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## **Australian Steel Institute ASI**

**Submission to AASB Sustainability Reporting Exposure**

**Draft – EDSR1**

**Disclosure of Climate Related Financial Information**

## **Submission to AASB Sustainability Reporting Exposure Draft, EDS1, Disclosure of Climate Related Financial Information**

The Australian Steel Institute (**ASI**) is pleased to make a submission to the Australian Accounting Standards Board on EDS1.

### **Introduction – The Australian Steel Industry**

The ASI is our nations peak body representing the entire steel supply chain, from the primary producers through to end users in building and construction, resources, heavy engineering and manufacturing.

Its membership base includes approximately 6,000 individuals that are associated with more than 500 corporate memberships and over 350 individual memberships.

A not-for-profit member based organisation, the ASI's activities extend supporting Australian steel industry jobs and a highly sustainable and prosperous industry, stakeholder advocacy and support, steel excellence, standards and compliance, training, events and publications.

The Australian steel industry consists of four primary steel producers, supported by over 300 steel distribution and processing sites throughout the country and hundreds of manufacturing, fabrication and engineering companies.

Australia produces around 6 million tonnes of steel per annum across five major manufacturing locations. It is important to note the economic and social contribution of the Australian steel industry. It employs over 100,000 people and generates \$29 billion in annual revenue, and is associated with a disproportionately large share of skilled jobs in regional and rural areas.

The steel industry is a key enabler for the nation's renewable energy transition and associated legislated climate targets. Between now and 2030 it is estimated that at least 400,000 tonnes of extra fabricated steelwork will be required per annum to service over 23 GW of existing renewable energy generation projects across wind, solar, water and transmission infrastructure.

### **ASI Submission**

The Australian steel industry supply chain supports the Commonwealth Governments commitment to introduce business entity reporting and Disclosure of Climate Related Financial Information, as a critical requirement to measure and reduce GHG emissions.

Whilst we are a difficult to abate industry, our members continue to work extremely hard on reducing GHG emissions across the entire supply chain, invest heavily in

emissions reduction R&D, and finance and resource major emissions reduction initiatives. We recognise the important role our industry must play, and as such ASI planned and rolled out [Steel Sustainability Australia](#) during FY23.

We would like to raise a number of issues and risks we have on the *draft* EDS1 Disclosure of Climate Related Financial Information, reporting requirements. These issues are largely related to Group 3 entity, small to medium size business cohort, which constitutes a significant number of our Australian steel industry members.

Several key issues and risks we wish to raise are as follows:

- In order to achieve a successful rollout and outcomes across the entire steel industry supply chain, Climate Related Financial Disclosure reports must be kept simple for all participating entities, uncomplicated, not be an administrative burden and cost prohibitive for all entities, many of which do not have specialised sustainability resources. Due to their limited management resources, reporting entities in Group 3 are likely to find it difficult to undertake Climate Change scenario analysis and planning for such assessments.
- It is proposed for the mandatory reporting to include Scope 3 assessments from the second year of reporting. The steel industry supply chain is most complex and dynamic, and many of the small to medium entities which qualify for Group 3 will find it extremely difficult to get access to accurate and qualified Scope 3 data. Furthermore our industry relies on a mix of locally manufactured steel products and globally sourced steel, and many participants across the steel value chain do not have full access to LCA data and Environmental Product Declarations. Many in this cohort will rely on third parties for this information which could often be estimates and therefore prone to inaccuracy. Having all three Groups entities report on Scope 3 emissions whilst providing an iron clad guarantee on the accuracy of the information via audited certification and assurance would likely initiate a legal risk, even though the draft offers a temporary suspension on legal liability during the transition period. Could such occurrences also provide unintended consequences through some entities not wishing to supply customers due to uncertainty and legal risk for select projects?
- The very broad steel industry supply chain will need to continue to build a much larger base of skills and experience in climate related financial disclosure reporting to meet the new systems vast growth in demand. This includes both steel industry members and the accounting sector for auditing and assurance needs. Such a skills and resourcing transition for all Australian reporting entities needs will be astronomical, and this may well take years to build up to a point where today's Groups 1-3 entities can be adequately serviced.

In summary, the ASI is supportive of the need to roll out appropriate Climate Related Financial reporting for our industry, however this reporting transition time frame must be clearly assessed in line with complete availability of all data needs, and resources requirements, for all of the three Group entity cohorts. The ASI recommends the reporting of Scope 3 emissions for all participating entities should be voluntary until AASB has fully assessed and is absolutely certain that all reporting participants have access to high quality and accurate data for all reporting requirements. ASI concurs that all Climate Related Financial reporting must meet and be aligned with global steel industry best practice reporting, which at some levels across the steel value chain is still a work in progress.

There needs to be a rigorous process undertaken by the Commonwealth Government which assesses the readiness of all industry participants. This needs to incorporate a detailed industry wide readiness assessment, education and awareness program which will need to run for a considerable period. Whilst such climate change business reporting is necessary, this will bring massive change and initiate high risk to industry members if rolled out prematurely.

Yours sincerely

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