

SE Business
HD **Gas price will send us offshore: steel boss**

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WC 387 words

PD 9 August 2014

SN The Australian

SC AUSTLN

ED Australian

PG 27

LA English

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BlueScope Steel chairman Graham Kraehe has warned that industry will move offshore if excessive gas prices are not addressed.

Addressing an Australian Industry Group business lunch in Sydney yesterday, he also urged government to address frustrating delays with decisions made by the competition watchdog and watered down suggestions of a rebound in the **iron ore** price.

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Mr Kraehe, who is also the chairman of packaging giant Brambles, said government needed to encourage new investment in gas, with incentives offered on the proviso that a proportion of gas would be allocated to the domestic market.

"BlueScope has businesses in North America that are big users of gas," he said. "We can write a contract in North America for 10 years at under \$US5 a petajoule. In Australia it will cost you \$US12 a petajoule, and you can't write a contract for more than 12 to 18 months." Gas prices are soaring on the back of strong demand for supply from producers by offshore customers and Mr Kraehe said the steelmaker's costs would rocket if gas prices continued to escalate. Ultimately, other manufacturers more reliant on gas, such as cement and potash-makers, would be forced to shut down domestic **operations**.

"A lot of companies are making more investment outside Australia than inside," he said.

He said he believed the **iron ore** price would remain at between \$US80 and \$US100 a tonne. "If you think what's happened in this massive resources boom, we've doubled and quadrupled the amount of **iron ore** we are producing and exporting at a time when **China** is trying to cut back the growth in the steel industry for environmental reasons," he said.

Mr Kraehe said the Australian Competition & Consumer Commission needed to make decisions more promptly and recognise what the market was that people operated in.

"Steel fabrication, with every business distressed ... whether you have got a steel fabricator in South Sydney or not is irrelevant; it is a national market and you need a national approach to the market and you need a fast track," he said. BlueScope was recently forced to sell its Perth sheet and coil business to get ACCC approval for its \$23 **million acquisition** of Arrium's national sheet and **coal** business.

CO bhpstl : Bluescope Steel Ltd

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