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STEELMAKERS NEGOTIATE SECTORAL DEAL ON CARBON TAX

BLUESCOPE SECURES SHARE OF \$300 MILLION CARBON TAX ASSISTANCE PACKAGE

BlueScope today said the Government's proposed new Steel Transformation Plan (STP) recognised the Company's long-standing call for a sectoral approach to a carbon tax in Australia.

BlueScope Steel Managing Director and CEO, Mr Paul O'Malley acknowledged the Government's \$300 million four-year transitional support package for the steelmaking industry. "This is a pragmatic solution to a complex problem," he said.

"The STP will provide funds to minimise the impact of the carbon tax on the Australian steel industry for the first four years. It provides for an independent review mechanism to assess the impact of the carbon tax and other unrelated factors on the steel industry. And it signals the Government's intention to limit the potential pass-through of Scope 3 coal emissions costs onto steelmakers," Mr O'Malley said.

"In summary, the STP materially reduces the overall cost of the carbon tax on BlueScope. It is a substantially better outcome than the CPRS scenario presented in our ASX release of 3 May, 2011," Mr O'Malley said.

He said while the effect of the STP on carbon removed one significant hurdle the Company presently faced, BlueScope was also facing other macroeconomic challenges; including the high \$A, high raw material costs, low domestic demand and low prices. "The Company is fully engaged in how best to address these significant challenges, and we will update the market at our annual results presentation on 22 August, or as appropriate".

Commenting further on the STP, Mr O'Malley said, "The STP legislation and regulations are yet to be finalised, but the Government has worked with the Australian steel industry to achieve an outcome which recognises it is trade-exposed and that international competitors are not currently subject to such a tax.

"The Government has listened to our arguments and our deep concerns about the carbon tax. In the STP it has produced a package that, if implemented as explained to us, deals with the steel sector's carbon tax issues in a significant way for the first four years", Mr O'Malley said.

"We recognise the wider community pressures surrounding this issue and we have worked to achieve the best outcome available for the Company, our shareholders, customers and partners in the value chain."

Specifically, the Steel Transformation Plan provides for:

- \$300 million available over four years, to eligible Australian steel manufacturers to provide support for innovation, investment and production. It will be split approximately 60% to BlueScope Steel and 40% to OneSteel based on an agreed production/emissions formula.
- Funding to be paid 6-monthly in arrears, to support eligible expenditure on existing EITE activities including slab-making and hot rolling, plus cold rolling, metallic coating and painting.
- A review to be conducted if steel companies believe the impact of the carbon price mechanism has been greater than expected, or if other matters, such as macroeconomic circumstances, have affected the competitiveness of the industry.

Commencement of the Plan is contingent on commencement of the Government's carbon price mechanism. Under its broader terms, the Government will provide a 10% increase in permit allocation relating to slab production commencing in 2016/17 for two years, with the potential to become permanent subject to the normal review of EITE assistance by the Productivity Commission.

The Government will request that the Productivity Commission monitor the impact of carbon prices on major internationally competitive industry sectors, including steel. The Commission will make recommendations about ongoing carbon pricing arrangements for these sectors in Australia.

The Government will also commit to an independent review process to monitor and assess evidence if suppliers of coal attempt to pass through cost increases resulting from the application of the carbon pricing scheme to their businesses (so-called 'Scope 3' costs).

Mr O'Malley said the company will prepare an annual Clean Technology Report to the Government, specifying the measures it has taken to reduce emissions and improve its environmental footprint.

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