

28<sup>th</sup> April 2008

Greenhouse Gas Reduction Scheme Transition Review  
Department of Water and Energy  
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## **Submission to Greenhouse Gas Reduction Scheme Transition Review- April 2008**

### **Introduction to OneSteel**

OneSteel is the largest manufacturer of steel long products, and the leading metals distribution company in Australia with revenues of over \$6 billion Australian dollars. OneSteel has over 200 operational sites in Australia and New Zealand, and more than 10 offshore locations in Asia, USA and UK.

Following its merger with Smorgon Steel in August 2007, OneSteel's primary operations include mining, steelmaking, the manufacture of intermediate and finished steel products, metal scrap recycling and the distribution and sale of metal and mineral products. OneSteel manufactures and distributes structural, rail, rod, merchant bar, cold finished bar, chrome plated bar, reinforcing, grinding media, rail wheels and axles, coated steel sheet, wire, tube and pipeline steel products. OneSteel employs over 10,000 people.

Its energy and greenhouse intensive facilities include an iron ore based steelworks at Whyalla, and scrap steel based Electric Arc Furnace steelmaking facilities in Sydney (Rooty Hill), Melbourne (Laverton) and Newcastle (Waratah), which feed downstream steel processing and distribution sites. The business is highly vertically integrated.

OneSteel is a GGAS market participant through its manufacturing operations in NSW (as Benchmark participant managing its own liability directly and sourcing NGAC's), and through its operations in Whyalla, which reuses waste steelmaking gases for the production of electricity (as near-term generator of NGAC's).

### **OneSteel's Submission**

The Consultation Paper outlines a number of alternative transitional treatments for NSW Greenhouse Gas Abatement Certificates (NGACs) following the introduction of a national ETS. On the treatments outlined in the Consultation Paper OneSteel makes the following points:

- *Transitional Timeframe:* OneSteel supports the introduction of a national ETS rather than a patchwork of inconsistent State based obligations. To this end, any national scheme should be introduced with the full support and involvement of all levels of Government with the goal of such a scheme being both equitable and consistent across State jurisdictions and long-lasting and adequately funded.

Following this principle, OneSteel supports the removal of the NSW Greenhouse Gas Abatement Scheme on the introduction of a national ETS, and the provision of transitional arrangements through to 2012.

- *Treatment of Accredited Abatement Certificate Providers:* The Consultation Paper outlines a proposed transition approach for fossil-based abatement certificate providers. This approach includes the loss of NGAC revenues in assessments of disproportionate loss and resultant once-only allocations. This proposal does not accommodate those abatement certificate providers that could be considered as being trade exposed.

Under the allocation mechanism outlined by the Prime Ministers Task Group on Emissions Trading (PMTG) and the State and Territory based National Emissions Trading Taskforce (NETT), trade exposed companies would not participate in the disproportionate loss calculations, but would have some manner of alternative assessment and compensation. If lost NGAC revenue compensation was limited to the disproportionate loss calculations then any trade exposed abatement certificate providers could possibly not be properly compensated compared to non-trade exposed companies. OneSteel proposes that any abatement certificate provider that is trade exposed should also have lost NGAC revenues included in any compensation assessments made up to and including 2012.

- *Unused Abatement Certificates:* OneSteel supports the recognition of unused NGACs so long as the instruments meet the same eligibility criteria as other projects recognised as “early action” under a national ETS. Under such an approach, the activity that generated the surplus NGACs would also need to be assessed under the same assessment criteria applied to projects attempting to claim credit for early action. It is understood that some of the abatement activities that generated NGACs under GGAS, could potentially not comply with the early action criteria. Surplus NGACs from these non-compliant projects would accordingly not be given any value under the ETS.
- *New Accreditations:* OneSteel supports the recognition of NGACs generated by newly accredited GGAS projects in a national ETS scheme if those projects comply with the national ETS early action assessment criteria. This approach would minimise gaming the scheme to “flood” the ETS during the early phase of the scheme.

If the Transition Review requires further clarification in regard to our submission, please contact us.

Regards

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