

**To:** ANZ, Bank of America, BNP Paribas, Citigroup, Crédit Agricole, Goldman Sachs, HSBC, ING Group, JPMorgan Chase, KB Financial Group, Korea Investment Holdings, Mirae Asset Financial Group, Mitsubishi UFJ Financial, Mizuho Financial, NongHyup Financial Group, Standard Chartered, and Sumitomo Mitsui Financial Group.

***Delivered by email***

**Subject: Urgent call to act on POSCO's coal-based blast furnace relining project**

5th August 2025

Dear CEO,

We, the below signed organisations, are writing to express our serious concerns regarding your client, steel producer POSCO Holdings. Despite international concerns, the relining of Pohang Blast Furnace No. 4 in South Korea was completed in June 2024 and relining of Gwangyang Blast Furnace No. 2 started this year.<sup>1</sup> As you may be aware, these relinings will lock in coal-based steel production for another 15 years.<sup>2</sup>

Financing POSCO Holdings while it is undergoing relining projects may increase your exposure to financial risk. In 2024, POSCO Holdings saw the steepest market capitalisation decline among global steelmakers, with its stock down 57% in USD.<sup>3</sup> This decline is likely driven by a combination of factors, including its involvement in climate litigation, deteriorating business performance, and growing reputational risk. POSCO has provided insufficient public updates regarding the environmental and social impacts of these projects, raising serious red flags for all stakeholders. Thus, we are calling upon you to develop and implement an escalation plan for POSCO that eventually terminates all unconditional financial services unless POSCO:

- Cancels its plans to reline coal-based blast furnace No. 2 in Gwangyang, and
- Discloses detailed phase-out and transition plans for each of its blast furnaces, committing to not extend the lifetime of any coal-based blast furnaces beyond their current cycle.

**ENVIRONMENTAL AND REGULATORY RISKS**

Relining this coal-based blast furnace will result in cumulative carbon emissions of at least 137 million tonnes over 15 years—equivalent to annual emissions of nearly one-fifth of the country's population.<sup>4</sup> This move directly contradicts POSCO's own carbon neutrality roadmap, which aims to reduce CO2 emissions by 10% by 2030 and 50% in 2040, reaching net-zero in 2050.<sup>5</sup>

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<sup>1</sup>Solutions for Our Climate (SFOC), [\[Press Release\] Civil society urges POSCO to halt extension of coal-based steelmaking](#), October 2023.; Steel Orbis, [S. Korea's POSCO reignites blast furnace No. 4 after restoration](#), July 2024.; SFOC, [\[Press Release\] POSCO's blast furnace expansion accelerating climate crisis: future generations take it to court](#), February 27 2025

<sup>2</sup>SFOC, [Extending the Lifespan of Gwangyang No.2 Blast Furnace: A Backward Step for Carbon Neutrality](#), October 2024

<sup>3</sup>SFOC, [Moving Away from Coal - 2025 POSCO Holdings Climate Risk](#), April 2025

<sup>4</sup>SFOC, [Extending the Lifespan of Gwangyang No.2 Blast Furnace: A Backward Step for Carbon Neutrality](#), October 2024.; WorldBank, [Total Population - Republic of Korea](#)

<sup>5</sup>World Steel Association, [Green Tomorrow begins with POSCO - POSCO's Carbon Neutral Strategy](#), December 5 2023

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The dependence on coal-based steelmaking exposes POSCO to high future carbon tariffs, such as those created by the EU's Carbon Border Adjustment Mechanism (CBAM). At current estimates, tariffs would range from KRW 200 billion to 1 trillion (around USD 148-740 million) per year.<sup>6</sup> Even if POSCO opts to purchase CBAM certificates to cover the embedded emissions in its steel exports to the EU, the estimated cost remains significant – around KRW 190 billion.<sup>7</sup> In either scenario, the financial impact could be considerable, potentially affecting the company's capital position and share price performance. CBAM is especially impactful, as the EU is a key and growing market for POSCO.<sup>8</sup> In 2023, South Korea including POSCO exported over 3.11 million tonnes of flat steel products to the EU, up 9.3% compared to 2022, most likely using crude steel made by blast furnaces.<sup>9</sup>

The prospective 137 million tonnes of accumulated emissions, together with exposure to costly carbon tariffs like the EU's CBAM, could significantly erode POSCO's profitability and global competitiveness. These trends will increase exposure to long-term credit and investment risk. Your bank must reexamine your exposure now before these risks become liabilities.

## LEGAL AND REPUTATIONAL RISK

The relining project has already triggered legal action: on February 27, 2025, ten youths from steel-producing regions in South Korea filed a civil lawsuit demanding a halt to the Gwangyang No.2 relining, citing violations of their rights to a healthy environment and the undermining of South Korea's climate commitments.<sup>10</sup> Blast furnace operations significantly increase emissions of not only CO<sub>2</sub> but also nitrogen dioxide (NO<sub>2</sub>), sulphur dioxide (SO<sub>2</sub>), and fine particulate matter (PM<sub>2.5</sub>). These pollutants have safety limits set by the World Health Organization (WHO) to protect human health, but POSCO's steel plants alone are responsible for 8-12% of those annual limits – just from one industrial source.<sup>11</sup> In 2021 alone, air pollution from POSCO's blast furnace operations was linked to 506 premature deaths. The associated economic costs – including increased healthcare spending and lost productivity – were estimated at approximately KRW 3.4 trillion (USD 2.49 billion) that year.<sup>12</sup> This underscores the serious harm these blast furnaces cause to surrounding communities. As one youth plaintiff living in Pohang, Jungwon Kim, stated:

*"Growing up, I saw smokestacks fill the sky on my way to school every day. Even when my throat hurt all day from fine dust, or when iron particles collected on the window frames just from opening a window, I had to accept it because the adults always said, 'Thanks to POSCO, our region survives.'"*

Considering the case, a climate litigation attorney at Solutions for Our Climate (SFOC), Yeny Kim, highlights the legal risk of financing POSCO, stating:

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<sup>6</sup>BusinessKorea, [CBAM Tariffs Could Cost POSCO Up to 1 Trillion Won If Compliance Is Not Met](#), July 16 2024

<sup>7</sup> SFOC, ['CBAM Shock' Steel Industry to Pay 191 Billion Won a Year to the EU from 2040 "Urgent Revision of the Emissions Trading System"](#), June 14 2024

<sup>8</sup>Canvas Business Model, [The Competitive Landscape of Posco](#), December 19 2024

<sup>9</sup>GMK Center, [EU imports of flat product in 2018-2023](#), February 27 2024

<sup>10</sup>SFOC, [\[Press Release\] POSCO's blast furnace expansion accelerating climate crisis: future generations take it to court](#), February 27 2025

<sup>11</sup>WHO, [WHO global air quality guidelines](#), September 22 2021.: Centre for Research on Energy and Clean Air (CREA) & SFOC, [Unveiling the Truth Behind Blast Furnace Pollution](#), November 2022

<sup>12</sup>CREA & SFOC, [Unveiling the Truth Behind Blast Furnace Pollution](#), November 2022

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*"Since carbon emissions began being measured in Korea, POSCO has consistently ranked as the highest emitter. Its apparent lack of sincere commitment to carbon neutrality not only underscores its involvement in an ongoing climate lawsuit but also indicates a heightened exposure to various legal risk. In light of these concerns, financial institutions are strongly advised to reconsider their investment in the company."*

In addition to the climate litigation, recently South Korea's Fair Trade Commission sanctioned POSCO to take down misleading eco-friendly claims in its advertising.<sup>13</sup> While still producing steel in coal-fired furnaces, POSCO marketed its product as eco-friendly using the mass-balance methodology, a carbon accounting framework that has been widely criticised by civil society as a greenwashing tactic.<sup>14</sup> The sanction makes clear that steel produced from blast furnaces is not environmentally friendly, and calls POSCO's entire decarbonisation strategy into question.

These legal and regulatory actions are a clear warning to its financial backers. Banks that continue to finance steel companies that are relining blast furnaces put themselves at risk of being entangled in mounting litigation, regulatory penalties, and public backlash over greenwashing and environmental harm. Such exposure not only threatens reputational damage but could also entail material financial risks and potentially undermine your bank's own climate commitments.

## **MARKET COMPETITIVENESS AND ESG RISKS**

Relining coal-based blast furnaces undermines POSCO's future competitiveness in a rapidly decarbonising global market.<sup>15</sup> POSCO's continued investment in outdated blast furnace technology threatens its competitiveness as its customers – most importantly those in the automotive sector – move toward decarbonisation. Leading German automakers have been urged to reconsider sourcing from POSCO unless it transitions to low-carbon steel production.<sup>16</sup>

These strategic risks are already reflected in worsening ESG assessments. S&P recently downgraded POSCO's credit outlook from *stable* to *negative*.<sup>17</sup> MSCI assessed its climate goal being *Strongly Misaligned* with the Paris 1.5-degree scenario, and Bloomberg reported that POSCO Holdings is falling behind on its net-zero commitments.<sup>18</sup> In 2024, 27 financial institutions excluded POSCO Holdings from their portfolios –reflecting growing concerns over its ESG risks.<sup>19</sup>

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<sup>13</sup>Chosun Biz, [Korea Fair Trade Commission orders POSCO to correct false eco-friendly claims](#), April 17 2025. Note, mass balance methodology is a certification and/or accounting method that tracks the input of green or recycled materials into a production system and allocates them proportionally to outputs, allowing "green" steel claims even if mixed with conventional steel.

<sup>14</sup>SteelWatch, [Civil society organisations urge rejection of deceptive accounting schemes in steel standards](#), June 2025

<sup>15</sup>Anthropocene Fixed Income Institute (AFII), [POSCO plays Blast and loose with its decarbonisation commitment](#), May 23 2024

<sup>16</sup>Lead the Charge, [Relining Blast Furnaces: POSCO's Plan to Prolong Coal Dependency and Its Climate Consequences](#), March 7 2024

<sup>17</sup>POSCO, [Credit Rating Status](#)

<sup>18</sup>SFOC, [Moving Away from Coal - 2025 POSCO Holdings Climate Risk](#), April 2025

<sup>19</sup>Financial Exclusion Tracker, SFOC, [Moving Away from Coal - 2025 POSCO Holdings Climate Risk](#), April 2025

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More investment in obsolete blast furnace technology may further damage POSCO's creditworthiness and investor confidence. The relining also increases the risk of stranded assets, with potential write-offs for blast furnace infrastructure and reduced bond performance, which could result in significant losses in profit.

## POLITICAL RISKS

POSCO's continued reliance on coal is increasingly misaligned with South Korea's new policy direction, which is focused on industry decarbonisation and a pivot to renewables. The new President, Lee Jae-myung, has pledged a 40% emissions cut by 2030 (from 2018 levels), a complete coal phase-out by 2040 – ten years earlier than the previous target – and a rapid expansion of renewable energy.<sup>20</sup> Climate action is now a national strategic priority, as demonstrated by the establishment of a new Ministry of Climate and Energy.<sup>21</sup> The administration is also advancing policies such as the proposed Carbon Neutrality Industry Act to support low-carbon innovation in hard-to-abate sectors, including steel, while emphasising industrial competitiveness and green job creation.

In this context, continued financial backing for POSCO's blast furnace relining locks in carbon-intensive infrastructure that is increasingly incompatible with national policy, investor expectations, and long-term climate and economic resilience.

## OUR CALL TO ACTION:

We urge you to use your leverage to support POSCO in a truly sustainable transition. Specifically, we ask that you:

- **Implement an escalation plan** for POSCO that would end unconditional loan and bond issuances for POSCO if it does not do the following:
  - i. Cancel the planned relining of Gwangyang Blast Furnace No. 2 immediately,
  - ii. Publicly disclose detailed phase-out and transition plans for Pohang Blast Furnace No. 4 and Gwangyang Blast Furnace No. 2 by 2035,
  - iii. Commit to a moratorium on building new blast furnaces, or expanding the lifetime of existing blast furnaces, and to only building new fossil-free steelmaking assets across its operations, and
  - iv. Disclose a comprehensive phase-out plan for all domestic and global blast furnace facilities, along with a facility-conversion roadmap toward green hydrogen-based and EAF-based steel production, in line with its 2030–2050 carbon neutrality roadmap.
- **Provide ambitious transition finance** to POSCO to enable its transition to fossil-free steel making technologies.
- **Adopt a group-level policy** that prohibits new financial services to steel companies investing in blast furnace expansion or relining, and phase out future financing to existing clients undertaking such activities, instead focusing your finance for the sector on support for fossil-free steel making.

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<sup>20</sup>Argus media, [S Korea election signals accelerating energy transition](#), June 11 2025

<sup>21</sup>Top Daily, [Establishment of the Ministry of Climate and Energy... Speed of achieving RE100](#), June 4 2025

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## WHY THIS BENEFITS YOU:

Taking the actions above will potentially strengthen client trust in the medium to longer term while minimising your risk exposure:

- **Stronger client relationships:** Supporting a true low-carbon transition for POSCO builds a more resilient and forward-looking partnership.
- **Profit and risk mitigation:** Avoiding stranded assets and regulatory penalties shields your portfolio from long-term risk.
- **Market opportunity:** As fossil-free steel becomes more cost-competitive – being potentially 5% cheaper than coal-based steel by 2050 – early movers will gain a strategic market advantage.<sup>22</sup>

We urge you to take these recommendations seriously and stand on the right side of history. The transition to fossil-free steel is not only possible – it is essential.

We look forward to hearing from you on this matter and request a response by **26 August 2025**. We have sent similar letters to 16 of POSCO's major financiers, and plan to publish details of responses and non-responses to this letter.

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<sup>22</sup> BloombergNEF, [Green Steel Demand is Rising Faster Than Production Can Ramp Up](#), June 26 2023

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## SIGNATORIES:

|                                                                 |                                                               |
|-----------------------------------------------------------------|---------------------------------------------------------------|
| BankTrack                                                       | Just Shift                                                    |
| Solutions for Our Climate (SFOC)                                | Just Transition Northwest Indiana                             |
| Action Speaks Louder                                            | Korean Federation of Environmental Movements (KFEM) Gwangyang |
| APEL Green Aceh                                                 | People of Asia for Climate Solutions                          |
| Beyond Fossil Fuels                                             | Reclaim Finance                                               |
| Big Wave                                                        | Sierra Club                                                   |
| Fair Finance International                                      | SteelWatch                                                    |
| Fair Steel Coalition                                            | urgewald                                                      |
| Green Advocates International                                   | Vaal Environmental Justice Alliance (VEJA)                    |
| Greenpeace East Asia                                            |                                                               |
| Industrious labs                                                |                                                               |
| Japan Center for a Sustainable Environment and Society (JACSES) |                                                               |

