



CLIMATE ENERGY FINANCE

Australia Secures Critical Green Iron Industry Policy Package to Future-Proof the Whyalla Steelworks and Kickstart a Decarbonised Iron Industry

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The Albanese Government has today announced a landmark package to salvage the beating heart of South Australia's steel industry, and provide the necessary, strategic public intervention to future-proof and catalyse the region's transition to a nation-leading green iron and steel hub.¹

Building on the Federal Government's \$2bn Aluminium Production Tax Credit announcement to decarbonise the energy demand of the nation's aluminium smelters² – the largest source of emissions in the aluminium supply chain – the Albanese Government has announced the \$1bn Green Iron Investment Fund, leveraging strategic public capital to crowd-in private investment into value-added green iron projects.³ Comparatively, iron is the largest source of emissions in the steel value chain, with blast furnaces accounting for up to 87% of traditional, coal-based steel emissions.

CEF has continued to emphasise the critical importance of getting moving and supporting first-of-a-kind (FOAK) capital deployments to learn-by-doing in the domestic context. The rescue and re-industrialisation package announced today is exactly that. Whyalla is strategically important for Australia for its manufacturing capacity and highly skilled workforce. It is imperative that we protect and build upon our sovereign capabilities, and massive investment, employment and export potential to lead the world in shifting to green steel supply chains.

The new green iron package to future-proof Whyalla and kickstart a green iron industry includes:

- **\$100m** immediate, on the ground support for the Whyalla Steelworks, including:
 - \$50m to creditor assistance payments,
 - \$32.6m for infrastructure upgrades, and
 - \$6m for Jobs Matching and Skills Hub.
- **\$384m** co-investment by the Federal and South Australian Governments to fund the Whyalla Steelworks' operations during administration, ensuring workers and contractors will have ongoing work and will continue to be paid.
- **\$1.9bn** investment by the Federal and South Australian Governments to work with a new owner to invest in the upgrades and new infrastructure which will be vital to the sustainable, long-term future of the Whyalla Steelworks. This includes \$500m from the \$1bn Green Iron Investment Fund.

¹ Australian Government, [Albanese and Malinauskas Labor Governments Saving Whyalla Steelworks and Local Jobs with \\$2.4 billion Package](#), 20 February 2025

² Australian Government, [Aluminium to Forge Australia's Manufacturing Future](#), 20 January 2025

³ Australian Government, [Albanese Government Building Australia's Green Iron Future](#), 20 February 2025

- **\$1bn** Green Iron Investment Fund to support early mover green iron projects, leveraging public-private partnerships to crowd-in and unlike private investment at scale. Of which:
 - Up to \$500m of the Green Iron Investment Fund has been earmarked to support the Whyalla steelworks transformation, and
 - At least \$500m will be open to applicants across Australia, accessible to both existing and greenfield green iron projects that will embed decarbonisation and value-add Australia's largest future-facing commodity opportunity.

As Climate Energy Finance (CEF) emphasised in its submission to the Senate Inquiry into the Future Made in Australia's (FMIA) Production Tax Credits Bill, Australia's iron ore exports generated \$138bn in revenues in 2023-24, the largest fuel and resource industry in Australia by volume and value. The introduction of the FMIA's critical mineral and hydrogen tax incentives were a result of the Government's recognition that public intervention to alleviate the cost premium of value-adding was vital to addressing market failures and developing industrial capabilities critical to the economic resilience and security of Australia.⁴

However, failure to extend such measures to facilitate the creation of a domestic green iron industry would be the **single biggest risk** to Australia in the global transition to a decarbonised economy, and would be the **single biggest opportunity** of Australia this century if Australia captured this value. As such, CEF applauds and celebrates the ambition of the Federal and South Australian (SA) Governments to introduce an intergenerational industry policy that supports the long-term future of Australia's economic prosperity, and the long-term future of the planet.

The announcement of a joint industrial policy package from the Federal and SA Government, including the commitment to invest into the necessary enabling infrastructure to support the transition to low-emission iron and steel production, can lay the foundation and blueprint for the development of **Renewable Energy Industrial Zones (REIZ)** for green iron production. The success of onshoring a large-scale green iron industry will, in part, be dependent on leveraging economies of scale and public-private partnerships in enabling infrastructure, including high-voltage transmission corridors, energy firming capacity, port facilities and hydrogen pipelines.

Given the Whyalla Steelworks is perfectly positioned to develop a REIZ, with high-grade magnetite reserves, a deep-water port, high renewable penetration in the existing electricity grid, and an established, skilled workforce, this presents a massive opportunity to learn-by-doing in order to support the development of other future-facing resource hubs in Australia, including Gladstone, the Oakajee Strategic Industrial Area (SIA), Port Hedland SIA, etc.

As Springmount Advisory also emphasised in its advocacy for the creation of a green iron industrial package: Despite the natural advantages, Australia is lagging significantly behind other regions in terms of supportive policy settings and is suffering from significant under-investment relative to our potential compared to other regions. The Federal Government urgently needs to send a clear signal to industry and investors that the FMIA program will help establish a large-scale green iron industry.⁵

Today's announcements have introduced the price signals required to industry, and to new entrants that the State and Federal Governments recognise the scope and scale of this immense opportunity.

⁴ CEF, [Submission to Senate Inquiry into Hydrogen and Critical Minerals Production Tax Credits in the Future Made in Australia Legislation](#), 13 January 2025

⁵ Springmount Advisory, [Unlocking Green Metals Opportunities for a Future Made in Australia](#), 14 July 2024

The announcements build on the critically important supply-side incentives introduced via the >\$22bn Future Made in Australia legislation and other industrial packages to kickstart value-adding of strategic metals and minerals, including:

- The legislated **\$2/kg** clean hydrogen production tax incentive to scale the production of renewable-powered hydrogen to embed decarbonisation in value-added resources onshore,
- The **10%** critical minerals production tax incentive, providing a tax offset in proportion to the level of expenditure of value-adding key, future-facing minerals for the energy transition, including lithium, nickel, rare earths, etc,
- **\$3.4bn** investment into Geoscience Australia to accelerate the discovery of resources,
- The doubling of Hydrogen Headstart to **\$4bn**, bridging the commercial gap between market prices and the green premium for early movers in hydrogen production and clean energy industries.

CEF also recognises the strength and long-term vision of the SA Government to force the GFG Alliance's Whyalla Steelworks into administration this week.⁶ CEF, national and international media have continued to highlight the increasingly dire financial situation of the global GFG Alliance portfolio, and the risk to Australia's future as a sovereign steel producer that would be realised with the continued governance and operation under Sanjeev Gupta.

CEF endorses the move by SA Premier Peter Malinauskas, and supports his Government's commitment to the long-term prosperity of the Upper Spencer Gulf as the first mover for green iron, and the positive impact it will have on accelerating investments in the broader national landscape. 'Now that the Steelworks is no longer under the control of GFG, the State Government can partner with the Federal Government and make the long-term investments necessary to secure the future of Whyalla and Australian steelmaking'.⁷

As CEF formulated in its recent 'Green Metal Statecraft: Forging Australia's Green Iron Industry' report, there are key, interconnected pillars required to be jointly developed by the Federal and State Governments to develop a globally competitive Australian green metals industry.⁸ The deployment of a complementary mix of financing and budgetary measures for supply-push and demand-pull market mechanisms, deployed as a coherent strategy can form the basis of Australia's green metal statecraft, including:

1. **A national green iron and steel strategy**, with clear, measurable targets.
2. **Demand-side incentives**, including:
 - The development of a trilateral, government owned Clean Commodities Trading Company,⁹
 - Australiasian Green Iron Corporation JV between Australia and key trading partners, like China - Australia's largest iron and steel trading ally,
 - Public procurement for green metals to create a national demand signal,
 - Contracts for difference (CfDs) to bridge the gap between market prices and the green premium for early movers.
3. **Supply-side incentives**, including:

⁶ SA Government, [State Government Puts Whyalla Steelworks Owner in Administration](#), 19 February 2025

⁷ Australian Government, [Albanese and Malinauskas Labor Governments Saving Whyalla Steelworks and Local Jobs with \\$2.4 billion Package](#), 20 February 2025

⁸ CEF, [Green Metal Statecraft: Forging Australia's Green Iron Industry](#), 15 November 2024

⁹ The Mandarin, [The Case for a 'Clean Commodities Trading Company' to Advance Australia's Green Superpower Ambitions](#), 03 December 2024

- \$20bn Future Fund mandate for renewables-powered green metals processing. **The \$1bn Green Iron Investment Fund announced today is a positive first start.**
 - Production tax credits for green iron,
 - Exclusion of state investment in fossil fuel-powered onshore strategic metals refining.
4. Measures to **address technical challenges**, including:
 - \$500m over 10-years to the CSIRO for RD&D to accelerate commercialisation of green iron technologies.
 5. Measures to **improve international collaboration** and foreign policy, including:
 - A DFAT & Austrade mandate to build collaboration on an Asian Carbon Border Adjustment Mechanism, creating a premium price signal for green iron,
 - A focus on Australian/Asian steel supply chain decarbonisation collaboration to champion Asia-Pacific's opportunities leading up to COP31.
 6. **Accelerating renewables deployment**, including:
 - Overriding Public Interest Test to speed renewable energy project approvals,
 - Renewables investment conditional on community benefit/First Nations benefit sharing,
 - Accelerated development of Renewable Energy Industrial Precincts,
 - Industrial demand response mechanisms to optimise renewables supply/demand.

As the Smart Energy Council states, today marks the moment Australia's mining, manufacturing and renewable energy industry enter the global race towards decarbonisation. A Green Iron Investment Fund is exactly what Australia needs to lay the foundations for Australia becoming a Renewable Energy Superpower.¹⁰

¹⁰ Smart Energy Council, [Green Iron Investment Fund Critical to Australia's Future](#), 20 February 2025