10 October 2025

Submission - Inquiry into the role of Western Australia in the global effort on decarbonisation

Australasian Centre for Corporate Responsibility

Attn: Economics and Industry Standing Committee

Submitted online

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On behalf of the Australasian Centre for Corporate Responsibility

Introduction

The Australasian Centre for Corporate Responsibility (ACCR) is pleased to participate in the Inquiry into the role of Western Australia in the global effort on decarbonisation.

ACCR is a philanthropically-funded, not-for-profit, research and shareholder advocacy organisation, focused on the investment risks and opportunities brought about by the global energy transition. We closely monitor how climate-related risks are being managed by a selection of heavy-emitting companies, and we enable institutional investors to engage effectively with these companies.

Our response to this inquiry is focused on the following points:

- LNG is a legacy fossil fuel, which is being displaced by cheaper, cleaner and faster to deploy renewables.
- the LNG sector has a commercial interest in the ongoing use of fossil fuels, and any public policy contributions made by the sector should be understood in this context.
- WA has a material opportunity to contribute to global decarbonisation by converting our vast iron ore resources to iron metal.

We would welcome the opportunity to discuss this submission further.

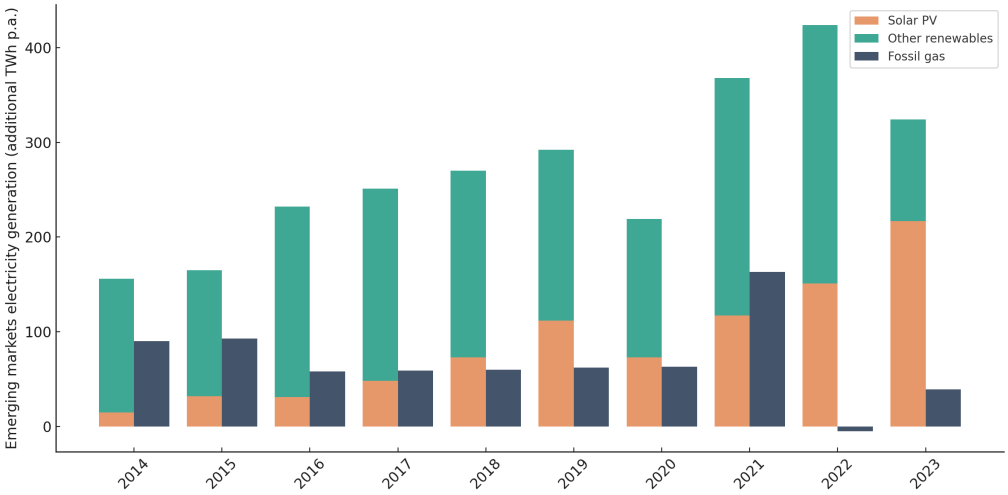
Response

1. The pathways our major trading partners have to decarbonising and the potential for Western Australia to contribute through: a) LNG exports, to provide energy security as they exit coal and transition to renewable energy.

WA's LNG does not have significant potential to enhance the decarbonisation or energy security of Australia's trading partners, because decarbonisation is driven by renewables.

Renewables are capturing an increasing share of the energy market. This is because they are cheaper, cleaner and faster to deploy than LNG. Renewables also reduce reliance on imports, improving domestic energy security in times of geopolitical uncertainty.[1]

Figure 1 Renewables are growing 8x faster than gas generation in emerging markets[2]



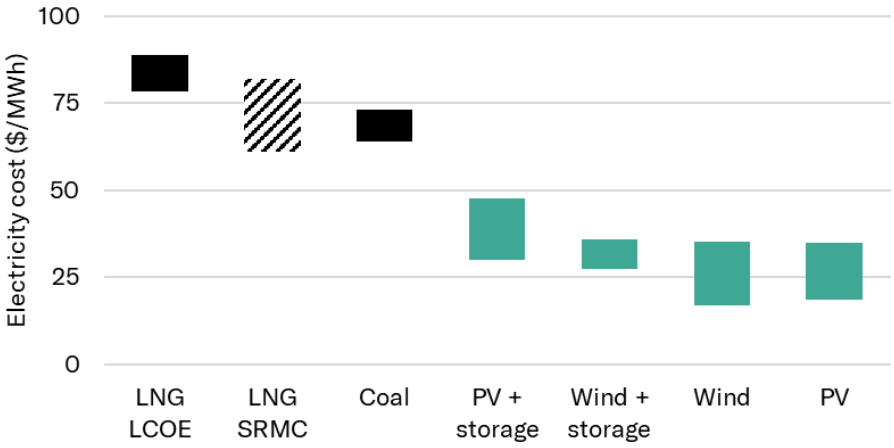
For LNG to compete with renewable electricity, LNG prices would need to drop by more than 50%, to below US$5/MBtu. This is below the cost of production for most of the world's LNG supply, including Western Australia's latest LNG project Scarborough/Pluto 2, which cost ~US$6.50/MBtu.[3]

[1] ACCR, 2025, Investor Briefing: Shell's gamble on gas, 2025, slides 17-18 and 24. US$5/MBtu is determined based on adjusting the gas price in BloombergNEF's LCOE model, assuming a 50% gas generator efficiency.

[2] ACCR, 2025. Analysis presented in *Investor Briefing: Shell's gamble on gas*, https://www.accr.org.au/research/investor-briefing-shell%E2%80%99s-gamble-on-gas/, slide 24. Analysis uses IEA, WEO 2024 data, interpolated using CAGRs where raw data was not available.

[3] Woodside, Scarborough FID Teleconference and Investor Presentation, 2021, p4. We adjusted the quoted US$5.8/MBtu for inflation, to reach US$6.50.

Figure 2 LNG is not a cost competitive electricity source in China[4]



Emerging markets are highly price sensitive. Many are already leapfrogging LNG, due to the cost advantages of renewables and the added energy security that locally produced renewables provide. For example, in the first six months of 2024 Pakistan imported 13GW of solar panels.[5] It is now delaying and redirecting its contracted LNG cargoes.[6] These changes are materially eroding projected fossil fuel demand. Since 2021, the International Energy Agency's projections for solar capacity have more than tripled, whilst projections of gas growth have decreased by 120% (and 90% for oil).[7]

Some LNG importing countries are reducing their reliance on LNG. Japan's latest Strategic Energy Plan seeks to reduce reliance on imported thermal power in favour of domestic nuclear and renewable energy.[8] Japan is increasingly reselling its LNG imports, contrary to its claims it needs the fuel for energy security,[9] while its efforts to create LNG demand in emerging Asian markets by investing along the value chain are yet to bear fruit and continue to face considerable uncertainty. Japan's financing of the LNG value chain has not generated

[4] ACCR, 2025, Investor Briefing: Shell's gamble on gas, https://www.accr.org.au/research/investor-briefing-shell%E2%80%99s-gamble-on-gas/, slide 25.
[5] Bloomberg, August 2024, 'Pakistan Sees Solar Boom as Chinese Imports Surge, BNEF Says', https://www.bloomberg.com/news/articles/2024-08-09/pakistan-sees-solar-boom-as-chinese-imports-surge-bnef-says.
[6] Pakistan Today, January 2025, 'SNGPL seeks PLL's intervention to address surplus RLNG cargoes for 2025', https://profit.pakistantoday.com.pk/2025/01/25/sngpl-seeks-plls-intervention-to-address-surplus-rlng-cargoes-for-2025/#:%7E:text=Pakistan%20imports%2010%20LNG%20cargoes%20monthly%2C%20with%20nine,sector%20unable%20to%20fully%20utilise%20its%20allocated%20LNG.
[7] Refers to the change in demand between 2025 and 2050 in the IEA's Stated Energy Policy Scenarios.
[8] ACCR, February 2025, 'Investor Bulletin: What Japan's new Strategic Energy Plan means for J-POWER', https://www.accr.org.au/insights/investor-bulletin-what-japan%E2%80%99s-new-strategic-energy-plan-means-for-j-power/.
[9] IEEFA, May 2025, 'Churn and earn: How Japan cashes in on resales of Australian LNG at local gas users' expense', https://ieefa.org/articles/churn-and-earn-how-japan-cashes-resales-australian-lng-local-gas-users-expense.

significantly more demand in emerging Asian markets, with most of the LNG Japan resells still going to existing, mature markets.[10]

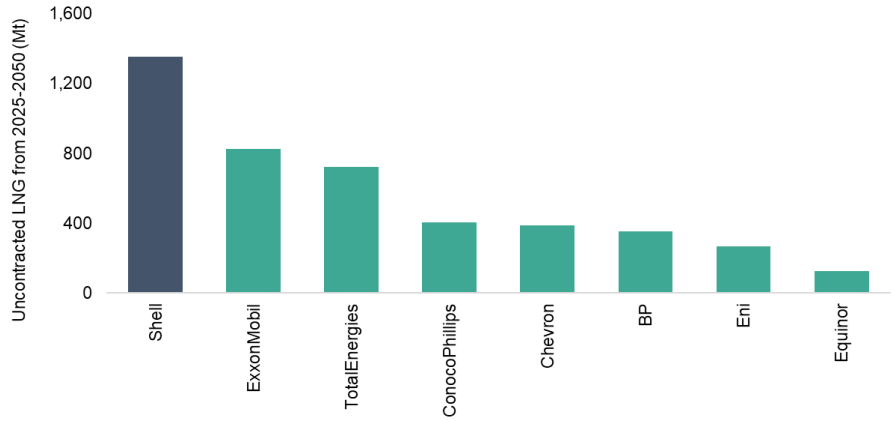
Claims by the LNG sector that it can contribute to the decarbonisation of our major trading partners should be carefully scrutinised.

LNG producers – including in Western Australia - have a multi-billion dollar incentive to exaggerate the future role of LNG, due to their large, uncontracted LNG portfolios.

Shell, for example, has more than 1 billion tonnes of uncontracted LNG that it needs to sell before 2050, which is worth over US$500 billion at current prices.

Woodside, BP and Chevron each have 400 Mt of uncontracted LNG to sell before 2050.

Figure 3 Shell has over 1.4 billion tonnes of uncontracted LNG between 2025 and 2050[11]



The reality for the oil and gas sector is that it is a chronic underperformer – it has delivered lower shareholder returns than every other sector on the MSCI over the last decade – and it faces an even more challenging future as policy and clean technology continue to place downward pressure on oil and gas demand.

[10] IEEFA, 2024, *Japan's LNG resales into overseas markets hit record high in FY2023 as domestic demand plummeted*, https://ieefa.org/resources/japans-lng-resales-overseas-markets-hit-record-high-fy2023-domestic-demand-plummeted; IEEFA, 2025, *How Japan cashes in on resales of Australian LNG at the expense of Australian gas users*, https://ieefa.org/resources/how-japan-cashes-resales-australian-lng-expense-australian-gas-users.

[11] ACCR, 2025, *Investor Briefing: Shell's gamble on gas*, https://www.accr.org.au/research/investor-briefing-shell%E2%80%99s-gamble-on-gas/, slide 9, ACCR analysis of Rystad Energy Data.

Figure 4 The oil and gas sector has delivered lower shareholder returns than every other sector over the last decade[12]

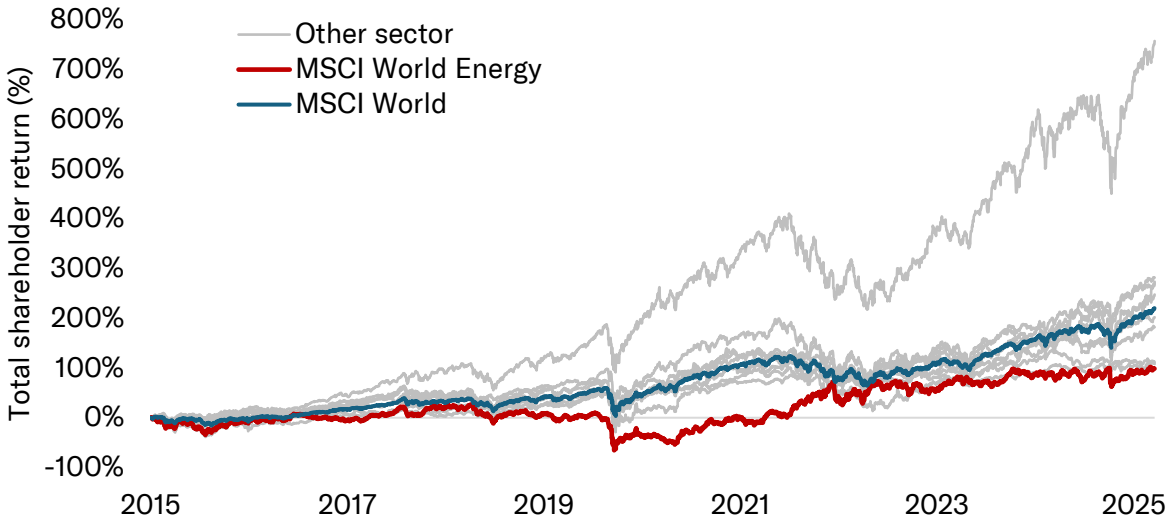
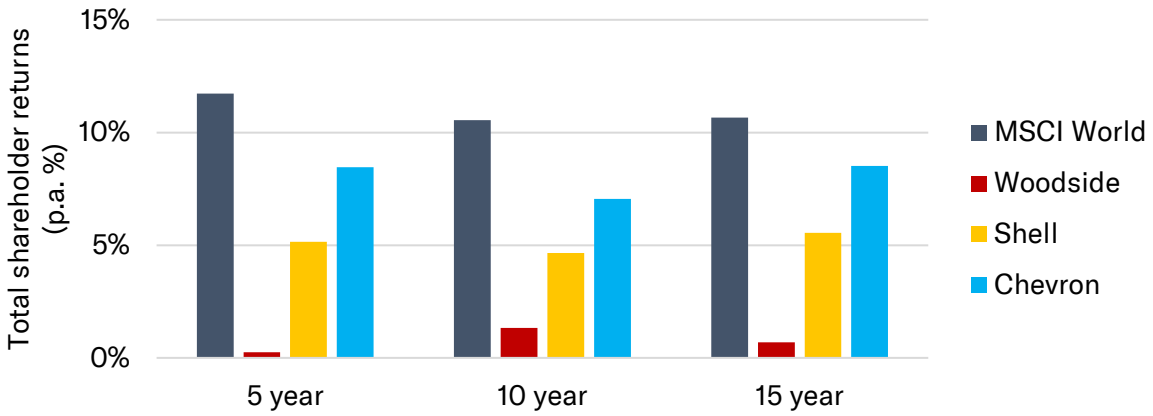


Figure 5 Woodside, Shell and Chevron have all underperformed the global share market[13]



The LNG industry's claims that LNG will help improve energy security and enable decarbonisation in Asia have come under question. For example, Woodside's claim, including in official regulatory applications, that gas produced from the Scarborough project would reduce global emissions by replacing thermal coal in Asian markets. It made this claim even after research it commissioned CSIRO to undertake in 2019 found that without a global carbon price, more Australian LNG exports would increase emissions in Asia, prolong coal use and displace renewables.[14]

ACCR has refuted similar claims in previous analysis, outlining how Australian LNG was not materially displacing coal in Asia because it was too expensive, even for short duration firming of renewables.[15] Whilst there have been examples of (non-liquefied) gas displacing coal, such

[12] ACCR analysis of Bloomberg data. TSR calculated on a USD basis for 10 years ending 30 June 2025.

[13] ACCR analysis of Bloomberg data. TSR calculated on a USD basis for periods ending 30 June 2025.

[14] Grieve, 2022, *Woodside contradicts CSIRO report debunking key climate claims*, https://www.smh.com.au/business/banking-and-finance/woodside-contradicts-csiro-report-debunking-key-climate-claims-20220307-p5a2d5.html

[15] ACCR, 2022, 'Facts Over Fiction: Debunking Gas Industry Spin', https://www.accr.org.au/research/facts-over-fiction-debunking-gas-industry-spin/

as in the US, this has occurred where gas is cheap and domestically produced. LNG is neither cheap nor domestically produced.

The think tank InfluenceMap has also refuted claims made by the LNG industry in consultation submissions to the Future Gas Strategy, that new Australian fossil fuel supply is required to support the decarbonisation of Australia's trading partners.[16]

In June 2025, the Asia Natural Gas & Energy Association (ANGEA), a LNG lobby group, published research it commissioned from S&P Global. ANGEA and its member company Woodside claimed the study showed that replacing coal with a "balanced" mix of LNG and renewables would reduce emissions in Asia. However, the study did not include scenarios that could reduce emissions by a greater amount by displacing both coal and most gas with renewables. This type of scenario could have been both cheaper and lower emissions – highlighting that increased LNG is not an effective way to decarbonise the region.

It avoided discussing this type of scenario by constructing its own lower emissions scenario that assumed variable renewables would be firmed with 20% hydrogen, which is implausible. Hydrogen is unlikely to form a meaningful part of the electricity system, let alone 20%, with CSIRO finding that hydrogen generated electricity is four times the cost of firmed, 90% variable renewable electricity.[17]

1. The pathways our major trading partners have to decarbonising and the potential for Western Australia to contribute through: c) Green iron

Western Australia has a significant opportunity to enable decarbonisation through the creation of green iron hubs.

WA is the world's largest exporter of iron ore, producing ~99% of Australia's iron ore exports and meeting 58% of global import demand.[18] With its exceptional solar and wind resources, WA has an opportunity to co-locate renewable generation, hydrogen production, and iron ore beneficiation to create globally competitive green iron hubs. Analysis by the Chamber of Minerals and Energy Western Australia in collaboration with Mandala suggests that WA could supply more than 14% of global green iron by 2050, reducing global emissions by 456 MtCO2 annually[19] - equivalent to almost Australia's entire domestic emissions.

ACCR's multi-year engagement with investors in iron ore and steel companies across Europe, Asia and Australia informs our view that investors are:

- ready to fund the transition to green steel if credible frameworks and corporate strategies are in place
- signalling appetite for WA and Federal government frameworks that underwrite and enable early projects
- increasingly sceptical of greenwash technologies

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[16] InfluenceMap, 2024, *Australia's Future Gas Strategy: Corporate Advocacy and Industry Narratives*, https://influencemap.org/briefing/Australia-Future-Gas-Strategy-26628#briefing_section-26658
[17] CSIRO (Graham, Hayward and Foster), 2024, *GenCost 2024-2025*, p. 76, https://www.csiro.au/-/media/Energy/GenCost/GenCost-2024-25-Final_20250728.pdf
[18] Mandala & Chamber of Minerals and Energy Western Australia, Realising WA's green iron potential, 2024, https://mandalapartners.com/reports/realising-wa-green-iron-potential
[19] Mandala & Chamber of Minerals and Energy Western Australia, 2024, *Realising WA's green iron potential*, https://mandalapartners.com/reports/realising-wa-green-iron-potential

- demanding tangible, near-term decarbonisation actions and capital investment
- prepared to escalate against laggards, raising reputational and commercial risks for unambitious companies – and by extension, WA.

Global investors are increasingly recognising that the decarbonisation of steel supply chains is essential to managing long-term financial risk. Steelmaking contributes 7-9% of global greenhouse gas emissions, with ~90% arising from coal-based blast furnaces.[20] In 2021, Agora Industry projected that more than 70% of existing coal-fired blast furnaces globally would require reinvestment decisions by 2030.[21] Whether these are relined with coal or replaced with genuinely green technologies will determine the sector's emissions trajectory for decades.

ACCR's 2024 global investor survey of 500 respondents across 34 countries found:[22]

- Support for green iron imports: 59% of investors support importing green iron from resource-rich locations, such as WA, as a practical solution for Asian steelmakers constrained by renewable energy.
- Definition matters: 81% agree green iron or steel cannot be produced with fossil fuels. This rules out "mass balance" accounting and carbon capture and storage (CCS) approaches, and underscores that gas does not make iron "green" in the eyes of global investors.
- Declining future for metallurgical coal: 68% foresee a global transition away from metallurgical coal; 80% believe its risk profile will increase in the next decade; and 46% already see reputational risk outweighing financial benefit.
- Demand for policy frameworks: 59% of global investors say effective climate policy will positively impact their portfolios.

Many reputable organisations have produced strong economic and industrial analyses of WA's green iron opportunities:

- Climate Energy Finance argues that green iron could double the value of Australia's iron exports to >A$250bn annually, while failure to pivot could halve revenues.[23]
- The Chamber of Minerals and Energy WA and Mandala identify a near-term opportunity of 4.5Mt of green iron from WA by 2030, requiring a ~A$37.5bn investment.[24]
- The Superpower Institute has shown that with production tax credits and CBAM-aligned certification, WA could become globally cost-competitive by the early 2030s. By 2060,

[20] International Energy Agency, 2020, *Iron and Steel Technology Roadmap,* https://www.iea.org/reports/iron-and-steel-technology-roadmap; ACCR, 2024, *Forging pathways: insights for the green steel transformation,* https://www.accr.org.au/research/forging-pathways-insights-for-the-green-steel-transformation/

[21] Agora Industry, 2021, *Global Steel at a Crossroads*, p.3, https://www.agora-energiewende.org/fileadmin/Projekte/2021/2021-06_IND_INT_GlobalSteel/A-EW_236_Global-Steel-at-a-Crossroads_WEB_V2.pdf

[22] ACCR, 2024, *Ahead of the game: investor sentiment on steel decarbonisation,* https://www.accr.org.au/research/ahead-of-the-game-investor-sentiment-on-steel-decarbonisation/

[23] Climate Energy Finance, 2024, *Green Metal Statecraft: Forging Australia's green iron industry*, https://climateenergyfinance.org/wp-content/uploads/2024/11/CEF_Green-Metal-Statecraft_FINAL.pdf

[24] Mandala & Chamber of Minerals and Energy Western Australia, 2024, *Realising WA's green iron potential*, https://mandalapartners.com/reports/realising-wa-green-iron-potential

this could translate into nearly A$400bn in annual export value, providing a natural hedge against the projected loss of around A$120bn in annual fossil fuel exports.[25]

- Recent announcements from ThyssenKrupp and Progressive Green Solutions demonstrates that buyers are willing to lock in long-term contracts with emissions-linked premiums when projects can credibly deliver green iron to CBAM-aligned standards. [26]

Despite these advantages, Australian iron ore majors remain under-invested in green iron.

- BHP has allocated just US$75m between 2025 and 2029 to steel decarbonisation, while continuing to expand metallurgical coal.[27]
- Rio Tinto has made modest commitments of US$200 – 350m to steel decarbonisation to 2030 but still lacks measurable Scope 3 (steelmaking emissions) long term targets.[28]

Investors increasingly view such allocations as insufficient compared to earnings and inconsistent with credible Paris-aligned pathways. There is growing investor frustration with this mismatch, with many investors signalling a willingness to escalate through voting, shareholder resolutions, and capital reallocation.

ACCR recommends the following actions for the WA Government to seize green iron opportunities:

1. Enable bankability: support early projects with targeted revenue support (e.g. contracts for difference, long-term energy service agreements) that pair energy and commodity offtakes, reducing financial risk.
2. Invest in enabling infrastructure: prioritise transmission, desalination, ports, and pelletising as common user assets to reduce barriers for first movers.
3. Shape markets and certification: develop CBAM-compatible certification and embed green iron bilateral trade diplomacy with Japan, Korea and the EU.
4. Mandate transparency: government support should be conditional on companies publishing credible, time-bound transition plans for iron and steel decarbonisation. These plans must outline interim and medium-term targets, specify investment pathways into DR-grade ore and green iron, and incorporate sunset clauses to ensure support does not prolong reliance on fossil-based ironmaking.

WA has a once-in-a-generation opportunity to pivot from exporting raw ore to exporting green iron. If realised, this would cut the equivalent of nearly Australia's entire annual emissions, add billions in export value, and position WA as a cornerstone of global steel decarbonisation.

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[25] The Superpower Institute, 2024, *A Green Iron Plan for Australia: Securing prosperity in a decarbonising world*, https://www.superpowerinstitute.com.au/work/green-iron-plan

[26] Business News (Tom Zaunmayr), September 2025, *Mid West green iron project signs offtake deal with Thyssenkrupp*, https://www.businessnews.com.au/article/Mid-West-green-iron-project-signs-offtake-deal-with-Thyssenkrupp

[27] BHP, 2024, *BHP's Climate Transition Action Plan (CTAP)*, https://www.bhp.com/sustainability/climate-change/climate-transition-action-plan; see also, ACCR, 2024, *Analysis: BHP's 2024 Climate Transition Action Plan*, https://www.accr.org.au/research/analysis-bhps-2024-climate-transition-action-plan/.

[28] Rio Tinto, *2025 Climate Action Plan*, https://www.riotinto.com/en/sustainability/climate-change; see also, ACCR, 2025, *Analysis: Rio Tinto's 2025 Climate Action Plan*, https://www.accr.org.au/research/analysis-rio-tintos-2025-climate-action-plan-cap/