



MEDIA RELEASE

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NEW REPORT: THE GAS-LED WHYALLA RESCUE PROMOTED BY BLUESCOPE WOULD COST TAXPAYERS BILLIONS & UNDERMINE GREEN IRON & STEEL

A [new report](#) by think tank Climate Energy Finance, [endorsed by The Superpower Institute](#), warns that locking in high-emissions methane fossil gas in a 'transition phase' for Whyalla Steelworks in South Australia would be a grave strategic misstep with damaging budgetary and national interest impacts.

The Steelworks entered forced administration in February 2025 after gross mismanagement and undercapitalisation by former owner GFG Alliance. The Federal and SA governments announced a \$2.4bn rescue package, saying that Whyalla "is critical for future ambitions for green steel manufacturing, which will be increasingly lucrative as the world decarbonises". A competitive bidding process for the Steelworks is underway with the BlueScope Steel consortium – Australia's only other domestic steelmaker – holding an anti-competitive right-of-last-refusal. **Bluescope has said it does not accept the path to green iron and steel, and is demanding multibillion dollar gas subsidies to proceed with its bid. Gas does not produce green steel. Bluescope's AGM is this Tuesday 18 November.**

The [report](#) finds that:

- Gas-based production of iron and steel in SA is entirely uneconomic, with gas prices there some of the highest in the gas-producing world at A\$13/gigajoule (GJ) in FY25. Price hyperinflation is driven by the gas oligopoly's siphoning of vast quantities of Australian gas into export markets.
- CEF estimates gas supply subsidies for a gas-based reindustrialisation of Whyalla would exceed \$1.7-2bn over a decade. Even this level of taxpayer subsidy would only halve the competitive gap in pricing between SA and other 'direct reduced iron' (DRI)-producing nations in the Middle East and North America, where producers pay \$2.20 and \$3/GJ for gas respectively. In addition, hundreds of millions in gas pipeline infrastructure spending would be required to supply even one DRI plant.
- Santos, as the gas supplier to Whyalla, would be the principal beneficiary of these subsidies – a company that has paid zero corporate tax in the last decade on revenues of \$47bn, and is a key player in domestic gas price distortion that is gutting Australian heavy industry and households.
- A gas led revitalisation of Whyalla is misaligned with and will undermine Australia's decarbonisation and climate ambitions.
- The SA and Australian governments have a time-critical opportunity to deploy targeted, national interest public capital to strategically invest in pivoting the Steelworks to Australia's first-of-a-kind green iron and steel production hub powered by large-scale firm renewables. This would leverage SA's abundant world-leading renewables and magnetite iron ore resources.

- This pathway would position the state, and Australia more broadly, as a leader in rapidly decarbonising global supply chains for iron and steel – a key opportunity for Australia to secure its sovereign capabilities and economic resilience in a global economy racing to net zero.

Report lead author Matt Pollard, CEF’s Net Zero Transformation Analyst said:

“The transformation of the Whyalla Steelworks is a generational opportunity, but South Australia stands at a critical juncture. A methane gas-based ‘transition’ would be a grave strategic misstep and misalignment of economic policy with climate objectives, with lasting budgetary and national interest impacts. Gas is unequivocally not the solution for Whyalla in the interim, nor the long-term.

South Australia must remain steadfast in its ambition to leverage its world-leading renewable energy and magnetite iron ore resources to produce green iron and steel. It has developed one of the lowest-cost, highest-penetration variable renewable energy grids in the world. By focusing on renewables-based production from the outset in Whyalla, and with the right enabling policies and financing frameworks, SA can facilitate capital deployment into this opportunity now, without an expensive and high-risk methane gas based transition.

The scale of investment required is a challenge. However, deploying public capital into strategic market-forming mechanisms such as a Clean Commodities Trading Initiative, and providing targeted, long-term support to de-risk renewable energy supply, as laid out in the report, is how Australia converts its vision of a Future Made in Australia into a bankable reality. This will secure high-quality, future-proof jobs in the green iron and steel industry and deliver immense economic returns as the world decarbonises.”

Report co-author Tim Buckley, CEF Director and former MD of global investment bank Citigroup said:

“Global moves to accelerate decarbonisation of global iron and steel supply chains means Australia faces a massive strategic threat to our top export commodity, high impurity low iron content haematite iron ore. If Australia invests aggressively now in commercialising green iron processing, powered by our globally low-cost, large-scale firmed renewable energy resources, this could prove to be our largest investment, employment and net export opportunity over the coming decades. The logical place to start is with our world leading magnetite iron ore resources in South Australia, a state that also leads the world in terms of its 72% variable renewable energy penetration.

With strategic ambition and public-private collaboration, South Australia could lead the world in developing green iron exports. This will require “green energy statecraft”, leveraging bilateral relationships with South Korea and/or Japan to build long term secure offtake demand and underwrite the public cost this first-of-a-kind investment requires, particularly ahead of the development of carbon pricing in Asian trade.

The climate science is immutable, and the world must decarbonise. Australia needs to pivot from our dig-and-ship mentality of old to value-add our resources onshore with zero-emissions energy so we export “embodied decarbonisation”. With appropriate strategic vision and investment, South Australia can lead on this – one of the largest decarbonisation opportunities globally.”

Baethan Mullen, CEO of The Superpower Institute, chaired by Professor Rod Sims and Professor Ross Garnaut, said:

“There is an incredible opportunity for Whyalla to become Australia's first green iron and steelmaking success story. It can underpin jobs and prosperity for the region for many decades ahead. Government support for a gas option at this point would be a significant misstep. It would be extremely expensive for both the SA and Commonwealth governments and have no longevity -- Australia will always be at a disadvantage in gas-based production of iron and steel. Government support for a green pathway will secure a long term future, taking advantage of Whyalla's advantages in green energy, its workforce and infrastructure.”

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