

Severstal publishes Position Paper on Climate Change

Severstal's Board of Directors held on 3 February 2021 approved the Company's Position paper on Climate Change. The document is signed by CEO of Severstal Alexander Shevelev.

Severstal's position on Climate Change

PAO Severstal is a vertically integrated steel and steel-related mining company with its major assets in Russia.

Severstal is committed to the sustainable development of the Russian economy and Russia's climate change policy, Severstal has set a goal of reducing GHG intensity per tonne of steel by 3% by 2023 compared with the 2020 base year. The total reduction will be about one million tonnes CO₂-e.

Welcoming the strategic goal of Russia's **state climate policy** we believe that state support measures for research in low-carbon technologies for the steel industry and promotion of climate related projects should become an important component of climate policy, including establishment of a regulatory environment (changes in tax legislation, establishing a national framework of climate projects) and infrastructure (development of hydrogen energy, availability of "long" investments, funding innovation, facilitating the development of steel scrap market, etc.).

Contributing to the global efforts to achieve the Paris Agreement goals, Severstal is fulfilling its commitments already announced, and it is assuming additional commitments. Severstal believes that **GHG emissions reduction targets** should be consistent with the Paris Agreement goals and take into account the nationally determined contributions. Severstal believes that the rate of GHG emissions reduction may differ significantly depending on the geographical location of production facilities and different opportunities, including access to breakthrough technologies and the availability of low carbon infrastructure. For "primary" steel production, a separate goal should be set which is driven by technology features and the lack of alternative technologies (not all steel grades can be produced from steel scrap).

Facilitating **bringing financial flows in line with the low carbon development pathway**, Severstal has been investing in renewable energy by participating in an international pilot project for production of wind power plants' equipment in Russia. Severstal has a joint venture with Windar Renovables and RUSNANO - VRS Towers LLC, launched on 12 December, 2018. The expected annual capacity is 300 MWt. In addition to external sustainable investments Severstal takes into account CO₂ factors in the investment related decisions.

As a responsible company, Severstal considers it necessary to assess GHG emissions at all stages of raw material mining and production of our products. Severstal believes that the **carbon footprint and carbon intensity** should be calculated using a common methodology approved by industry associations.

Understanding the importance of assessing the Company's contribution to global GHG emissions, Severstal has calculated its GHG emissions for **Scopes 1, 2 and 3**; Severstal supports **mandatory independent assurance** of GHG emission information which would allow for an unbiased assessment of companies' contribution to GHG emissions as a company, and as an industry as a whole.

As a result of the necessity **to adapt Severstal's assets to the potential adverse impacts of climate change**, Severstal recognises the physical risks associated with climate change, and, for example, monitors on a regular basis the condition of buildings, structures and permafrost soils on sites located in the Arctic region. We share the TCFD's view that better information would allow companies to incorporate climate-related risks and opportunities into their risk management and strategic planning processes. As this occurs, companies' understanding of the financial implications associated with climate change will grow, empowering investment to sustainable and resilient solutions, opportunities, and business models.

Being open to cooperation in looking for optimal approaches to decarbonisation in the steel industry, Severstal is ready to cooperate willingly with any legitimate mechanisms focused on GHG emissions reduction. At the same time, Severstal supports the idea of establishing implementation rules regarding **Article 6** of the Paris Agreement as soon as possible, including **requirements for bilateral (or multilateral) projects** (clause 6.4).

Recognising that, due to the nature of traditional technologies, the steel industry is one of those industries where it is difficult to dramatically reduce GHG emissions, Severstal wishes to draw attention to **compensation measures** that facilitate GHG absorption, including carbon capture and storage technologies, certificates of origin of electricity and potential of projects in "land use, land-use change and forestry" (LULUCF).

Demonstrating the seriousness of its intentions, Severstal has been supporting **climate initiatives** and taking an active part in **expert platforms** such as: the Net Zero Steel Initiative; Climate Action 100+ (an investor initiative to ensure that the world's largest GHG emitters take the necessary measures in connection with climate change); the Net-zero Steel Pathway Methodology Project (development of methodological approaches); Step Up WSA's positive change programme (selection of the best available technologies).

In accordance with the Paris Agreement, Severstal is striving to cover all the aspects of combating climate change and take the maximum possible actions:

- by making efforts to limit the temperature increase, it is eager to reduce GHG emissions throughout the entire production chain, and looking for additional opportunities to compensate for non-reducible emissions;
- by building resilience to climate change, it has been taking measures

- to adapt the Company's assets;
- by directing its financial flows in line with the low-carbon pathway, it has been investing in renewable energy; taking into account CO2 factors in making investment-related decisions, etc.

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