

21 October 2022

## Submission

### NSW EPA Climate Change Policy and Action Plan 2022-25 Consultation Paper: September 2022

#### Introduction to InfraBuild

InfraBuild is a member of the GFG Alliance (GFG) which is an international group of businesses with steel, mining and energy assets across Australia, the United Kingdom, the United States and Europe.

InfraBuild is Australia's only fully vertically integrated steel manufacturer, spanning scrap metal recycling, steel manufacturing and downstream distribution facilities and is Australia's largest processor and distributor of steel long-products, including reinforcing bar, reinforcing mesh, tubular and hollow sections, merchant bar and wire products.

InfraBuild's operational footprint within NSW includes;

- **InfraBuild Steel Sydney Steel Mill**, a steel scrap based Electric Arc Furnace steelmaking facility and bar rolling mill in Rooty Hill, Sydney (EPA licenced)
- **Austube's tubular mills** in Newcastle (EPA licensed)
- **InfraBuild's Newcastle Rod Mill and InfraBuild Newcastle Wiremill** (EPA licensed)
- **InfraBuild Recycling** sites including Hexham, Botany, Wetherill Park, Unanderra, Chipping Norton (EPA licensed)
- **InfraBuild's** steel-in-concrete reinforcement (reo-mesh, reo-bar) manufacturing sites and retail outlets
- **InfraBuild's** steel product processing and distribution businesses

InfraBuild has prepared this submission in response to the NSW EPA Climate Change Action Plan 2022-25 draft for Consultation Paper: September 2022 ( **"Action Plan"** )

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## Executive Summary

InfraBuild welcomes the opportunity to provide feedback on key elements of the NSW Environmental Protection Authority's (EPA) plan to address climate change and protect the environment. The Action Plan outlines the specific actions that the EPA will take over the next three years and signals stronger regulatory action they will take, if required, over the medium to longer term to support the NSW Government's commitment to achieve net zero emissions in NSW by 2050.

InfraBuild is supportive of the approach and key elements of the draft Action Plan that the EPA has adopted including:

- That the NSW EPA's Action Plan will complement the NSW government actions already taking place under the NSW Net Zero Plan, and any actions being taken by the Commonwealth Government, particularly in regard to Safeguard Mechanism Reform. It is important that the EPA strongly advocates and engages with other jurisdictions to adopt a similar scheme framework.
- That actions will be staged recognising that climate change policy is complex and evolving. InfraBuild agrees that it is important the EPA act in way that is deliberate, systematic, and properly paced in order to recognise that some industries such as the steel industry, have hard-to-abate emissions that rely on technologies that are not yet proven and commercially available.
- That the definition of "greenhouse gas emissions" within the Action Plan covers Scope 1 and Scope 2 emissions, aligning with the key emissions reductions that state and national governments employ in their targets. The measurement method for emissions should use NGERS methodology. This allows the EPA to better understand and assess each facilities total climate change ambitions and facility reduction plans.
- That the basis upon which targets are set is intensity based, not absolute emissions based. This allows businesses to grow in periods of stronger economic activity whilst reducing their emissions intensity per unit output. Over time this should lead to a reduction in aggregate emissions and presents consumers with a choice of suppliers based on the carbon life-cycle footprint for products.
- Taking a "systematic, well-informed and properly paced" approach and engaging with licensees before taking any stronger regulatory actions that may be proposed over the medium to longer term to support the NSW Government's climate change actions and commitments. It is also important that EPA considers the impact of additional regulatory actions on the competitiveness of facilities that are Energy Intensive and Trade Exposed (EITE).

It is important that the proposed policy framework and actions within the Action Plan:

- Creates and maintains a level playing field for existing businesses as they transition
- Does not deter the growth of low emission steelmaking
- Incentivises investment to achieve step-change reductions in emissions without forcing Industry to invest in small step change improvements that will only become redundant in a couple of years.

## Detailed Feedback

### 1. Harmonisation with other national and state regulatory schemes

The EPA's draft Action Plan advises that the EPA will ensure any emission limits or other licence requirements complement the NSW government's actions already taking place under the NSW Net Zero Plan, and any actions being taken by the Commonwealth Government (e.g., under the Safeguard Mechanism Reform). The EPA advise that they will consider how to future-proof their approach to recognise and allow for any future changes to Commonwealth policies or initiatives.

#### National

- InfraBuild strongly supports the NSW EPA engaging with the Australian Government Department of Climate Change, Energy, the Environment and Water (DCCEEW) in regard to actions relating to climate change, including the Safeguard Mechanism Reform. The Safeguard Mechanism Reforms propose to implement declining baselines for Scope 1 emissions for those facilities within the scheme out to 2030, along with other changes to encourage, support and regulate reductions in Scope 1 emissions to meet National climate change targets.
- Whilst InfraBuild does not currently have any NSW facilities that fall within the Safeguard Mechanism, it may in the future given that steel is an essential material required to support the economy and the production of steel is expected to grow.

**Recommendation:** InfraBuild recommends that any EPA compliance actions:

- be non-competing with the Safeguard mechanism, do not add additional Scope 1 reduction requirements to those already prescribed by the Safeguard mechanism, and accommodate banking and borrowing mechanisms in place under that scheme
- recognise that the actual delivery of material emission reduction projects may take a number of years to achieve and an emissions decline rate may be 'lumpy' overtime
- do not create "carbon leakage" by making domestic industry less competitive to imports that are not the subject of a carbon requirement in their origin, particularly for emission intensive trade exposed (EITE) sites.

#### States/Territories

- The draft Action Plan advises that the EPA will also engage closely with other Australian jurisdictions on their approach to align with or complement existing approaches, where appropriate.
- To reduce the administrative burden on companies with multiple sites across Australia, InfraBuild believes that it is imperative that the NSW EPA strongly advocates and engages with other jurisdictions to adopt a similar scheme framework. Corporate resources are better applied to resourcing actions within the schemes rather than managing differing schemes across states.

**Recommendation:** InfraBuild recommends that the following actions items be added to the NSW EPA Action Plan:

- identify which jurisdictions are intending to develop similar climate policy and actions plans

- engage with other jurisdictions to achieve scheme harmonisation and that the EPA publicly report six monthly on progress in this effort.

## 2. Actions will be staged

InfraBuild agrees with the NSW EPA that it is important that actions are staged, recognising that climate change policy is complex and evolving.

InfraBuild also agrees that it is important that emissions limits and other requirements be placed on licences progressively in a way that is deliberate, systematic, and properly paced, recognising that some industries such as the steel industry, are trade exposed and have hard-to-abate emissions that rely on technologies that are not yet proven or commercially available.

**Recommendation:** InfraBuild recommends that the NSW EPA engage early with EPA licensees, particularly EITE licensees, in order to ensure that the regulatory approach meets the aims that:

- it is systematic, well-informed, and properly paced, considering current and proposed actions on EPA licence holders in this space
- it is tailored in its approach based on regulated community feedback through the proposed initial survey, where licensees can present what they are currently doing or planning to undertake to reduce greenhouse gas emissions and adapt to climate change impacts
- it progressively sets feasible, evidence-based emission reduction targets for key industry participants
- information is provided by the EPA as to how targets have been formed
- gives the regulated community time to consider and respond to new information, to plan and to adjust to new obligations, and provide certainty for industry, particularly for resource and financial investments.

## 3. Greenhouse gas emissions be defined as Scope 1 and Scope 2

InfraBuild supports that the definition of greenhouse gas emissions within the Action Plan includes Scope 1 and Scope 2 emissions and excludes Scope 3 emissions because:

- Greenhouse emissions consisting of Scope 1 and 2 emissions align with other state and national definitions
- Obligations to reduce Scope 3 emissions for a facility at this stage will divert resources and finances from reduction activities for Scope 1 and 2 emissions which are and should remain the focus.
- Generally, Scope 2 emissions present more viable earlier opportunities to reduce than Scope 1 emissions. In some sectors, such as steelmaking, Scope 1 emissions are more likely to be hard-to-abate, requiring new technology development and commercialisation or changes to certain public utilities (e.g., biomethane/hydrogen injection to natural gas supply lines).

**Recommendation:** InfraBuild recommends that:

- the Action Plan 2022-2025 includes Scope 1 and Scope 2 emissions for licenced facilities, but excludes Scope 3 emissions.
- the EPA recognises (documents) that a site's progress in abatement or planned abatement is equally valid irrespective of whether it is Scope 1 or Scope 2.

#### 4. Prescriptive versus non-prescriptive approach

Page 6 of the draft Action Plan 202-25 states:

*“The action plan also signals the stronger regulatory action we intend to take over the medium to longer term, if an increased regulatory response is required to support the NSW Government’s climate change actions and commitments, including achieving net zero emissions in NSW by 2050.”*

InfraBuild acknowledges that the EPA recognises that this is a complex area, with different challenges and opportunities between sectors and even between sites in a sector.

InfraBuild supports the proposed approach to be “systematic, well-informed and properly paced, taking into account current and proposed actions on EPA licence holders in this space”. This allows companies and sites to share plans, opportunities, and barriers needing assistance, to better inform the EPA in decision-making.

#### 5. Setting of sector emission reduction targets

In regard to the EPA setting sector targets, it is appropriate that there be a consultation period to allow companies to make submissions to support or raise concerns. The information supporting these sector targets needs to:

- outline the boundary of the sector that the target applies to
- state whether differences between sites within that sector have been considered e.g., just using an ANZSIC code in definition can capture an overly broad range of activities
- define the boundary for greenhouse gas emission counting (what is included and excluded) otherwise data will not be reported on a consistent basis between sites. (Note: the documentation that was produced in defining the Prescribed Production Variables and intensities for the federal Safeguard Rule would be an appropriate template).
- be rational and include evidence for the target set.

Whilst the EPA will likely set Sector Emission Reduction Targets based on a total sector absolute t CO<sub>2</sub>-e value (Scope 1+Scope 2), further clarification is required as to how the EPA will ascertain which sites are making progress in abatement, and which sites are inactive and why. This is important for equity, as some sites may already be taking abatement action whilst others may be constrained at present, and others may have no abatement plan. The EPA may need to consider tools such as supporting intensity values (t CO<sub>2</sub>-e/tonne product, or multiple intensities for multiple products) as guidance in comparing sites performance, where such intensities are in the Australian context (not based on overseas literature values which may have a different basis).

**Recommendation:** It is appropriate to have a preceding action step that sector emission reduction targets go through a consultation period so that companies can make submissions to support or raise any concerns before they are applied. Information that needs to be supplied to support such targets is discussed above. Whilst the EPA will likely set sector emission reduction targets based on a total sector absolute t CO<sub>2</sub>-e value (Scope 1+Scope 2), further clarification is required as to how the EPA will ascertain which sites are making progress in abatement, and which sites are inactive and why.

## 6. Measuring Scope 1 and 2 emissions at sites

InfraBuild supports the use of NGERs methodology in calculating and reporting emissions data because:

- it is the methodology currently applied for the current Australian emission inventory
- this will be an aligned methodology between the commonwealth and the states
- it is used by most organisations in meeting current national reporting requirements.

**Recommendation:** InfraBuild recommends NGERs methodology be used for Scope 1 and 2 calculations.

## 7. Licence limits

If the NSW EPA is required to move to setting specific licence limits, consideration needs to be undertaken in regard to the following:

- the use of an intensity limit, rather than an absolute limit, to lower emissions through intensity reductions rather than a limit on production and economic activity levels
- any such proposed limits should include a review and appeal mechanism in case, for example, they are based on inaccurate data
- The option of using a 'bubble approach' to limits should be included where a number of sites belonging to a parent company, sit under an aggregated limit.

**Recommendation:** InfraBuild recommends that licence limits are intensity based rather than absolute limits so as not to impact production and economic activity levels, but drive lower emissions through intensity reductions.

## 8. Climate change mitigation and adaptation plans (CCMAP's)

In regard to CCMAPs framework development, InfraBuild would welcome the opportunity to review EPA development drafts of this tool before it is finalised to provide feedback as to whether it is fit-for-purpose across a varied range of licenced sites that InfraBuild has. Apart from TCFD Principles that can be used to inform this template, the NSW EPA may also consider ISO14001 Environmental Management System impact assessment approaches.

**Recommendation:** InfraBuild would welcome public consultation of drafts of the EPA development of this tool before it is finalised to provide feedback as to whether it is fit-for-purpose across a varied range of licenced sites.

## 9. Offsets

InfraBuild supports carbon offsets units (verified carbon abatement in other areas) being used to gain a net decrease in emissions, particularly in hard-to-abate areas whilst awaiting the development of suitable technology or infrastructure. This approach would also encourage and support the domestic carbon off-set market.

**Recommendation:** InfraBuild supports the ability to use carbon off-sets for hard-to-abate areas until viable abatement solutions are commercially available.

## 10. Monitoring of emerging issues

InfraBuild strongly recommends that the EPA installs a specific action within the Action Plan to monitor for the emergence of issues that may impact the ability of NSW to achieve its greenhouse emissions reduction targets. Examples of such potential issues include:

- The development of a hydrogen manufacturing capability within NSW, only to have most of that hydrogen committed for export rather than domestic use to reduce greenhouse gas emissions
- Approval of access to international carbon units for off-sets, with reciprocal access by other countries to Australian generated carbon units, only to have the majority of domestic carbon units acquired by international traders, companies, and countries, creating a low supply and high-cost environment of carbon units in Australia
- A restriction in the availability of scrap steel in Australia due to excessive export of scrap. This could limit the transition to scrap-based steel manufacture that will be necessary to abate emissions from this industry.

**Recommendation:** InfraBuild recommends that the EPA installs an action in the Action Plan to monitor issues that may arise and impact the ability of NSW to achieve its greenhouse emissions reduction targets, including policy and approval settings.

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