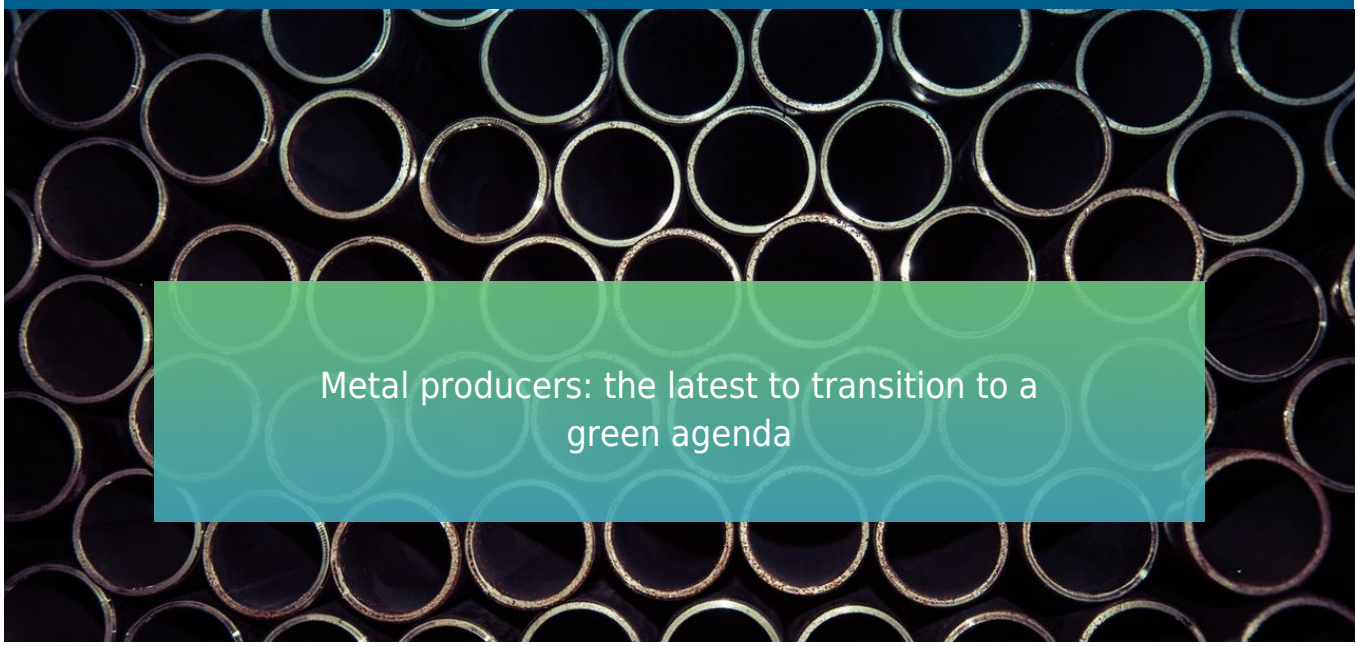
METALS & MINERALS



Metal producers: the latest to transition to a green agenda

If the global energy industry has an image problem, then metals producers increasingly find themselves in much the same boat. The need to turn grey metals green is rapidly moving up the agenda as the production of steel and aluminium in particular, comes into the spotlight as a result of its greenhouse gas emissions. If the industry is to continue to attract the brightest young talent among environmentally conscious millennials, there is a recognition that it needs to act fast to improve its credentials.

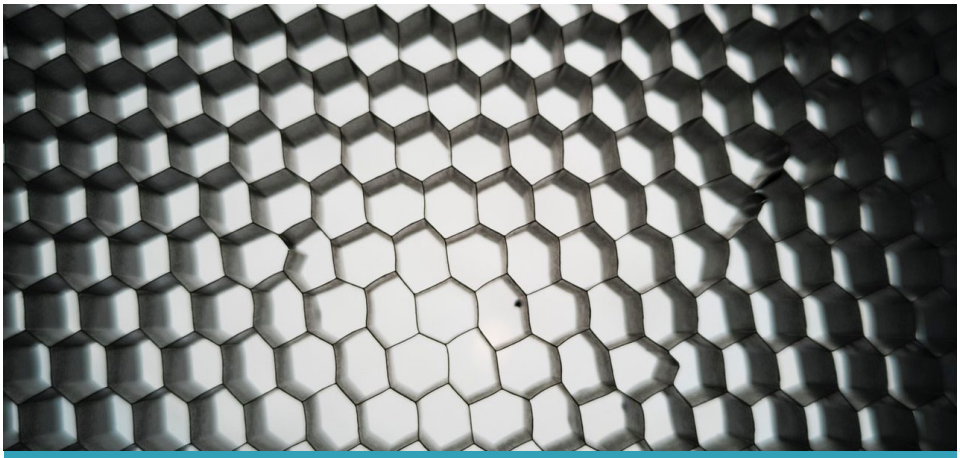
Globally, the production of steel is responsible for between 7 and 9 per cent of all direct emissions from fossil fuels, with each tonne produced resulting in an average 1.83 tonnes of CO2, according to the World Steel Association. Aluminium production accounts for about 0.8% of global greenhouse gas emissions, and demand is rising. The global average of CO2 emissions for both primary and secondary aluminium is 11.5 tonnes per tonne of aluminium, but efforts are now taking place globally to reduce that number.

The growing trend for metal producers to invest in lowering the carbon footprint of their manufacturing processes and transition away from the burning of fossil fuels is now rapidly gathering pace.

Producers across the world are seeking out greener alternatives; in aluminium, for example, the manufacturing process requires a great deal of power. Therefore, organisations with access to cheaper sources of electricity, such as Aluminium Bahrain, have historically benefited from a natural advantage with regards to pricing. As several producers have developed green aluminium brands that make use of hydroelectric power instead of fossil fuels, they have yet to receive a price premium for that investment.

One example of a low-carbon brand is ALLOW by Rusal, which is produced with a carbon footprint of four metric tonnes of CO2 or less thanks to the ample hydropower available in Siberia. Rusal is working hard to reduce its environmental footprint and last

year announced a programme to plant more than a million trees in Russia, the country's biggest reforestation programme in history.



Sanjeev Gupta, GFG's executive chairman and CEO, set out an ambitious target to make his global steel interests carbon neutral by 2030.

In steel, we see a big shift away from blast furnaces to electric arc furnaces, which are cheaper to run and use fewer raw materials in the production process. Blast furnaces cannot be allowed to turn off because of the big cost implications of re-firing them – Tata, for example, has recently said it will keep its European blast furnaces running despite the massive impact that Covid-19 is currently having on demand.

Electric arc furnaces, on the other hand, use 100 per cent recycled steel and much less energy. Nucor in the US and Liberty Steel, part of the GFG Alliance, have led the way in championing the development of green steel. Late last year, Sanjeev Gupta, GFG's executive chairman and CEO, set out an ambitious target to make his global steel interests carbon neutral by 2030. The ambitious target represents a natural extension of GFG's existing Greensteel strategy, which relies on the recycling and upcycling of scrap steel and using electric arc furnaces powered by renewable energy rather than smelting iron ore and carbon in traditional blast furnaces.

Both steel and aluminium are driving a new green metal trend, motivated not only by cleaning the planet but also by reducing costs and responding to demand from fabricators and end users. Hydrogen is set to play a big role in the transition, with companies like Liberty announcing at Davos this year that they will using hydrogen in their steel production by 2030 to fast-track carbon neutral steel and aluminium production. Last month, mining industry majors Anglo American, BHP, Fortescue and Hatch announced a plan to join forces to accelerate the production of green hydrogen technologies, which some of them will consider producing onsite.

While no one is suggesting recruitment as a driver for a green metal transition, at a time when the next generation of skilled workers is more focused than ever on corporate social responsibility and employer brand, these investments in a carbon neutral future create exciting opportunities to attract and retain talent.

Contact Us

Scott Reid

EMEA
+44 20 7392 7712
sreid@humancapital.global

Premesha Motha

APAC
+65 3158 7415
pmotha@humancapital.global

Andrew Watson

LATAM
+55 11 99 769 1234
awatson@humancapital.global

Alex Coghlan

Americas
+1 832 460 7371
acoghlan@humancapital.global

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