Canadian Steel’s Path to Decarbonization

State of Play

September 2022

www.canadiansteel.ca
#WeAreCdnSteel
• Canadian Net-Zero Emissions Accountability Act, 2021
  • Enshrines Canada’s national Net-Zero by 2050 target

• Canada’s 2030 Emission Reduction Plan
  • Released March 2022
  • Goal is cutting emissions by 40 per cent below 2005 levels by 2030
  • Focus on heavy Industry and 8 other areas of the Canadian economy

• Canada’s Output Based Pricing System
  • Established in 2019
  • Carbon price currently $50/t
  • Rising by $15/t/year to $170/t in 2030
We know that climate change is a global challenge that requires our collective action. While net zero is an aspirational goal, we believe we can achieve our vision of a low-carbon steel sector if we work in collaboration with governments, stakeholders, customers, and the supply chain.
CSPA’s Climate Call to Action

• Maps out CSPA vision and conditions for an aspirational Net Zero future
• Maps out conditions of success and technology needs for Net Zero steel making

www.canadiansteel.ca
Progress To Date

• Canadian steel producers are proud to be amongst the greenest steel in the world today
• By 2030 we will have reduced emissions by at least 45%
  • Two significant projects announced in 2021 at Algoma and ArcelorMittal Dofasco
  • Eliminating 6M tonnes/year
  • More reductions expected as companies continue to define projects
Decarbonization Requires Partnerships and Policy Support

Goal

Net-Zero by 2050

Policy Challenge

Carbon Leakage – Increases in global carbon emissions
- Increasing domestic costs creating advantages for foreign production and imports, risk of loss of domestic market share and profitability;
- Potential shift to existing and planned economic activity, production and investment.

Channel

Competitiveness of Domestic Industry
- Directly manage carbon leakage through incentives that promote green steel use & policies to level the playing field; investments in and affordability of carbon reduction solutions (e.g. cleaner grids, hydrogen, CCS)
<table>
<thead>
<tr>
<th>National Policy Instruments</th>
<th>International Policy Instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon Pricing &amp; Regulatory Costs</td>
<td>Carbon Border Mechanisms</td>
</tr>
<tr>
<td>Decarbonization Technology Adoption</td>
<td>Broader International Carbon/Trade Mechanisms</td>
</tr>
<tr>
<td>Clean Steel Procurement</td>
<td>Fair Trade Policy</td>
</tr>
</tbody>
</table>

- **Steel is EITE and prone to carbon leakage. Emissions costs must be mitigated to avoid carbon leakage and support decarbonization efforts.**
- **Steel production technologies to reduce carbon. Clean energy, Hydrogen, CCUS, etc. Available, accessible, and affordable quantities.**
- **Market pull policy mechanism for clean North American steel.**
- **A competitive fairness policy mechanism that helps to level the playing field with imports on emissions costs. Done at the country or regional level (EU CBAM).**
- **US/EU Global Arrangement on Sustainable Steel and Aluminum & other international policy developments.**
- **Strong Fair Trade policy mechanisms help move us towards countries’ carbon goals.**

**GOAL: REDUCE GLOBAL CARBON EMISSIONS**
Barriers to Carbon Neutrality

- Global Excess Steel Capacity
  - Persistent excess capacity maintains business uncertainty and competitiveness challenges

- Risk of Carbon Leakage
  - Must find policies to level the playing field and support consumption of green steel
  - WTO evolution required to address the global climate challenge

- Scale of Technological Challenge
  - Globally and nationally
  - Innovation to drive solution development & adoption
  - Necessitates collaboration across our supply chains & borders
How to Achieve Success

Working with like-minded countries, stakeholders, and the WTO is essential to achieve success.

We look forward to working with others to reach aligned environmental and trade policies.
The Importance of GFSEC

• Trade and environmental policy are increasingly at a nexus for effective action on decarbonization and excess capacity.
  • Understanding our supply chain and the origins of steel products is necessary to implementing effective trade and environmental policy.

• GFSEC is a necessary forum to address the linkages between reducing excess steel capacity and global steel carbon emissions.