



LME Sustainable Metal Premium Pricing Methodology: Discussion Paper Response

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1 Executive summary

On 13 October 2025, the London Metal Exchange (“LME”) published a Discussion Paper outlining its proposed methodology for sustainable metal premium pricing (the “Discussion Paper”), intended for use by the HKEX Group subsidiary Commodity Pricing and Analysis Limited (“CPAL”). The Discussion Paper invited feedback on key elements, including eligibility criteria, pricing methodology, governance, and publication practices.

The LME thanks the 23 organisations that provided responses. This feedback has been carefully reviewed and informs the amendments set out in this response document. Overall, respondents were supportive of the initiative and provided constructive input to ensure transparency, credibility, and practicality in the methodology framework. Key updates include revised carbon thresholds, refinements to the data hierarchy to incorporate securely reported bilateral transactions and long-term contract executions, and strengthened governance measures to reinforce independence and transparency.

For a summary of the updated sustainability thresholds, and future updates to the methodology, readers should visit [LME Insight](#). This serves as the central hub for ongoing developments and guidance related to pricing sustainable metal premiums.

Any market participant wishing to discuss this document should contact spmdevelopment@lme.com.



2 Feedback to the Discussion Paper

This section summarises key themes and observations from market responses to the Discussion Paper. Feedback was received across all major topics, including eligibility criteria, sustainability thresholds, pricing methodology, normalisation, governance, and publication practices. While views varied on certain details, respondents were supportive and provided constructive input to ensure transparency, credibility, and practicality in the proposed framework.

2.1 LME brand listing as the basis for eligibility

Respondents broadly agreed that eligibility should be limited to LME-listed brands, citing the established credibility of the LME brand-listing process and its role in ensuring quality and responsible sourcing. Several stakeholders supported this approach as a practical foundation for sustainable premium discovery, noting that it provides consistency and avoids introducing non-LME brands that could undermine comparability. A minority suggested that, in future, the scope could be expanded to additional metals once robust standards and verification frameworks are in place.

2.2 Premium sustainability thresholds

While this section was not open for formal questions during the Discussion Paper process, the feedback received on this topic has provided valuable insight and an opportunity for deeper engagement with stakeholders.

Many respondents noted that certain proposed thresholds remain higher than the market expectations and do not sufficiently differentiate the product for the purposes of the sustainable metal premium.

In response, the LME has revised two of the carbon thresholds (aluminium and copper); the updated thresholds are set out in Section 3. The LME will also continue to explore glide paths aligned with decarbonisation targets and will notify the market in advance if they are adopted.

2.3 Pricing methodology and data hierarchy

Respondents broadly supported the three-tier hierarchy for price discovery and the primacy of executed transactions; however, they cautioned against reliance on a single spot platform, given liquidity and market assessment constraints in nascent sustainability markets. Many respondents requested the methodology not specify one transaction platform in its initial framework and, additionally, recognise executed bilateral transactions to LME Insight within Category 1 of its pricing waterfall, alongside executions on approved spot trading platform(s). Multiple respondents also noted that pricing data inferred from long term contracts should also be considered and could be particularly relevant where spot activity is sparse.

Respondents highlighting liquidity and representativeness concerns recommended enhanced safeguards, including counterparty diversity requirements, clearer eligibility tests and sufficiency thresholds to strengthen price representativeness. Some feedback also encouraged dynamic use of expert judgement, including withholding publication or carrying forward the prior month's assessment when inputs are insufficient.

Feedback on fallback mechanisms focused on weighting and governance. While most agreed with the proposed 70/20/10 weighting across Categories 1-3, some advocated dynamic adjustments based on liquidity. Respondents also called for prioritising binding over non-binding bids and offers, and ensuring clear eligibility criteria to maintain integrity and prevent manipulation.



Participants agreed that executed transactions must remain the foundation for sustainability-linked premium discovery, but several cautioned that *de facto* exclusivity for any single venue may not fully reflect broader physical market activity.

Finally, respondents stressed the relevance of long-term contracts in today's low carbon metals markets. Given continued relevance, respondents highlighted that long term contractual data can provide meaningful insight into sustainable metals premium discovery and should therefore remain an important supplementary input. The need for transparent governance, including anonymised input summaries, documented expert judgment, and independent review of decisions was also reemphasised. These measures were viewed as essential to building confidence in the methodology and ensuring that published premium reflect genuine market value.

2.4 Normalisation and outlier management

Respondents expressed strong support for the LME's proposed approach to normalisation, recognising its importance for ensuring comparability across transactions. Stakeholders agreed that adjustments should cover regional premiums, Incoterms, delivery periods, other logistics costs, tariffs, taxes and payment terms, as outlined in the Discussion Paper. There was also broad consensus on the need to review and update these adjustments regularly to reflect prevailing market conditions.

On outlier management, respondents welcomed the safeguards proposed by the LME and emphasised the importance of transparency in their application. While some supported automated percentage-based triggers, most favoured a structured approach combining expert judgment with documented rationale and independent review. Stakeholders agreed that a clear audit trail for all inclusions and exclusions will be critical to building confidence in the methodology and to ensuring that published premium prices reflect genuine market value rather than isolated or unrepresentative transactions.

2.5 Pricing administrator's role and governance

Respondents were generally supportive of the establishment of CPAL as an independent pricing administrator and emphasised that robust governance is critical to market confidence. There was broad agreement on the need for transparency measures, such as publishing anonymised input summaries and maintaining a clear audit trail for all data and decisions involving expert judgment. Many stakeholders recommended periodic independent audits, at least annually, and public reporting of outcomes, alongside a formal mechanism for complaints and regular methodology reviews.

While most accepted the proposed 28-day consultation period for material changes, a number of responses that addressed this question suggested extending this to two months, with at least three months' notice before implementation. Additional recommendations included forming an external advisory committee, enhancing disclosure of compliance practices, and ensuring CPAL prices adhere to (or have a clear pathway to achieving) IOSCO Principles for Financial Benchmarks. Respondents also highlighted the importance of separating LME Insight's operations from LME commercial functions and using third-party oversight to reinforce independence. These measures were viewed as essential to building long-term trust in the sustainability premium methodology.

2.6 Publication and objection window

Most respondents agreed that monthly publication is acceptable at launch but noted that premium prices can move quickly and suggested weekly or daily updates as liquidity improves. Regarding the publication of a price intended to represent global market, feedback indicated that regional differences make a single global premium less meaningful, with strong support for introducing regional premiums when sustained regional divergence and data quality support it. Respondents supported the objection window but called for a clearer scope, including grounds for objection, evidentiary requirements and decision timelines.



3 LME consideration and outcomes

LME Insight has published the finalised methodology on the LME Insight website. The methodology reflects updates informed by market feedback and serves as the foundation for sustainable premium price discovery.

3.1 LME brand listing as the basis for eligibility

Eligibility remains restricted to LME-listed brands to ensure consistency and credibility.

3.2 Sustainability thresholds

The LME has updated the carbon thresholds based on new data and stakeholder input.

The LME balances market liquidity with the level of ambition that participants expect from a sustainability threshold. Following a detailed review of emissions-intensity distributions and respondent feedback, the LME has adjusted the thresholds for copper and aluminium to ensure they deliver meaningful differentiation while remaining achievable and incentivise decarbonisation within current market conditions.

For copper, the previously proposed threshold of 5 tCO₂ per tonne was identified as being above the global average for LME copper brands, offering limited distinction between conventional production and genuinely lower-carbon material. The threshold has therefore been reduced to 4 tCO₂/t.

For aluminium, a number of respondents noted that the initial 10 tCO₂/t threshold did not sufficiently incentivise decarbonisation. The threshold has been revised to 8 tCO₂/t, to provide clearer sustainable differentiation while preserving sufficient eligible volumes to support robust price assessment. This places greater emphasis on emissions performance at the smelter level, reflecting emissions intensity as a greater decision-relevant sustainability metric for aluminium relative to the other metals in scope.

Metal	Emissions threshold (tCO ₂ e/t) and methodology	Third-party sustainability assurance
Aluminium	≤ 8.0 International Aluminium Institute	Aluminium Stewardship Initiative Performance Standard
Copper	≤ 4.0 International Copper Association	The Copper Mark
Nickel	≤ 20.0 Nickel Institute	N/A (transitioning to The Nickel Mark)
Zinc	≤ 3.5 International Zinc Association	The Zinc Mark (Letter of Commitment accepted on an initial basis)

Table 1 – Sustainability thresholds

Glide paths aligned to decarbonisation targets remain under active review. As market liquidity and data depth increase, the LME will calibrate thresholds where appropriate to strengthen differentiation, and communicate via LME Insight.

3.3 Pricing methodology and data hierarchy

3.3.1 Category 1 update

The data hierarchy has been refined to recognise transactions on alternative spot trading platform i.e. allowing for flexibility beyond solely relying on the Metalshub platform, and bilateral transactions reporting to LME



Insight within Category 1, including executed long-term contracts that fall within the Observation Window. Within Category 1 a 70% weighting is assigned to transactions on the Approved Spot Trading Platform(s) and 30% to transactions reports to LME Insight. When Category 1 is sufficient, the sustainable metal premium equals the Category 1 assessment (VWAP of qualifying executed transactions after normalisation).

3.3.2 Fallback formula

If Category 1 is insufficient, LME Insight will apply the fallback: Sustainable metal premium = (Category 1 × 70%) + (Category 2 × 20%) + (Category 3 × 10%). Category 2 (executable bids/offers) remains at 20% in the fallback; Category 3 is limited to other corroborated market assessments at 10% (with bilateral executions now recognised in Category 1).

3.3.3 Additional safeguards

Sufficiency safeguards are strengthened to require ≥ 2 distinct buyers and ≥ 2 distinct sellers within the Observation Window, ≥ 3 qualifying executed transactions, and minimum total volumes per metal. Minimum trade sizes per transaction are also specified.

Metal	Tonnes
Aluminium	400
Copper	100
Nickel	50
Zinc	100

Table 2 – Transaction volume thresholds

3.3.4 Normalisation and outlier management

Normalisation and outlier management will follow the approach originally stated in the Discussion Paper and are elaborated operationally (e.g. regional premia, commercial terms, tariffs/taxes, logistics, 90-day delivery standard, automated flagging and expert review). However, this remains a dynamic area and will be subject to ongoing review as market conditions evolve.

3.3.5 Publication and objection window

LME Insight will publish a global price at launch but intends to move rapidly to regional premia as liquidity supports this transition. Decisions on regionalisation will be made by LME Insight based on market evidence. A formal 7-calendar-day Objection Window applies after publication; objections must be written, evidenced, and reviewed without altering the published price during the window. Corrections for material errors may be issued with clear rationale.



4 Conclusion

One of the primary aims of the Discussion Paper was to facilitate meaningful dialogue and ensure the LME could incorporate a broad range of perspectives into the development of its sustainable metal premium pricing methodology. Market participants provided thoughtful, detailed feedback that has shaped key elements of the finalised approach, including clarifying eligibility thresholds, refining the data hierarchy from a Metalshub-only model to one that allows recognition of alternative platforms and transaction reporting to LME Insight for Category 1, and strengthening governance and auditability processes.

The LME is grateful for the time and expertise invested by stakeholders in this process. This collaboration reflects a shared commitment to transparency and innovation as the industry navigates the transition to more sustainable practices. Looking ahead, prices will be published monthly with a clear path to regional premia as liquidity supports this evolution, and a formal seven-day objection window will provide a structured mechanism for market input after publication. LME Insight will continue to engage with stakeholders and, where material changes are contemplated, conduct public consultations of no fewer than 30 calendar days to ensure the methodology remains current, credible and responsive to market needs.