

NSW EPA consultation on the draft Climate Change Assessment Requirements and draft Greenhouse Gas Assessment Guide for Large Emitters

BlueScope submission

8 July 2024

Executive Summary

BlueScope welcomes the opportunity to make a submission in response to the NSW EPA's draft Climate Change Assessment Requirements (**draft Requirements**) and draft Greenhouse Gas Assessment Guide for Large Emitters (**draft Guide**). BlueScope appreciates that the draft Requirements and draft Guide are designed to help meet the state's net zero emissions by 2050 goal, which is aligned with Australia's Nationally Determined Contribution under the Paris Agreement and consistent with BlueScope's 2050 net zero goal for Scope 1 and Scope 2 emissions.

BlueScope notes that the NSW EPA has not yet released for consultation its Licensing Conditions Policy or the separate guide on the development and implementation of Climate Change Mitigation and Adaption Plans (**CCMAPs**). Ideally, BlueScope would have the opportunity to consider the implications of the proposed Climate Change Assessment Requirements (**CCARs**) outlined within the draft Guide together with the Licensing Conditions Policy and the guide for CCMAPs. In the absence of this opportunity, BlueScope's submission is accordingly qualified.

This submission provides a summary of the context in which it is made and a discussion of the matters which BlueScope considers require further consideration by the NSW EPA, either because they have the potential to substantively impact industrial facilities such as BlueScope's Port Kembla Steelworks (**PKSW**), or because there is opportunity to provide greater clarity to avoid confusion and enhance the implementation of the draft Requirements and key elements of the draft Guide.

As detailed in this submission, BlueScope has significant concerns about the detail of the draft Guide in particular, including key concerns relating to:

- a potential layering of emissions abatement obligations for a given facility under various federal and state schemes, including a potential overlap between the project emission abatement requirements under the draft Guide and a facility's broader abatement obligations under the federal Safeguard Mechanism (**SGM**);
- the proposed approach to setting project emission abatement goals under the draft Guide, which does not appropriately consider the context of certain categories of projects, and has the potential to detract from both the viability of new projects and efforts to decarbonise existing broader facilities; and
- the imposition of emissions obligations based on absolute emissions rather than emissions intensity, which adversely impacts opportunities for growth in production volumes, and may impact facility decarbonisation pathways requiring the installation of pilot plants or the dual running of old and new facilities on the site.

This submission also includes BlueScope's suggestions for addressing its concerns, and BlueScope seeks an opportunity to discuss further with the NSW EPA.

1 Context for BlueScope's submission

1.1 Australia's largest steel producer

BlueScope is an Australian-headquartered, ASX-listed steel manufacturer, specialising in the production of steel materials, products, systems and technologies. It operates in 15 countries, with approximately 100 sites in Australia, being a mix of large manufacturing plants, roll-forming facilities and distribution centres. The business specialises in flat steel products, including hot rolled coil, cold rolled coil, plate, value-added metallic coated and painted steel solutions and tubular steel sections. Its key focus is on higher value, branded products for the building and construction industry, with increasing capability in supplying locally made steel for the renewable energy and defence sectors.

BlueScope's products are recognised leaders in Australia, and include COLORBOND® steel, TRUECORE® steel, ZINCALUME® metallic coated steel, TRU-SPEC® steel and the LYSAGHT® and FIELDERS® building products. BlueScope manufactures approximately 3.2 million tonnes of steel annually at the Port Kembla Steelworks (PKSW) in Australia, using the Blast Furnace (BF)-Basic Oxygen Furnace (BOF) method of primary iron and steelmaking. The BF-BOF production route is often referred to as 'primary' steelmaking as it creates iron and steel with virgin iron ore as the primary input. Using this production method, iron ores are smelted with coke, limestone and other inputs in a BF to produce virgin iron. Molten virgin iron and a proportion of cold ferrous feed (CFF), usually in the form of steel scrap, are then converted into steel in a BOF.

BlueScope is the only domestic manufacturer of flat steel products, providing sovereign capability to supply key sectors including building and construction, manufacturing, agriculture, infrastructure, transport and defence. In addition to supplying key domestic sectors, BlueScope exports around a quarter of its Australian steel production, with volumes varying according to domestic and international market conditions.

BlueScope employs approximately 6,700 people in Australia, including around 3,500 people at the PKSW and adjacent facilities in the Illawarra region of New South Wales. BlueScope's contribution to New South Wales includes generating a total of 20,000 direct and indirect jobs, \$12 billion in output per year and \$2.3 billion in household income per year.¹ BlueScope is currently progressing several major investments in NSW, including the No. 6 Blast Furnace reline (\$1.15b), Plate Mill Modernisation (\$300m), shipping berths upgrades (\$182m) (all at PKSW), and construction of a new metal coating line (\$415m) at its Erskine Park facility, which all contribute to the state and national economies.

1.2 BlueScope operates in a highly competitive market against producers that do not bear material carbon costs

BlueScope operates in a highly competitive global market, exporting to the world and competing against imports at home. In 2022, the global steel industry produced just under 1.8 billion tonnes of finished steel, and one in every five tonnes produced was exported.² The Australian steel sector is highly trade exposed. Australia's crude steel production was 5.8 Mt in 2021-2022 with steel imports of 2.5 Mt and exports of 1.0 Mt.³ The steel sector is even more trade exposed when

¹ IRIS Study 'BlueScope's Economic Contribution to Australia, NSW and the Illawarra', January 2023

² World Steel Association, World Steel in Figures 2023

³ Department of Industry, Science and Resources, Commonwealth of Australia, Resources and Energy Quarterly December 2022, steel imports

considering the steel contained in imported goods. The World Steel Association estimates Australia's true steel use is 10.5 Mtpa⁴, meaning imports account for approximately half of Australia's true steel consumption.

Australian steelmakers are fundamentally price-takers. BlueScope competes domestically against imports from producers in low-cost jurisdictions, often with higher greenhouse gas emission (GHG) intensity and less stringent environmental standards. GHG emissions from the PKSW are lower than the average of blast furnace emissions from Australia's major source countries of steel imports (China, Japan, Korea and India).⁵ Furthermore, steelmakers in jurisdictions with relatively strong climate policy settings, such as the EU and Korea, are shielded from carbon pricing through the allocation of free credits or permits. As a result, almost no sources of imported steel in Australia are currently required to bear material carbon costs.

1.3 BlueScope strongly supports decarbonisation and is committed to reducing its greenhouse emissions

BlueScope supports Australia's 2030 and 2050 GHG targets, consistent with Australia's Nationally Determined Contribution under the Paris Agreement. BlueScope has developed a decarbonisation pathway to support delivery of its climate strategy. It has a 2050 net zero goal for Scope 1 and Scope 2 emissions across all operations globally, supported by two interim emissions intensity targets for 2030:

- A 12 per cent reduction in GHG emissions intensity for its steelmaking operations globally; and
- A 30 per cent reduction in GHG emissions intensity for its non-steelmaking activities globally (such as cold rolling, metal coating and painting lines).

Both targets are measured against a FY2018 baseline.

Existing primary steelmaking processes are GHG intensive. Achieving the 2050 net zero goal is ambitious and highly dependent on several key enablers, including the development of emerging low-emissions ironmaking technologies, access to affordable, firm large-scale renewable energy, availability of competitively priced green hydrogen (with natural gas as a first step in enabling the transition), access to appropriate quality and sufficient quantities of economic raw materials, and supportive and consistent policy settings.

BlueScope has delivered Australia's largest emission reduction from facilities covered by the SGM. The PKSW's Scope 1 emissions have decreased by 40 per cent (4 Mt CO₂e) since 2005, in large part by reducing iron and steelmaking capacity through the closure of a blast furnace in 2011.

BlueScope has a strong track record of realising energy efficiency and emissions reduction opportunities. Between FY2012 and FY2023, the PKSW reduced its Scope 1 and Scope 2 emissions per tonne of output from 2.53 tCO₂e/t to 2.07 tCO₂e/t raw steel – an 18 per cent decline.⁶ According to data from the World Steel Association (**Worldsteel**), PKSW ranks in the best fifteenth percentile for emissions efficiency of the 56 BF-BOF facilities surveyed globally.⁷ From this position, further reductions from the PKSW using a BF-BOF production route will be much harder and more costly to achieve.

⁴ World Steel Association, Steel Statistical Yearbook 2022, table 58

⁵ CRU Emissions Analysis Tool, average blast furnace emissions from China, Japan, Korea and India

⁶ National Greenhouse and Energy Reporting Scheme

⁷ World Steel Association, CO₂ Data Report 2023 (2022 data year)

BlueScope believes converting from blast furnace iron making to direct reduced iron (**DRI**) is the most prospective technology option for future low-emissions ironmaking in Australia. Most DRI is currently manufactured via shaft furnaces using natural gas but could be produced using green hydrogen once commercially available. To be converted into steel, DRI needs to be further processed in an electric arc furnace (**EAF**), or an electric smelting furnace (**ESF**) coupled with a BOF. The ESF is a furnace that can separate impurities from the DRI feed to produce liquid iron suitable for a BOF. It is potentially suitable for utilising low to medium grade iron ores (for example hematite ores that are prevalent in the Pilbara) due to its ability to remove impurities from DRI without significant yield losses. The DRI-ESF technology route is the focus of BlueScope's technical collaborations with steelmaking partners ThyssenKrupp, Tata Steel and POSCO.

BlueScope is also partnering with Australia's two largest iron ore producers, Rio Tinto and BHP, to jointly investigate developing Australia's first ironmaking ESF pilot plant. This partnership provides a platform to demonstrate that production of molten iron from Pilbara hematite ores is feasible using natural gas when combined with DRI and ESF process technology. This could help open a pathway to near-zero GHG emission intensity operations for global steelmakers relying on abundant Pilbara iron ore through the replacement of coal dependent blast furnaces with DRI-ESF equipment. Estimates show that reductions of around 85 per cent in CO₂ emission intensity are potentially available processing Pilbara iron ores through a DRI-ESF pathway with green hydrogen, compared with the current industry average for the conventional blast furnace steel route.⁸

Success in this project would provide the basis for substantial decarbonisation of BlueScope's operations at PKSW and the foundation for an Australian 'green' (low or zero emissions) iron export industry to help decarbonise global steelmaking. The pre-feasibility study work program is expected to conclude at the end of 2024, and if approved, the pilot facility could be commissioned as early as 2027. The collaboration supports BlueScope's vision for its Australian steelmaking operations to be a vibrant, modern and sustainable manufacturer with a clear role to play in enabling Australia's energy transition.

1.4 BlueScope has a significant role to play in enabling Australia's renewable energy transition

Steel's role in the larger task of decarbonising the Australian economy will be crucial because it is an essential enabler in the development of renewable energy. Much of the infrastructure that Australia needs to drive the energy transition will be made from steel, including wind towers, solar farms, hydro and transmission infrastructure. It is estimated that approximately 400,000 tonnes per annum of additional steel will be required for renewable energy and related infrastructure, between now and 2050, to meet Australia's targets based on AEMO NEM forecasting.⁹ Additional steel will also be required to meet Australia's green hydrogen ambitions. As Australia's largest flat steel producer, BlueScope has a critical role to play in enabling Australia's renewable energy transition.

1.5 BlueScope's operations are fundamental to sovereign capacity in iron and steelmaking

Domestic iron and steelmaking is core to a vibrant Australian manufacturing sector. Steel is a key input to the construction, engineering, mining and manufacturing sectors. Sovereign iron and

⁸ Media Release: "Australia's leading iron ore producers partner with BlueScope on steel decarbonisation" 9 February 2024

⁹ Australian Energy Market Operator, 2022 Integrated System Plan for the National Electricity Market (June 2022)

steelmaking capacity also supports Australia's strategic interests including critical infrastructure and defence.

Retaining sovereign iron and steelmaking capacity now is essential if Australia is to play its part in emerging and future low emissions iron and steelmaking. Sovereign production helps guard against loss of supply in potential periods of geopolitical instability and dislocation of global supply chains, as seen in recent years. Loss of this capability will hinder the renewable energy transition; on the other hand, achieving this transition while supporting sovereign capacity in iron and steel making can unlock strategic, economic and environmental benefits for Australia, including the development of a global scale low emissions Hot Briquetted Iron (HBI)¹⁰ export industry in Australia.

2 BlueScope's comments on the draft Requirements and draft Guide

BlueScope has significant concerns about the draft Requirements and, in particular, the detail of the draft Guide, which we have outlined below. We were not able to previously outline all of these concerns because more detailed information about the draft Requirements and draft Guide was not available during the initial engagement phase. As detailed below, the potential impact of the draft Requirements and draft Guide, particularly on projects at PKSW, is significant and BlueScope seeks the opportunity to discuss its submission with the NSW EPA and seek the resolution of its concerns.

2.1 The draft Guide introduces an obligation to set emission limits for projects undertaken in large industrial facilities, even where those facilities may have existing abatement obligations under the Safeguard Mechanism

BlueScope reports Scope 1 and Scope 2 GHG emissions under NGER legislation for all its NSW facilities, which include BlueScope's five EPA licensed sites. The PKSW emissions also exceed the 100,000 tCO₂-e Safeguard Mechanism (SGM) threshold, and as such the PKSW is subject to legislated GHG emissions limits that decline over time to help achieve Australia's emission reduction targets of 43% below 2005 levels by 2030 and net zero by 2050.

The SGM applies to Scope 1 emissions only, but effectively drives reductions in Scope 2 emissions via a single 'sectoral' baseline across all electricity generators connected to one of Australia's main electricity grids, alongside the existing Federal Government's Renewable Energy Target scheme and commitment to powering 82% of Australia's major electricity grids with renewable sources by 2030.

The federal government has worked extensively with industry in the development and refinement of the SGM reforms over the past two years to balance the multifaceted technological and commercial challenges of decarbonisation associated with Emissions Intensive Trade Exposed (EITE) industries such as primary steelmaking and the need to retain sovereign manufacturing capacity whilst still effectively supporting Australia's net zero by 2050 targets. The resultant policy

¹⁰ Hot Briquetted Iron is a compacted form of Direct Reduced Iron designed for shipping

and market settings associated with the SGM reforms are complex, with further SGM reviews planned for 2026-2027.

The draft Guide requires that interim and long-term Scope 1 and Scope 2 GHG emission reduction goals be set for new projects. However, if a facility is regulated by the SGM (or a project is a proposed modification to an SGM facility), it will already be subject to regulated emission reduction targets at the federal level.

BlueScope is concerned that, rather than being complementary and consistent with the SGM, the draft Guide imposes an additional and potentially contradictory layer of emission reduction obligations, describing the SGM as only providing “minimum requirements” for SGM facilities. BlueScope is concerned that it will also impose additional administrative and financial burden, requiring relevant projects to provide information about the project’s expected SGM obligations and emissions over the life of the project.

The draft Guide also outlines the NSW Government’s intention to develop a series of feasible, evidence-based emission reduction targets and related pathways for key industry sectors. This further presents a material risk of misalignment with the SGM reforms, where significant effort was already dedicated to developing appropriate, industry-specific production variables with associated emission intensities, baseline decline rates and EITE provisions. BlueScope notes that program misalignment may be further compounded by the parallel development of the Federal Government’s sectoral emissions reduction plans.

The imposition of an additional layer of emission reduction targets for projects undertaken within the boundary of an existing SGM facility also presents an increased yearly administrative burden due to the potential additional GHG inventory reporting requirements and assurance / independent review processes.

To avoid the imposition of multi-layered emissions reduction targets and the additional costs and administrative burden on businesses that are already obligated to reduce their emissions under the SGM, BlueScope proposes that a streamlined approach be applied for projects that form part of facilities already covered by the SGM, such that the requirements are different to those of other “large emitters” (just as the draft Guide refers to “General CCARs” for projects that don’t meet the 25,000 tCO₂-e threshold). This streamlining could involve the removal of steps 5, 6 and 7 (per Sections 3.2 and 4 of the draft Guide) for SGM facilities. BlueScope would welcome an opportunity to further discuss options to achieve this streamlined approach with the NSW EPA.

2.2 The draft Guide imposes emission reduction obligations based on absolute site emissions rather than emissions intensity

BlueScope is concerned that the focus of the draft Guide is on absolute emissions reduction rather than emissions intensity reduction. Whilst both the SGM and the draft Guide support Australia’s commitment to the Paris Agreement and the achievement of the national net zero target, the draft Guide focuses on absolute emission targets, whereas the SGM, following significant consideration and consultation, sets emissions baselines on an intensity basis.

The focus on absolute emissions rather than emissions intensity has the potential to significantly impact the viability of the key decarbonisation pathways for the PKSW iron and steelmaking processes. The development and adoption of new decarbonised production processes may require the parallel operation of pilot plants and transitional configurations involving the

simultaneous operation of new and old technology plant, all of which could lead to periods of higher absolute emissions from the PKSW site.

Critically, an emissions intensity approach is preferable as it better accommodates growth in the production volumes from projects, by helping to decouple economic growth from emissions growth (a view shared by the Federal Government as articulated in its SGM Reforms Position Paper¹¹). This is important as, in future, Australia will need more steel, rather than less, to support the energy transition (as noted in section 1.4) and ongoing underlying economic growth.

BlueScope suggests the application of a consistent approach to that of the SGM and requests that emissions reduction targets be set on an emissions intensity basis.

2.3 The proposed approach to setting project emission abatement goals may not appropriately consider the context of certain categories of projects and may detract from project viability

Section 4.5.4 of the draft Guide states that “*proponents are required to set an overarching long-term scope 1 GHG emission goal for the project’s residual emissions that represents a meaningful contribution to the emissions reduction objectives of the State*”.

BlueScope has significant concerns about the imposition of emissions abatement goals for a project, and potentially the broader facility of which the project is a component, that are based solely on the achievement of the State’s emission reduction objectives without consideration of a broader range of important factors. These factors include the availability of practical options and key enablers for emissions abatement, the impact on the project and facility’s financial viability, and the implications of potential projects not proceeding, or of facility closure. This also encompasses consideration of the project and facility’s economic and social contribution, and the importance of sustaining sovereign capability in key industries.

Important additional factors that should be considered in the setting of long-term and interim emission goals for a project include:

- Direct abatement of emissions from new projects utilising “best-practice measures” will likely be extremely difficult in the short to medium term, and perhaps even longer term. Abatement obligations will therefore likely require offsets to achieve a project’s emission reduction goals which will potentially significantly detract from project economics and viability. Such measures could drive new projects into other jurisdictions where these obligations don’t apply.
- Where the project is part of a broader operation, direct abatement of the project’s emissions may not be possible, however the project may substantially contribute to broader process decarbonisation and targets should be set accordingly for the project reflecting this broader emissions reduction benefit.
- An ongoing requirement for project-specific rather than facility-based emissions targets could potentially sub-optimize overall facility emissions abatement if abatement investment is preferentially applied to meeting project specific targets rather than to the opportunities that deliver the most cost-efficient overall abatement for the broader facility.

¹¹ DCCEEW, Commonwealth of Australia, Safeguard Mechanism Reforms: Position Paper, January 2023

- Pilot plants constructed to develop new decarbonised production technologies, such as that being jointly considered by BlueScope, Rio Tinto and BHP to develop an ironmaking electric smelting furnace, should not be subject to emission abatement requirements.

BlueScope requests further engagement with the EPA regarding project abatement target setting and the practical implications of the proposed process for setting interim and long-term emissions goals on large existing facilities such as the PKSW, in the context of future investment in significant process decarbonisation projects and existing obligations under the SGM.

2.4 The draft Guide contains insufficient guidance on how to determine an appropriate assessment boundary and does not recognise the potential complexity of this task for sites such as the PKSW

Despite the critical importance of the “assessment boundary” to the application of the CCAR for large emitters, the information contained in the draft Guide as to how the assessment boundary is to be calculated is limited. Determining the assessment boundary may be relatively simple for a greenfield site but it is likely to be more difficult for existing sites where modifications are proposed, including where a project impacts only part of an integrated process or operation.

The draft Guide states that *“if a modification will increase or decrease emissions from existing operations, the affected sources related to these existing operations must be included in the GHG assessment for the project”*. The phrase “affected sources” is not defined and may be difficult to interpret for sites such as the PKSW where there are complex interactions between different parts of the operations and processes involved in the overall steelmaking process on the site.

For example, the Advanced Steel Manufacturing Project (**ASMAP**) at the PKSW, recently approved by the NSW Minister for Planning and Public Spaces as a State Significant Development (**SSD**), includes the replacement of two existing furnaces at the Plate Mill with a new furnace that is more energy efficient. Both the old furnaces and the new furnace operate on coke ovens gas (**COG**), which is generated from the onsite coke making process; the coke making process liberates volatiles from the coal, which are distributed across the PKSW as COG for use as a fuel source. The new furnace approved as part of ASMAP, which will be more fuel efficient than the existing furnaces, will reduce COG consumption by approximately 35%, freeing up COG for use in other parts of the PKSW in applications such as steam and electricity generation, thus offsetting electricity taken from the grid. In this example, the draft Guide provides no guidance as to what components of the integrated iron and steelmaking processes at PKSW would fall within the “appropriate assessment boundary”. It is possible that the entire steelworks would be considered to fall within the appropriate assessment boundary, requiring an unduly onerous process to be carried out to determine whether or not the proposed modifications meet the 25,000 tCO₂-e threshold.

BlueScope requests that additional guidance regarding how to determine the assessment boundary be provided for projects that are to be carried out on sites featuring existing facilities involving integrated processes or operations.

2.5 The draft Guide uses inconsistent language in describing when the CCARs for large emitters will apply to modifications at existing sites

Section 2.1 of the draft Guide deals with identifying projects with large emissions. The first paragraph of section 2.1, in relation to projects involving modifications at existing facilities, suggests that the CCARs for large emitters will only apply where the proposed project will increase emissions by more than 25,000 tonnes CO₂-e above those from the existing facility.

However, later in section 2.1, the draft Guide sets out the three criteria which, if met, will mean that a project may be considered to have “large emissions”. The third of these criteria is that *“the project is likely to emit 25,000 tonnes or more of scope 1 and 2 emissions CO₂-e in any financial year during the operational life of the project (based on planned operational throughput and as designed)”*.

BlueScope acknowledges that below the three criteria in section 2.1, it states *“When a project involves a modification to an existing operation, the 25,000 tonne CO₂-e threshold applies specifically to the activities falling within the GHG assessment boundary and not necessarily to the whole operation”*. However, if the determination of an “assessment boundary” is not clarified and the wording of the third criterion is not amended to make it clear that the CCARs for large emitters will only apply where a proposed project, including a project involving proposed modifications at existing facilities or a modification to an existing development consent, will increase emissions by more than 25,000 tonnes CO₂-e above those from the existing facility or approved development consent, it could mean that any modification of a component requiring development consent and approval would result in a project being subject to the CCARs for large emitters.

Further, in the Notes to the draft Requirements, the third criterion clearly states that the draft Guide must be followed if *“the project is likely to emit 25,000 tonnes or more of scope 1 and 2 emissions (CO₂-e) in any financial year during the operational life of the project (based on planned operational throughput and as designed)”*, with no qualification to make it clear that the draft Guide must only be followed in the case of proposed projects that involve modifications at existing facilities or the modification of an existing development consent, if the proposed project will result in an incremental net increase of more than 25,000 tonnes CO₂-e above those from the existing facility.

BlueScope requests that the draft Requirements and draft Guide are amended to clarify that CCARs for large emitters will only apply to a project involving modifications at existing facilities where the proposed project will itself result in an incremental net increase of more than 25,000 tonnes CO₂-e above those from the existing facility.

2.6 The draft Guide does not recognise the potential scenario involving several projects on a large site meeting the large emitters criteria resulting in multiple GHG Mitigation Plans alongside a CCMAP for the site

For a site such as PKSW, the threshold of likely emissions of 25,000 tonnes or more of scope 1 and 2 emissions CO₂-e in any financial year for a project to be considered to have large emissions is relatively low in the context of the total emissions from the site (noting that 25,000 tonnes of CO₂-e is less than 0.5% of annual PKSW emissions). It is plausible if not likely that in a period of, say, ten years, BlueScope may wish to proceed with several (or many depending on assessment boundary definitions) projects at the PKSW that meet this threshold. Each project will require a separate assessment in accordance with section 4 of the draft Guide and for each project, a

separate GHG Mitigation Plan must be prepared. These GHG Mitigation Plans will exist alongside the CCMAP which, as foreshadowed by the EPA in the draft Guide, will be required as a licence condition.

Preparation and implementation of, and compliance with, multiple plans will create a significant administrative burden. The draft Guide does not explain why this fragmented and potentially duplicative approach is more effective in contributing to meeting GHG emission targets than a streamlined, whole-of-site approach.

It is not clear how the GHG Mitigation Plans (which include project-specific emission reduction targets) can practically exist across time alongside the CCMAP for the site (which will demonstrate how the site minimises its GHG emissions and exposure to climate risk).

BlueScope requests the consideration of a more streamlined approach for sites that may be required to manage multiple GHG Mitigation Plans alongside a site CCMAP.

2.7 The requirement to set interim and long-term scope 1 and scope 2 emission goals for each project with large emissions also potentially creates duplication

As noted above, it is possible that BlueScope may over time progress several projects which meet the large emitters criteria, in which case it would be required to set interim and long-term scope 1 and scope 2 emission goals for each project. Depending upon the EPA's requirements for CCMAPs, BlueScope may also be required to set emission goals for the PKSW site as a whole. As noted above, BlueScope has set emissions intensity reduction targets for 2030 and a 2050 net zero goal across its global footprint, and the PKSW is also subject to declining emissions baselines under the SGM.

The setting of emission goals is complex and requires thorough and rigorous analysis to ensure the goals are reasonable and supported by evidence. A requirement to have goals in place at a site-wide level in addition to goals for individual projects will create a significant administrative burden which may not be warranted.

BlueScope requests that the final version of the draft Guide at a minimum provides sufficient flexibility to accommodate circumstances where the setting of goals for an individual project meeting the large emitters criteria is not warranted, having regard to circumstances such as the existence of goals at a site-wide or corporate level, or if the emissions from the facility are already managed under the SGM.

2.8 The offset integrity principles outlined in the draft Guide should be directly aligned to reflect the eligible offsets under the Safeguard Mechanism

Section 4.6 of the draft Guide states that *"Where carbon offsets are implemented, they must meet offset integrity principles with due regard to the integrity standards and principals set out in the Commonwealth Carbon Credits (Carbon Farming Initiative) Act 2011 (Australian Government, 2011) and the Climate Active Carbon Neutral Standard for Organisations (Climate Active, 2022)."*

Section 4.6 of the draft Guide also states that *"The EPA requires proponents to prioritise the use of carbon offsets from NSW-based offset projects, with consideration given to whether carbon offsets conserve, preserve, protect, enhance, and manage the NSW environment. If required, offset*

projects in other Australian locations may be used. International carbon offsets will not be accepted.”

A project may have obligations to offset its GHG emissions across several schemes, for example it may be required to surrender offsets to meet its emission reduction obligations under the SGM, as well as under the obligations proposed by the NSW EPA in the draft Guide, and potentially for voluntary purposes to achieve carbon neutral product certification. BlueScope submits that organisations should only be required to offset one tonne of CO₂-e once, rather than needing to surrender separate offsets for each scheme. On this basis, it follows that organisations will look to acquire offsets that satisfy the requirements of the most onerous scheme.

Under the SGM, facilities can purchase and surrender Australian Carbon Credit Units (**ACCUs**) as offsets to meet their compliance obligations. These ACCUs can be sourced from any project across Australia. Safeguard facilities can also utilise tradeable Safeguard Mechanism Credits (**SMCs**) to reduce their emissions beyond their baselines, and the Federal Government intends to consult on potentially establishing a legislative framework allowing use of high-quality international offsets in the near future.

The offset integrity principles outlined in the draft Guide impose more onerous requirements on projects, effectively requiring the offsets be ACCUs that meet Climate Active standards (which are currently undergoing review which may result in changes to offset eligibility) and prioritising the use of offsets from NSW-based projects. SMCs are not considered in the draft Guide.

Where a project is subject to obligations under both the SGM and those proposed by the NSW EPA in the draft Guide, it will need to acquire offsets that satisfy the more onerous NSW EPA obligations and will not be able to use SMCs. This effectively limits the offset options available to NSW SGM facilities, which will likely increase the cost of compliance for NSW SGM facilities beyond what the Federal government intended.

To maintain policy alignment and avoid overburdening industry with compliance costs, BlueScope requests that the offset integrity standards outlined in the draft Guide be directly aligned to the current and future standards set under the SGM, and that the draft Guide recognise SMCs as an acceptable offset alternative for SGM facilities.

2.9 The requirement to provide details of projected offset sources is not practical or appropriate for a project that has not yet been granted development consent

Appendix D of the draft Guide in particular requires a description of the “*expected location, provenance, integrity and type or legislated method of any offsets*”.

BlueScope queries the value that the provision of such details will add, and notes that these details can only be provided if an offset arrangement has already been entered into. A proponent cannot be expected to enter into such an arrangement in relation to a project prior to the granting of development consent, given there is no guarantee the project will proceed at this time. Therefore, it is not practical or appropriate for the NSW EPA to expect such details to be provided in this context.

BlueScope requests that the requirement to disclose details of specific offsets be removed from the GHG Mitigation Plan outline.

2.10 The requirement for mitigation assessments for projects with scope 1 and 2 emissions exceeding 100,000 tonnes per year to be verified by an independent expert review is unnecessary

As the NSW EPA is aware, it is almost always the case that a project proponent will engage an independent consultant to prepare an environmental impact statement (**EIS**) when required by the planning legislation. In addition, project proponents are now required to engage a Registered Environmental Assessment Practitioner (**REAP**) who must make the declaration required by clause 190 of the *Environmental Planning and Assessment Regulation 2021* that the EIS contains “*all available information that is relevant to the environmental assessment of the development, activity or infrastructure*” and that the information contained in the EIS is not false or misleading.

BlueScope submits that adequate processes are already in place to ensure the accuracy of the information contained in the mitigation assessments required by the draft Guide and draft Requirements and therefore the requirement for additional verification by an independent expert review is unnecessary and should be removed.

2.11 The requirement to account for the cost of emissions is not clear

Section 4.3.3 of the draft Guide includes a requirement to address the cost of emissions. It is not clear what the purpose of this requirement is and what it achieves, nor how to address it. BlueScope is further concerned that this requirement may involve disclosure of commercially sensitive information.

BlueScope requests that the purpose of this requirement is clearly articulated and that sufficient, practical guidance to address this requirement is provided.

2.12 The development of greenhouse gas projections across a cradle-to-grave type scope is an onerous task and will contain a high degree of uncertainty

The proposed GHG assessment must address scope 1, 2 and 3 emissions across all relevant stages of the project, from land preparation and construction to post-closure activities. For projects involving existing operations, additional scenarios must also be included.

The value of the information provided in the GHG projections must be balanced with the effort required to prepare the projections. The development of GHG projections across such a broad span of both time and scope is an onerous task, presenting a significant resource and cost burden for the project proponent.

Further, the factors that drive forecast emissions outcomes across this broad span are subject to varying degrees of uncertainty, for example GHG emission levels often reflect production levels which will vary with market demand and other external forces over time. This uncertainty is exacerbated for projects involving existing operations where a project impacts only part of an integrated process or operation and future changes outside of the project assessment boundary may impact the GHG emissions arising from the project. The process of determining projections is also further complicated in scenarios where future assumed emissions reduction outcomes associated with the project are dependent on the availability of key enablers outside of the control of the applicant, such as large volumes of green hydrogen and renewable electricity. As time progresses and new technology emerges and/or the energy transition slows or accelerates, the

initially projected GHG emissions will become even less accurate. The level of accuracy or acceptable uncertainty associated with the GHG projections required under the draft Guide is not clear.

BlueScope proposes that a more practical approach be applied to greenhouse gas projection requirements to balance value with burden, for example by specifying appropriate uncertainty thresholds, by requiring that GHG projections be developed only for specific project phases and scopes that are associated with material emissions (with a supporting materiality assessment also provided), and by requiring that scope 3 projections be developed for specified sectors of concern only.