to engage with clients at their discretion to advance emissions reductions in line with 1.5°C.

5. Leadership

Users are encouraged to set steel portfolio targets informed by the Principles. Users will make efforts to support the updates of the Principles as data evolves, and are encouraged to utilize the Principles for advocacy purposes, in the interest of decarbonizing the steel industry.



Methodology

The Sustainable STEEL Principles were developed in consultation with industry and technical experts to ensure that they cater to the complexities of the sector and can incentivize a sector-wide transition to net-zero emissions. Two key components of the Sustainable STEEL Principles are:

1. A fixed system boundary of emissions

Due to the high degree of variability in ownership structure and level of vertical integration in the steel sector, steelmakers are required to measure their emissions intensity within a fixed system boundary of activities to improve the comparability of steelmakers' emissions.

2. A material-specific approach, differentiating between emissions from primary and secondary steel

Separate emissions intensity benchmarks are utilized for primary steel (made from iron ore) and secondary steel (made from scrap) due to the significant variation in emissions intensity. This aims to prioritize the decarbonization of primary steel production and equips the sector's lenders with the insights needed to transition their steel lending portfolios.

Governance

The Sustainable STEEL Principles are managed and maintained by RMI's Center for Climate-Aligned Finance, an independent, non-partisan, nonprofit organization. Updates to the framework are made as needed as the sector evolves with the input of an Advisory Group comprised of Users.

All information banks collect on the climate alignment of their borrowers will be aggregated, anonymized, and reported consistent with applicable laws. No sharing of commercially sensitive information between competitors shall occur.

Consistency across initiatives

The Sustainable STEEL Principles are compatible with the NZBA goals of achieving net-zero by 2050 and limiting the global temperature rise to 1.5°C with low-to-no overshoot. The Principles have been informed throughout the drafting process by an ongoing collaboration with NZBA and its convening body, the United Nations Environment Programme Financial Initiative (UNEP FI).

How to use the SSP

To use the Sustainable STEEL Principles, banks should reference the open-source framework on the website of the Sustainable STEEL Principles and may reach out to RMI with any additional questions.

For more information, please contact Sam Kooijmans at skooijmans@rmi.org and Sabina Flandrick at sflandrick@rmi.org.

ⁱ Peter Levi, Tiffany Hall, and Peter Bass, Emissions Measurement and Data Collection for a Net Zero Steel Industry, IEA, April 2023, <https://www.iea.org/reports/emissions-measurement-and-datacollection-for-a-net-zero-steel-industry>.

ⁱⁱ International Energy Agency, "Iron and Steel Technology Roadmap," October 2020, <https://www.iea.org/reports/iron-and-steel-technology-roadmap>

ⁱⁱⁱ Member banks, UNEP Finance Initiative, FSB Global Monitoring Report 2020 <https://www.fsb.org/2020/12/global-monitoring-report-on-non-bank-financial-intermediation-2020/>