

JFE Group Social and Environmental Efforts



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1. JFE Efforts regarding Climate Change

Efforts to address climate change issues remain the most important criteria for evaluating the JFE Group's social and environmental activities, given that its core businesses are in energy-intensive industries. It is highly likely that obligations to further reduce greenhouse gases within a post-Kyoto Protocol international framework will become more rigorous at the next climate change meeting in December 2009, and an even stricter greenhouse gases emissions cap will be imposed on energy-intensive industries. As a result, such business activities may be exposed to significant regulatory risk, and this in turn may adversely affect their financial position over the mid term.

From this perspective, my opinion is that JFE Steel has made a solid effort, taking into consideration its exposure to higher climate change risk. Consistent with the Group's Corporate Vision of "contributing to society with the world's most innovative technology," JFE Steel has leveraged its advanced technical capabilities to reduce CO₂ emissions at the production stage. The company has also introduced Coke Dry Quenching (CDQ) and Blast Furnace Top Pressure Recovery Turbine Generation waste heat/pressure recovery technologies, as well as other new energy-saving technologies such as shaft furnaces, regenerative burners, and Super-SINTER™. As a result, the company has managed to reduce its CO₂ emissions by 8.9% and unit emissions by a significant 19%, compared to the year ended March 31, 1991, despite a 13% increase in crude steel production.

JFE Steel uses its technical capabilities for the benefit of other countries as well. Through its participation in COURSE 50, a Japan Iron and Steel Federation project pertaining to CO₂ emissions reduction technology, the company has worked to develop physical adsorption and other innovative technologies, and actively promotes technology transfers to developing countries.

On the financial front, JFE Steel is strengthening its financial position to secure higher profitability in a low-carbon society by offering a broad range of high-value-added products. JFE Steel is clearly demonstrating its strategy of positioning itself to meet future demand in the market for low-carbon products.

Nevertheless, JFE Steel still needs to do more to reduce its energy consumption. The company reported a mere 7.7% reduction compared to the year ended March 31, 1991, falling short of the 10% reduction target indicated in the Japan Iron and Steel Federation's Voluntary Action Program. If the company can apply its outstanding technical strengths to further reduce energy consumption through innovation, then it will be rewarded with greater market competitiveness. Therefore, I expect JFE Steel to forge ahead with its advances in carbon management through technology development.

2. Information Disclosure

The Group has reduced by about 20–30% the volume of both its 2009 Business Report and 2009 Environmental Sustainability Report (Web information). Some changes, such as eliminating large photos, don't give the impression that the reports are skimping on content. However, the social information provided, which always has been somewhat sparse, fails to demonstrate any real improvements in disclosure, barely managing to maintain the level of the previous year.

If we are to realize a sustainable society, then along with focusing on environmental considerations we must also avoid neglecting social considerations. I hope to see the Group make renewed efforts to improve the quality of social information in order to more clearly demonstrate its consideration for socially vulnerable groups both inside and outside the organization.

3. Radical Change in Thinking about Fair Trade

As discussed in this Business Report, the JFE Group was again reported to have engaged in unfair trade practices last year. The Group's serious efforts towards compliance education over the past several years do not seem to have been sufficient to sweep away the negative legacy of the past. Although the Group was able to implement meaningful remedial action as soon as its price cartel for galvanized steel sheet was revealed, it must continue to thoroughly reinforce awareness-raising practices throughout the Group if it is to reduce the risk of future incidents and regain society's trust.