The Canberra Times

Green iron export bonanza: invest or look like 'morons'

Marion Rae, 15 November 2024

Experts say Australia needs to offer incentives for green iron exports or lose its market lead. Photo: Dean Lewins/AAP PHOTOS

Australia risks a catastrophic halving of its iron ore export revenues from a failure to invest in the emerging green iron industry, a think tank warns.

In a peer-reviewed report aimed at Treasurer Jim Chalmers, the Climate Energy Finance think tank warns Australia will lose its global lead in iron ore, with devastating economic consequences, unless it quickly offers incentives to kickstart green iron exports.

Australia's top export iron ore could double to more than $250 billion annually if it went green and switching to exporting green iron could also reduce global emissions by one billion tonnes per year, the report found.

"This is brilliant for Australia and if we don't do it we're going to look like absolute morons in a decade's time with Oman, Saudi Arabia, Brazil and Guinea having eaten our lunch," co-author Tim Buckley told AAP.

Instead of doing value-added smelting of shipped ore to make iron pellets onsite at steelworks, the decarbonisation of global steel could shift iron production to countries like Australia which has abundant iron ore and renewable energy sources.

China on November 1 released guidelines for green steel, with the nation's steelmakers warned that those who lag peers would be the first to be retired.

"China's already in the race and running and we haven't even got our shoes on," Mr Buckley said, echoing the concerns of economist and former Fortescue executive Guy Debelle.

Marilyne Crestias, spokeswoman for the Clean Energy Investor Group, which represents investors with $24 billion at stake, said market settings and incentives would be critical to unlocking investment.

Key recommendations in the report include extra federal spending of just over $30 billion, including $20 billion in new capital for the Future Fund, $10 billion for production tax credits and $500 million for research and development.

A trilateral commodity trading company owned by Australia, South Korea, and Japan could also accelerate the development of green iron.

But there should be no taxpayer support for fossil fuel-powered metals and critical minerals processing projects unless there was a binding requirement to phase in renewable energy and green hydrogen, the authors said.

I'm advocating for green iron, not green steel," Mr Buckley said, citing fresh solvency issues for the Whyalla steelworks in South Australia.

Industrialist Sanjeev Gupta, who is fending off insolvency at his British steel mills, bought the Whyalla plant seven years ago on a promise to overhaul it with new lower-carbon technology.

But he faces default notices from Australian suppliers on unpaid bills for the project to use hydrogen - not coal - to power a new furnace.

South Australian Premier Peter Malinauskas is seeking submissions of interest from possible stakeholders, including South Korean steel giant POSCO, as part of contingency plans to save local jobs.

Industrialist Sanjeev Gupta, owner of the Whyalla steelworks, faces solvency issues. (David Mariuz/AAP PHOTOS)

With the nation risking future penalties on high-emission exports, the report also urges Australia to push for an Asian Carbon Border Adjustment Mechanism.

Mr Buckley said an explicit price on carbon in regional trade, similar to Europe's tariffs, would drive private investment at the speed and scale that climate science dictates.

Australian Associated Press

https://www.canberratimes.com.au/story/8820452/green-iron-export-bonanza-invest-or-look-like-morons/