

# Arcelor mittal case study

Business



This briefing examines how the world's biggest steel company, Arcelor Mittal, is set to become the largest beneficiary of the EU Emissions Trading Scheme. By 2012 the company is set to have 80 million permits to pollute which it does not need and which it was given for free. If sold, these will make over €1 billion in windfall profits by 2012, paid for in part, by UK power consumers.

The briefing goes on to make the case that Alkalim, the CEO of Arcelor Mittal and also the world's richest man, should choose to forgo windfall profits and opt instead for climate philanthropy. Canceling the 80 million surplus permits would be equivalent to Denmark, host nation of the forthcoming climate talks, producing no carbon for a "hole year."

Such a commitment would make Alkalim the world's foremost climate change philanthropist. We have produced this briefing using European Union verified data on the emissions and allocations received by polluting installations across Europe under the EU ETS.

To enable us to isolate polluting installations belonging to Arcelor Mittal we have used data provided by Carbon Market Data who have carefully matched all EU ETS installations to the parent companies which own them. Background: The EU ETS.

Emissions Trading Scheme In 2005 the EU implemented the world's first large scale emissions trading scheme, known as the EU ETS. The scheme put in place an emissions cap on heavy industrial sectors and power generators. Nothing the EU..

For each tone of carbon that polluters were allowed to emit, an emissions permit (EIA) was issued. These permits were given out for free to companies who, to comply with the scheme, had to make sure they had enough permits to cover their pollution. The theory was that the cap would result in a shortage of permits and would mean companies either had to cut their carbon emissions, or buy extra permits, thereby paying for emissions reductions elsewhere. For the first three years of the scheme, known as Phase 1, things did not go to plan.

Following intense lobbying and high profile claims that the scheme would harm business and mean job losses, the cap on emissions was set too high and therefore too many permits were issued. Oracular also launched an unsuccessful attempt to block the trading scheme.

As it turned out, most companies found themselves in a position to sell surplus permits on the market generating windfall profits, until the price of carbon reached zero. Thus the great potential the scheme had for cutting emissions was not achieved; instead the scheme became a cash cow for many of the businesses it covered.

The EX. TEST is now into Phase 2 of trading which will last until the end of 2012 and the problem of windfall profits continues. This time around industrial companies are 1 Recreational has by far the largest number of surplus permits in the year 2008 and is thus eligible for the largest windfall, although in % terms its allocation is not the greatest in the steel sector.

2 EX. TEST companies database [http:// NNW. Carbohydrates. Com/](http://NNW.Carbohydrates.Com/) 3 Record launched the court case before its merger Ninth Imitate Steel. [Http://www. https://assignbuster.com/arcelor-mittal-case-study/](Http://www.https://assignbuster.com/arcelor-mittal-case-study/)

Jurisdictionally. Mom/depositories/dc-3rd-update-e-CRT- recreational-co-emissions-case-invalid-31 the main beneficiaries. Even before the recession they had many more permits than they needed. With 2009 one of the worst years on record for industrial production, these companies will now be sitting on vast numbers of unused emissions permits. If these are sold we will see a repeat of the huge windfall profits from Phase 1, and if not, the permits will be banked to allow future pollution undermining the integrity and ambition of the Lei's post 2012 climate targets.

The Case of Oracular Imitate One company stands out as the biggest beneficiary of the EX.

Emissions Trading Scheme - the world's largest steel company, Recreational. It's CEO and major shareholder Alkalis Imitate is the Auk's richest resident, and one of the world's richest men. The company is the Use's 5th biggest polluters but rather than being asked to cut its missions under the scheme, it has been allowed to increase them. In 2008, Recreational had over 14 million surplus permits equivalent to the annual emissions of Luxembourg, or a windfall of over ?-200 million.

With global steel production dropping by over 37% in 20096, we estimate that this could grow to 40 million for that Hear meaning surplus permits equivalent to a windfall of ?-560 million.

By the end of 2012 Recreational is likely to control surplus permits equivalent to 80 million tones of carbon, or put another way, more than the annual emissions of nation hosting this month's climate change talks, Denmark 7. Selling these permits which Architectural Nas assigned for free, <https://assignbuster.com/arcelor-mittal-case-study/>

could make the company around \$1 billion. Could Mittal have the makings of a great philanthropist?

As the major stakeholder of Arcelor and its CEO, Mittal has enormous influence over what happens to the company's surplus permits. One option which he has is to retire the permits and thereby securing global emissions cuts equivalent to Denmark emitting no carbon for a whole year. If the current prime minister of Denmark were to make such a commitment, Mittal would most certainly stand up and take notice. Famously a donor to the Labor party, Mittal even has considerable power when compared to Secretary of State De Gaulle PM who is currently in charge of the UK's response to climate change.

Teens now and 2012, if Mittal cancels all his surplus emissions permits he will deliver 80% of the emissions reductions that the world has promised. A century ago a man named Andrew Carnegie was the most powerful man in the steel industry but he is now more renowned for his work to tackle poor education and literacy, key challenges of the 20th Century. Today Bill Gates is famous for his work to tackle malaria, HIV and international poverty but he has no equivalent in the industrial world behind E.ON, E.ON, E.ON and Kneel.