

From: [REDACTED]
To: [REDACTED]
Subject: FW: More argumentation, also legal : New draft text RE: Steel Criteria Climate Screening Sustainable Finance taxonomy Climate Screening Criteria - draft delegated act
Date: jeudi 22 avril 2021 12:21:38
Attachments: [image001.gif](#)
[SF Taxonomy \(Steel\) Sector Screening Criteria April 2021.pptx](#)

From: [REDACTED]
Sent: Wednesday, April 14, 2021 12:06 PM
To: BATTA Eszter (CAB-BRETON) <Eszter.BATTA@ec.europa.eu>; [REDACTED] CANTON
Joan (CAB-BRETON) <Joan.CANTON@ec.europa.eu>
Cc: [REDACTED]
Subject: More argumentation, also legal : New draft text RE: Steel Criteria Climate Screening Sustainable Finance taxonomy Climate Screening Criteria - draft delegated act

Dear Eszter, [REDACTED]

Many thanks. I suppose you have also received the similar amendments request from Eurofer.

Hereby we come back to bring more information that can help better to understand why the ETS (allocation) Benchmark as designed for steel is very different from a sector criterion for Taxonomy, if not adapted rightly. Also some **legal explanation** is added in the attached ppt; we could not imagine this would be needed as with the current criterion most of our many decarbonisation projects would not be eligible (or even existing) and at risk; that cannot be the intention we still hope.

It is of course an improvement, that with the current proposed text of the DA on climate, it is now *recognized* that there is an issue with the ETS benchmark for the steel sector, regarding reference to waste gases. However, the text proposes to "reduce" the amount of emissions associated with the waste gases and therefore sets the thresholds on the basis of a distorted amount of total emissions to be considered.

What is key in this discussion: **The Steel ETS benchmark is based on an artificial calculation, exclusively for the sake of defining the allocation, that does not reflect the reality of the total CO2 emissions associated to the site and its actual performance. Unlikely to other sectors as cement, ETS Benchmarks for steel industry ≠ Real performance.** Sustainable Taxonomy is not about free allocation, but about performance.

Given that all GHG emissions contribute to the increase of the global average temperature, it becomes logic that all efforts carried out by the activities covered under Taxonomy to reduce their total CO2 emissions shall be taken into consideration. Therefore, in the case of an integrated steel plant, the real performance shall take into account the exported waste gases, since it is necessary to consider all the associated CO2 emissions, regardless of where they occur.

As a consequence, progress should also be evaluated with regard to the total emissions of the activity. This requires that the thresholds set in the taxonomy are corrected so as the emissions associated with waste gases - that have been deducted in the calculation of the ETS benchmarks for free allocation purposes- have to be restored.

In the context of the taxonomy, if not all emissions are covered, then any action or investment implemented that reduces CO2 in the portion of emissions not covered by the benchmark (i.e. exported waste gases), will not (exist) be accounted, since its benefits will not contribute to the reduction of the performance value. This goes against the aim of sustainable finance as it risks to block decarbonization efforts. Other industrial sectors – for which the export of waste gases does not apply- would instead have any improvement on their emissions reflected in a better performance under Taxonomy.

As proposed by ArcelorMittal/Eurofer, for Taxonomy, the amendment/ reference to the waste gases should therefore be made to the formula of the applicable benchmarks and not, as proposed by the Commission, be deducted from the emissions perimeter that is taken into account to assess an activity's performance. (This is for Taxonomy: we do not ask to change the actual ETS benchmark for free allocation with this.)

[REDACTED]

so the amendment should be:

The average value of the top 10% of installations based on the data collected in the context of establishing the EU ETS industrial benchmarks for the period of 2021-2026 and calculated in accordance with the methodology for setting the benchmarks set out in Directive 2003/87/EC, **corrected for export of waste gases, so all emissions of the installation are covered, with the methodology adding the median emissions (2016-2017) of waste gases leaving the perimeter of the benchmark at natural gas equivalent corrected by the efficiency emission factor.**

This we have also reflected in the PPT, and was sent to the Dombrovskis, Timmermans and McGuinness Cabinets.

I would highly appreciate it if you could let us know if you have questions or if and how the thinking has developed, regarding this crucial issue for steel decarbonisation.

Kind regards,
[REDACTED]

From: BATTA Eszter <Eszter.BATTA@ec.europa.eu>
Sent: Monday, April 5, 2021 8:52 PM
To: [REDACTED] CANTON Joan
<Joan.CANTON@ec.europa.eu>
Cc: [REDACTED] CAB-BRETON-ARCHIVES@ec.europa.eu
Subject: RE: New draft text RE: Steel Criteria Climate Screening Sustainable Finance taxonomy Climate Screening Criteria - draft

delegated act

****This Message originated from a Non-ArcelorMittal source****

Thanks a lot,

We will take this into account in further discussions.

Best

Eszter

From: [REDACTED]

Sent: Wednesday, March 31, 2021 6:49 PM

To: BATTÁ Eszter (CAB-BRETON) <Eszter.BATTÁ@ec.europa.eu>; [REDACTED]

CANTON Joan (CAB-BRETON) <Joan.CANTON@ec.europa.eu>

Cc: [REDACTED]

Subject: New draft text RE: Steel Criteria Climate Screening Sustainable Finance taxonomy Climate Screening Criteria - draft delegated act

Dear Eszter, Joan [REDACTED],

Coming back on the climate screening criteria on Taxonomy for sustainable finance, I hope you received the steel sector input to the new draft text already.

In short, **as a first step, we are happy that there is a recognition of the waste gas export problem**, by a text change to assess steel production activity for this Taxonomy at equal levels to the ETS benchmark (that was made for free allocation purposes) by reducing the exported waste gas when assessing.

A problem with this reduction is that with the assessment the exported waste gases do not exist anymore for taxonomy.

Meaning that **any decarbonization projects we do to reduce these huge volumes of carbon emission Just do not exist at all.**

Unfortunately, these are the majority of our carbon reduction projects – of which you got the list – that we are tasked to prepare and start our climate revolution with to carbon neutral. These will just not exist and will not be eligible for sustainable financing and will very likely not be able to get financed – financing is already now extremely difficult without this handicap. And there will be much less money in the future. This is simply counterproductive and unbelievable.

There is only **one correction that can help that**, that is to take into account all steel emissions – like for other sectors – as basis for taxonomy evaluation, and correct the export waste gases : indeed not down for activities, but up for the benchmark. This is included in the Eurofer attachment.

Last Friday, we had a meeting with your colleagues from the Timmermans Cabinet (and Dombrovskis/McGuinness cabinets listening in) and he maintained that the ETS benchmarks for free allocation would also be suitable here, which is of course not at all the same case/scope/aim etc. Then he did not accept that if projects are not eligible, they will not get financed – which is the aim of this Taxonomy. So, as this is so structurally wrong, sorry to ask, but

Could you please help improving this ?

Kind regards,

From: [REDACTED]

Sent: Friday, March 12, 2021 12:25 PM

To: 'eszter.batta@ec.europa.eu' <eszter.batta@ec.europa.eu>; [REDACTED]

Cc: [REDACTED]

Subject: Steel Criteria Climate Screening Sustainable Finance taxonomy Climate Screening Criteria - draft delegated act

Dear Eszter [REDACTED],

We understand the political momentum on this file is there. Coming back on the **Steel Climate Sector Screening Criteria on the Sustainable Finance Taxonomy Delegated Act**, would you know if that has been improved?

As mentioned, this is key for the purpose of an **objective and non-discriminative sustainable finance taxonomy**, that is in line with its Regulation key and to avoid sector discrimination of decarbonisation investments.

As mentioned before, for this to happen 2 issue have to be ensured:

1. **the ETS benchmarks on steel are corrected with the exported waste gases, for this purpose, with a simple amendment footnote, that is stated again, below.** Then also for steel all emissions are taken into account.
2. **CCU technology is included**, also like in the Regulation.

We sent you before the actual investment project examples at very high risk, that the earlier draft was putting counterproductive against decarbonization investments.

Could you please let me know? *Kind regards,*

A footnote to be added in the Taxonomy Climate Screening Criteria, Delegated Act: Annex 1 (p78) and Annex2 (p66) with regard to the waste gases export correction.

At: The activity manufacturing one of the following:

1. Iron and steel with GHG (footnote*) lower than the following values applied to the different manufacturing steps.

Footnote *: corrected for export of waste gases, so all GHG emissions of the installation are covered, with the methodology adding the median emissions (2016-2017) of waste gases leaving the perimeter of the benchmark at natural gas equivalent.

Justification:

Emissions intensity used for the calculation of the hot metal and coke benchmark exclude a part of the waste gases generated in the installation. This is reflected in Art 10a.2 of ETS Directive: *"In order to promote efficient energy recovery from waste gases, for the period referred to in point (b) of the third subparagraph, the benchmark value for hot metal, which predominantly relates to waste gases, shall be updated with an annual reduction rate of 0,2 %" and in Guidance n° 8 of 14 February 2019 on the harmonised free allocation methodology for the EU ETS post 2020 on waste-gases and process emissions sub-installation (p.29) specifying the allocation to a steel plant, regardless of whether the waste gas is used for direct or indirect heating, or for electricity production.*

All other ETS sectors have all their GHG emissions included in their benchmark.

For the purpose of an objective and non-discriminative sustainable finance taxonomy, the figures need to be adjusted by adding the emission of waste gases leaving the perimeter of the ETS installation.

This would avoid that decarbonisation projects are artificially disqualified.

On data and methodology, the median permit to mitigate the effect of the lower and highest "contributors" can be used. All data required for this correction can be calculated by the COM with data already submitted in the NIMs by the member states.

From: [REDACTED]

Sent: Thursday, March 4, 2021 11:51 AM

To: eszter.batta@ec.europa.eu; [REDACTED]

Cc: [REDACTED]

Subject: Legal aspects question- Sustainable Finance taxonomy Climate Screening Criteria - draft delegated act

Dear Eszter [REDACTED],

Further to the points we discussed on the Taxonomy criteria for steel, we are convinced that this is unintended sector distortion, not in line with the aim of the legislation and will not hold legally (wherever).

Did you or someone explore these elements from a legal context in this process?

I am trying to get some legal advice on that and hope to come back on it soon.

Kind regards,

From: [REDACTED]

Sent: Thursday, January 21, 2021 5:43 PM

To: eszter.batta@ec.europa.eu; [REDACTED]

Cc: [REDACTED]

Subject: RE: Ares(2020)7746287 - FW: REminder: ArcelorMittal meeting request - Sustainable Finance taxonomy Climate Screening Criteria - draft delegated act

Dear Eszter [REDACTED]

Following your request, we made the following list of endangered decarbonization projects, with emission reduction volumes potential and budget (non exclusive even). [REDACTED]

All due to the use of the uncorrected ETS steel benchmark and exclusion of CCU technology.

We sincerely hope this can be corrected asap in the new delayed draft?

(Peter, we are finalizing also the input on RES)

Kind regards,

From: [REDACTED]

Sent: Wednesday, January 13, 2021 2:38 PM

To: eszter.batta@ec.europa.eu

Cc: [REDACTED]

Subject: RE: Ares(2020)7746287 - FW: REminder: ArcelorMittal meeting request - Sustainable Finance taxonomy Climate Screening Criteria - draft delegated act

Dear Eszter,

We are very much looking to our meeting this afternoon.

As wider picture of our Green Deal for Steel decarbonization roadmap I attach :

-Our **ArcelorMittal Roadmap to get to Carbon** Neutrality in 2050 and 30% reduction from 2018 in 2030;

-Our **6 projects applied to first ETS Innovation fund** call end, of last year, with in short the emissions reduction volumes and budget per project.

- More specifically for our meeting later, I also attach **our recent short submission to the Delegated Act on Climate Screening Criteria on Sustainable Finance** (similar as sent in the meeting request text)

Looking forward to speak to you this afternoon. Kind regards,

From: [REDACTED]

Sent: Sunday, January 10, 2021 7:57 PM

To: [REDACTED]

Subject: Ares(2020)7746287 - FW: REminder: ArcelorMittal meeting request - Sustainable Finance taxonomy Climate Screening Criteria - draft delegated act

****This Message originated from a Non-ArcelorMittal source****

Dear [REDACTED],

Thank you for your email.

Ms Eszter Batta would be pleased meeting with you in the coming days.

Would one of the following slot suit your agenda:

- Wednesday 13 January between 13:00 and 16:00
- Thursday 14 January at 13:00
- Friday 15 January at 13:00

Best regards,



Commissioner Thierry Breton



European Commission

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