Use case | Scope 3 emission regulations in Brazil and the EU

Operating across continents can bring many challenges for businesses — one of which is the ability to maintain consistent performance and compliance with company-wide sustainability objectives, such as emissions reductions.

This use case examines how a **Luxembourg-based steel manufacturing company** that operates the largest steel-producing facility in São Paulo, Brazil, uses Enhesa's Corporate Sustainability solutions to align operations with Scope 3 emissions targets.

Balancing sustainability goals with production demand

As part of its commitment to the Paris Agreement objectives, the company is prioritizing a significant reduction in its carbon footprint, with a focus on Scope 3 greenhouse gas (GHG) emissions. These emissions, tie directly to the company's value chain and present a challenge due to a lack of compiled data and the complexity of addressing value-chain impacts.

The company must therefore develop a strategy to reduce Scope 3 emissions at its Brazilian facility while maintaining production continuity. This requires:

- Navigating federal and state emissions regulations in Brazil
- Understanding global developments in Scope 3 emissions requirements
- Aligning these with corporate sustainability goals to achieve a more sustainable production process

The company used Enhesa's Corporate Sustainability tools to determine any differences between Brazilian federal and São Paulo state regulations concerning emissions — and to identify any worldwide regulatory developments regarding Scope 3 that could support their decarbonization pathway.

Federal-level Scope 3 requirements in Brazil

To ensure compliance with obligations related to Scope 3 GHG emissions, our client utilized the **Requirements Center**. Through this research, they discovered that the obligation to measure and report Scope 3 GHG emissions under Brazilian federal legislation applies only to publicly listed corporations in Brazil. These companies must prepare and submit a sustainability-related financial report to the Securities and Exchange Commission of Brazil (CVM) in accordance with CBPS Technical Pronouncement 02 — Climate-Related Disclosures, which is based on the International Financial Reporting Standards' (IFRS) S2 Climate Disclosures. Under CBPS 02, companies are required to disclose their gross Scope 3 GHG emissions in metric tons of CO2 equivalent (CO2eq), calculated per unit of physical or economic output.

However, since our client is not publicly listed in Brazil, this requirement doesn't apply to them.

They also noted that this obligation will be relevant only from 1 January 2026 and that Brazil has adopted national sustainability standards based on IFRS sustainability standards (ISSB standards).

State-level Scope 3 requirements in São Paulo

Our client also conducted research in the State of São Paulo, where their facility is located. They discovered that steel manufacturers may voluntarily include their Scope 3 GHG emissions in their annual greenhouse gas (GHG) emissions inventory submitted to the Environmental Company of the State of São Paulo (CETESB). This submission must occur for the preceding year between 1 September and 31 October.

Scope 3 requirement tracking in the EU

Recognizing that Scope 3 GHG emissions are a topic that isn't yet comprehensively regulated, our client wanted to monitor future regulatory developments in the European Union — given that their headquarters is located there.

Through research in **Sustainability Forecaster**, they found a recent proposal relevant to EU-based companies importing carbon-intensive goods included in the Carbon Border Adjustment Mechanism (CBAM), which covers steel. Specifically, they learned that there is a proposal to establish the conditions and procedures for applying for the status of authorized CBAM declarant. If adopted, this initiative would require EU importers of the affected goods to apply for authorization in order to import CBAM-covered goods starting from 1 January 2026.

Comprehensive clarity for multinational concerns

Using our sustainability tools, the steel manufacturing company achieved several key outcomes:

- A clear understanding of future Scope 3 GHG emissions regulations in Brazil, along with insights into voluntary disclosure requirements in the State of São Paulo
- Increased confidence in implementing their decarbonization pathway in Brazil, ensuring their entire value chain is included in the strategy
- Proactive monitoring of draft laws in the EU that could impact their steel manufacturing and commercialization, enabling them to anticipate and adapt to future requirements
- A clear understanding of regulatory differences between federal and State of São Paulo emissions requirements, allowing for precise alignment of the facility's reduction strategy
- Access to global regulatory developments, offering guidance for incorporating best practices into the company's decarbonization pathway
- Confidence to begin compiling necessary data to address Scope 3 emissions, fostering value-chain collaboration for a sustainable production process

By utilizing harmonized and standardized regulatory data through a single tool, the company significantly reduced research time. This efficiency allowed them to focus on implementing a forward-looking decarbonization strategy across their value chain. As a result, they are not only preparing for compliance but also reinforcing their commitment to sustainability leadership within the steel industry.

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Achieve compliance, manage risk, and drive sustainability.