

31 January 2024

**Green Steel Supply Chains are Australia's Top Decarbonisation Opportunity
but a clear and credible commitment to moving to net zero is needed:
Climate Capital Forum**

The Federal Government's \$200m allocation from the Powering the Regions Fund to start to decarbonise parts of Australia's steel-making supply chain is an important area of focus but much stronger incentives are urgently needed to reduce – not support new – fossil fuel powered production, according to the Climate Capital Forum.

[Today's announcement](#) acknowledges the strategic importance of supporting trade-exposed industries as the Safeguard Mechanism progressively ratchets up decarbonisation ambition in heavy industry. This shows an understanding of the need to invest in preparation for rapidly changing technologies and decarbonisation trends in the global economy. But more ambitious and targeted incentives are needed here to accelerate the pivot away from high-carbon intensity steel production. Taxpayer support for a new blast furnace does not achieve this.

The [Climate Capital Forum](#), a network of investors, decarbonising businesses, philanthropists and climate finance experts, said allocating taxpayer monies to support BlueScope to invest [\\$1bn to lock in high emissions blast furnace technology](#) for the next 20 years is a missed opportunity. BlueScope has invested aggressively to decarbonise its US steel business, and could better be incentivised to make the same commitment here in its home market - especially given its [reported \\$1bn after tax profit in 2023](#).

Protecting our remaining steelmaking capacity and skills base is strategically important for Australia. But the Forum believes federal government capital investment of taxpayer money into the steel sector should be aligned to decarbonisation gains commensurate with the nation's overarching energy transition and emissions reduction commitments.

As the world's largest producer of iron ore, Australia has an enormous and time-critical opportunity to invest in domestic green iron production and capitalise on accelerating moves to decarbonise steel production worldwide. We need to 'learn by doing' in the domestic context. Failure to do so is a massive strategic threat.

While Australia procrastinates, developed world leaders are pivoting. Sweden's [H2 Green Steel raised €5.5bn in debt and equity](#) in late 2023 to finance an integrated new steel plant that will deliver steel with up to 95% less CO2 emissions compared to traditional blast furnace technology. January 2024 saw Japan's [JFE Steel announce plans to replace an ageing blast furnace](#) with one of the world's largest electric arc furnaces, and [Tata Steel UK](#) announced the same strategic pivot.

Tim Buckley from Climate Energy Finance said:

“Australia’s iron ore and coking coal commodity exports and our domestic steel-making industries are under long-term terminal threat if we don’t accelerate investment in lower emissions steel supply chains and new technologies. We need to learn by doing in the domestic context and add value onshore, not just continue the last few decades’ strategy of dig-and-ship.”

“We encourage the government to proactively step-up ambitious grant / patient capital funding support for public/private partnerships to underpin and accelerate this overdue decarbonisation.”

“Australia is the world’s largest exporter of iron ore and coking coal. As [we have previously argued](#), we should be using every single opportunity to incentivise onshore commercial scale facilities to produce green iron, so we value-add and export embodied decarbonisation. Australia needs to work with global partners to jointly develop a green ESG premium or carbon pricing model to incentivise best in class value-adding.”

Blair Palese, Founder, Climate Capital Forum said:

“There is no time left for federal government support for anything except strategies to fully decarbonise as global demand for net-zero materials grows exponentially. We can’t keep doing more of the same.”

“Australians need to see government and industry working together on decarbonising strategies that are in the best interests of the country. Despite some great government initiatives to do that, we need a clearer vision to build our net zero economy and address our changing climate.”

“The Climate and Capital Forum has put forward recommendations for a much-needed Australian response to the US IRA in our [pre-budget 2024/25 submission](#). This and reports like the Centre for Policy Development’s [Green Gold report](#) argues for A\$30bn in contracts for difference and/or a production tax credit to support first movers in decarbonising key industries, and A\$1.5bn of new funding for the Net Zero Government Fund to defray first mover costs of procuring domestic low-carbon material such as for government infrastructure. We need domestic content requirements to develop demand pull.

“The government needs to drive the transition to a zero-emissions economy and invest in our workforce and communities to build social licence by ensuring they thrive in that process. We need policy vision and ambition that encourages this transition, not more support for existing emission-intensive industries.”

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