CLIMATE ENERGY FINANCE

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**MEDIA RELEASE**

# NEW REPORT: GREEN STEEL PIVOT WOULD UNLOCK BILLIONS AS AUSTRALIA'S $120bn IRON ORE EXPORTS AT RISK FROM STEEL SECTOR DECARBONISATION

***NEW CEF REPORT CALLS FOR A NATIONAL IRON & STEEL DECARBONISATION STRATEGY & CARBON BORDER MECHANISM TO CATALYSE REGIONAL INVESTMENT IN ELECTRIC ARC FURNACE PIPELINE***

**A new report from independent think tank Climate Energy Finance (CEF), Arc of Ambition, calls for a National Iron and Steel Decarbonisation Strategy, a Carbon Border Adjustment Mechanism, and timely strategic investment in green onshore steelmaking as urgent national policy priorities.**

**This would position regional Australia in global iron and steel supply chains, as the steel sector irreversibly transitions away from highly-polluting fossil fuel-based production.**

Australia is world #1 iron ore exporter, and supplies half the world's exports of iron ore and coking coal used to make steel. As major North Asian partners including China decarbonise their steel industries, Australia's higher-impurity, lower-grade Pilbara ore – which is less readily suited to steel decarbonisation – is increasingly exposed. This puts at risk Australia's $120bn pa in iron ore exports.

At the same time, the transition presents a major near-term opportunity for Australia under the federal government's **Future Made in Australia (FMIA)** vision for green manufacturing – to build electric arc furnaces (EAFs) that use electricity powered by renewables to produce steel at a fraction of the emissions of coal-fired blast furnaces, also creating potential demand for future green iron production.

Australia has scope to construct EAFs in **Collie, Western Australia; Whyalla, South Australia; and greater Brisbane, Queensland**, as soon as next year. This could unlock billions in investment, support large-scale new firmed renewable-energy capacity and create new regional employment opportunities. We note Greensteel's **Newcastle, NSW,** proposal does not include an EAF in its initial phase.

The report calls for an ambitious, government-led and market-forming **Green Energy Statecraft** industrial policy architecture, embodied in a **National Iron and Steel Decarbonisation Strategy** within FMIA, and a **Carbon Border Adjustment Mechanism** to price carbon in emissions intensive, trade exposed industries such as steel. These measures are needed to address the structural barriers to the current economic viability of green and low-carbon steel for project proponents and to catalyse low emissions steel supply chain capacities.

Green steel is key to tackling climate change. In 2024, **steelmaking as a sector generated 9.4% of global $CO_2$ emissions** – a carbon footprint surpassed only by China and the US' national emissions. Steel decarbonisation is the world's largest emissions-reduction opportunity outside electricity.

**Lead report author Matt Pollard, CEF Head of Research, said:**

"The ambitious FMIA re-industrialisation package is a landmark inflection point of the Albanese Government's recognition of the role government can play in kickstarting new value-added opportunities in a decarbonising economy. Reversing the hollowing out of manufacturing in Australia is a monumental task, involving coordination of planning, the buildout of critical enabling infrastructure, targeted budgetary measures, and strategic interventions to alleviate key development risks that future-facing industries face.

Australia has an opportunity to "learn-by-doing" in developing institutional capabilities in smaller, more manageable sectors before aiming to catalyse a highly capital-intensive, technologically complex, and globally competitive green iron industry.

Domestic statecraft to build Australia's EAF-based low-emissions steel industry would allow government to build expertise in coordinating investment, aligning common user infrastructure, supporting critical supply chains, enabling skilled workforce development, and adapting policy.

Absorbing lessons from Australia's key north Asian trade and investment partners, it is clear entrepreneurial state capabilities cannot be fully designed before the event. Rather, effective Statecraft emerges through iteration and close engagement with industry. Australia has a significant opportunity to mobilise private capital and progress the clean metals investment pipeline through EAFs, putting runs on the board for FMIA, securing sovereign capabilities in critical national security manufacturing, decarbonising a major pillar of value-added industry, and developing institutional capacity."

**Report co-author Tim Buckley, CEF Director, said:**

"Australia needs to see that FMIA is more than a slogan, and that real low emissions industries of the future are being built, bringing regional investment, new high value employment opportunities and enhancing our trade profiles by reducing imports, all while accelerating the energy system transformation. This is key to building public support along with our workforce capacities.

Steel has long been excused from accountability for its massive carbon pollution as being hard to abate. EAFs powered by renewable energy and fed with scrap steel and DRI are proof that that is an excuse, not a plan.

We need to phase out the exemption for emissions intensive trade exposed industry in the Safeguard Mechanism, to require polluters to pay a price for their carbon pollution, and provide the patient public capital support to enable our domestic industries to invest in sustainable, low emissions facilities of the future, such as EAFs for green steel. Externalising the cost of carbon pollution onto everyone else is no longer an acceptable 'strategy'; it is an abrogation of leadership, and it fails to do the work of driving the sector decarbonisation we need to see now for Australia to leverage its immense opportunities in onshore green metals value-adding."

**UNSW Professor Liz Thurbon, Director of the Green Energy Statecraft Project, author of the report's foreword said:**

"Building entirely new industries depends on governments making strategic projects bankable. In practice, this means coordinating investment, infrastructure, finance, procurement, regulation and skills around a shared long-term national ambition – a Green Energy Statecraft approach.

The great strength of this report is that it connects Australia's resource and renewable-energy endowments with a practical pathway for industrial renewal in the iron and steel sector. It demonstrates how strategic investment in low-emissions steel can revitalise regional communities, crowd in private capital, stimulate renewable energy development and strengthen sovereign manufacturing capability. More importantly, it shows how the right governance, financing and institutional arrangements can turn that opportunity into bankable projects."

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