

17 February 2011

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

By email: community.affairs.sen@aph.gov.au

Dear Sir/ Madam,

## Re: Inquiry into the Social and Economic Impact of Rural Wind Farms

Thank you for the opportunity to make a submission to the Senate Community Affairs Committee Inquiry into the Social and Economic Impact of Rural Wind Farms. Our submission addresses the topic of the economic impact of rural wind farms.

BlueScope Steel is an Australian listed company (ASX: BSL) and the leading producer and supplier of flat steel products in the Australian market. BlueScope Steel produces products that include slab, hot rolled coil, cold rolled coil, plate and value-added metallic coated and painted steel products. The company's principal markets are the domestic building and construction (commercial, residential and engineering/infrastructure), automotive and manufacturing industries.

The company's largest manufacturing site in Australia is the internationally competitive, 5.3 million tonne per annum integrated steelworks at Port Kembla, in New South Wales.

BlueScope Steel makes a significant contribution to the economy, particularly in regional areas, including through its employment of nearly 9,000 people at manufacturing sites in Western Sydney and the Illawarra region in NSW, and at Western Port in Victoria.

In addition, businesses and suppliers to BlueScope Steel benefit economically, as evidenced in the Illawarra, where BlueScope Steel's total employment contribution (direct and indirect) is some 12,104 full time equivalent jobs, and a \$2.2 billion contribution to gross regional product.

Large-scale wind farms are an important market for BlueScope Steel's products. Supplying wind farms is one of a number of ways in which our steel products make a contribution to sustainable development. Other examples include: light weight steels for building applications; thermally efficient steel roofing and cladding products; steel consumed in other renewable energy infrastructure such as solar power plants; steel products for rainwater harvesting and for recycled water applications; and steel for lower-emissions gas pipelines.

On average, each wind tower in a large-scale wind farm consumes around 150 tonnes of steel plate and total plate consumption per farm can exceed 20,000 tonnes. To meet the Federal Government's Large Scale Renewable Energy Target (LRET), an estimated 10,000 MW of wind development may be needed by the year 2020 (which could absorb an estimated 50,000 tonnes of steel per annum, on average).

BlueScope Steel Limited
ABN 16 000 011 058
Engineering Building
Five Islands Road
Port Kembla NSW 2505
PO Box 1854
Wollongong NSW 2500
Telephone +61 2 4275 3943
Facsimile +61 2 4275 7867
www.bluescopesteel.com

As a potential supplier of plate steel for domestic wind tower fabrication in Australia, wind farms can deliver significant economic benefits, not only to domestic steelmakers, but importantly to the entire domestic manufacturing and fabrication supply chain associated with these developments. All three domestic wind tower fabricators are customers of BlueScope Steel.

Since the financial crisis in 2008, many manufacturers and fabricators have been negatively affected by the economic down-turn in sectors in which they operate. In addition, a long term trend to global sourcing by some major project proponents in the resources and infrastructure sectors has resulted in projects that would previously have been supplied by domestic manufacturers being lost to imported steel products and imported fabricated/finished products.

Manufacturers and fabricators supplying the wind farm sector have positioned themselves to support the opportunity afforded by the LRET and the move to increase the proportion of electricity generated from renewable sources. However, low Renewable Energy Certificate (REC) prices for large scale generation have stalled investment. As a result, domestic wind tower fabricators have scaled down their work forces and some fabricators are seeking opportunities outside the sector. If our wind tower manufacturing customers are forced from this sector, BlueScope Steel will also lose a significant opportunity to supply steel into the domestic marketplace and contribute to sustainable development.

Ultimately, there will be flow-on consequences for wind farm developers and turbine manufacturers who can currently access local, flexible steel supply and tower fabrication for projects. Without a local manufacturing and fabrication industry, all towers will need to be sourced from overseas sending the economic benefits, including jobs, offshore.

Large scale wind farm developments provide a new market opportunity for Australian manufacturers and fabricators and can deliver economic and employment benefits for regional areas and suppliers and contractors to the sector. With this in mind, BlueScope Steel supports the development of the sector.

Yours sincerely

Steve Gregson

Acting General Manager - Industrial Markets