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Piloting the Climate Club in the Steel Sector:

Membership, strategic quick wins,
creating a safe space for dialogue

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Layout

1. Context and Challenges

- Why Climate Club
- Why steel?

2. Policy Recommendations

- Avoid narrow focus on carbon pricing and carbon leakage
- Membership criteria
- Strategically locating new areas of cooperation across the steel value chain
- Focusing on quick wins
- Creating a safe space for dialogue

3. Conversation with Jury & Participants

1. Context and Challenges

Context and Challenges

Why Climate Club?

- Established in 2022
- Official launch at COP28
- 33 members (and counting)
- Intergovernmental effort for industrial decarbonisation
- Sectoral focus
- Opportunity to create a novel form of international climate cooperation
- Potential to set effective “rules of the game”
- Strategic moment for defining the pathway for the Climate Club

Why steel?

- Emission-intensive industry
- Contributor of 8% of emissions from energy systems
- High exposure to trade
- Contentious issues – need for dialogue!
- Value addition of Climate Club to existing international initiatives
- Strategic material for national economies: necessitates novel form of cooperation

2. Policy Recommendations

Policy Recommendations

Avoid a narrow focus on carbon leakage and carbon pricing, promote cooperation

- Narrow focus on carbon pricing and trade restrictions would be a missed opportunity
 - Failure to realise potential for cooperation on other areas
 - Climate Club membership broader than the EU
- Lessons from EU-US GASSA negotiations: avoid impasse on carbon leakage
- Objections to CBAM are being raised at other fora – the Climate Club should not be the venue to duplicate these efforts
- Kickstart Climate Club activities in strategic areas
 - Explore areas where cooperation for decarbonisation is possible without sparking off political tensions

Policy Recommendations

Membership criteria for a Climate Club in the steel sector

- Climate Club on steel as a sub-stream of larger Climate Club
 - A collective of members with direct interest in collaborating on steel decarbonisation
 - Should include interest on allied aspects (e.g. green hydrogen, green iron ore)
- Membership criteria: national steel decarbonisation pledge
 - Near zero emission steel industry by 20XX (year determined based on country's capacity and long-term carbon neutrality targets)
 - Pledge connected to national roadmap linked to national policies, targets, budgets
- Value of process to arrive at nationally-owned roadmap and long-term vision for steel decarbonisation

Policy Recommendations

Strategically locating new areas of cooperation across the steel value chain

- Moving reduction of iron ore to iron to countries with cheap and abundant renewable energy
 - Recent literature on renewables pull
 - Studies highlighting the potential of partnerships in South Africa, Argentina, Chile
 - Examples of agreements at the company level from Sweden, Brazil, South Korea, Australia
 - Potential for cooperation between Global North and Global South
- Upstream examples:
 - Green iron ore
 - Green hydrogen
 - Scrap
- Downstream examples:
 - Green public procurement / lead markets for intermediate / finished goods

Policy Recommendations

Focusing on Quick Wins

- Definition of Quick Wins
 - Outcomes mutually beneficial to the Global North and the Global South
 - Can be achieved without investment of significant political capital
 - Can help build trust
- Focus on upcoming policy areas where regulations are not locked in
 - Comprehensive and inclusive discussions
- Focus on areas with mutual benefit for the Global North and the Global South
 - Match-making platform for strategic bilateral or plurilateral partnerships
- Start with a strategic selection of topics that require a lower investment of political capital than thorny issues such as carbon leakage
 - E.g. technical dialogues and coordination activities for measurement methodologies and data collection for emissions
- Financial and technical assistance as catalysts for quick wins
 - Transparent dialogue on equal footing

Policy Recommendations

Creating a Safe Space for Dialogue

- Initial building of trust through quick wins is of crucial importance
- Potential to create the space to discuss more contentious issues at a later stage
- Role of international policy dialogues and peer review processes
- Examples of thorny issues in the sector:
 - Carbon leakage
 - Definitions of “green steel”
 - Modalities of finance
 - Challenges of green relocation of steel value chain

3. Conversation with Jury and Participants

Thank you!

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