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BlueScope ‘old’ blast furnace grant slammed by experts

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Climate and energy experts criticised a \$137 million federal grant to BlueScope Steel for a \$1.15 billion upgrade of its Port Kembla blast furnace – extending coal-based steelmaking for two decades – as a missed chance to spur more ambitious carbon reductions.

The grant was made from the federal Powering the Regions fund, set up to support decarbonisation in trade-exposed industries forced to cut their emissions by up to 4.9 per cent a year under the Albanese government’s beefed-up Safeguard Mechanism.

The Climate Capital Forum, which represents investors, decarbonisation firms and policy experts, said that “while Australia procrastinates, developed world leaders are pivoting”.



Port Kembla, with the BlueScope steelworks in the foreground. Brook Mitchell

It said Sweden’s H2 Green Steel had raised €5.5 billion (\$9.2 billion) to finance a new steel plant with up to 95 per cent less emissions than a blast furnace, Japan’s JFE Steel planned to replace an ageing blast furnace with a large electric arc furnace, and Tata Steel UK was on the same path.

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“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,” said Blair Palese, Climate Capital Forum founder.

Grattan Institute energy program director Tony Wood said BlueScope had been caught out by the capital cycle because there was little discretion in decisions about when to reline a blast furnace.

But he was surprised at the decision to subsidise that upgrade because he understood BlueScope had missed out on a Hydrogen Headstart grant, which would have done much more to advance the company’s green steel plans.



Climate change and energy minister Chris Bowen announcing a \$137 million grant at BlueScope’s Port Kembla works alongside local member Alison Byrnes MP.

“I’m told by other people that BlueScope were disappointed they missed out on Hydrogen Headstart,” Mr Wood said. “If you’re seriously going to make this transition, surely that would have been a better place to put the money rather than something that I think BlueScope had already decided they were going to do anyway?”

Climate Change and Energy Minister Chris Bowen defended the grant, saying it was consistent with the goals of Powering the Regions, which included maintaining primary steelmaking. He said the blast furnace upgrade would include emissions-reducing features such as a top gas recovery turbine, an energy-saving system that generates electric power using gas exhausted from blast furnaces, and enhanced waste gas heat recovery.

Mr Bowen said the upgrade would also allow greater use of recycled scrap steel and the use of waste slag for cement production to offset more than 400,000 tonnes of cement emissions a year. Slag is skimmed off the surface of molten iron in blast furnaces and goes to waste if a use can’t be found for it.

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However, Ms Palese said locking in such gas technology meant subsidising “mediocre” laggards instead of innovation leaders. “We need policy vision and ambition that encourages this transition, not more support for existing emission-intensive industries.”

Rewiring Australia founder and entrepreneur Saul Griffith said: “The technology BlueScope will deploy with this grant is marginally better than the steel it has been producing, but it is not green enough to compete in the emerging market for low or zero-emissions metal.

“The reason Australia is not in a position to deploy green steel and other green minerals technologies at scale today is that we failed to fund innovators over the past decade. Our governments have not had the courage to provide disruptors with the risk capital that startups in metallurgy or other sectors need if they are to invent tomorrow’s technologies.”

Blue Scope’s Port Kembla operation has been a beneficiary of government protection and in 2015 was criticised for pocketing a \$60 million payroll tax exemption from the NSW government at the same time as it sought protection against cheap imports under anti-dumping laws.

The grant to BlueScope was announced with a separate \$63 million grant to financially stressed British billionaire Sanjeev Gupta’s Whyalla steelworks, which is gradually transitioning to the lower carbon electric arc furnace technology. This grant raised eyebrows because of the fragile finances of Mr Gupta’s broader GFG global steelmaking empire, which has missed a loan repayment to UBS-owned Credit Suisse.

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