

To: All members, warehouse companies and their London agents and other interested parties

Ref: 24/165

Classification: General Updates

Date: 09 April 2024

Subject: **LOW CARBON NICKEL – MARKET FEEDBACK AND TRANSACTION DATA UPDATE**

Summary

1. This Notice provides details of the positive market feedback received regarding the LME’s published approach to pricing “green” nickel, and an update on the first report issued by digital spot trading platform, Metalshub, in respect of low carbon nickel transaction data.

Background

2. On 05 March 2024 the LME published Notice 24/116 which set out the LME’s position on the topic of “green” nickel, its solution for establishing sustainability-related pricing differentials and its broader efforts in driving improved sustainability practices across the industry.
3. The LME’s view, which is broadly supported by nickel industry participants, is that the creation of a “green” nickel contract – or indeed any other subsection of the relatively small-sized nickel market – would risk fragmenting it and reducing overall market liquidity.
4. Instead, the LME believes the most effective way to price metal variants that differ from the LME brand specifications is through digital spot trading platforms, such as Metalshub, which allow consumers to directly buy specific batches of metal that meet their procurement requirements.
5. In Notice 24/116, the LME also announced that Metalshub would begin to report 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.
6. Once a sufficient number of regular transactions takes place, Metalshub will also begin publishing a Low Carbon Nickel Class 1 Premium Index (European Duty Paid), as it has been doing for the nickel briquette market since April 2022 with its transaction-based weekly European Duty Paid Nickel Briquette Premium Index.
7. As part of their collaboration, the LME and Metalshub determined that the Nickel Institute’s GHG Emissions Guidance (leveraging GHG Protocol and ISO 14044) is the appropriate initial method for assessing the eligible carbon threshold. Longer term, the LME expects the wider adoption of ESG standards in the nickel industry (such as the Nickel Mark) could enable “green” pricing that considers a broader range of ESG criteria.

Market feedback on the LME’s approach

8. The LME has received strong support for its stated approach from market participants across the value chain. There is widespread agreement with the LME’s decision not to introduce parallel contracts that might fragment liquidity away from the established LME Nickel contract. Leveraging Metalshub’s platform to discover a low carbon premium is an approach that appears widely supported in principle.
9. It was noted by nickel market participants that it will take time for the industry to adopt a specific methodology for assessing carbon emissions and that a sizeable share of eligible material may be locked into long term agreements. Moreover, it is currently not a common practice to share audited product

carbon footprint data at the point of purchase, thus the proposed approach may require existing processes to evolve.

10. Market participants highlighted the critical importance of any carbon assessment methodology accounting for not only Scope 1 and 2 emissions, but also Scope 3 emissions. Commingling of different raw material feeds at individual refineries is common in the nickel industry and can greatly impact the final overall CO2 footprint of nickel. Complying with the LME's prescribed adherence to the Nickel Institute's GHG Emissions Guidance – which includes Scope 3 emissions – is deemed a challenging requirement, but there appears to be consensus that this should not be compromised on. A widely held view is that an ill-defined or “watered down” methodology would undermine efforts to build longer-term agreement and trust around what comprises “green” material.
11. The existence of a broad range of methodologies and assessments was also a common point of feedback. Generally, market participants agreed that using data submitted by producers and audited by a third party against an industry standard would provide the most transparent and reliable data. Several market participants observed that green standards that used proprietary methodologies or qualitative assessments to score producers are considered obstructive in developing a level playing field with easily understood criteria.
12. Overall, the consensus was that reliance on a clear, transparent and consistent methodology would help to ensure impartiality in respect of specific production methodologies or production regions. It is considered critical that all producers should be in a position that allows them to take actions to meet any industry adopted standards. Such an inclusive approach will be even more important as the industry transitions from looking at CO2 emissions and moves towards a more comprehensive definition of “green” nickel.

Publication of the first low carbon nickel transaction data report by Metalshub

13. Today Metalshub published its [first report](#), noting that 2,126 tonnes of class 1 nickel worth approximately \$38.2m transacted on its platform in the month of March. No transactions with a registered carbon footprint lower than 20 tonnes of CO2 equivalent were reported for this month. Over the three-month period starting from January, an average of 2,967 tonnes of class 1 nickel was transacted per month, with a subset of 4 tonnes complying with the low carbon threshold.
14. While it will take time for producers to include the necessary documentation that certifies low carbon compliance at the point of purchase, it is encouraging to see the [growing support from producers and consumers](#) for this important change.
15. In time, given sufficient demand, the data compiled by Metalshub will provide the bedrock for the publication of a reliable, transparent and transaction-based low carbon nickel premium.

Participation and feedback

16. Market participants are encouraged to share their views with the LME on the above topics at: nickel@lme.com. Physical market participants interested in selling or sourcing nickel with particular characteristics, helping development of a credible transaction-based green premium, are encouraged to visit www.metals-hub.com and contact Metalshub for a platform demo: info@metals-hub.com

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cc: Board directors
All committees