

LME Sustainability – CBAM Decision Notice

September 2024



SETTING THE GLOBAL STANDARD



Table of Contents

1. EXECUTIVE SUMMARY	3
1.1. Responses to the Consultation and Discussion Paper	3
1.2. Structure of the LME's decision notice	4
1.3. Disclaimer and other matters	4
2. FEEDBACK TO THE CONSULTATION: LME ACTION ON CARBON BORDER ADJUSTMENT MECHANISM ("CBAM")	6
2.1. Overall themes	6
2.2. Feedback summary	6
2.3. LME consideration and outcomes	13
3. FEEDBACK TO THE DISCUSSION PAPER: SUPPORTING THE METALS INDUSTRY IN THE SUSTAINABLE TRANSITION	18
3.1 Sustainability-related pricing	18
3.2 Carbon methodologies	20
3.3 Carbon pricing and risk mitigation	21
3.4 Data on LMEpassport	22
3.5 Traceability	25
3.6 Circular economy	26
3.6 Environmental Product Declarations ("EPDs")	28
4. CONCLUSION AND NEXT STEPS	30
5. APPENDIX I: LME EMISSIONS REPORTING FORM	31
6. APPENDIX II: LME RULEBOOK (REDLINE)	32

1. EXECUTIVE SUMMARY

On 1 May 2024, the London Metal Exchange (“LME”) released – via Notice 24/178 – a consultation on the proposed integration of the EU Carbon Border Adjustment Mechanism (“CBAM”) requirements into the LME Rulebook in respect of LME Primary Aluminium, Aluminium Alloy and North American Special Aluminium Alloy Contract (“NASAAC”) to support the aluminium market in implementing this environmental regulation. Also included in Notice 24/178 was a discussion paper, which sought views on further developments to the LME’s existing sustainability agenda by gathering views on proposals aimed at driving forward initiatives that underpin the global transition to a sustainable economy.

The consultation period closed on 14 June 2024 with 33 formal responses received. This decision notice analyses the core themes of those responses and provides the LME’s feedback and proposed next steps.

Following analysis of feedback received, the LME is proposing to mandate emissions reporting for LME-listed aluminium brands, in line with the EU CBAM methodology. The LME Rulebook will be amended to include a requirement for aluminium to include a completed LME emissions reporting form (Appendix I). The LME Rulebook has also been amended to effect Decision Notice 24/007 and to correct a number of grammatical and typographical errors. There are also a small number of additional, minor changes to the LME Rulebook. All such changes are set out in the redline of the LME Rulebook at Appendix II.

It is worth noting, that in light of the feedback received, there have been a number of adjustments made to the initial consultation proposal, namely around an extended timeline, delayed verification and additional methodologies being made available. The LME will facilitate voluntary emissions reporting in line with the International Aluminium Institute’s (“IAI”) Aluminium Carbon Footprint Methodology.

The LME will continue engaging with market participants to ensure that the newly implemented CBAM emissions reporting and its other sustainability-related initiatives, such as responsible sourcing and LMEpassport, are continuing to assist the evolving needs of the industry and contribute to a more sustainable future.

1.1. Responses to the Consultation and Discussion Paper

The LME would like to thank the 33 market participants who provided written feedback to the CBAM Consultation and Sustainability Discussion Paper (“Paper”). The LME very much appreciates the time and effort taken by all those who contributed. The responses represented a broad spectrum of industry stakeholders, including producers (43%), metal associations and standard bodies (22%), consumers (9%), traders (7%), warehouse companies (5%) and other businesses including software providers across to banks (14%).

The responses to the consultation indicated support for the LME's proposals to mandate emissions reporting for LME-listed aluminium producers in line with the EU CBAM requirements, with respondents not only recognising the importance of transparency and sustainability in the metals industry, but also the benefits of the LME assisting the facilitation of the flow of communication between producers and importers in respect of these emissions. There was broad agreement on the benefits resulting from producers providing emissions reporting to the LME, such as an improvement in data exchange and greater information for market participants in decision-making. However, opinions varied on the specifics, with some advocating for more extensive reporting requirements and others cautioning against additional burdens on producers.

Feedback on the proposed timelines for reporting requirements was mixed, with some respondents calling for adjustments to align with EU deadlines and others suggesting a phased implementation to ease the transition. Concerns about data confidentiality were prominent, with several respondents stating that the data should not be made publicly available through the LME, and also calls for there to be appropriate security measures to protect sensitive information. Many supported the idea of voluntary data disclosure on LMEpassport, highlighting its potential to enhance transparency and market analysis without compromising sensitive business information.

Based on the feedback received, the LME feels confident that the industry is well-placed to meet the CBAM emissions reporting requirements, while recognising the need for careful consideration of implementation details to balance transparency, compliance, and any possible administrative burdens on producers.

The responses to the Paper offered valuable insights across all seven topics addressed (sustainability-related pricing, carbon methodologies, carbon pricing and risk mitigation, data on LMEpassport, traceability, circular economy, and environmental product declarations). Two sections received notable feedback: sustainability-related pricing and data on LMEpassport. Regarding sustainability-related pricing, the LME received several responses emphasising the importance of adopting an approach consistent with the LME's existing method for pricing low-carbon nickel. Additionally, the discussion on data within LMEpassport highlighted the perspectives of those advocating for both greater transparency and appropriate restrictions in respect of data visibility. The feedback received within other sections of the discussion paper were also thoughtful and helpful, being detailed further within Section 3 below.

1.2. Structure of the LME's decision notice

The LME has taken the feedback received into careful consideration, and this decision notice explores that feedback in detail, explaining the amendments the LME is proposing to make to its original proposal on the basis of such feedback and the LME's own analysis. This document will provide a summary of the representations from market participants, rather than a verbatim report of all feedback received on each topic. This is both to protect the anonymity of all those who responded, and to make this document more digestible to interested stakeholders.

The structure of this decision notice mirrors that of the Paper, whereby the LME will detail each of the questions that were listed in the Paper and summarise the respective feedback received. The first section focuses on the introduction of a Rulebook change which aligns with the EU CBAM and the LME's proposals to mandate reporting of embedded emissions in respect of LME-listed aluminium brands. The second section addresses responses to the discussion paper, encompassing a broader range of topics on which the LME sought feedback. Within this decision notice, coloured boxes are utilised to convey a number of messages and summaries:

Overall themes

This box contains a summary of the overall themes from the responses received.

Consultation questions / discussion questions

This box contains numbered questions on which the LME solicited market feedback.

LME consideration and outcomes summary

This box contains a summary of the next steps the LME is going to take on this topic.

The LME accepts no responsibility or liability to any person with respect to any action taken or omitted to be taken by such person in reliance on any statement made in this document. The LME may undertake subsequent consultations with respect to the implementation of specific proposals, in accordance with its usual consultation processes and applicable rules. Furthermore, certain proposals may be subject to further consultation and/or regulatory approval.

The LME would welcome any market participant wishing to arrange further discussion or seeking clarification in relation to the LME's implementation of CBAM requirements, or the ongoing transition towards sustainability, however such discussions will not impact the LME's decision contained within this decision notice. The LME asks such participants to contact sustainability@lme.com.

2. FEEDBACK TO THE CONSULTATION: LME ACTION ON CARBON BORDER ADJUSTMENT MECHANISM (“CBAM”)

2.1. Overall themes

- Respondents broadly supported the proposed requirements outlined by the LME (to introduce mandatory emissions reporting for LME-listed aluminium brands), believing the industry has sufficient experience in emissions reporting such that this would not cause a significant increase in administrative burden on producers.
- In general, mandatory emissions reporting is seen to enhance data exchange efficiency, facilitating better market decisions as emissions profiles become crucial for trading and investment.
- Many agreed that LME’s requirements for aluminium brands would drive sustainability data use across value chains, aligning the aluminium industry with global sustainability trends and regulations.
- A few urged LME to extend the mandate to include Scope 3 emissions at product-level, leveraging regulatory momentum for greater transparency and higher data quality.
- Some suggested voluntary reporting to avoid possible additional burden, particularly for non-EU importing producers.

2.2. Feedback summary

A1) Do you agree with the LME’s proposed route to mandate emissions reporting for all LME-listed aluminium brands, including alloys?

Overall, the feedback to this question was broadly supportive, with there being a shared belief that the industry is already experienced in emissions reporting and thus LME CBAM reporting would not represent a meaningful increase in the additional administrative burden for producers. As expected, those interested in accessing more comprehensive sustainability data to inform their decisions expressed strong support for the proposal; feedback from those who would be responsible for reporting the data, such as producers, was less supportive given the associated administration.

Respondents that were supportive of the introduction of mandatory emissions reporting for LME-listed aluminium producers highlighted that this new mandate would contribute to increased efficiency in the data exchange related to CBAM reporting. This access to data is expected to facilitate better decision-making in the market, as emissions profiles become an important component in trading and investment decisions.

One of the positive outcomes detailed in the feedback was the role that it would play in accelerating the use of sustainability data across value chains. By promoting mandatory emissions reporting, the LME would contribute significantly to the sustainability of the aluminium industry by increasing transparency regarding emissions and potentially encouraging emission reduction thereafter. This would help align the aluminium industry with global sustainability trends and regulatory frameworks, such as the EU CBAM, and be consistent with the LME existing work through LMEpassport – the LME’s digital repository for publicly accessible sustainability credentials which is designed to support sustainability disclosures at both the entity and product levels through voluntary reporting.

Some respondents urged the LME to go further than the proposals outlined in the Paper, believing that there is an opportunity to use the focus on the issue from the EU regulation to further accelerate transparency and traceability disclosures in the market. Suggestions included mandatory requirements to report Scope 3 upstream emissions and 1.5 degree aligned emissions profiles. Additionally, a number of these respondents proposed that other methodologies provided by alternative frameworks to the EU could be used, as they consider these frameworks to be more widely adopted and have more representative and detailed end calculations. Given the primary driver of the LME's proposal was to facilitate the transfer of emissions data between producer and metal owner and therefore assist the metal owner to comply with the EU CBAM, the LME will continue to ensure that its emission requirements remain in line with the EU requirements. However, the LME will also allow producers to voluntarily upload their emissions calculations using alternative methodologies to ensure they feel accurately represented, in addition to the EU CBAM methodology.

Some respondents agreed with the proposed emissions requirement for LME-listed aluminium producers but noted potential concerns with its implementation. They stressed the need for the LME's requirements to align with the EU CBAM requirements, including in terms of product scope, data scope, and format to avoid creating additional compliance burdens. However, it was noted that the LME-designed form (referred to as Appendix I within the consultation) simplified the complex or industry agnostic terminology utilised by the EU, helping to clearly map out the information required to meet the EU regulation. Respondents also emphasised the importance of synchronised timelines for third-party verification to prevent unnecessary duplication of efforts (which is covered in further detail under question A7). These respondents pointed out that the data upload process should be straightforward to facilitate compliance and reduce administrative overhead. Ensuring data confidentiality was also a major concern, as companies shared, they are wary of potential data leaks and the competitive risks associated with mandatory disclosures (discussed further in question A2).

A minority of respondents disagreed with the LME's proposal to introduce any requirements for emission reporting, with a variety of different concerns being cited with the proposal. Some argued that there would be a significant additional workload and compliance burden imposed on producers, particularly for those operating beyond the scope of the EU CBAM. A few respondents commented that it was not the role of the LME to facilitate emissions data transfer between producers and metal owners, or to introduce a requirement for the global LME aluminium market derived from a regional regulation. In addition, it was noted that as other jurisdictions consider and introduce emissions reporting schemes there may be differences across jurisdictions, and therefore the LME should consider delaying implementing any reporting requirements until there is a clearer global consensus on emission reporting requirements.

Building on the aforementioned viewpoint, a number of respondents, largely producers, also stated that they would prefer for the LME to implement voluntary emissions reporting only, with some suggesting that the LME could subsequently mandate it after it has considered how producers are providing the data and how it is being used by importers. Some respondents also suggested that data sharing should be determined by bilateral agreements between producers and consumers, rather than imposed by an exchange. Those most against the proposals warned that mandatory reporting might drive producers to seek alternative markets with less stringent requirements, potentially reducing the attractiveness of future LME listings. They advocated for a more flexible approach that allows producers to choose whether to disclose emissions data based on their specific business contexts and customer needs.

A number of respondents discussed the point of flexibility relating to the proposed LME requirements. While these respondents recognised the merits of the proposed LME initiative, some responses highlighted the need for a phased or conditional approach, allowing producers time to adjust and better align with evolving regulatory frameworks. They suggested that a gradual implementation would enable

the industry to adapt without facing immediate and overwhelming compliance burdens. These respondents also recommended focusing on easing the administrative burden and ensuring that reporting aligns with established global standards, such as the IAI Aluminium Carbon Footprint Methodology. They also emphasised the importance of clear and consistent guidelines to help producers navigate the new requirements and integrate them into their existing reporting processes.

A2) Do you agree with the transparency proposal; namely, that only those with permissions to view the CoA information will be able to view full emissions information unless the producer has chosen to disclose the information publicly, with the possibility of the LME publishing aggregated, summary statistics?

Respondents mainly supported the transparency approach outlined by the LME. While there was a common theme throughout many responses which highlighted the importance of transparency of sustainability data (CBAM-related and more broadly), respondents also acknowledged that attaching CBAM forms to the CoA and allowing producers the option of public disclosure would hopefully enhance transparency and accountability in the aluminium industry, whilst also respecting those companies that deem this information to be commercially sensitive or who are not yet willing to publicly share this information. This targeted transparency ensures that relevant stakeholders have access to necessary data for informed decision-making, whilst limiting the number of persons who can access producers' data. Respondents also appreciated that the LME's ability to publish aggregated, summary statistics would further support market analysis without identifying potentially sensitive producer data.

Producers also emphasised the need for control over the publication of their data more widely, and appreciated the LME's proposal to deliver this, providing appropriate protection for potentially sensitive business information and mitigating against potential competitive disadvantage. They noted that maintaining this balance between transparency and confidentiality is essential for building trust and ensuring compliance with the proposed reporting requirements without exposing producers to perceived risks associated with greater transparency.

There were mixed opinions on the value of publishing data. A number of respondents believed that having emissions data available in summarised or aggregated form would contribute to a more informed and sustainable aluminium market. They recommended ensuring that any published data is meaningful and comparable, considering differences in reporting scope between EU CBAM data and other methodologies. On a similar note, another risk highlighted around publishing information was whether recipients who looked at this data understood the differences between the range of differing methodologies that exist and whether misrepresentation of a companies' emissions could occur, which could then have commercial impact. However, others cautioned against the LME using this data for the purpose of publishing aggregated statistics, suggesting that the EU Commission already has access to this data for its analysis. In contrast, a few respondents advised that it would be better if the LME introduced, or aimed to introduce, full transparency of data. Public access to this data would ensure transparency and inform decision-making for traders and other industry stakeholders.

A3) Do you think there is any other information that should be included within the mandatory fields of the CBAM reporting form?

A4) Do you feel that the form accurately reflects the information required by the EU? Or are there more specific fields that should be added?

Many respondents answered questions A3 and A4 together and hence, the responses from both questions will be summarised and grouped together. The majority of respondents to these questions expressed support for the current proposal, agreeing with the proposed mandatory fields in the LME emissions reporting form (as detailed in Appendix I of this decision notice). They appreciated the structure and alignment with existing practices, noting that the proposed fields provide a sufficient basis for reporting without adding unnecessary complexity. Some respondents chose not to comment further on CBAM specifics, indicating a general acceptance of the proposal as it stands.

A few respondents highlighted the need for additional data fields to enhance the LME's emissions reporting form. They suggested including fields for the Combined Nomenclature ("CN") code, detailed carbon price information (such as where and how carbon prices were paid), and relevant precursor data. These respondents felt that the additional fields would align the reporting form more closely with EU CBAM requirements and provide a more complete view of emissions, facilitating better compliance and supporting broader sustainability goals. Some also noted the necessity of including the fields included within the EU Commission's reporting tool for CBAM such as electricity source and explicit details on operational emissions, such as gas and anode consumption. Furthermore, other respondents noted that the final details of the EU CBAM are still under review and might undergo further changes after an assessment of the practical experience during the transition phase.

Several respondents proposed that the LME should consider mandating additional fields beyond those required by the EU CBAM. They suggested including data on transport emissions, waste management and water usage. These fields would provide a fuller picture of a producer's sustainability efforts and align with broader international standards. Some respondents also recommended including details on energy sources used in production, carbon offset initiatives, and distinctions between product qualities with different carbon dioxide ("CO₂") contents. They argued that capturing broader sustainability data would benefit stakeholders and help align the aluminium industry with global sustainability trends.

Finally, one respondent highlighted the emergence of other jurisdictional carbon border tariffs such as the UK's CBAM, emphasising the need for the form and the LMEpassport platform to be scalable to accommodate any further requirements.

A5) Do you believe that the best way to share this information is via CoAs on LMEpassport? Or would there be preference to upload the form / showcase this information in another way?

The vast majority of respondents agreed that sharing CBAM emissions data via a CoA on LMEpassport would be the ideal method. They believe this approach would be efficient as it would keep all relevant information in one place, ensuring consistency and accessibility for the relevant metal owner. A number of respondents also appreciated the potential for transparency, suggesting that the voluntary option of making the information in the LME's emissions reporting form publicly available, would facilitate better market comparisons and drive improvements across the industry.

While most agreed with the LMEpassport approach, a few respondents suggested considering alternative methods for sharing this information, although no alternatives were explicitly given. Others who did not

support the initiatives noted that LMEpassport is not really required as the data transfer should be between the producer and importer directly when needed.

A6) Is there any other additional ESG information that would be useful to see on a CoA, such as responsible sourcing compliance certifications?

A material number of respondents agreed that adding environmental, social and governance (“ESG”) information, such as responsible sourcing compliance certifications, to CoAs on LMEpassport could be beneficial, increasing the availability of key sustainability-related data to the metal owner.

Some respondents suggested that ESG information is better displayed on an entity or brand level within LMEpassport, rather than on each CoA. They argued that certifications are not strictly linked to specific batch numbers and having them available on a producer or site basis would be more practical. This approach aligns with the current setup of LMEpassport and avoids unnecessary complexity on individual CoAs.

Respondents recommended various additional ESG data points that could be included. Suggestions included a Sustainability (or similar) score, full Product Carbon Footprint (“PCF”) data, and other carbon footprint methodologies. There were also recommendations to include details on energy sources used in production, carbon offset initiatives, and average recycled content. Some respondents suggested incorporating traceability information on the value chain, such as alumina and bauxite origins, to meet increasing stakeholder demands for transparency.

A few respondents expressed concerns that adding too much information to CoAs might deviate from their core purpose of providing quality assurance for LME-listed metals. They suggested that while sharing CBAM-related data is logical, there is a risk of turning CoAs into badges of sustainable integrity, covering too many aspects. These respondents advocated for maintaining the primary function of CoAs while continuing to utilise LMEpassport to provide a comprehensive view of a producer’s sustainability efforts, aligned with international standards and existing reporting disclosures.

A7) Do you agree with the proposed timelines associated with the reporting requirements?

Several respondents agreed with the proposed timelines for the reporting requirements. They found the deadlines reasonable and aligned with their expectations. Some respondents specifically noted that the timelines make sense and align well with the EU implementation deadlines for emissions reporting, providing a coherent schedule for compliance, whilst also allowing producers time, whilst in the transitional period, to get to grips with the new requirements.

A few respondents, particularly producers, expressed concerns about the timelines, predominantly around the proposed speed of implementation as well as ensuring alignment with EU requirements. They stressed that the timeline, including third-party verification, should match the EU's deadlines to avoid additional compliance burdens and costs. They argued that any discrepancy between LME and EU deadlines could complicate compliance efforts and increase the workload for companies.

Some respondents suggested adjustments to the proposed timelines. However, this varied from bringing the deadlines forward, to also proposing to extend them from the initial proposed timings. One recommendation was to bring forward the mandated timelines for direct and indirect emissions to 1 October 2024, ensuring all producers submit their information before the primary data deadline for

importers. Another suggestion was to implement the requirements as soon as possible, with immediate availability via LMEpassport. On the opposing side, one participant stated that completing the emissions reporting and required verification before the proposed LME deadline of 15 March 2025 would be a challenge that they were unsure they could meet.

Respondents highlighted specific challenges with the proposed annual due date of March. For instance, companies operating on both calendar and fiscal year reporting cycles might face difficulties. It was suggested that a later timeline beyond June 2025 would be more practical to ensure verification is possible.

Several respondents pointed out that the proposed 45-day notice period, included in the consultation paper for the introduction of new LME CBAM requirements, is too short. They suggested that a minimum of six months would be a more realistic timeframe for companies to organise and verify their data. The short verification period could be particularly challenging for companies not yet experienced in CBAM reporting, necessitating a longer preparation period.

A8) Are there other factors that you think are important for the LME to consider in relation to CBAM?

Several respondents emphasised the importance of aligning the LME's CBAM reporting requirements with those of the EU. They suggested that the LME should confirm with the EU that information provided in LMEpassport would suffice as a producer's certification on CO2 emissions. The respondents were of the view that this alignment can help prevent additional compliance burdens and enable the LME's data to assist importers to comply with the EU's CBAM regulations. Some respondents also noted the potential for differences between EU and UK CBAM requirements, which could complicate reporting for the aluminium sector.

Some respondents cautioned against the LME establishing CBAM information independently from existing reporting principles. They argued that the EU CBAM is a regional tool designed to protect the EU market and does not represent a universally accepted method for calculating carbon footprints. Aligning with well-established international standards such as the GHG Protocol and ISO standards would ensure consistency and avoid confusion.

Given the evolving nature of CBAM regulations, some respondents stressed the need for the LME's guidance to remain flexible and responsive to changes. This flexibility would ensure that LMEpassport continues to be a useful tool for complying with CBAM requirements. Additionally, respondents recommended extending LMEpassport requirements to accommodate emerging CBAMs in other jurisdictions, enhancing the global relevance of LME data.

Some respondents suggested that the LME should consider the requirements of other emerging regulations, such as the EU battery regulations and the Corporate Sustainability Reporting Directive ("CSRD"). Incorporating these considerations would help avoid future changes and ensure comprehensive compliance.

A9) Do you think that the LME should mandate emissions reporting for the other LME physically settled contracts? If so, do you think this should be implemented at the same time for all physically settled contracts or rolled out in line with CBAM regulations in the future (currently predicted by 2030)?

Many respondents expressed support for the LME mandating emissions reporting for other physically settled contracts, indicating that such a move would enhance market transparency and align with broader sustainability goals. They believed that this initiative should be implemented no later than 2029, with some advocating for immediate action to provide necessary leadership for the global metals industry. These respondents emphasised that waiting until 2030 is not ideal, as earlier implementation would better support efforts to meet climate targets.

A significant number of respondents suggested that emissions reporting should be phased in over time, in line with future CBAM regulations, currently predicted by 2030. They argued that aligning the LME's requirements with the evolving CBAM regulations would ensure coherence and avoid premature or misaligned mandates. This approach would allow for a more structured and manageable transition to mandatory emissions reporting across all metals, avoiding potential inconsistencies and administrative burdens.

Some respondents opposed the idea of mandating emissions reporting for other LME physically settled contracts. They argued that any LME CBAM reporting requirements should mirror the EU CBAM scope and be limited to aluminium until such time as the regulation itself is expanded. These respondents suggested that expanding the mandate beyond aluminium might be unnecessary and burdensome, recommending a focus on voluntary reporting instead (see more in question A10).

A10) Do you think the LME should facilitate the reporting of emissions for the other LME physically settled contracts on a voluntary basis?

Many respondents supported the idea of the LME facilitating the reporting of emissions for other physically settled contracts on a voluntary basis. They believed that voluntary reporting would enhance market transparency and encourage producers to disclose emissions data without the obligation of mandatory compliance. This approach would allow for a gradual adaptation to future regulatory requirements and accommodate varying levels of data quality and maturity across the metals markets.

Some respondents emphasised that voluntary reporting would help market participants prepare for impending regulatory requirements, which may be introduced rapidly and unpredictably. By encouraging voluntary emissions reporting now, the LME can help producers and market participants get ahead of potential future mandates, such as those related to EU battery regulations.

Several respondents suggested that the LME should not only facilitate voluntary reporting but also encourage it through incentive schemes or simplified reporting processes. This encouragement could act as a catalyst for more producers to report their emissions data, fostering a culture of transparency and readiness for future mandatory reporting.

2.3. LME consideration and outcomes

Summary

- The LME acknowledges the strong support by respondents and hence has decided to introduce mandated emissions reporting for LME-listed aluminium producers in line with the EU CBAM requirements, with some adjustments to the proposal following the careful consideration of market feedback received.
- One of the key adaptations to the proposal within the Paper, having considered the feedback received, is around timelines. The responses were noted, and the LME will adopt a new, extended timeline for data collection and verification.
- There were a variety of views regarding whether only the EU CBAM emissions methodology should be utilised. As such, the LME will allow voluntary reporting utilising the IAI Aluminium Carbon Footprint Methodology, to provide a variety of emissions data.

Overall, the majority of respondents expressed broad approval for the LME's proposal to introduce emissions reporting requirements for LME-listed aluminium producers, indicating strong support for increased transparency and emissions reporting generally. Following the feedback received, the LME has decided to introduce this initiative. As such, the proposed amendment to Part 6 of the LME Rulebook contained within Appendix II of this decision notice will be introduced into the Rulebook immediately. The LME emissions reporting form is contained within Appendix I of this decision notice. The LME has noted the feedback provided by the market and as such has decided to make adjustments to the originally proposed requirements.

Mandatory emissions reporting

The LME notes that there were respondents which supported mandatory emissions reporting, as this enables consistency and comprehensive data collection across all LME-listed aluminium producers, while other respondents supported voluntary reporting as this would allow greater flexibility for producers and gradual adaptation to emissions reporting although it may not provide all importers with the necessary information.

Having considered the feedback in detail, the LME believes that there is broad support for the availability of CBAM data through the LME, and that this will add considerable value for importers of metal into the EU, ensuring they have access to key information about their metal to assist in meeting EU import regulations. The LME believes that facilitating the transfer of emissions data through LMEpassport will reduce the administrative burden overall for producers and importers alike. For producers, this will mean providing their emissions information once a year, via LMEpassport, rather than responding to every individual request and knowing no matter where their metal ultimately ends up, it is eligible to be imported into Europe with the correct information. For importers, they will have convenient access to information regarding emissions which will assist them in meeting the EU CBAM regulation. The LME notes that certain respondents believed that mandating emissions requirements would impose additional burdens on producers, rather than reduce them. However, as noted above, the LME believes that in many instances the ability to upload CBAM data on an annual basis, rather than respond to every request, will create a more efficient process for producers to provide their emissions data to metal owners. The LME also considers it appropriate to require aluminium producers in all jurisdictions to report emissions data as this reflects the global nature of the exchange and the potential for LME-listed metal to be stored at any LME-approved warehouses across the globe. In addition, the LME also believes that the majority of the industry is already tracking and recording emissions, and that it will be achievable for LME-listed aluminium producers to provide CBAM emissions in June 2025.

In regard to the concern raised by some respondents that CBAM requirements may differ as other jurisdictions consider and introduce emissions reporting schemes, the LME will continue to monitor developments in respect of CBAM reporting requirements which may be introduced in other jurisdictions, and the LME has the flexibility to reflect future changes in its emissions reporting form.

The LME also recognises the feedback that it should not require third-party verification of CBAM emissions data until this is required by the EU CBAM regulations, understanding the preference that the LME's mandatory requirements remain consistent with the EU CBAM requirements. The LME notes that it will not undertake its own verification of the emissions data provided by producers, and that the LME is merely acting as the platform through which metal owners can access CBAM data for LME-listed aluminium. The LME will not be responsible for the production, completeness or accuracy of emissions data provided by a producer, or liable for any party's act or omission in connection with, or reliance upon any, emissions data or other information uploaded to LMEpassport. The LME is also not responsible for an importer's compliance with EU CBAM, as the importer remains solely liable for their own regulatory compliance. The lack of third-party verification does represent a risk for metal owners relying on the information; however, the LME understands that it is the EU's intention to require third-party verification of CBAM emissions data from 2026 when the definitive period begins, so recognise that this risk is time limited.

The LME will mandate the reporting of both direct (Scope 1) and indirect (Scope 2) emissions. While EU regulations currently only require direct emissions reporting starting in 2026, the LME anticipates that the EU will eventually include indirect emissions as well and is proactively requiring this data. Additionally, it is important to consider that if more carbon border adjustment initiatives are introduced, producers will need to be accustomed to reporting Scope 2 emissions as well. The LME believes that extending this requirement to Scope 2 should not involve a significant additional burden on producers as it is common practice for most companies to measure and calculate Scope 1 and 2 at the same time, and it is often only Scope 3 that is considered to be more complex which is why it is often introduced at a later date or calculated separately.

Transparency

The LME will follow the proposal outlined in the Paper, in that LME-listed aluminium brand producers will have the option to voluntarily publicly disclose their CBAM emissions information, otherwise it will remain attached to a CoA, available only to the owner of the underlying metal. The LME has noted the desire on the part of certain producers to limit access to such data given confidentiality concerns; it takes data security seriously and will continue to ensure it has robust data security protocols to protect this data. Further, because the emissions information is attached to the relevant CoA, it will only be accessible to the LME, the owner of that metal, and the warehouse at which that metal is stored (if the material goes on warrant). It should also be noted that the metal owner may choose to provide the emission data to other parties; for example the EU Commission or subsequent owners of the metal, which the LME will not have visibility of or control over. Although the LME has been actively supporting the visibility of sustainability data within the metals and mining industry through LMEpassport, the LME does also recognise that some stakeholders consider certain data to be commercially sensitive and believes that the outlined approach appropriately balances the need for transparency with the protection of data which certain producers may consider sensitive.

LME emissions reporting form

The feedback around the LME's proposed reporting form was broadly positive. The majority of responses echoed the importance of the LME matching the exact information required for the EU CBAM regulation for the proposed initiative to be most effective. With this in mind, the LME completed further alignment

exercises, following feedback, to ensure that the reporting form matches the regulation, whilst maintaining its easy-to-understand language and format. The LME has added new fields into the form such as CN codes and carbon price information. As the EU CBAM regulation has not yet been fully finalised, the LME intends to update this form, as required, to ensure that it continues to accurately represent the requirements from both the LME side and that of the EU. The finalised form is attached under Appendix I.

The LME is aware that a number of other jurisdictions are considering implementing similar measures in the future. The LME will continue to monitor these potential regulatory changes and may engage further with the market on whether similar reporting through the LME for other jurisdictions would be useful. In the event that the LME makes changes to its emissions reporting form, the LME will issue a Notice with the updated version.

Additional ESG information

It was noted that a number of respondents saw value in allowing additional, voluntary disclosure of other carbon methodologies to provide different information in respect of emissions. As such, the LME has adapted its emissions reporting form to accept and display data aligned to the IAI Aluminium Carbon Footprint Methodology on a voluntary basis. Clear guidelines on how to report and disclose against this additional carbon methodology will be provided to enable consistency and comparability. Similar to CBAM data, any voluntary upload of IAI-aligned data will be appended to the CoA through LMEpassport. It is worth noting that all LME brand producers can already voluntarily disclose this information through the LMEpassport platform, alongside numerous other ESG credentials¹. However, the benefit of having this information appended to the CoA means that any CoA passed through the value chain would include this information alongside the CBAM emissions. The LME would also encourage any producers providing IAI-based emissions data to also provide this through the publicly available pages of LMEpassport.

The LME noted the substantial amount of feedback around ensuring that the LME acknowledges the differences between existing carbon measurement methodologies, including the EU CBAM and the IAI methodology. The LME is cognisant of the importance of maintaining clear distinctions between CBAM-specific requirements and other emissions methodologies to avoid confusion and misalignment. Separating CBAM data from other emissions methodologies will prevent misinterpretation and support accurate and relevant data reporting for different regulatory and market needs. The LME will assist in defining and communicating the differences between CBAM requirements and other emissions methodologies, developing separate places to report CBAM and other emissions data for clarity and consistency.

Timelines

The LME recognises the importance in aligning its emission reporting requirements with the EU CBAM regulation, but also with the need to balance this with sufficient notice to ensure the timelines are practical for market participants. As a result, and in acknowledgement of certain market feedback on this topic, the LME will extend its timelines for aluminium producers to submit their LME emissions reporting form. LME-listed aluminium brand producers will be required to provide emissions information on an annual basis, in accordance with the below timeline. The LME notes that some respondents suggested that the deadline be later than June 2025, however the LME believes that June 2025 is an appropriate deadline as it provides producers with suitable time to implement practices before the definitive period in January 2026 begins, thus giving producers six months within the transitional period to introduce the requirement, whilst also providing the market with an adjustment period prior to the EU deadline coming into force.

¹ <https://www.lmepassport.com/#!/public/disclosures-detail>

The LME has decided to extend the initial deadline in 2025 from 15 March 2025 to 15 June 2025 (please see the timeline below). From 2026 onwards, the deadline to upload CBAM data emissions to LMEpassport will be 1 April. In the event that the deadlines associated with the EU CBAM regulation change, the LME will look to reflect these changes in respect of the LME emissions reporting form uploaded to LMEpassport. If such changes are made to the LME emissions reporting form which LME-listed aluminium producers need to complete, the LME will announce any changes via Notice a minimum of 3-months beforehand. The reason that the LME may alter its submission deadlines is to ensure that it matches that of the regulatory requirement from the EU and can assist metal owners when importing LME-listed aluminium into the EU. However, the LME reminds importers that they remain liable for their own compliance with the EU CBAM regulation and that the LME does not provide any warranties or representations in respect of such data.

Verification

In a similar vein to the adjustments made to the submission deadlines, the LME has also amended its timelines for the independent third-party verification of emissions, so that these are also aligned with the EU CBAM regulation. As such, the LME will not be requiring verification of the emissions data entries made on or before 15 June 2025; instead, the LME will mandate verification of submissions from 2026, in line with the EU timeline for third-party verifications.

2024 Q4	2025 Q2		2025 Q3		2026 Q2
<p>30 April 2025 – EU deadline</p> <p>Importers required to report on CBAM Registry for quantity imported from 2025 Q1.</p> <p>Importers are required to use 2024 data.</p>	<p>30 May 2025 – EU deadline</p> <p>Deadline for importers to correct submitted reports for 2025 Q1 in CBAM Registry.</p>	<p>15 June 2025 – LME deadline</p> <p>CBAM emissions reporting form for embedded emissions for calendar year 2024 due.</p> <p>No audit required.</p>	<p>31 July 2025 – EU deadline</p> <p>Importers required to report on CBAM Registry for quantity imported from 2025 Q2.</p> <p>Importers are required to use 2024 data.</p>	<p>31 August 2025 – EU deadline</p> <p>Deadline for importers to correct submitted reports for 2025 Q2 in CBAM Registry.</p>	<p>1 April 2026 – LME deadline</p> <p>CBAM emissions reporting form for embedded emissions for calendar year 2025 due.</p> <p>Audit required.</p>

Extension of reporting requirements beyond Aluminium, Alloy and NASAAC

In response to market feedback, the LME will align with EU CBAM requirements, and as such will not extend its requirement for emissions reporting beyond LME-listed aluminium, aluminium alloy, and NASAAC brands. Many respondents suggested that emissions reporting should be phased in gradually for other LME-listed metals, in line with future CBAM regulations, which are currently anticipated to be introduced by 2030. They emphasised that aligning the LME's requirements with the evolving CBAM regulations would ensure consistency and prevent premature or misaligned mandates. This phased approach would allow for a more structured and manageable transition to mandatory emissions reporting across all metals, minimising potential inconsistencies and administrative challenges.

The LME recognise that other carbon border adjustment initiatives may be introduced in the future. These will be evaluated individually, and the LME will provide market participants with advanced notice if it intends to introduce any new reporting requirements or the facilitation of additional voluntary reporting. However, the LME's strategy for facilitating the communication of CBAM emissions data hinges on the digitisation of CoAs on LMEpassport. Given that at present, the LME's brand listing rules for copper do not require CoAs, the LME will need to work with the copper industry on assessing the potential issues that this could pose if CBAM or similar requirements are introduced for copper in the future.

LME's response to regulation change

The LME acknowledges that the final EU CBAM requirements have not been released by the EU Commission. With the possibility of further changes to the existing regulatory requirements, and with the

market feedback overwhelmingly requesting for the LME to stay closely aligned to this regulation, the LME maintains the right to modify the reporting requirements for LME-listed aluminium brands once EU CBAM regulations are finalised. The LME will reassess its position as and when the requirements are released and will notify the market of any changes as appropriate.

3. FEEDBACK TO THE DISCUSSION PAPER: SUPPORTING THE METALS INDUSTRY IN THE SUSTAINABLE TRANSITION

3.1 Sustainability-related pricing

3.1.1 Overall themes

- Respondents agreed on the complexity of defining low carbon and “green metal,” emphasising the need for transparency and robust methodologies in carbon footprint reporting.
- There was consensus on using comprehensive, internationally recognised standards and full lifecycle assessments to define low-carbon metal, ensuring alignment with global best practices.
- Support for a holistic approach to “green metal” was strong, advocating for the inclusion of broader ESG criteria.

3.1.2 Feedback Summary

- B1)** Do you agree with the LME’s analysis of the considerations around low carbon and “green metal”?
- B2)** What do you believe is the most appropriate method for determining a low carbon threshold for aluminium (and / or other metals)?
- B3)** What do you believe is the most appropriate threshold for defining low carbon aluminium?
- B4)** What do you think about the LME’s proposal regarding “LME globally deliverable CBAM” product, including the proposed methodology? Are there other considerations that should be taken into account?
- B5)** Do you believe this price discovery method and possible trading should be extended beyond primary aluminium?
- B6)** Given that Scope 3 emissions are currently proposed as a voluntary field in the LME’s CBAM form, do you think that they should be included or excluded within the price discovery mechanism?

Many respondents agreed with the LME's analysis of the complexities involved in defining low carbon and “green metal”. They acknowledged the difficulty in setting standardised definitions and emphasised the importance of transparency in carbon footprint reporting. Some respondents supported the idea of including CBAM emissions data in evaluations to define realistic thresholds, while others suggested that more established methodologies would be a better route and urged the LME to ascertain industry consensus.

Respondents highlighted the broad variety of methodologies available for defining low carbon aluminium, including cradle-to-gate assessments and internationally recognised standards such as the GHG Protocol, ISO standards, and industry-specific guidelines such as those proposed by the IAI and the First Movers Coalition. The consensus was that any methodology should be comprehensive and consider the full lifecycle emissions, as opposed to the narrower boundaries of the EU’s CBAM methodology. This alignment would ensure that the LME’s approach is consistent with global best practices and would also avoid creating confusion or misalignment with existing frameworks. This was coupled with feedback,

mainly from producers, who felt that the EU's CBAM methodology is not sufficiently representative of businesses' carbon footprints, and as such, they would be uncomfortable utilising this to discover a premium within the space.

There was strong support for the concept of "green metal" that goes beyond carbon emissions, which echoed the view of the LME that sustainability is broader than emissions alone. Respondents suggested that the LME should include a wider range of ESG criteria in any sustainability pricing framework. This holistic view would ensure that metals labelled as "green" or "sustainable" meet comprehensive standards, including responsible sourcing, workplace safety, and certain environmental protections.

However, the term "green metal" was seen as problematic by some respondents, who argued that it implies a small proportion of metals are green while the majority are not. They suggested that a more accurate and nuanced approach is needed, considering the diverse processes and raw materials involved in metal production.

Specific recommendations included setting a fixed carbon threshold that would not change too frequently and using life-cycle assessments to evaluate carbon footprints comprehensively. Some respondents suggested that a dynamic threshold aligned with industry decarbonisation targets would be more appropriate, rewarding producers for continuous improvement.

3.1.3 LME consideration and outcomes

- Based on market feedback, the LME will not proceed to use CBAM data to inform a low-carbon aluminium price discovery mechanism.
- In the case of aluminium, one of the industry's most comprehensive and internationally recognised frameworks for calculating emissions is the IAI Aluminium Carbon Footprint Methodology.
- If there is sufficient demand, the LME will consider adopting an approach for aluminium and other metals similar to the method used by the LME for low carbon nickel pricing, as outlined in LME Notice 24/116.

Based on market feedback, the LME will not use CBAM data to inform low-carbon aluminium price discovery. It is clear that the market view is that this approach would not represent companies' full emissions, and therefore unfairly incentivise producers with lower emissions within the narrow scope of the CBAM methodology. Instead, taking an approach that considers a more in-depth calculation such as measuring from cradle-to-gate emissions will be considered. In the case of aluminium, one of the industry's most comprehensive and internationally recognised frameworks for calculating emissions is the IAI Aluminium Carbon Footprint Methodology, with a number of respondents sharing that this would be the preferred methodology to follow.

The LME would like to develop a reliable and equitable method for incorporating sustainability-related pricing into the market. If there is sufficient demand, the LME will consider adopting an approach for aluminium and other metals similar to the one outlined in LME Notice 24/116. This notice detailed a solution for establishing carbon-related pricing differentials through a partnership with the digital procurement and trading platform Metalshub. On Metalshub, any class 1 nickel can be listed with specific ESG credentials, including its carbon footprint, enabling buyers to filter by their preferred carbon thresholds and ensure they source materials that meet their sustainability goals. Metalshub has committed to publishing monthly data on the transactions and market value of class 1 nickel traded,

including the subset with a registered carbon footprint lower than 20 tonnes of CO2 equivalent per tonne of output. Looking ahead, the LME would favour this approach across other metals for consistency.

3.2 Carbon methodologies

3.2.1 Overall themes

- Respondents generally aligned with the existing methodologies that are available to disclose against on LMEpassport, considering them the most appropriate for carbon accounting.
- Concern still persists among respondents that carbon methodologies are not yet standardised and hence, comparable.
- Challenges identified include the complexity of tracking emissions through multi-tiered supply chains, validating market mechanisms to reduce Scope 2 emissions, methods for including pre-consumer scrap, and ensuring consistent education along the supply chain.

3.2.2 Feedback Summary

Section C – discussion questions

C1) Do you use a carbon accounting methodology not currently included on LMEpassport? If so, which one(s)?

C2) Do you think the methodologies available on LMEpassport currently represent the most appropriate carbon accounting methodology for each metal?

C3) Do you feel there are any gaps or issues in implementing the existing carbon methodologies?

C4) Do you currently measure Scope 3 emissions? Is this completed at the corporate / entity level, or are you able to measure at the production or batch level?

C5) What other challenges have you identified in this space?

The majority of respondents suggested they are aligned with the methodologies that are currently available for LME brand producers to disclose against on LMEpassport. They believe that these methodologies represent the most appropriate carbon accounting methods for each metal. For ease of reference, currently, the following methodologies are eligible to be reported against on LMEpassport:

- Aluminium – IAI Aluminium Carbon Footprint Methodology
- Cobalt – Cobalt Institute’s Product Carbon Footprint (“PCF”) guidance
- Nickel – Nickel Institute’s GHG emissions guidance
- Zinc – International Zinc Association’s GHG emissions guidance for SHG zinc (version 2)

Alternatively, a few respondents shared that they are reporting against multiple methodologies not currently available on LMEpassport, tailored to regulations in different jurisdictions and comprehensive life cycle assessments for specific sites and products.

Other respondents warned that the introduction of new methodologies could discourage companies from using agreed-upon guidance for product carbon footprint reporting, with misalignment or difference between standards and methods leading to inconsistencies and limited high-quality data availability. With

this in mind, respondents similarly echoed the need for standardised methodologies and official verification mechanisms to enable accurate comparisons across companies.

A number of respondents cited some of the challenges in measuring Scope 3 emissions including the complexity of tracking emissions through multi-tiered supply chains, validating market mechanisms to reduce Scope 2 emissions, how to count pre-consumer scrap, and varying levels of knowledge along the supply chain.

3.2.3 LME consideration and outcomes

The LME is proud of industry progress to date in supporting and standardising carbon methodologies and is pleased that the vast majority of respondents felt they were aligned to the methodologies already available on LMEpassport. The LME will continue to build on the progress made by working alongside individual metal associations, and actively engage with industry stakeholders to gather feedback, identify gaps, and address challenges in carbon accounting and emissions tracking. Additionally, the LME will focus on supporting market participants to improve data quality and consistency, while promoting the adoption of standardised methodologies and verification mechanisms to facilitate accurate and reliable carbon reporting.

3.3 Carbon pricing and risk mitigation

3.3.1 Overall themes

- The proposal to explore the introduction of a hedging mechanism for CBAM certificates received mixed responses; while the majority saw benefits in managing CBAM-related carbon price risks, a few were sceptical due to existing liquidity in EU ETS derivatives.
- There was a general consensus on the importance of understanding and mitigating carbon price risks, with most respondents actively considering the impacts on their businesses.

3.3.2 Feedback Summary

Section D – discussion questions

D1) Would the introduction of a hedging opportunity in relation to CBAM certificates be useful or of interest to the market?

D2) Are you currently considering the impacts of carbon price risk on your business?

The responses varied regarding the potential introduction of a hedging mechanism for CBAM certificates on LMEpassport. The majority of respondents agreed with the LME's assessment and saw potential benefits, suggesting that it would help stakeholders manage CBAM-related carbon price risks effectively. These respondents foresaw advantages to market participants with whom they had already engaged, provided there is sufficient liquidity, and recognised the potential to offer certainty to clients. Some participants, however, expressed scepticism, noting that existing liquidity in derivatives on the EU ETS might render additional instruments redundant.

Most respondents claimed to be actively considering the impact of carbon price risk on their business. They mentioned various strategies, including analysing business risks and utilising carbon reporting and intelligence software to calculate carbon price risk. Some companies have already integrated forward-

looking carbon price assumptions into their investment decisions, reflecting the anticipated cost of carbon in different jurisdictions. The general sentiment underscored a growing focus on understanding and mitigating carbon price risks, with several respondents beginning to engage in trading EU Allowance (“EUAs”) to manage these risks. A few respondents highlighted the need for clearer outlines from the LME to understand how a new hedging mechanism might complement existing tools and practices. Since certificates have not yet started trading, it was considered by respondents that it would likely be too early to fully define the offering, making it challenging to provide the necessary level of detail at this time.

3.3.3 LME consideration and outcomes

The LME will continue to assess the feasibility of a carbon pricing and risk mitigation mechanism or tool by conducting further market research and engaging with industry stakeholders to gather detailed feedback on potential benefits and challenges. Additionally, the LME will analyse existing liquidity and the usage of current EUA derivatives to ensure that any new initiatives are relevant and useful. As part of this ongoing evaluation, the LME will also explore potential design features of the contract to address specific needs and concerns raised by respondents, ensuring it aligns with stakeholder requirements. Given the early stage of this process, it would be premature to take immediate action at this time.

3.4 Data on LMEpassport

3.4.1 Overall themes

- The LME received a mixed set of responses around support for the opt-out model, which would allow the LME to upload publicly available sustainability information to LMEpassport. Respondents expressed concerns over data ownership and called for clear guidelines and verification processes, with some suggesting an opt-in model or limiting uploads to verified and audited information only.
- There was a consensus that if the LME proceeded with an opt-out model, producers should be notified when their sustainability information is uploaded to LMEpassport, allowing them to verify accuracy.
- Respondents suggested expanding ESG metrics to include sustainability scores, community impact audits, and serious violation allegations, while also supporting the sharing of verified audit reports and ISO certificates to streamline due diligence and enhance transparency.
- The LME will be advancing its proposal to upload outcomes from the LME’s responsible sourcing requirements to LMEpassport.

3.4.2 Feedback Summary

Section E – discussion questions

E1) Do you agree with the proposed opt-out model for granting LME permission to upload sustainability information to LMEpassport if the information is already publicly available elsewhere? Should the LME limit the scope of what could be uploaded in this manner?

E2) As a producer, would you want to receive notification if your sustainability information had been uploaded to LMEpassport?

E3) The LME's sustainability taxonomy on LMEpassport details a broad range of ESG metrics, certifications, and standards. As a user (current or future) of LMEpassport, are there additional data areas you would like to see included on LMEpassport?

E4) Do you agree with the LME's responsible sourcing requirements outcomes being shared via LMEpassport?

There was a mixed set of responses on the proposed opt-out model, which would grant the LME permission to upload publicly available sustainability information to LMEpassport. On the supporting side, respondents appreciated the potential for this method to help save effort and enhance transparency. However, there were caveats to this support, with several respondents expressing concerns over data ownership, with some suggesting continuing with the current, voluntary opt-in model instead. There were concerns about the definition of "publicly available" and the risks of misinterpreting data, with calls for the LME to provide clear guidelines of how this would work, and the verification processes associated. Some respondents suggested limiting uploads to mandatory disclosures necessary for brand registrations or specific ESG reporting fields, while others stressed that the scope should include only verified and audited information to avoid greenwashing and ensure data reliability.

Most respondents agreed that producers should be notified when their sustainability information is uploaded to LMEpassport, allowing them to verify accuracy. The preferred route seemed to be that notifications should be provided prior to uploads and disclosures being made public, thus giving producers a chance to review and respond.

Respondents who supported the initiative suggested including additional ESG metrics such as sustainability scores from ratings agencies, community impact audit reports, and allegations of serious violations to provide a comprehensive view of sustainability. They felt that there is suitable demand for GHG data on both product and corporate levels, as well as sourcing information to assist in ensuring compliance with sanctions. Suggestions included biodiversity metrics, risk management standards, and information on recycled content and responsible supply chain performance, while concerns were raised about the reliability and quality of data, advocating for verified and audited information only.

Respondents broadly supported sharing the outcomes of the LME's responsible sourcing requirements on LMEpassport, recognising it as a practical approach to meet the transparency requirements. There was agreement that sharing verified audit reports and ISO certificates would streamline due diligence processes for buyers and enhance transparency. Some respondents once again emphasised the need for company authorisation and notification before sharing such information.

3.4.3 LME consideration and outcomes

- Given the market feedback, the LME has decided against implementing an opt-out model.
- The LME will automatically upload data relating to the compliance of every LME-listed brand with the LME’s responsible sourcing requirements, given the substantial support for this information to be readily available. There will be no opt-in or opt-out approach adopted for the data relating to the LME’s responsible sourcing requirements.

The LME has heard the concerns around the possibility of misinterpreted data and the lack of control and ownership over how such data is displayed and used. As such, after extensive market feedback, the LME has decided against implementing a broad opt-out model.

However, the LME will upload responsible sourcing information relating to the compliance of its listed brands with its responsible sourcing requirements to LMEpassport, after receiving strong support for this approach. The LME already publishes Track B and Track D on LMEpassport and is committed to doing the same for brands complying through Track C. Published Track C data will evolve over the next two years as the LME moves through the stages of its phased transparency approach for Track C (for more information visit the LME’s responsible sourcing webpage). Track A audit reports, ISO 14001 and ISO 45001 are already public, and therefore the LME considers uploading the remaining information to LMEpassport to be non-controversial.

The disclosures included within this scope will include:

Responsible sourcing track	Certification/standard
Track A	RMI – Cobalt Refiner Due Diligence Standard
	RMI – Responsible Minerals Assurance Process, Tin and Tantalum Standard
	The Copper Mark Assurance Framework – The Joint Due Diligence Standard for Copper, Lead, Nickel and Zinc
	The Copper Mark - Full standard
	ITA – Tin Code 7.3 Responsible Sourcing
	The Nickel Mark
	The Zinc Mark
	Chinese Due Diligence Guidelines for Responsible Mineral Supply Chain (Second Edition)
	ASI Performance Standard Certification - V3
	London Bullion Market Association (LBMA) Responsible Gold Guidance - V9
	Track B
Track D	LME Responsible Sourcing - Track D Attestation Form

ISO 14001 Environmental management systems or equivalent
ISO 45001 Occupational health and safety management systems or equivalent

In due course, and with further engagement with the market, the LME will explore the possibility of an opt-out model for credentials based on what is most useful to the industry, ensuring that the scope includes only verified and audited data to maintain reliability and avoid greenwashing.

The LME will also actively look to incorporate additional metrics to LMEpassport that are deemed useful to the industry such as sustainability scores from ratings agencies, community impact audits and other certifications. However, for the time being, the onus to disclose data will remain with the producer. Additionally, the LME will continue to engage with stakeholders to ensure LME passport is used to enhance transparency, as well as looking at the potential to streamline due diligence processes for buyers and financiers.

3.5 Traceability

3.5.1 Overall themes

- Companies are increasingly engaged in traceability programs driven by stakeholder demands for supply chain transparency, with varying levels of maturity and adoption of solutions.
- Traceability solutions are highly valued for their ability to enhance transparency, comply with regulations (e.g., CSDDD), support sustainability claims, and build consumer trust, with respondents recognising their role in mitigating risks and ensuring supply chain integrity.
- The LME is seen as a valuable player in supporting traceability efforts, although some respondents argued traceability should remain voluntary and primarily driven by industry initiatives.

3.5.2 Feedback Summary

Section F – discussion questions

F1) Are you utilising / taking part / running any traceability programmes at your company? Or being asked by your value chain for information?

F2) Do you think there is value in providing a traceability solution? Where is the value coming from?

F3) Would you welcome greater support from the LME on traceability? If so, what is your view on how the LME can add value in this space?

F4) The LME is interested in understanding the range of traceability offerings within the industry. If you are a traceability technology provider, please comment on the below areas:

- What technology do you use?
- Please describe your data collection process/methodology.
- Does your platform consider GHG emissions?
- How do you verify the underlying data?
- How does your platform support sustainability progress? And what are the benefits to the wider supply chain?
- How does your offering aid collaboration with other stakeholders in the value chain?

Several companies are actively engaged in traceability programs, driven by a variety of factors. Fabricators and manufacturers are increasingly questioned by downstream stakeholders and consumers about the origins of metals used in their products, focusing on supply chain resilience, responsible

sourcing, emissions, and other sustainability-related credentials. Some companies are exploring options, while others are leading projects to understand the sustainability data needs across the value chain. Other respondents are more mature in this space and have implemented robust traceability programs, citing multiple blockchain solutions.

The consensus by those who responded is that traceability solutions provide significant value, and are primarily driven by regulatory requirements and customer demands. These solutions can enhance transparency, facilitate compliance with regulations like the EU CSDDD and CBAM, and support sustainability claims. Respondents recognise the importance of traceability in mitigating risks and ensuring supply chain integrity. The value also comes from enhancing consumer trust by providing reliable data on the origin and sustainability of products and supporting circular economy initiatives.

There was general agreement amongst respondents that the LME could play a valuable role in supporting traceability efforts. However, the suggestions and routes which the LME could take were wide ranging, including establishing a common governance system for data quality and access, and providing guidance on industry-standard solutions. Some respondents believe LME could help harmonise data sharing across different metals and support the formulation of rules-based approaches to traceability, especially in cases involving blending or co-mingling ores. However, there is also a sentiment that traceability should remain voluntary, and that the LME's role should focus on promoting incentives and collaborating with industry associations. Some companies believe that while LME can facilitate discussions and standardisation, the primary responsibility for traceability solutions should lie with the industry and industry-led collaboration.

3.5.3 LME consideration and outcomes

The LME will continue to keep an eye on the market by closely monitoring developments in traceability technologies and associated regulatory requirements. The LME considers traceability as complementary to its existing responsible sourcing programme, as understanding the origin and chain of custody information is part of the risk identification process. The LME will actively track industry trends and gather feedback from market participants to ensure its approach remains relevant and aligned with best practices. At this time, it is still too early to provide detailed information on a specific LME offering in this area.

3.6 Circular economy

3.6.1 Overall themes

- Several companies measure recycled content, with some confirming audits, but lack standardisation in calculations across companies.
- There is a consensus on the need for standardised circular economy principles.
- There are mixed opinions on the merit of the LME introducing more scrap contracts.

3.6.2 Feedback Summary

Section G – discussion questions

- G1)** Does your company utilise the ISO 59000 standard series for circular economy?
- G2)** Does your company use any standards based on circular economy principles? If so, why do you use this standard in particular?
- G3)** Does your company measure recycled content of materials produced and is this figure audited?
- G4)** Would you like to see more standards or certifications based on the circular economy principles?
- G5)** Do you think the LME should introduce more scrap contracts? If so, please specify and explain your rationale.

A few respondents currently follow standards based on circular economy principles, including ISO 59000. Some respondents shared that they are not using any particular standards, while others are following specific models or standards like the Tin Code, EN 14021 for recycled content, or circular economy models in specific plants. A number of respondents emphasised the need for a mapping of existing standards before adopting new ones.

Several companies shared that they measure the recycled content of their materials, with a few confirming that these figures are audited. For example, one company measures recycled content for specific low-carbon products, and another report recycled content for their main product according to a specific standard. Some companies mentioned that while they calculate recycled content, these calculations are not yet standardised between companies, and therefore not accurately comparable.

Respondents echoed that there is a broader need for standardisation around circular economy standards, though it was not made clear from this feedback whether the LME should take a role in delivering this. Some respondents pointed out that any standardisation should consider the link between circularity and carbon emissions, acknowledging that recycling is just one component of circularity. There were also calls for more alignment with existing standards and efforts to drive consistency and transparency in reporting on recycled content. Some feedback included the need for clear definitions and methodologies.

Throughout the feedback, there was support for the development of more standards and certifications based on circular economy principles, particularly those tailored to the metal industry. However, some respondents stressed the importance of waiting for regulatory requirements to be established before introducing new measures.

Opinions were mixed regarding the introduction of more scrap contracts at the LME. Some companies supported the idea, emphasising its potential to promote recycling and reduce carbon emissions. Others did not see added value due to the heterogeneous nature of scrap markets.

3.6.3 LME consideration and outcomes

The LME will continue to engage with stakeholders on this topic by hosting regular forums and discussions to gather input and feedback, ensuring that all perspectives are considered in pursuing standardisation of circular economy standards. This includes the LME's support of the Roundtable on the Responsible Recycling of Metals initiated in 2023, which mapped the landscape of existing standards and environmental, social and governance risks in the recycling sector. Additionally, the LME will continue

to drive this forward with its work on LMEpassport by integrating updated methodologies and standards for circular economy principals, providing clear guidance, and promoting transparency and consistency in reporting on circular economy principals across the industry. The LME notes that the use of scrap contracts for hedging and price risk management remains a mixed story across metals. While the Used Beverage Can (“UBC”) contract for aluminium is under-utilised, the volumes for the LME’s steel scrap contracts continue to grow, with average daily volumes increasing by 63% year-on-year.

3.6 Environmental Product Declarations (“EPDs”)

3.7.1 Overall themes

- Adoption and awareness of Environmental Product Declarations (“EPDs”) vary widely across sectors, with the aluminium and building/construction sectors showing higher usage, while industries like zinc have limited awareness and application.
- Opinions on the LME's role in EPD standardisation are divided; some see potential for the LME to standardise and encourage EPDs, aligning with regulatory requirements, while others believe this should remain with industry associations and specialised platforms.
- There is mixed feedback on using LMEpassport for EPDs, with some valuing a centralised repository for transparency and others concerned about existing variations in methodologies and preferring current registries to manage EPDs.

3.7.2 Feedback Summary

Section H – discussion questions

H1) Are EPDs commonplace within your business (either as the requestor or receiver)?

H2) Should the LME play a role in helping to standardise the format of EPDs or play a role in encouraging producers to complete these?

H3) Do you believe that public LMEpassport sustainability pages act as a convenient place for EPDs to be utilised?

Responses indicated a varied level of adoption and awareness of EPDs across different sectors. In some companies, particularly within the aluminium industry and those engaged in the building and construction sector, EPDs are in common use and are increasingly important. EPDs are used to document carbon footprints and provide third-party verified environmental data. Other sectors, like zinc, are beginning to see increased requests for EPDs, particularly within the EU. However, in industries such as zinc EPDs are not yet widespread, and there is limited awareness or use outside of specific sectors.

Opinions varied on whether the LME should play a role in standardising or encouraging EPDs. Some respondents believed the LME could play a significant role here, especially if these efforts align with existing regulatory requirements. Others argue that the LME should not get involved in EPD standardisation, as this is already managed by other industry associations and platforms with the necessary technical expertise.

There was mixed feedback on whether LMEpassport should be used for EPDs. Some respondents saw value in using LMEpassport to upload and share EPDs, as it could provide a centralised and transparent repository for them. Others believe that EPDs should remain within the domain of existing registries.

Additionally, concerns were raised about the current variation in methodologies and the potential for confusion or misinterpretation of data.

3.7.3 LME consideration and outcomes

The LME will continue to monitor developments in the adoption and standardisation of EPDs across various sectors and metals. While the LME believes it is not the appropriate time to extend its remit to include EPDs on LMEpassport, it acknowledges their significant value to the industry and will revisit this topic in the future. The LME will continue to engage with stakeholders on LMEpassport, seeking feedback and collaboration to enhance its utility as a platform for sharing and verifying sustainability data, including the eventual inclusion of EPDs if appropriate.

4. CONCLUSION AND NEXT STEPS

The Paper aimed to understand market sentiment towards mandatory emissions reporting for LME-listed aluminium producers, facilitate further discussion and ensure the LME could understand and incorporate a broad range of perspectives within its sustainability roadmap. The many insightful responses received indicate the Paper achieved these aims, and the LME has utilised this feedback in its ongoing planning. Market participants have dedicated significant time and expertise to providing the LME with in-depth and thoughtful analysis of its proposals. The LME thanks those market participants which responded to the Paper, with such feedback informing the decisions outlined in this decision notice.

The LME remains committed to advancing sustainability initiatives, promoting standardisation, and engaging stakeholders to drive the industry toward a more sustainable future.

In line with the introduction of the LME's carbon emissions reporting for aluminium, alloy and NASAAC producers, the LME has compiled a number of resources to assist with the transition to meeting these requirements, including a new webpage where all of the below documents and additional guidance are available. As ever, the LME remains committed to supporting and progressing the physical market and look forward to ongoing engagement with the producers of its listed brands.

5. APPENDIX I: LME EMISSIONS REPORTING FORM



Appendix I – LME emissions
reporting form

6. APPENDIX II: LME RULEBOOK (REDLINE)

<https://www.lme.com/-/media/Files/Company/Market-regulation/Rulebook/Redline/LME-Rulebook-redline-30-September-2024.pdf>