

19th April 2022

Deanna Burn
Planning and Assessment Group
NSW Department of Planning and Environment

Via online submission

Dear Ms Burn,

BlueScope Blast Furnace 6 Reline Project (SSI-22545215)

BlueScope is seeking critical State significant infrastructure (CSSI) approval by the Minister under Section 5.13 of the Environmental Planning and Assessment Act 1979 (EP&A Act) for the proposed reline of its No. 6 Blast Furnace at Port Kembla, which is currently non-operational.

The project involves works to rejuvenate a vital item of operational infrastructure that is critical to the continued operation of the only primary steelmaker in NSW and one of only two steelmakers within Australia.

The project has an estimated capital investment value of about \$700 - 800 million and will secure operation of the Port Kembla steelworks beyond 2026. This will ensure the continued \$6.5 billion (24 per cent of regional output) annual economic contribution that the steelworks makes to the NSW and Illawarra economies.

It will also secure nearly 4,500 direct jobs at the site (BlueScope employees and full-time contractors) as well as an estimated 10,000 indirect jobs in the region – many of them skilled and in advanced manufacturing.

Absent approval to proceed with the reline of No. 6 Blast Furnace at Port Kembla, steelmaking operations are not guaranteed to continue past 2026 (the operational life of the existing No.5 Blast Furnace), resulting in major job losses, significant economic impact on the State and critical sovereign risk for Australia.

RDA Illawarra supports the application and is of the opinion that the reline is essential to the State for economic and social reasons.

Yours sincerely



Debra Murphy
CEO
RDA Illawarra

Submission to NSW Department of Planning and
Environment

BlueScope Blast Furnace 6 Reline Project (SSI-22545215)

Submitted by RDA – Illawarra

Background

BlueScope is seeking critical State significant infrastructure (CSSI) approval by the Minister under Section 5.13 of the Environmental Planning and Assessment Act 1979 (EP&A Act) for the proposed reline of its No. 6 Blast Furnace at Port Kembla, which is currently non-operational.

The project involves works to rejuvenate a vital item of operational infrastructure that is critical to the continued operation of the only primary steelmaker in NSW and one of only two steelmakers within Australia.

The project has an estimated capital investment value of about \$700 - 800 million. The proposed approach of carrying out the project over a construction period of approximately three years, rather than the usual shorter timeframe for a reline (typically only 130 days), will provide the opportunity for BlueScope to prioritise engagement of local contractors and other NSW businesses.

Absent approval to proceed with the reline of No. 6 Blast Furnace at Port Kembla, primary steelmaking operations are not guaranteed to continue past 2026, resulting in major job losses, significant economic impact on the State and critical sovereign risk for Australia.

RDA Illawarra supports BlueScope's No. 6 Blast Furnace reline project as it will address the following regional and national issues:-

- ▶ Security of Supply Chain (Sovereign Risk)
- ▶ Retention of Jobs in the region and within NSW
- ▶ Economic Growth of the Illawarra
- ▶ Highest and Best use of industrial land.

RDA Illawarra supports the application and is of the opinion that the reline is essential to the State for economic and social reasons.

Securing the Supply Chain (Managing Sovereign Risk)

Global and national strategic context

Port Kembla steelworks is a regionally cost-competitive steel maker that is located close to major population centres and is well-served by port, rail and road logistics. It is one of only two integrated steelworks in Australia, and the only Australian facility producing hot-rolled steel flat products for downstream processing.

Steel made at the Port Kembla steelworks is used nationally and exported globally for a range of infrastructure and construction projects. BlueScope's Port Kembla facility is the *only* Australian producer of flat products, including plate and coated steel (Colorbond®) for use in the following critical strategic downstream industries:-

- ▶ **Defence:** including submarines and Australian-manufactured armoured vehicles
- ▶ **Infrastructure projects:** such as road and rail projects
- ▶ **Building and construction:** including hospitals, schools, stadiums, residential homes, commercial and industrial buildings
- ▶ **Energy infrastructure:** including wind towers, solar farms, electricity transmission infrastructure and pumped hydro.

Without the continued provision of operational blast furnace infrastructure, iron making will be discontinued at Port Kembla beyond 2026 and consequently that primary steel making would no longer occur in NSW from that time.

Cessation of ironmaking in Australia is an issue of national importance, as the complexity and outright cost to establish replacement ironmaking, steelmaking and hot-rolling facilities may be prohibitive if Port Kembla Steel Works (PKSW) is shutdown.

Additionally, although the full impact of COVID-19 will not be apparent for some time, it has disrupted many global supply chains, highlighting the risk of being too reliant upon these global supply chains for critical products.

Loss of primary steelmaking capability at Port Kembla would have significant consequences for the local region, the State of NSW and Australia - including impaired supply chain resilience for industries of critical strategic significance such as defence, construction, infrastructure and energy.

Increasing globalisation has led to a diminishing of industrial production in developed economies such as Australia, raising concerns for the nation's capacity to produce goods locally in the event of a disruption to world trade.

State and local strategic context

The Illawarra region has grown with the steel industry and BlueScope remains a major contributor to the local economy, through direct employment, employment of contractors and by supporting downstream manufacturers.

The Illawarra has developed a highly skilled workforce and contractor service base that also supports a broader range of industries. The Illawarra is emerging as a major industrial hub for advanced manufacturing and energy infrastructure, where several current and emerging energy projects have been identified, including:-

- ▶ Port Kembla Gas Terminal for the import of Liquefied Natural Gas (LNG)
- ▶ A dual fuel LNG-Hydrogen power station
- ▶ Development of the Illawarra Hydrogen Hub (part of the National Hydrogen Roadmap).

BlueScope is supporting advanced and sustainable manufacturing through their commitment to invest \$20 million in the BlueScope Renewable Manufacturing Zone (BRMZ) as announced in November 2020.

In early 2022, BlueScope was awarded a grant that will support clean energy manufacturing including the fabrication of wind towers and components for solar farms. The AU\$55.4-million *Modern Manufacturing Initiative grant* from the Australian government will allow BlueScope and its partners Keppel Prince, Bisalloy and the University of Wollongong to invest another AU\$161.6 million to set up an Advanced Steel Manufacturing Precinct at Port Kembla Steelworks.

As part of the initiative, a new facility will be constructed for the production of components for the renewable energy, defence and other sectors, and the plans also include upgrades of BlueScope's Plate Mill.

Retention of Jobs in the region

The project will secure continued operation of the Port Kembla Steelworks (PKSW), the largest manufacturing facility in NSW and Australia, ensuring the continued manufacturing of flat steel products in NSW and supply of approximately 2.2 million tonnes of these products used in a range of infrastructure and construction activities of key importance to the NSW economy.

The enduring operation of the PKSW beyond 2026 will ensure a continued significant contribution to the Illawarra economy; approximately \$6.5 billion or 24 per cent of regional output per annum.

The continued operation of PKSW will also secure approximately 4,500 direct jobs at the site (BlueScope employees and full-time contractors) as well as an estimated 10,000 indirect jobs in the region – many of them skilled and in advanced manufacturing. The majority of these roles are located in NSW and make a major economic contribution to the State.

Economic Growth of the Illawarra

The construction work required to reline No. 6 Blast Furnace (6BF) will require a project workforce of approximately 250 full time equivalent (FTE) workers. This is smaller than that historically required, with previous relines being completed over several consecutive months using a round-the-clock timetable and up to 1,000 workers on site.

The 6BF reline methodology allows reline activities to be completed in a measured way requiring a smaller construction workforce.

If 6BF is required online earlier than 2026 for strategic, operational or safety reasons, a larger workforce will be required to complete the work in a reduced timeframe. Depending on the time available to complete the remaining works, up to 1,000 workers may be required - equivalent to the number during a traditional reline.

Normal operation of the No. 6 Blast Furnace will rely on the transfer of existing operators from the currently operating No. 5 Blast Furnace, which will be decommissioned.

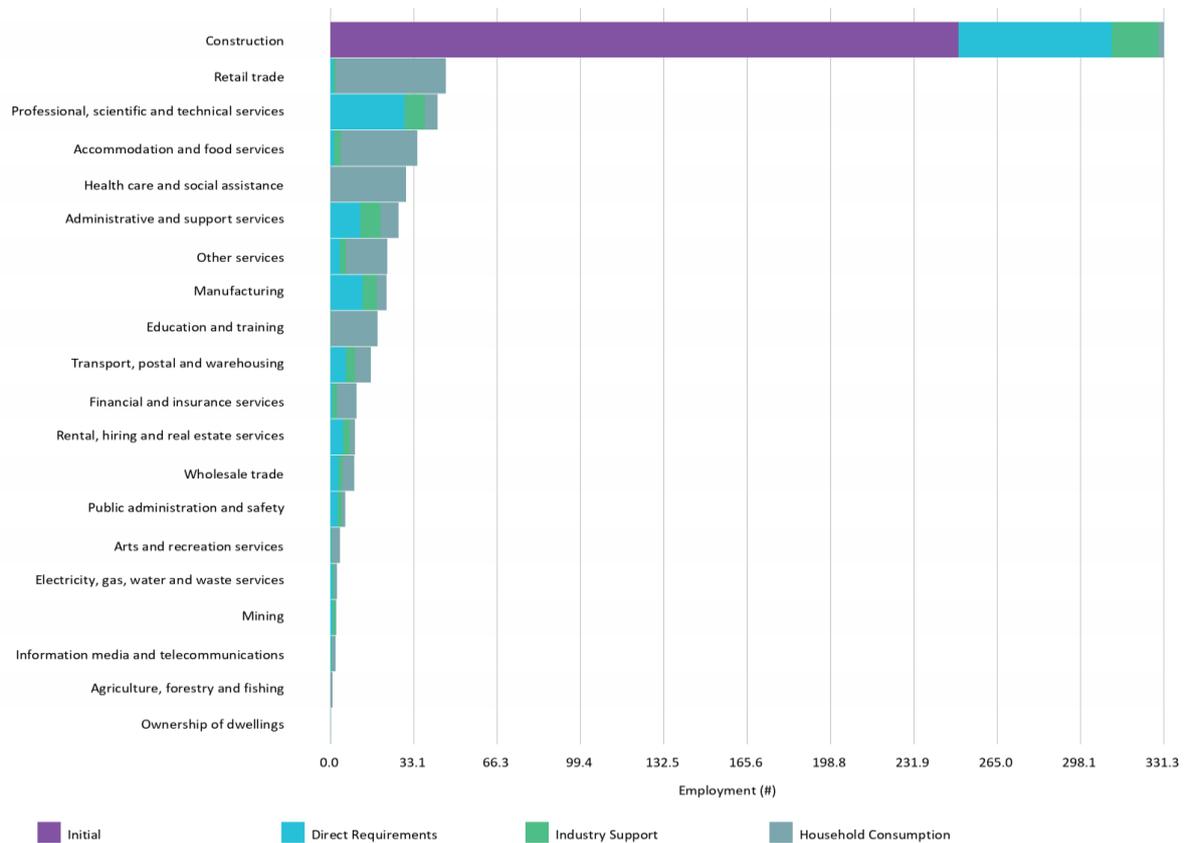
RDA Illawarra modelling¹ indicates that the injection of 250 FTE construction workers will have a significant annual impact on the region, as tabulated below:-

Impact Type	GRP (\$)	Income (\$)	Jobs (FTE)
Initial Stimulus in Local Economy	\$66.7m	\$42.2m	250
Direct Requirements (First Round Type I) Impacts	\$17.6m	\$13.6m	145
Industry Support (Subsequent Round Type I) Impacts	\$7.7m	\$5.6m	60
Household Consumption Impacts (Indirect Type II)	\$24.9m	\$13.8m	181
TOTAL	\$116.9m	\$75.2m	637

The three-year construction period will employ approximately 250 full time equivalent (FTE) workers that will **inject \$AU117 M into the regional economy for each year of the project and deliver nearly 400 indirect jobs in addition to those directly engaged in the construction work.**

Key employment impacts locally at a 1-Digit ANZSIC level are indicated in the image below. The top three impacted sectors as measured by employment are:

- ▶ Construction - 331 total jobs created (52% of total jobs)
- ▶ Retail trade - 46 total jobs created (7% of total jobs)
- ▶ Professional, scientific and technical services - 43 total jobs created (7% of total jobs)



Higher paid jobs in construction and professional services sectors have been specifically targeted by RDA Illawarra in its ‘2019 Illawarra-Shoalhaven City Deal Prospectus’ and by Wollongong City Council in its ‘Economic Development Strategy 2019 – 2029’ as well as the NSW Government in its ‘Illawarra-Shoalhaven Regional Plan 2041’.

Highest & Best use of land

Port Kembla steelworks was established in 1929 and has operated continuously since then with key features of the port and surrounding heavy industrial areas. The latter surrounds the port and includes fertiliser production, petroleum hydrocarbon storage, cement production, coal and grain exports, energy infrastructure and warehousing.

The Port Kembla steelworks site is zoned IN3 – Heavy Industrial under State Environmental Planning Policy (Three Ports) 2013 and the steelworks and immediate downstream processing occupy the largest site in the Port Kembla industrial precinct at approximately 750 ha.

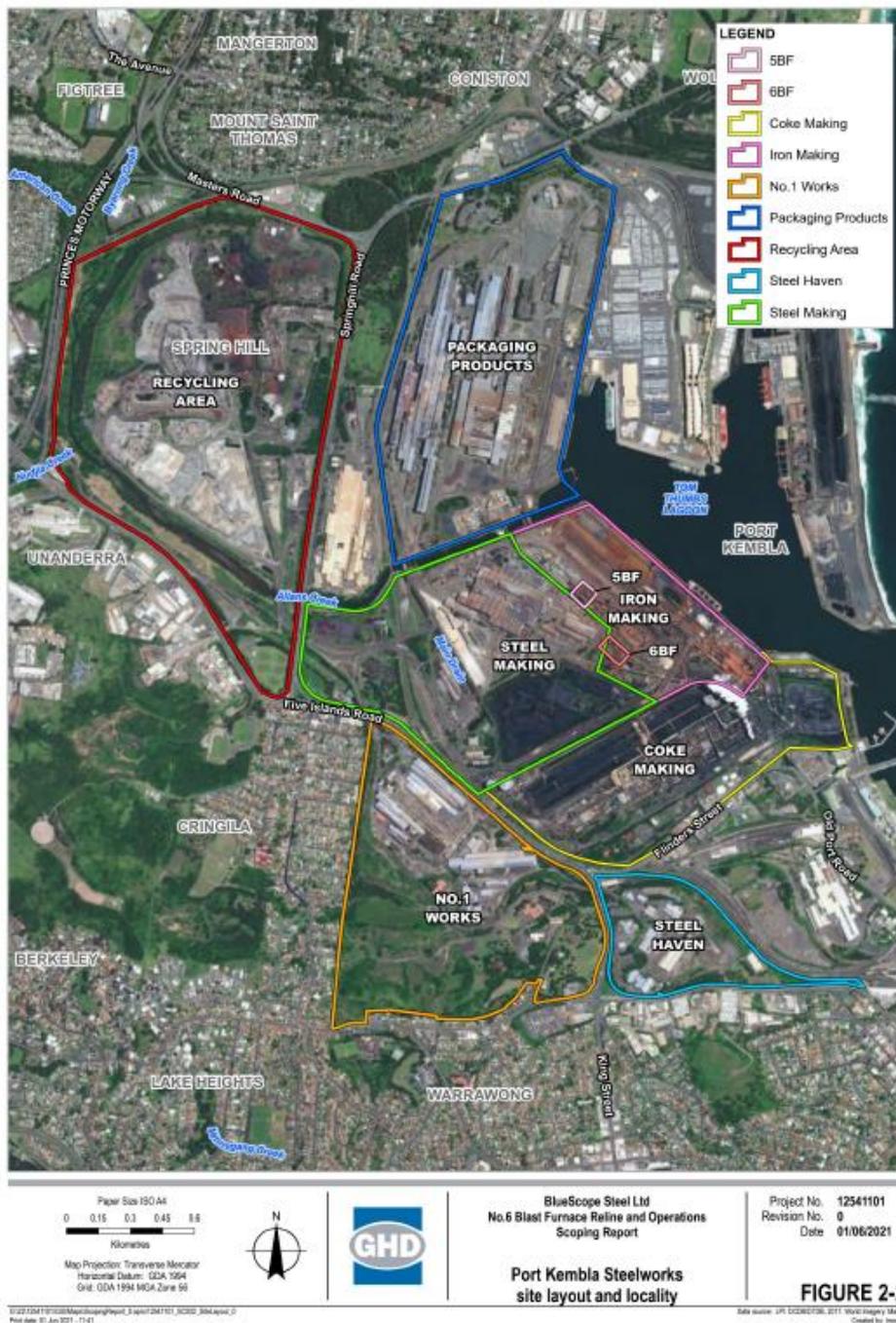


FIGURE 2-2

The steelworks site is a multi-use industrial area that includes storage, manufacturing, port berths, private internal roads and offices. It is predominantly cleared and provides minimal habitat value.

No statutory listed Aboriginal or historic heritage items have been recorded on the steelworks site. The nearest Aboriginal heritage item is located approximately 1500 m from the project.

Given this environmental context and the fact that the Port Kembla steelworks generates \$6.5 billion in regional output per annum and supports approximately 4,500 direct jobs at the site as well as an estimated 10,000 indirect jobs in the region, RDA Illawarra believes that the continuation of BlueScope operations on the site exhibits the highest and best use of the land.

Summary

BlueScope is seeking critical State significant infrastructure (CSSI) approval by the Minister under Section 5.13 of the Environmental Planning and Assessment Act 1979 (EP&A Act) for the proposed reline of its No. 6 Blast Furnace at Port Kembla, which is currently non-operational.

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It will also secure nearly 4,500 direct jobs at the site (BlueScope employees and full-time contractors) as well as an estimated 10,000 indirect jobs in the region – many of them skilled and in advanced manufacturing.

The three-year construction period will employ approximately 250 full time equivalent (FTE) workers that will inject \$AU117 M into the regional economy for each year of the project and deliver nearly 400 indirect jobs in addition to those directly engaged in the construction work.

Failure to gain approval to proceed with the reline of No. 6 Blast Furnace at Port Kembla means that steelmaking operations are not guaranteed to continue past 2026, resulting in major job losses, significant economic impact on the State and critical sovereign risk for Australia.

RDA Illawarra supports BlueScope's No. 6 Blast Furnace reline project as it will address the following regional and national issues:-

- ▶ Security of Supply Chain (Sovereign Risk)
- ▶ Retention of Jobs in the region and within NSW
- ▶ Economic Growth of the Illawarra
- ▶ Highest and Best use of land.

RDA Illawarra supports the application and is of the opinion that the reline is essential to the State for economic and social reasons.

¹ AEC Input-Output Model accessed using DataAU on 12 April 2022 - Appendix A

Input-Output modelling in this report estimates the direct and flow-on activity expected to be supported by No 6 Blast Furnace Reline within the Illawarra economy. A description of the Input-Output modelling framework used is provided.

The following economic output stimulus within the Illawarra economy was modelled within the Input-Output model:

Sector	Shock (# Jobs)
2023	
Construction	250
TOTAL	250

Sources Used in Developing the Input-Output Model

ABS (2012). Census of Population and Housing 2011 - Employment by Place of Work. Cat. No. 2068.0. Australian Bureau of Statistics, Canberra.

ABS (2017). Census of Population and Housing 2016. TableBuilder. Australian Bureau of Statistics, Canberra.

ABS (2021a). Australian National Accounts: Input-Output Tables - Electronic Publication, 2018-19 tables. Cat. No. 5209.0.55.001, Australian Bureau of Statistics, Canberra.

ABS (2021b). Labour Force, Australia, Detailed, Quarterly. Cat. No. 6291.0.55.003, Australian Bureau of Statistics, Canberra.

ABS (2021c). Wage Price Index, Australia. Cat. No. 6345.0, Australian Bureau of Statistics, Canberra.

DoESE (2021). Small Area Labour Market Data. Department of Education, Skills and Employment, Canberra.

Flegg, A.T., Lamonica, G.R., Chelli, F.M., Recchioni, M.C. and Tohmo, T. (2021). A new approach to modelling the input-output structure of regional economies using non-survey methods. *Journal of Economic Structures*, 2021, 10:12.