# Investor position statement on metallurgical coal mine methane in the steel value chain

The position statement was produced by investors in consultation with UNEP's International Methane Emissions Observatory

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## Executive summary

As long-term institutional investors representing US$9.85 trillion in assets under management, we recognise that methane emissions associated with the use of metallurgical coal in steelmaking represent a meaningful climate and operational consideration for companies in the steel value chain. We urge metallurgical coal and steel companies to improve methane measurement and verification, and advance practical abatement opportunities. To support this, we encourage company participation in UNEP’s International Methane Emissions Observatory (IMEO) Steel Methane Programme. This offers a framework for stronger methane data, greater comparability, and enhanced collaboration on emissions abatement.

Methane is a potent, short-lived greenhouse gas that contributes to near-term warming and its associated physical climate risks. It is responsible for roughly a third of human-induced global warming to date and has a strong warming effect in the decades immediately following release (~81-84x that of carbon dioxide over a 20-year time frame). Addressing methane can deliver meaningful benefits within timeframes relevant to companies, communities, and investors.

In the steel sector, methane linked to metallurgical coal is a material issue. Blast furnace production continues to dominate global steelmaking, supporting metallurgical coal demand in the medium term. While breakthrough low-carbon steel technologies are essential for long-term decarbonisation, their broad-based deployment will take time. In the interim, reducing methane from the existing blast furnace route offers a viable and constructive abatement pathway. Using a 20-year global warming potential, methane from the extraction of metallurgical coal can add on average a quarter to the steel value chain’s emissions footprint. Methane emissions associated with metallurgical coal use in steelmaking represent a meaningful regulatory, climate, and operational consideration for companies in the steel value chain.

## Why methane matters for investors and the steel value chain

Regulatory momentum towards tighter monitoring, reporting and methane abatement requirements is reshaping the cost curve for the steel value chain. Legislative and regulatory measures like the EU Methane Regulation and Australia’s Safeguard Mechanism are increasing regulatory oversight and encouraging investment in abatement. We expect this policy momentum to continue. As emissions baselines tighten and intensity thresholds are established, methane emissions will continue to impact operational efficiencies. Moreover, as steel purchasers increasingly aim to reduce emissions across their value chain, lowering methane emissions will become an important interim step as green steel production increases over time.

Furthermore, improved measurement from mine-level reporting and independent satellite observations is increasing the visibility and reporting accuracy of methane emissions. As data quality improves, methane intensity performance will become clearer and more comparable between peers, elevating long-term financial risk for laggards. At the same time, pressure to align with national climate commitments is intensifying. As countries pursue Nationally Determined Contributions, value chains with measurable, viable near-term mitigation options are likely to face closer scrutiny from customers, lenders, and policymakers. For investors, this concentrates attention on the resilience of steel procurement strategies, the robustness of supplier standards, and the reliability of reported product emission intensities. Clear, measurement-based data and practical abatement planning can help steelmakers, purchasers, and coal producers manage these emerging risks and maintain competitiveness.

## Areas of focus for companies in the steel value chain

As long-term investors, we call for continued progress in the following areas to support stronger methane management:

1. Metallurgical coal producers: Several global producers are enhancing their understanding of methane emissions, and continued progress toward transparent, site-level measurement and verification can help customers and stakeholders better assess performance. We expect companies to develop and disclose practical methane reduction plans. These plans should reflect the company's approach to immediately tackling the financial liabilities associated with rising methane-related risks, as well as considerations of technical feasibility and workforce safety impacts.
2. Steelmakers and major steel purchasers: Given the influence of upstream methane on product emissions intensity, purchasers may benefit from clearer visibility into supplier practices. Procurement frameworks that promote transparency and collaboration can help unlock abatement opportunities. Disclosures should clarify the difference between measured data and estimates, and explain how upstream methane is incorporated into transition planning.

## UNEP IMEO's Steel Methane Programme

We support UNEP's International Methane Emissions Observatory (IMEO) and encourage companies across the value chain to participate in its Steel Methane Programme. The initiative aims to improve methane transparency, support robust measurement and verification, encourage mitigation, and clarify emerging best practice. It provides a platform for constructive collaboration, data sharing where appropriate, and the development of practical mitigation pathways.

## Conclusion

Methane from metallurgical coal mining is a material, manageable issue for the steel value chain. Strengthening measurement and advancing achievable methane abatement approaches offer an opportunity to enhance operational resilience and value protection for shareholders.

Given the strong benefits of addressing methane emissions, we advocate for steel value chain company boards and management teams to elevate methane emissions as a priority. As investors, we remain committed to ongoing dialogue and collaboration, and we will continue to follow progress through disclosures, governance practices, and demonstrated improvements in data quality and mitigation activity.

*The undersigned investors act independently and submit this statement solely to express global climate risk views. The statement does not request, propose, or commit any signatory to coordinated investment, engagement or voting conduct with respect to any issuer.*

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- Colonial First State
- Fidelity International
- FSSA Investment Managers
- Fulcrum Asset Management
- HESTA Super Fund
- L&G Asset Management
- M&G Investments
- Nest Pensions
- Nordea
- PFA Pension
- Pictet Group
- Platypus Asset Management
- Quilter PLC
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