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BUREAU OF STEEL MANUFACTURERS OF AUSTRALIA (BOSMA)

Submission in response to

Commonwealth House of Representatives Environment Committee Inquiry

- **streamlining environmental regulation, 'green tape' and one stop shops April 2014**

Submission Endorsed by:

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INTRODUCTION

The Bureau of Steel Manufacturers of Australia (BOSMA) has prepared this submission in response to the Media Release issued by the Commonwealth House of Representatives Environment Committee on 27 February 2014 advising that it will conduct an inquiry into streamlining environmental regulation, 'green tape' and one stop shops for environmental assessments and approvals. This submission is prepared on behalf of BlueScope Steel Limited and Arrium Limited.

BlueScope and Arrium are the leading manufacturers and distributors of steel products in Australia. In total, BlueScope and Arrium together employ around 17,000 people across several hundred sites, generate a combined annual revenue of approximately \$14 billion and service customers in a variety of industries, including the building & construction, manufacturing, infrastructure and agriculture sectors.

Steel is a fundamental building block of any modern society and, as such, a domestic steel manufacturing capability is an important and strategically valuable asset, critical to Australia's future economic security and prosperity.

Whilst the steel industry is a significant contributor to the Australian economy, it is only small in terms of global steel production and is increasingly under pressure from import competition as a result of factors such as excess global steelmaking capacity, the high Australian dollar, and continuing weak demand in key domestic markets.

BOSMA has engaged in ongoing dialogue with Federal and State governments in relation to the development of various policies and remains keen to contribute to policy development to ensure that government policy is delivered in the most cost effective and efficient way.

For further information or clarification in relation to this submission, please contact Brett Bancroft, National Manager – Energy & Carbon (**Arrium**) on tel: or Paul Wright, Environment Manager – Resource Efficiency & Climate Change (**BlueScope**) on tel:

SUBMISSION AGAINST TERMS OF REFERENCE

1. Jurisdictional arrangements, regulatory requirements and the potential for deregulation

BOSMA notes that the Government has approved the framework for achieving a one-stop shop to streamline environmental approvals.

It is the Governments intent that the one-stop-shop will reduce red tape and increase jobs and investment, whilst maintaining environmental standards.

The Government has stated that it will achieve the one-stop-shop through a three stage process:

1. Signing a Memorandum of Understanding with each of the willing states on the key principles and confirming co-operation on achieving a single process
2. Agreement on bilateral assessments and updating those which have already been in place with willing states
3. Agreement on bilateral approvals within 12 months with willing states

One area where the 'one-stop shop' approach could be applied is the approvals process under the *Environment Protection and Biodiversity Conservation Act 1999* (**EPBC Act**).

In BOSMA's view, state government agencies are better placed to assess EPBC referrals given they generally have the benefit of a wider pool of up-to-date and region specific information.

In addition, in the case of EPBC referrals for mining in South Australia, it is our understanding that the federal agency requires a state PEPR approval (mining approval) prior to making an EPBC referral and, therefore, for efficiency purposes alone the same agency is better placed to undertake the EPBC assessment during the same process.

For these reasons, BOSMA would support the delegation of EPBC approvals to state governments removing the need for project proponents to obtain separate State & Commonwealth approvals.

2. The balance between regulatory burdens and environmental benefits

BOSMA supports the need to ensure that any regulatory burden imposed on industry is assessed and tested against the environmental benefit resulting from it. As described in Section 3 (below) the high level of regulation imposed by the Energy Efficiency Opportunities Program cannot be balanced against the limited benefits that can be truly attributed to the program itself. Australian Industry has consistently argued that industrial energy efficiency improvements are achieved through sensible and informed business decision making and not as a result of this onerous regulatory requirement.

3. Areas for improved efficiency and effectiveness of the regulatory framework

BOSMA believes there are a number of areas where the efficiency and effectiveness of the regulatory framework can be improved including:

A. Energy Efficiency Opportunity Program (EEO)

BOSMA believes that the introduction of the Emission Reduction Fund (ERF) should be accompanied by the rationalisation of the many State and Federal GHG abatement initiatives.

The Productivity Commission review in 2011 identified over 230 overlapping energy efficiency and greenhouse gas abatement policy initiatives at a federal and state level. BOSMA shares the Productivity Commission concerns that many state and federal policies address the same issues, increasing the administrative burden on business for no additional benefit.

Broadly, the Australian Steel Industry has faced significant increases in the cost of energy in recent years. Electricity costs have risen substantially due to large increases in network

costs, the cost of environmental schemes (particularly the Renewable Energy Target) and the impact of the carbon tax. Natural gas costs are rapidly increasing on the back of increasing demand from the Gladstone LNG projects and are forecast to more than double over the coming years. Higher natural gas costs will also place upward pressure on electricity costs. While the repeal of the carbon tax may ease the pressure to some extent, energy costs are still expected to remain well above historical levels. BOSMA believes that the high cost of energy will act as a sufficient driver for energy efficiency improvements without the need for additional regulation such as the Energy Efficiency Opportunities (EEO) program.

The regulatory burden imposed by the scheme has a significant direct cost impact on industry, and diverts technical and engineering resources away from business priorities, including energy efficiency activities, to satisfy the reporting obligations and the maintenance of systems to support compliance. This is an unnecessary cost impost that generates no measurable value to organisations that are already managing energy productivity within their existing operational and improvement processes.

Further, the funding available through the Emissions Reduction Fund will provide additional incentive for the development of business cases supporting energy efficiency and greenhouse gas abatement projects.

For these reasons, BOSMA is of the strong view that the EEO program should be abolished.

However, if the EEO program is to be continued, BOSMA would argue that companies that are required to comply with the Safeguard Mechanism should have no further compliance obligations under the EEO program.

Additionally, BOSMA would be concerned if individual State jurisdictions attempt to introduce a carbon pricing or penalty scheme in lieu of a Federal carbon pricing mechanism.

Recommendation: BOSMA recommends that the government pursues consolidation of State and Federal GHG abatement efforts and, in particular, removes the additional regulation and administrative burden associated with the EEO program.

B. Different State and Federal Programs

The Federal Government and State Governments through COAG need to re-energise their efforts in harmonising state and federal schemes, particularly in regard to energy efficiency programs. However, this harmonisation must involve careful review and consultation, with implementation step-wise over a period, to ensure that the best and most efficient schemes are adopted, and to avoid the worst facets being replicated across Australia.

Recommendation: BOSMA recommends that the government through COAG needs to re-energise their efforts in harmonising state and federal schemes, particularly in regard to energy efficiency programs.

C. National Greenhouse & Energy Reporting Scheme (NGERS)

Several reviews have been undertaken by Government since NGERS inception seeking to identify areas where streamlining could be achieved. However, the outcomes so far have been very minor.

Further efforts by Government should focus on:

- Developing the significant opportunities available to reduce duplication in energy and greenhouse reporting between government agencies, in particular through the alignment and incorporation of the ABS and ABARE reporting requirements with the NGERS system.
- Increasing the emission, energy, and percentage thresholds in Regulation 4.26 thereby allowing business's more flexibility in the reporting of low and non-material emissions and energy consumptions for small sites.
- The removal of the accounting of oils & greases at a company facility level as such greenhouse contributions are extremely small for the work accounting for hundreds of oils and greases that may be used in a company. It has been previously suggested to Government that it is better to put the onus on manufacturers/sellers/importers of such materials to report the volumes sold into the market as the basis for estimating CO₂-e contributions for the National Greenhouse Gas Inventory (NGGI).

Recommendation: BOSMA recommends that the government pursues a more robust review of NGERS streamlining.

D. Revisions to Legislation

Where the government is seeking comment on proposed changes to legislation and guidelines, it would be of great assistance to industry if a 'tracked change' version of any amended documentation could be provided to clearly identify any changes that are made during the consultation process. In the past, BOSMA's members have spent significant amounts of time comparing different versions of draft legislation to identify changes that have been made. Often commentary provided with the draft legislation does not identify all changes and, as such, business cannot rely solely on the commentary in providing comments to the government.

Recommendation: BOSMA recommends that, during consultation processes, any amendments to proposed draft legislation are shown as 'tracked changes' so that all changes can be easily identified by industry.

4. Legislation governing environmental regulation, and the potential for deregulation

No recommendations offered.