

**30 March 2021**

**March 30, 2021**

EXPRESSION OF PRINCIPLES

DATED AS OF MARCH 30, 2021

AS ENTERED INTO BETWEEN

TATA STEEL NEDERLAND B.V.

AND

THE MINISTER OF ECONOMIC AFFAIRS AND CLIMATE POLICY OF THE NETHERLANDS

ON

COOPERATION IN THE REDUCTION OF CO<sub>2</sub> EMISSIONS AS WELL AS IN ENVIRONMENTAL AND  
INNOVATION PROJECTS

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W I T N E S S E T H:

WHEREAS, Tata Steel Nederland B.V. jointly with its subsidiaries ("**TSN**") is a steel producer based in IJmuiden with 11,000 employees in the Netherlands producing ~7 mn ton steel annually for sectors like automotive, manufactured goods and construction;

WHEREAS, TSN and the Minister of Economic Affairs and Climate Policy of the Netherlands ("**EZK**" and, together with TSN, the "**Parties**") believe that TSN is well positioned to remain one of the most competitive and sustainable steel production sites in the EU focusing on high-end products;

WHEREAS, TSN wishes to acknowledge its responsibility to work now towards its achievement of carbon neutrality by 2050 and to contribute to the national 2030 CO<sub>2</sub> reduction target as per the Dutch Climate Agreement (*Klimaatakkoord*);

WHEREAS, the Dutch Climate Agreement and the proposal by the European Commission for a European Climate Law will also require further efforts to achieve the obligations of the Paris Agreement;

WHEREAS, the Parties recognise TSN's unique location and logistics connections (e.g., deep sea port, depleted gas fields, offshore wind) resulting in (one of) the lowest cost position(s) in the EU, while TSN is a producer of high quality steel serving high-end technology markets;

WHEREAS, within the steel industry, according to research done by worldsteel in 2018, TSN is a top 10% lowest CO<sub>2</sub> emitter globally;

WHEREAS, the Parties believe that TSN is of strategic importance to the Netherlands, the IJmond region and the metropolitan region of Amsterdam;

WHEREAS, according to a research report published by Oxford Economics in July 2019, TSN delivers an economic contribution of EUR ~7.1 bn Gross Value Added to the Dutch economy (~1% of economy) and ~86,000 jobs in the Netherlands (~1% of the Netherlands' total), of which ~11,000 direct, ~47,000 indirect and 28,000 induced jobs;

WHEREAS, the Parties believe that TSN forms a key pillar for manufacturing and industry in the Netherlands, being recognised as a "Manufacturing Lighthouse" by the World Economic Forum (recognition for state-of-the-art facilities that serve as world leaders in how to successfully adopt and integrate the cutting-edge technologies of the Fourth Industrial Revolution), a top 5 manufacturing employer in the Netherlands (as researched by De Volkskrant in February 2020) and a major

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materials supplier to various industries, ensuring diversity of the Dutch economy beyond services, and that TSN is a knowledge and innovation hub for a strategic sector, providing a backbone of materials science in the Netherlands as well as, according to Keuzegids published in March 2020, the highest ranked MBO school in the Netherlands for process technology;

WHEREAS, according to the Dutch Climate Agreement and the Intergovernmental Panel on Climate Change (2018 report Global Warming of 1.5°C), carbon capture and storage (CCS) is essential in order to achieve the nationwide desired level of CO<sub>2</sub> abatement by 2030;

WHEREAS, at this point, due to TSN's location, CCS is expected to be the most cost-effective route for TSN in its effort to achieve the desired level of CO<sub>2</sub> abatement by 2030 on the way to a hydrogen-based, CO<sub>2</sub> neutral, steelmaking process;

WHEREAS, TSN reviews options to achieve its ambition of such CO<sub>2</sub> reduction by 2030, recognising that the political targets may be subject to change, and makes an effort to raise its ambition of CO<sub>2</sub> reduction by 2030 from 30% to 40%, thereby reducing CO<sub>2</sub> emissions by 5.0 Mt/a, which would exceed TSN's proportional share of the industry target under the current national climate agreement by more than 1 Mton/a;

WHEREAS, although TSN believes that the identified options are technically and operationally feasible to achieve the envisaged CO<sub>2</sub> reduction, the viability of these options are contingent on adequate funding, effective options to pass-on remaining decarbonisation costs to the market and the availability of a functional infrastructure, with respect to which TSN is dependent on third parties, including governments;

WHEREAS, TSN is developing a roadmap of decarbonisation projects (the "**Projects**"), with currently foreseen as key initial project Everest for carbon capture and storage;

WHEREAS, Everest relies on a competitive access to CO<sub>2</sub> transport and storage infrastructure that will be available on time to store captured CO<sub>2</sub> in depleted gas fields underneath the North Sea;

WHEREAS, TSN's roadmap of decarbonisation projects includes project H<sub>2</sub>ermes concerning the realisation of a 100 MW water electrolyser plant, producing up to 15kton/a of green hydrogen for use at TSN in IJmuiden and in the Amsterdam port region;

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WHEREAS, TSN is willing to explore potential flexibility options that possibly could further contribute to reaching the Netherlands' Paris Agreement commitments and Dutch Climate Agreement goals for 2030;

WHEREAS, the decarbonisation roadmap may be optimised to take into account technological, economic, political, commercial and control developments, if and when needed;

WHEREAS, TSN's decarbonisation roadmap also includes potential options for the period after 2030, such as HIsarna® and SMU, enabling a potential additional reduction of more than 15% NO<sub>x</sub> and more than 30% SO<sub>x</sub>, and DRI, which would enable the closure of one coke plant, sinter plant and one blast furnace (BF6);

WHEREAS, apart from decarbonisation projects, TSN is seeking to strengthen its presence in the high-end steel market through the implementation of an innovation plan (STAR), introducing new products and increasing downstream capacity;

WHEREAS, TSN desires to address public environmental, hinder and health concerns, maintain acceptance to operate, and continue public dialogues to maintain that acceptance to operate;

WHEREAS, TSN has developed and announced Roadmap+, an environmental plan to address public concerns in line with the *Programme for Tata Steel 2020-2050*;

WHEREAS, TSN seeks to invest up to EUR 300 million in the reduction of any adverse environmental and hinder impact on local communities, including De-NO<sub>x</sub> on the pellet factory and reduction of odour from the cokes oven and other projects;

WHEREAS, in order to realise the *Roadmap+* and the *Projects*, TSN seeks support in the form of active facilitation by EZK of a dialogue regarding NO<sub>x</sub>-projects and allowances allocation with the other levels of government involved;

WHEREAS, to successfully implement such decarbonisation, innovation and environmental projects, TSN has developed a plan to engage with local, regional and national stakeholders which, apart from TSN's own proactive role, also envisages a coordinated government response, towards which EZK will make efforts together with the other levels of government involved;

WHEREAS, TSN's plans seek to ensure its long-term contribution to decarbonisation, the Dutch economy and the IJmond region, whereby it makes an effort to (i) raise its ambition of CO<sub>2</sub> reduction by 2030 from 30% to 40%, thereby reducing CO<sub>2</sub> emissions by 5.0 Mt/a, in order to meet and surpass the current climate

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goals for 2030, (ii) continue operations in IJmuiden, where it is improving its competitive position through execution of a transformation program, (iii) continue its innovation program (STAR) and strengthen the level of involvement in Dutch society in the area of technology, innovation, sustainability etc., and (iv) continue to mitigate environmental and hinder issues, maintain acceptance to operate and address public concerns;

WHEREAS, although TSN has historically generated a healthy operational cashflow, the need for decarbonisation requires TSN to invest and will result in significant incremental operational costs. Such investments and increases in operational costs cannot be covered by the existing cash flows of EU steelmakers;

WHEREAS, the Netherlands strives to facilitate the climate transition of its industry as stipulated in the Climate Agreement, both with pricing instruments such as the carbon levy for industry and with instruments covering uneconomical parts of necessary and efficient investments, and recognises the necessity of continued involvement with industry to monitor whether the current instruments are indeed suitable and sufficient towards this end;

WHEREAS, TSN is seeking government support to cover its funding gap in relation to amongst others the unprofitable parts of its investments in decarbonisation and the Parties are in ongoing dialogue to monitor whether TSN or other parties are able to generate or provide funding on the basis of existing instruments in order to realise the Projects, including the possibilities of support through EU funds;

WHEREAS, TSN is looking into all possible NL and/or EU subsidies, loans or alternatives in an effort to secure the feasibility of the Projects;

WHEREAS, the Parties believe that the ability to pass on ETS charges to the market is essential for TSN's ability to fund its decarbonisation process;

WHEREAS the Netherlands, as stipulated in the Climate Agreement, will strive for a level playing field for its industry both within Europe and globally;

WHEREAS, an accessible market for hydrogen is essential for TSN's future performance;

WHEREAS, separately, the Parties have identified certain non-financial support that EZK or other parts of the Dutch government may be able to provide, in an effort to ensure the timely completion by TSN of its decarbonisation, environmental and hinder projects and to proactively engage local stakeholders, including (i) efforts to create the necessary conditions for construction of a CO<sub>2</sub>

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transport and storage infrastructure, (ii) support in timely permitting, and (iii) efforts towards the provision of access to a functional hydrogen network; and

WHEREAS, in an effort to facilitate, and invest in, among other things, the substantial reduction of CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>x</sub> emissions by the Dutch industry, reduction of hinder and nuisance issues experienced by neighboring local communities, the development and kick-starting of the Dutch hydrogen backbone, the creation of durable employment in clean energy and manufacturing projects, the innovation of clean technologies in the Netherlands, the stimulation of the creation of a profitable and sustainable center of excellence in environmental technology in the Netherlands, and the creation of flexibility and additional achievement in nationwide CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>x</sub> emissions reductions with a view to realising national reduction goals, the Parties now wish to express their joint desire to facilitate the execution of the Projects by TSN.

Now, therefore, the Parties hereby want to lay down their common understanding that:

**Objective**

1. The objective of this document is to establish a framework for mutually beneficial cooperation between the Parties and to lay down joint views on the Projects to be realised, recognising that they are still subject to development, in order to facilitate the execution of the Projects by TSN.

**Key Ongoing Review Items**

2. Based on the identified funding and (re)payment risks, financial impact and potential risk responses, TSN is assessing its ability to finance the Projects, and the Parties are in a dialogue to assess whether, where and how additional governmental funding or other support is necessary and appropriate in an effort to enable TSN to realise the Projects.

**Costs**

3. Each Party will bear its own costs associated with the cooperative activities intended to be carried out under this document unless the Parties decide otherwise in writing. Activities under this document are subject to the availability of appropriate funds, in conformity with budgetary provisions and the relevant laws and regulations.

**Interpretation of this document**

4. The terms of this document are solely meant to lay down the joint current understanding of, and the approach to, the Projects, possible funding options for such Projects, and next steps to be undertaken jointly in an effort to get to the realisation of the Projects.

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5. The terms of this document are not legally binding upon either Party hereto.
6. This document is governed by and shall be construed in accordance with the laws of the Netherlands. Any dispute about the interpretation or implementation of this document will be resolved through consultations between the Parties.

**Other**

7. This document comes into effect on the date of the last signature and will be jointly reviewed upon written request of one of the Parties.

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8. Signed in two (2) original copies, each in the English language.

**Minister of Economic Affairs and Climate Policy**

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By: B van 't Wout  
Title: Minister of Economic Affairs and Climate Policy  
Date:

**Tata Steel Nederland BV**

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By: J.H. van den Berg  
Title: Chairman Board of Management  
Tata Steel Nederland BV  
Date:

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By: T.V. Narendran  
Title: CEO & MD Tata Steel Limited  
Date:

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By: H. Adam  
Title: CEO Tata Steel Europe  
Date: