

## Glencore's acquisition of Teck's long-term metallurgical coal mines further strains its standing on climate.

Glencore's decision to acquire a 77% stake in Teck Resources Limited's (Teck) metallurgical coal business, Elk Valley Resources (EVR), sees the company remain a predominantly thermal coal business, while adding on a portfolio of metallurgical mines which significantly exceed the IEA's NZE pathway.

Glencore's purchase of these long-term EVR metallurgical coal mines materially worsens its existing climate strategy shortcomings, and raises further doubt about its ability to reach Paris alignment. This is because:

- the coal reserve data of three out of four EVR coal mines shows they have projected lives beyond 2050.
- EVR's current mines significantly exceed the IEA's NZE production pathway for metallurgical coal.
- Glencore will remain predominantly exposed to thermal coal. Even after acquiring EVR, Glencore's coal production will consist of 77% thermal coal and 23% metallurgical coal. Coal production will increase to ~129 Million tonnes<sup>1</sup> (Mt) each year (17% increase) for 2024-2025.
- Glencore does not yet have plans to set robust emissions reduction targets for EVR or the potential demerged company.
  - EVR – it is unclear what its medium-term emissions reduction target for Scope 1 and 2 will be, and a Scope 3 medium-term emissions target seems to be missing.
  - Demerged coal company – it is unclear if the demerged company will have plans to align its metallurgical coal operations with Glencore's current targets<sup>2</sup> and achieve net zero by 2050.

For investors already concerned about Glencore's inability to successfully navigate the energy transition, this is a crucial time to engage with the company to ensure there are clear disclosures and guardrails in place for its coal assets going forward, before any potential coal spin-off of a demerged coal business.

1. Setting clear and Paris aligned Scope 1, 2 and 3 targets for these new metallurgical coal mines is a priority for future engagements with the company.
2. Setting clear and Paris aligned targets for the potential demerged coal business will be a priority for climate governance discussions with Glencore until the demerger.

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<sup>1</sup> Teck's coal production guidance for 2024-2026 is 24-26 Mtpa, 77% of which (i.e. 18.5-20 Mtpa) will be attributable to Glencore following the EVR acquisition.

<sup>2</sup> ACCR's recent bulletin [Opportunities for improving Glencore's 2023 Climate Report](#) provides more detail about Glencore's current targets and what an improved Climate Report would include.

## 1. Teck coal mines and production

In 2022, Teck’s four coal mines produced 21.5 Mt of metallurgical (met) coal<sup>3</sup> (~20% of Glencore’s total coal production for the same period). Three out of four EVR coal mines have lives beyond 2050 (see Table 1), and ACCR estimates the four coal mines combined will produce around 24 Mt of met coal annually until end of life.

Glencore is still a thermal coal company even after acquiring EVR. Based on Glencore’s current coal production guidance, Glencore will produce ~110 Mt of coal (90% thermal coal and 10% met coal) each year for 2023-2025.<sup>4</sup> If the production guidance for the EVR coal mines<sup>5</sup> remains the same, Glencore’s coal production will increase to ~129 Mt<sup>6</sup> each year (17% increase as shown in Chart 1) for 2024-2025, consisting of 77% thermal coal and 23% met coal.

Chart 1: Glencore’s coal production volumes before and after EVR acquisition<sup>7</sup>



Source: Glencore and Teck coal production guidance

<sup>3</sup> Teck Resources, 2022 Annual Report, p24, <https://www.teck.com/media/2022-Annual-Report.pdf>

<sup>4</sup> Glencore, 2022 Investor Update, p34, <https://www.glencore.com/rest/api/v1/documents/8b6635428cf3e09828ea2d8b79fd0223/20221206+GLEN+Investor+Day+2022.pdf>

<sup>5</sup> Teck Resources, 2023 Q3 Report, p29, <https://www.teck.com/media/2023-Oct-Q3-Report.pdf>

<sup>6</sup> Teck’s coal production guidance for 2024-2026 is 24-26 Mtpa, 77% of which (i.e. 18.5-20 Mtpa) will be attributable to Glencore following the EVR acquisition.

<sup>7</sup> As per Glencore and Teck Resources recent production guidances.

Table 1: Overview of EVR mines<sup>8</sup>

Mine	End of mine life	Total saleable coal reserves (Mt)	Forecasted annual production (Mt)	Mine production capacity (Mt)
Fording River	2064	353.2	8.9	9.0
Elkview	2061	258.5	6.6	9.0
Greenhills	2059	204.7	5.5	5.9
Line Creek	2033	39.7	3.6	4.0
<b>Total</b>		<b>856.1</b>	<b>24.2</b>	<b>27.9</b>

## 2. EVR's coal production forecast and NZE alignment

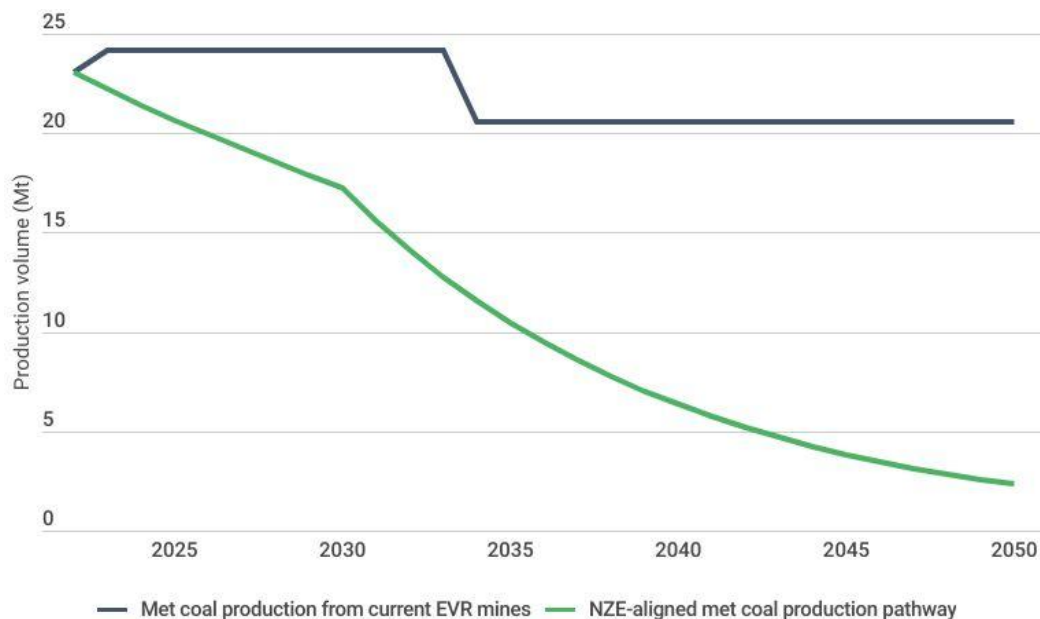
**EVR's current mines significantly exceed the International Energy Agency's (IEA) Net Zero Emissions (NZE) pathway for metallurgical coal.**

- The newly acquired EVR mines are expected to follow Glencore's strategy of "continuing to operate coal mines until they reach the end of their lives".<sup>9</sup>
- A majority of EVR mines have prolonged operational timelines, illustrated in chart 2, with about three out of four projected to remain active until around 2060, producing approximately 20 Mt per annum.
- This extended operational life contrasts sharply with the NZE pathway, which calls for a 25% reduction in metallurgical coal production by 2030 and a 72% decrease by 2040.

<sup>8</sup> Teck Resources, 2022 Annual Information Form, <https://www.teck.com/media/2023-AIF.pdf>

<sup>9</sup> Glencore, 2021 Climate change report: pathway to net zero, p22, <https://www.glencore.com/rest/api/v1/documents/12b9c4417f45c969007f6e09ebf2ca67/2021-Climate-Change-Report-+%282%29.pdf>

Chart 2: Projected production of EVR mines<sup>10</sup> is not aligned to the IEA's 2023 NZE pathway for metallurgical coal production<sup>11</sup>



Sources: 2023 IEA World Energy Outlook, Teck Resources, ACCR estimates

## The acquisition of EVR's mines undermines Glencore's stance on climate change for the following reasons:

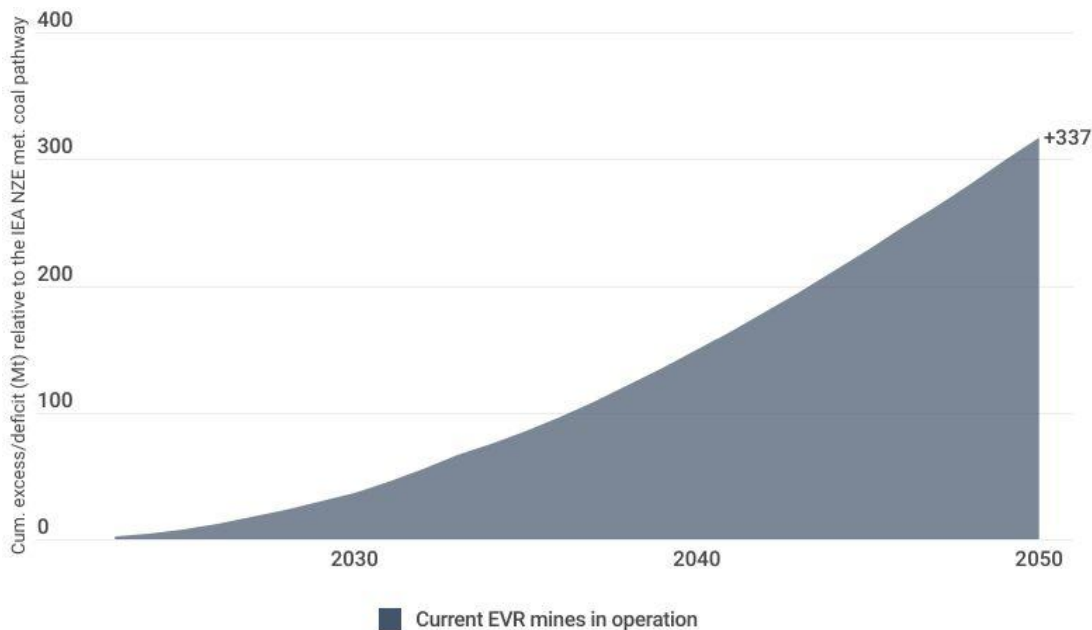
1. EVR's cumulative production by 2050 is expected to exceed the limits of the NZE metallurgical coal pathway by 337 Mt, as outlined in chart 3
2. adding these mines to Glencore's portfolio, which is already misaligned with NZE objectives,<sup>12</sup> exacerbates the company's deviation from climate targets
3. this move comes in the context of persistent shareholder concern about Glencore's commitment to a responsible climate strategy.

<sup>10</sup> Line Creek's production of PCI coal, typically made from non-coking inputs, is used similarly to coking coal in blast furnaces. Consequently, the reduction rate applied to coking coal has also been conservatively used for PCI, despite its potential thermal coal inputs.

<sup>11</sup> IEA, 2023 WEO, p140, <https://iea.blob.core.windows.net/assets/614bb748-dc5e-440b-966a-adae9ea022fe/WorldEnergyOutlook2023.pdf>

<sup>12</sup> ACCR, Investor Bulletin: Opportunities for improving Glencore's 2023 Climate Report, <https://www.accr.org.au/insights/investor-bulletin-opportunities-for-improving-glencore%E2%80%99s-2023-climate-report/>

Chart 3: Cumulative analysis of EVR's mines overshoot the IEA's 2023 NZE metallurgical coal production pathway<sup>13</sup> to 2050



Sources: 2023 IEA World Energy Outlook, Teck Resources, ACCR estimates

### 3. Emissions reduction targets

Glencore has not disclosed plans to set robust emissions reduction targets for EVR and the demerged company.

#### No clear medium or long term Scope 3 targets for EVR

Under Glencore's commitments with the Canadian government, EVR will set a medium-term target for its Scope 1 and 2 emissions and a long-term net zero target for its Scope 1, 2 and 3 emissions.<sup>14</sup> However, it is unclear what the medium-term Scope 1 and 2 emissions reduction target will be.

However, the biggest source of emissions for EVR will come from coal sold, and there is no Scope 3 medium-term emissions target. Glencore has committed to "a long-term goal to net zero in respect of Scope 1 and 2 emissions by 2050", excluding Scope 3 from that statement and instead stated it as a "commitment to work with partners towards an ambition".

**Setting clear and Paris aligned Scope 1, 2 and 3 targets for these new met coal mines is a priority for future engagements with the company.**

<sup>13</sup> IEA, 2023 WEO, p140, <https://iea.blob.core.windows.net/assets/614bb748-dc5e-440b-966a-ad9e9ea022fe/WorldEnergyOutlook2023.pdf>

<sup>14</sup> <https://www.glencore.com/media-and-insights/news/acquisition-of-a-77-percent-interest-in-tecks-steelmaking-coal-business-for-USd6-93-bn>

## Targets for the unmerged coal business

Glencore has intentions to spin off its coal business within 24 months from the closing of the acquisition of EVR. Glencore also said the demerged company will be responsible for overseeing the decline of its *thermal* coal operations in line with Glencore's current targets and achieve net zero by 2050.<sup>15</sup>

However, as already covered, around a quarter of the unmerged company's production will be attributable to met coal, and EVR is not aligned with the IEA NZE met coal production pathway. It is unclear whether the demerged company will have plans to align its met coal operations with Glencore's current targets and achieve net zero by 2050.

**Setting clear and Paris aligned targets for the potential demerged coal business will be a priority for climate governance discussions with Glencore until the demerger.**

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<https://www.glencore.com/media-and-insights/news/acquisition-of-a-77-percent-interest-in-tecks-steelmaking-coal-business-for-USd6-93-bn>

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