SUBMISSION TO THE SENATE ECONOMICS COMMITTEE ON THE NATIONAL RECONSTRUCTION FUND CORPORATION BILL

AUSTRALIAN STEEL INSTITUTE

SUBMISSION TO THE SENATE ECONOMICS COMMITTEE ON THE NATIONAL RECONSTRUCTION FUND CORPORATION BILL

The Australian Steel Institute (**ASI)** is pleased to make a submission on the National Reconstruction Fund Corporation Bill 2022 (**the Bill**).

Introduction

The ASI is the nations peak body representing the entire steel supply chain, from the primary producers through to end users in building and construction, resources, heavy engineering and manufacturing.

Its membership base includes approximately 6,000 individuals that are associated with more than 500 corporate memberships and over 350 individual memberships.

A not-for-profit member based organisation, the ASIs activities extend to, and promote, advocacy and support, steel excellence, standards and compliance, training, events and publications. The ASI provides marketing and technical leadership to promote Australian-made steel as the preferred material to the resources, construction, and manufacturing industries, as well as policy advocacy to government.

The Australian Steel Industry

The Australian steel industry consists of four primary steel producers, supported by over 300 steel distribution outlets throughout the country and hundreds of manufacturing, fabrication and engineering companies.

Australia's primary steel producers and steel product manufacturers together form a strategically important value chain that has the capability to supply in excess of 90 per cent of the steel grades and qualities required in this country. If special categories such as very large diameter pipe, stainless steel, electrical steel, and tinplate are excluded, then the capability is significantly closer to 100 per cent.

This table sets out the steelmaking capacity and production processes used in Australia:

Company	Manufacturing Locations	Typical Production	Production Process
BlueScope	Port Kembla, NSW	3.2 million tonnes	**Integrated (BF/BOF)**: iron ore / coal / scrap steel Coke Ovens, Sinter Plant, Blast Furnace, BOF steelmaking
InfraBuild	Laverton, VIC	0.7 million tonnes	**EAF route**: scrap steel EAF steelmaking
	Rooty Hill, NSW	0.6 million tonnes	
Liberty Primary	Whyalla, SA	1.2 million tonnes	**Integrated (BF/BOF)**: iron ore / coal / scrap steel Coke Ovens, Pellet Plant, Blast Furnace, BOF steelmaking
Molycop	Waratah, NSW	0.25 million tonnes	**EAF route**: scrap steel EAF steelmaking

Australia produces around 6 million tonnes of steel per annum across five major manufacturing locations, with approximately 74 percent produced via the more emissions-intensive method in the blast furnace - basic oxygen furnace (BF/BOF) and the remainder produced via the electric arc furnace (EAF) method.

It is important to note the economic and social contribution of the Australian steel industry. It employs over 100,000 people and generates $29 billion in annual revenue, and it associated with a disproportionally large share of skilled jobs in regional and rural areas.

Australia has world leading manufacturing capability in many areas of steel product application. Some examples include wear resistant and ballistic plate steels for mining and defence applications, grinding media for mineral processing, strata control products for underground mining, wire rope for open cut mining, wheels, rail, and sleepers for both mainline and heavy haul railway applications, strapping for load restraint, engineered bar and resultant products such as automotive springs and specialty fasteners, high pressure gas storage tanks, racking and shelving for automated warehouse solutions, highly durable coated steel water pipe for infrastructure, and a myriad of specialised components for building, construction and defence industry applications.

Steel is fundamental to a modern society.

The steel industry is also a key enabler for the nation's renewable energy transition and associated legislated climate targets. Between now and 2030 it is estimated that at least 400,000 tonnes of fabricated steelwork will be required per annum to service over 23 GW of existing renewable energy generation projects across wind, solar, water and transmission infrastructure, as illustrated in this table:

Wind:

- It is estimated that each 1 MW generated by an onshore wind tower requires 124 tonnes of steel.
- Offshore wind increases generation scale and steel consumption further. Each 1 MW generated by an offshore wind tower requires 190 tonnes of steel.

Solar:

- The steel components include a foundation pile (normally a hot rolled channel or column), torque tube (octagonal, square or tubular hollow section), frames or Rails for PV panels and Brackets.
- Typically, about 45 tonnes of steel are required for each 1 MW of solar energy generated.

Water:

- Hydro projects require large diameter steel liner pipes, penstock, related fabrications, tunnel reinforcement, and foundations.
- It is estimated that each 1 MW of hydro power will require 161 tonnes of steel.

Transmission:

- Each 1000 kms of transmission line typically requires 2500 towers at 30 tonnes per tower.

NSW has announced net zero emissions by 2050 and committed to 12 GW of renewables to be installed by 2030.

Queensland and Victoria have committed to renewable energy targets of 50% by 2030.

SA has set an interim goal of 50% net emissions reduction by 2030, with an ambition to achieve 100% net renewable energy by 2030.

Tasmania has legislated 200% renewable energy generation by 2040.

Australia currently has limited local capability to supply these requirements and has missed out on substantial economic value in recent years with renewable projects highly reliant on established overseas supply chains.

Some incremental local investments in renewable energy generation infrastructure fabrication capacity have recently been initiated but without further investment and government support this trend to overseas supply is set to continue.

The Government's position on the Australian steel industry

On 10th October 2022, the Minister for Industry and Science the Hon Ed Husic MP addressed the Australian Steel Convention.[1]

The Minister said:

> Steel, from our point of view, is a vital part of the manufacturing landscape in this country. We went to the election with a very firm view that given the events of the previous years, notably the pandemic and the way it changed people's thinking about what we could rely upon when we needed it at the times we needed it most, that has caused a reset in the thinking around industry policy and the way that we gear up and produce and the way that governments engage with the private sector to deliver on those things. So that's been very important as well.

He also said:

> Specifically, under the Powering Australia plan, within the Reconstruction Fund, $3 billion will be allocated to investing in green metals, steel, alumina, aluminium; clean energy component manufacturing; hydrogen electrolysers and fuel switching; agricultural methane reduction and waste reduction and through Powering Australia we'll support the energy needs of the manufacturing sector by getting power to where it's needed to an overdue upgrade of our outdated energy grid.

Finally, and most importantly he said:

> Now, I've also had regular conversations with Chris Bowen, the Climate Change and Energy Minister. Our view is we really need to develop industry specific plans that open up opportunity for the steel sector and if we get - we've got what we want to do in terms of energy transition, what we want to do in procurement reform and local content reform, the National Reconstruction Fund to support growing capability locally so that we build capability and we put it to work, that we open up opportunity for steel, particularly Australian steel, and be able to use it in terms of some of the offshore wind, wave energy, rewiring the nation issues that we do have.

Powering Australia

The incoming Government indicated in its Powering Australia policy statement that it would allocate up to $3 billion from Labor's National Reconstruction Fund to invest in green metals (steel, alumina and aluminium); clean energy component manufacturing; hydrogen electrolysers and fuel switching; agricultural methane reduction and waste reduction.[2]

[1] https://www.minister.industry.gov.au/ministers/husic/speeches/address-australian-steel-convention
[2] https://www.alp.org.au/policies/national-reconstruction-fund

The RepuTex Energy economic modelling supporting the policy also indicated:

> **Green metals: steel, alumina and aluminium:** Enormous opportunities exist to develop green steel manufacturing hubs across Australia using abundant and low-cost renewable energy resources, and green hydrogen. We conservatively model these hubs to benefit from $1.31 billion in financing, developing and scaling up Hydrogen Breakthrough Ironmaking Technology (HYBRIT) to transition from traditional blast furnaces. This is forecast to reduce emissions by more than 4 Mt per year by 2030. Like steel, alumina and aluminium production is highly energy- and carbon-intensive. Funding support for reliable and affordable firmed renewable electricity is therefore a key enabler for competitive green metals production in Australia, delivering emissions reductions of almost 5 Mt per year by 2030.[3]

The Bill

The Bill was introduced into the Australian Parliament on 30 November 2022.

It is generally drafted similarly to the *Clean Energy Finance Corporation Act 2012* and is 'framework' legislation which leaves specifics, including the priority areas of the Australian economy to be funded left to subordinate legislation[4].

The Budget papers indicate that:

> The Government will invest $15.0 billion over 7 years from 2023–24 to establish the National Reconstruction Fund (NRF) to support, diversify and transform Australian industry and the economy through targeted co-investments in 7 priority areas: resources; agriculture, forestry and fisheries sectors; transport; medical science; renewables and low emission technologies; defence capability; and enabling capabilities.[5]

The ASI has been advised that steel related investments *could* be characterised as being eligible for funding under the renewable and low emission technologies and defence capabilities categories.

However, it is clear the Government considers the maintenance of a sovereign Australian steel industry is important to guard against future supply chain shocks as well assisting the delivery of its net zero policy goals.

Clause 6 of the Bill allows Ministers to declare by legislative instrument what constitutes a 'priority area of the Australian economy' which facilitates the capacity to receive NRF funding.

---

[3] RepuTex *The Economic Impact of the ALP's Powering Australia Plan* (2021): 25: https://www.reputex.com/wp-content/uploads/2021/12/REPUTEX_The-economic-impact-of-the-ALPs-Powering-Australia-Plan_Summary-Report-1221-2.pdf

[4] It is noted that section 60 of the *Clean Energy Finance Corporation Act 2012* identifies the 'clean energy technologies eligible to be funded by the Corporation, unlike the Bill, which leaves this to a subordinate instrument – see subclause 6(1)

[5] Budget Paper 2 page 153: https://budget.gov.au/2022-23-october/content/bp2/download/bp2_2022-23.pdf

So as to remove any doubt about the capacity for the Australian steel industry to gain access to NRF funds and given the commitments given to industry and in the *Powering Australia* policy document, the ASI seeks an undertaking the Government will:

1. **declare the Australian steel industry as being a priority area of the Australian economy under clause 6 of the Bill; and**
2. **make a direction under paragraph 71(3)(b)[6] that $3 billion will be available for investment in the Australian steel industry**

so that it can play its part in delivering a net zero economy anticipated by the Government whilst ensuring the development of a sovereign and sustainable steel industry in Australia.

Mark Cain

Chief Executive
Australian Steel Institute

Mobile: 0417236807
email: markc@steel.org.au
website: www.steel.org.au

G1, Ground Floor
25 Ryde Road, Pymble
NSW 2073
PO Box 197, Macquarie Park BC, NSW 1670

[6] Clause 71 of the Bill permits Ministers to provide the National Reconstruction Fund Corporation board directions about the performance of the Corporation's investment functions or investment powers.