Policy and incentives needed to facilitate the transition to a low emissions, heavy industry (national perspective)

Climate Change Authority Member

Gretta Stephens

CLIMATE CHANGE AUTHORITY

It all starts with energy

We need policies that speed the build out of renewables :

Generation – Storage – Grid Connection - Transmission

Energy needs to be priced competitively, within an international context.

Policy reform needs to consider:

- Overarching coordination
- Planning and approval processes
- Attracting & supporting investment
- Social licence
- Supply chain
- Skills
- Policy durability

Policies to support industrial decarbonisation

Enabling progress in a two-speed world

In the absence of green premia we can consider:

- Levelling the playing field – e.g. Carbon Boarder Adjustment Mechanisms,
- Support for technology innovation – e.g. ARENA
- Early mover support – production credits, concessional finance

Once supply is established:

- Certification schemes to support procurement for green metals and materials that use captured CO2, while supporting international trade
- Boost demand through government procurement activity, local content rules and incentivising shifts in consumer preferences

Financial instruments responding to sectoral barriers and enablers

Financial Barrier	Possible Financial Instrument	Example Enabler
Commercial viability of investment	Grants or concessional finance to support technology development	Investment in research and development for agriculture and carbon removal technologies
Low return on investment	Direct investment or debt/equity finance	Common user infrastructure
Limited evidence of commercial returns	Targeted subsidies directed at improving risk-return ratio	Tax credits to incentivise faster asset turnover
Unfavourable risk profile	Guarantees or insurance measures to underwrite investments	Contracts for difference for energy projects
High upfront costs	Concessional finance through grants, low-cost loans or incentive schemes	Discounted household upgrades
		Electric vehicle incentives

Funding Mechanisms already in place

- Clean Energy Finance Corporation CEFC
- Australian Renewable Energy Agency ARENA
- Future Made in Australia initiatives FMIA
- National Reconstruction Fund NRF
- Capacity Investment Scheme CIS

Policy Areas for Further Consideration

Market mechanisms	Extending, expanding and refining the core suite of existing market mechanisms to enhance their effectiveness. These include the Safeguard Mechanism, the ACCU Scheme, the CIS, and the NVES
Investment and finance mechanisms	Providing greater visibility and certainty to market participants about existing finance mechanisms
	Directing government investment, finance or tax concessions to drive the uptake of key technologies
	Reviewing existing taxation arrangements to ensure they are fit for purpose for the net zero transition
Regulations, standards and mandates	Refining and building on existing standards and regulatory frameworks (e.g. National Construction Code)
	Introducing mandates – including government procurement mandates – to establish new markets (e.g. for low-carbon liquid fuels / sustainable aviation fuel (SAF))
	Improving approval frameworks and timelines
	Streamlining regulation and reducing red tape
Workforce, skills, regional and industrial strategy	Collecting and sharing data to enable better workforce planning
	Working with businesses, education institutions and community groups to develop a fit-for-purpose education and training system
	Promoting Australia as a destination of choice for migrants with the specific skills required to deploy green infrastructure and new green industries
Research, development and innovation	Prioritising research, development and deployment of identified priority technologies
Information, planning and coordination tools	Strengthening governance across all levels of government
	Improving coordination between all levels of government on the planning and delivery of enabling infrastructure and services
	Facilitating low-emissions industrial precincts
	Nationally coordinating building electrification and retrofits
International trade	Continuing to roll out measures to maintain the competitiveness of Australian businesses as global decarbonisation accelerates
	Negotiating decarbonisation agreements with trading partners

Bilateral agreements could amplify Australia's impact, helping other countries meet their emissions targets

Public funding can assist with unlocking private capital.

Foreign investment is likely required for big projects, opening the door to transnational climate partnerships.

Conceptual scenario: Green-iron decarbonisation deal

Australia

- Gains jobs in DRI processing
- Onshores more value from iron exports
- Becomes a trusted supplier of green materials to trade partners

Australia's trade partner

- Secures access to low-emissions feedstock
- Retains steelmaking jobs
- Transitions to clean technology through a managed program of adjustment and investment
- Avoids border carbon adjustment tariffs and maintains market access

A 2035 target of 62-70% is ambitious, achievable and in Australia’s national interest

AMBITIOUS

A 62–70% target meets the challenge of strong and urgent action. It involves halving Australia’s current emissions.

ACHIEVABLE

This target can be achieved with the right leadership from government, harnessing contributions from every sector of the Australian economy.

NATIONAL INTEREST

An ambitious target is in Australia's national interest, bringing economic, environmental and social opportunities for Australians. It will create good jobs in regions and economic opportunities for Australia to benefit from the global green energy transition.

Meeting the 2035 Target will require strengthened policies

Major emissions reduction policies

- Future Made in Australia
- New Vehicle Efficiency Standard
- Capacity Investment Scheme
- Safeguard Mechanism

Policies for a fair transition and resilient net zero future

- Building and maintaining social license for transition projects in regions
- Enabling First Nations participation in the transition
- Adapting Australia's communities and economy to the changing climate
- Worforce transition, skills, benefit sharing

For more information about the Climate Change Authority, visit [Climate Change Authority's website]

CLIMATE
CHANGE
AUTHORITY