



Victoria Department of Environment, Land, Water & Planning
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Victorian Gas Substitution Roadmap Submission

BlueScope Steel Limited (**BlueScope**) welcomes the opportunity to provide a submission to the Victorian Gas Substitution Roadmap (**Roadmap**) in response to the Consultation Paper released for public consultation in June 2021 (**the Consultation Paper**).

BlueScope is Australia's largest steel manufacturer and the only flat steel producer. We employ 6,200 people in Australian regions and cities to supply our nationwide customers in the building and construction, manufacturing, transport, and agriculture sectors. BlueScope also exports steel products and is a global leader in premium coated and painted steel products, manufacturing in 17 countries.

As a large user of natural gas across our Australian manufacturing footprint, BlueScope places great importance on both the cost of natural gas and the reliability of supply. While this is important to all consumers, the scale of BlueScope's operations, the quantity of gas required and its use of natural gas as an industrial heat source mean that both cost and reliability issues have the potential to significantly impact our business.

Western Port Works in Hastings is BlueScope's largest operating site in Victoria, with natural gas consumption of approximately 2PJ per annum. The Western Port works employs approximately 600 people, with a similar number of employees spread across the balance of our operations in Victoria. The predominant use of this gas is for high heat industrial processes, which is a barrier for gas substitution given electrification options are, as the Consultation Paper notes at page 30, both impractical and expensive for such processes. BlueScope's operations are capital-intensive and investment decisions are made on key assets with horizons of 20 or more years. For the Roadmap to effect meaningful change it is essential that gas substitution efforts are undertaken in a way that acknowledges the nature of these investments, with the right signals and incentives for large industrial users to transition towards increasingly decarbonised operations.

BlueScope provides the following high-level comments on the Key Questions set out in the Consultation Paper:

- 1. Natural gas prices are already high for industrial users and substitution options have the potential to apply additional price pressure.** It is important that substitution activities lead to genuine fuel switching in an economically rational manner, otherwise gas decarbonisation efforts will only be realised through demand destruction and the loss of jobs. BlueScope encourages an exploration into incentives and support for industrial users to remain competitive and to help drive the steady adoption of substitution efforts in an economically responsible way.
- 2. The Victorian Energy Upgrade (VEU) program should be expanded to allow exempt large energy users to generate certificates.** Energy efficiency remains a focus for BlueScope, particularly given the high energy costs of recent years. However, these projects still need to compete for limited resources against other capital projects. BlueScope's Port Kembla Steelworks has successfully prioritised and implemented a range of energy-efficiency projects in NSW by participating in the Energy Savings Scheme (ESS), which entitles

BlueScope to receive certificates for energy efficiency improvements in both electricity and gas even though the site holds a scheme exemption. Regrettably, BlueScope is unable to participate in the equivalent Victorian scheme - the VEU - without surrendering its exempt status, which would result in BlueScope incurring substantial untenable compliance costs in addition to already high energy prices. Ideally BlueScope would be permitted to retain its exempt status and implement projects that generate certificates, which would serve as an added financial incentive to undertake these projects in Victoria. This would also provide additional sources of certificates to support lower cost compliance for all scheme participants.

3. **Electrification is a sensible option for reducing gas consumption, but it may lead to further price strain on large industrial users.** A successful transition of a large proportion of households to electrify with appliance upgrades may lead to a disproportionate price impact for large industrial users using gas for feedstock or high heat processes where electrification and energy efficiency initiatives are just not possible. A significant reduction in gas may see those consumers – large and small – exposed to additional costs associated with lower utilisation rates of gas transportation infrastructure. The Roadmap must consider the timing of switching to substitutes and the support available to users where electrification opportunities are limited.
4. **Emerging technologies can be expensive and of limited application for some time.** Emerging technologies listed such as concentrated solar thermal are rather expensive compared to other options and may not be suitable for the Victorian approach. BlueScope supports further exploration of opportunities associated with Thermal waste-to-energy plants so that gas may be used as a substitute for natural gas where electrification is not an option, given there are numerous other identified opportunities for renewable electricity options available in the market.
5. **Biogas appears to be a useful natural gas substitute and has the potential to serve as a bridge in the medium term ahead of a transition to hydrogen.** A coordinated approach to the expansion of commercially viable biogas facilities provides an opportunity for large industrial users to continue operations with a suitable gas substitute. The use of locally produced biogas may also aid in reducing fugitive emissions associated with transmission of natural gas. Naturally price is a significant driver of large industrial user interest and support through incentives may be necessary to create an economically attractive biogas industry.

Thank you for the opportunity to provide input into development of the Roadmap. BlueScope believes that consultation with large gas users is fundamental to developing an effective policy and would welcome ongoing engagement with DELWP as the policy design progresses.



Yours sincerely

A handwritten signature in blue ink that reads "Matt McKenzie".

Matt McKenzie
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BlueScope Steel