‘Green steel’ is a job-destroying fantasy

This article followed on from [Gupta fiasco shows Greensteel is de-industrialisation by stealth]()

Anglo-Indian steel magnate Sanjeev Gupta was hailed as the “saviour of steel” before the collapse of his financier, Greensill Capital, revealed his international steelworks acquisition spree was funded by a mountain of unsustainable debt. Greensill’s demise also exposed Gupta’s drive to decarbonise heavy industry under his flagship “Greensteel” initiative—by converting steelworks into glorified scrap recyclers or by planning to use prohibitively expensive hydrogen instead of coal to produce primary steel—as a Potemkin village, with a façade of economic viability that was entirely dependent on Greensill’s now failed financial alchemy. Gupta’s Greensteel has jeopardised nationally important steelworks, such as at Whyalla in South Australia.[1] It was the first wave of a juggernaut pushed by multinational corporate giants, global financiers and international institutions hell-bent on pursuing “green industrial revolution” policies which demand billions of dollars from taxpayers while de-industrialising the global economy.

Greensteel goes global

With Greensill’s financing, Sanjeev Gupta, head of the Gupta Family Group (GFG) Alliance, was able to significantly advance a Greensteel/decarbonisation agenda despite doubts over the unproven technology. The realisation that the investment he attracted was a house of cards, and not so-called “smart money”, should force a re-evaluation of the legitimacy of his Greensteel agenda, but will it? Gupta was particularly favoured by British royal Prince Charles, a high-profile campaigner for decarbonisation under the auspices of climatechange activism. In February 2018 Prince Charles formally reignited an iconic furnace at a GFG-affiliated steel mill in South Yorkshire, giving high praise to Gupta, who was appointed an official ambassador for Prince Charles’s Industrial Cadets program shortly afterward. Two months later, Charles appointed Gupta his official ambassador for the Australian expansion of the program, which receives funding from Gupta’s GFG Alliance. Gupta’s campaign to decarbonise the steel industry aligned with Prince Charles’s own interests. In a September 2020 keynote speech at the World Economic Forum’s (WEF) Sustainable Development Impact Summit, Prince Charles demanded an international “Marshall Plan” to accelerate worldwide decarbonisation. The Prince launched his “Terra Carta” manifesto in January 2021, which called for “[c]arbon-neutral construction and infrastructure”, including “greening steel”.

Charles is patron of the Prince of Wales’s Corporate Leaders Group on Climate Change, which helped to found and lead the “We Mean Business Coalition” (WMB)—a global non-profit organisation founded in 2014 which involves nearly 2,000 multinational corporations, representing a total US$24.8 trillion market capitalisation, “committing to bold climate action”. WMB organised a 13 April 2021 open letter to US President Joe Biden, signed by US corporate giants including Apple, Facebook, Amazon, McDonald’s, Google, Nike and Starbucks, which “gave the administration the strong backing from the private sector to ensure its climate plans are bold enough to tackle the escalating climate crisis”, according to a 22 April 2021 WMB media release. The Biden Administration’s increased emissions-reductions targets and radical climate policies—which introduce alarming national security and “green imperialism” elements to its climate-change agenda[2] —were announced shortly afterward. WMB crowed that “[c]orporate America has helped to achieve a historic victory for climate ambition in the USA”, which would “unlock a wave of investment from the private sector…. Companies and investors at the forefront of this seismic shift are already benefiting with growth opportunities and new markets.”

In January 2021, the World Economic Forum announced We Mean Business as one of four core partners of WEF’s “Mission Possible Partnership” (MPP), a coalition of public and private partners aiming to decarbonise the global economy. MPP intends to operate as the “command centre” for accelerating global decarbonisation of heavy industry and transport, aiming to “propel a committed community of CEOs from carbonintensive industries, together with their financiers, customers and suppliers, to agree—and more importantly, to act—on the essential decisions required for decarbonising industry and transport in this decade.” Within five years, MPP aims to expand its “net-zero climate action agreements” into additional sectors, potentially including food and agriculture, an alarming proposition that would prevent or even reverse technological developments in agriculture and might thus put global food production in jeopardy. MPP’s “Net-Zero Steel Initiative” intends to mobilise steel industry leaders to present “an ambitious, unified front when engaging policy-makers and stimulating demand for low-CO2 steel products”. Another MPP core partner, the Energy Transitions Commission, includes influential “Commissioners” representing steel giants ArcelorMittal and Tata Sons.

Green finance

In a December 2020 report, “The Paris effect: how the climate agreement is reshaping the global economy”, European think tank SYSTEMIQ predicted a 23 per cent decline in global steel production between now and 2100 under the emission-reducing “Paris Effect”, during which time production of primary steel would shrink by 38 per cent, while (usually lower-grade) recycled steel would grow to nearly half of the market. SYSTEMIQ posited that a “market tipping point” would be reached “when a carbon price is introduced and/ or a differentiated market emerges that offers a premium for low-carbon steel".

This type of analysis serves to convince the public that agendas like Greensteel are the right track, but SYSTEMIQ is far from objective—the think tank is a "knowledge partner" of the MPP and was founded by a WEF strategic advisor and former McKinsey boss, Martin Stuchtey. SYSTEMIQ's Affiliate Partner, Lord Adair Turner, is a former chair of the UK's financial regulator, the Financial Services Authority, which oversaw the implosion of the British banking system in 2008. Turner's financial connections proved useful when on 16 July 2018, SYSTEMIQ announced it had partnered with the City of London and UK government to create the Green Finance Institute, an organisation advised by powerful UK banks and financial institutions, which would "champion sustainable finance in the UK and abroad". According to SYSTEMIQ, "London is currently a world-leading centre for green finance, with nearly 80 green bonds raising more than US$24 billion across seven currencies. The Global Commission on the Economy and Climate Change estimates around US$93 trillion of global infrastructure investment between 2015 and 2030 will need to be green in order to meet climate-change commitments. The green bond market grew by 78 per cent between 2016 to 2017, to US$155 billion in issuances."

Billionaires, bankers and multinational corporations have zealously promoted WEF-led "green industrial revolution" policies—fronting as environmental do-gooders to demand billions in public funding to support green technology and finance initiatives. In a 20 January 2020 interview with Bloomberg at WEF's Davos meeting, Philipp Hildebrand, vice-chair of US$10 trillion investment giant BlackRock, said "climate risk" presented the "opportunity" of "a major shift … a fundamental re-shaping of finance that will entail significant reallocation of capital", which BlackRock is both directing and participating in.[3] In a 23 September 2019 speech for the Bank of England, central bank governor-turned UN Special Envoy on Climate Action and Finance, Mark Carney, warned that "[f]irms that align their business models to the transition to a net-zero world will be rewarded handsomely. Those that fail to adapt will cease to exist."

Hydrogen markets replace vital industries

Carney's warning is now a reality for companies that operate in "carbon-intensive" industries such as manufacturing, mining, steel, transport, and energy, which are exposed to punishing carbon tariffs and damaged by "green" government policies. Decarbonisation is displacing productive industries, creating an artificial, policy-induced market for expensive and inefficient "low-carbon" products like Gupta's hydrogen-processed Greensteel.

The WEF and its "green" cohorts tout hydrogen energy as the solution to its global decarbonisation strategy, but it requires billions of dollars in public funding to make it commercially attractive. (While public funding *per se* is not a yardstick to determine a technology's viability, it does show that hydrogen is not a leap forward from current technologies in terms of efficiency and cost, which would make it an attractive investment.) The international Hydrogen Council is partnered with WEF and Mission Innovation, a multilateral organisation to which Australia belongs, which connects national energy ministers with the private sector and "international actors" to bring "clean energy technologies to market".

The Hydrogen Council's members are CEOs of banks, financial institutions and multinational corporations which are "supporting massive scale-up of hydrogen solutions to help decarbonise sectors including transport, buildings and heavy industry".[4] The fossil fuel sector doesn't appear threatened by hydrogen—the Hydrogen Council's members, which represent over US$26.5 trillion in total revenue and almost six million jobs, include energy giants such as Coalition Steering Member Saudi Aramco, BP, Chevron, and Shell, and mining giants Woodside and Fortescue Metals Group.

The Council's February 2021 report, "Hydrogen Insights", says "[s]trong government commitment to deep decarbonisation, backed by financial support, regulation and clear hydrogen strategies and targets, has triggered unprecedented momentum in the hydrogen industry. … Governments have already pledged more than US$70 billion and included new capacity targets and sector-level regulation to support these hydrogen initiatives." The Hydrogen Council expects that "[i]f all projects come to fruition, total investments will exceed US$300 billion in hydrogen spending through 2030—the equivalent of 1.4 per cent of global energy funding."

Bad news for Australian jobs

"Start with steel", a May 2020 report published by Australian think tank the Grattan Institute (GI), states that "the world will need large volumes of decarbonised ore-based steel over coming decades". It recommends "an Australian green steel industry could help to resolve Australia's climate conundrum—the tension between the interests of carbon-intensive regions and the broader national interest on climate action". The report acknowledges Australia's nearly 100,000 "carbon workers"—so called because they work in high-paying carbon-intensive industries "such as coal mining, oil and gas extraction, fossil fuel electricity generation, cement manufacture, and 'integrated steel-making' using blast and basic oxygen furnaces"—will be significantly impacted by decarbonisation policies.

GI notes challenges in shifting to “green steel”. For example, high wages in the Pilbara region make the cost of producing green steel too high, and many Pilbara iron ores are not suited to green steel processing due to their chemical composition; GI acknowledges hydrogen-based green steel production is “too expensive today, and not yet proven at commercial scale”. Nonetheless, GI claims green steel could “create the tens of thousands of jobs needed to give hope for a smooth transition”; but its optimistic scenario of replacing just over half of the carbon workers’ jobs in the coal fields of central Queensland and NSW’s Hunter Valley is highly implausible, as it is dependent on Australia increasing our share of global steel production by over 2,200 per cent!

A 2019 report from the Council of Australian Governments (COAG) Energy Council, “Australia’s National Hydrogen Strategy”, declares decarbonising heavy transport and heavy industry is “an urgent challenge”, claiming “[an] Australian hydrogen industry could generate thousands of jobs, many of them in regional areas. It could add billions of dollars to GDP over coming decades”—referring to scenarios modelled in a 2019 government-commissioned report by Deloitte, “Australian and Global Hydrogen Demand Growth Scenario Analysis”. However, Deloitte’s report acknowledges a cost to the existing economy, noting that as an expanding hydrogen sector “diverts capital and natural resources (which it uses intensively) from other sectors (such as agriculture, mining and manufacturing), these sectors slow”. Deloitte’s models reveal that by 2050, in an “Energy of the future” scenario—which COAG describes as Australia leading the global market for hydrogen, assumed by then to have become the internationally dominant fuel for importers, industry, transport and heating—Australia’s agriculture, mining, transport and construction sectors experience *negative* employment impacts, with heavy manufacturing jobs declining by 18,000. By contrast, jobs in services (financial, business, trade) increase, with government jobs skyrocketing by over 27,000 (business as usual to anyone familiar with Australia’s economy over the past three decades).

The hype around green steel and hydrogen doesn’t match the reality. Far from being the saviour of steel, Sanjeev Gupta’s Greensteel relied on now-failed financial alchemy. An examination of the assumptions behind predictions of success for this technology reveals implausible scenarios, exorbitant costs and massive de-industrialisation; by the time the scenarios prove to be baseless, the damage will have been done to tens of thousands of Australian jobs in productive industries such as manufacturing, mining and agriculture. Governments are not responsible to the predatory financiers lining up for billions in “net-zero” handouts from governments; they are responsible to the people, who rely on industries for their livelihoods and living standards.

By Melissa Harrison, Australian Alert Service, 26 May 2021

Footnotes:

1. “Gupta fiasco shows Greensteel is de-industrialisation by stealth”, *AAS*, 19 May 2021.
2. Jonathan Tennenbaum, “Biden eyes new era of green imperialism”, (asiatimes.com), 2 Mar. 2021.
3. “Financial oligarchy cuts finance for coal”, *AAS*, 17 Mar. 2021.
4. Press release, Hydrogen Council, (hydrogencouncil.com),15 Jan. 2020.