PRESENT POLICY APPROACHES TO REDUCE CO2 EMISSIONS IN THE IRON AND STEEL SECTOR

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Outline

- I&S GHG emissions
- Policy Context
- National Voluntary Approaches
- Emissions Allowance Systems
- Clean Development Mechanism (CDM)
- Research and Development
I&S GHG emissions

- 3.0% of world GHG emissions
- 2/3 direct; 1/3 indirect (from electricity)
- Top 10 producing countries = 75% of industry emissions
- CO2 Intensity: declined 5% 1990-2003
  -22% in OECD; -2% in non-OECD

Policy Context

- Kyoto Protocol (2008-2012)
- Asia-Pacific Partnership on Clean Development and Climate
- National and regional efforts
- Increasing state and local efforts
  (e.g. California Global Warming Solutions Act of 2006)
National Voluntary Approaches

- 12 OECD countries apply voluntary approaches to iron and steel sector

- Varying levels of ambition
  - Completely voluntary; no penalties
    -- Wallonia, Finland, Korea, Luxembourg, the US
  - Threat of regulations or taxes
    -- Flanders, Germany, Japan, Netherlands
  - Direct links to regulations or taxes; penalties
    -- Canada, France, Switzerland, the UK

Emissions Allowance Systems

- EU Emissions Trading System (ETS)
  - cap-and-trade; €40/tonne penalty (€100, 2nd)
  - large industry only; CO2 only (1st period)
  - national allocation plans

- Under development -- Canada, Japan, Korea, New Zealand, Norway, Switzerland, Australian states/territories, California, and north-east and mid-Atlantic regions of the US
Clean Development Mechanism

- Project-based mechanism, with formal procedures to assure adherence to strict additionality, leakage and other criteria.
- 16 registered I&S projects (of 420 total)
  3.2 MT CO2/year (2.9% of total CDM)
- Most I&S projects involve the use of waste heat from coke ovens, DRI kilns and blast furnace offgases to generate electricity.
- Most I&S projects in India, some in China, Brazil, the Philippines and South Africa.

Research and Development

- IISI CO2 Breakthrough Programme
  - Australia, Brazil, Canada, Europe, Japan, Korea, US
  - 3 phases: 2004 to 2014; commercial in 20-50 years
- European Steel Technology Platform
  - 48 participants working on four steel R&D priorities, including: "safe, clean, cost-effective and low capital intensive technologies."
  - Envisaged to carry out the ULCOS (Ultra Low CO2 Steelmaking) project.
Discussion Topics

- **Principal strategies to emissions reductions?**
  -- what carbon price?

- **Future of voluntary agreements**
  -- possible links to emissions trading and CDM

- **Possible roles of international benchmarking activities**
  -- e.g. to improve the fairness of National Allocation Plans (NAPs)