



## Climate & Recovery Initiative

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# Stakeholder Roundtable Three

23 November 2020, 5:00-6:30pm

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# Climate & Recovery Initiative

The **Climate & Recovery Initiative (CRI)** is a collaborative initiative coordinated by the Centre for Policy Development and ClimateWorks Australia, with a steering group that includes Pollination Group, Australian Industry Group and the Australian Council of Trade Unions. Working together, we are seeking to identify the best ideas and opportunities for aligning Australia's economic recovery with climate and transition priorities, and to get them into the right hands.

Our stakeholder roundtable series brings together trusted leaders, experts and advisers from business, regulation, policy and the community to consider the challenges and opportunities ahead. We will use this discussion to provide an update on proposals that were discussed at the September CRI roundtable, and look ahead to how Australia's recovery and road to COP26 will take shape in 2021.

## This briefing pack contains:

- Instructions for joining via Zoom
- Roundtable agenda and participant list
- Recap and update on CRI proposals
- COP26 roadmap for discussion
- Update Paper on the Clean Technology Market-Creation Co-investment Partnership (CiP).



## Agenda - Roundtable Three, 23 November 2020



| Time   | Duration | Agenda Item  |
|--------|----------|--|
| 5:00pm | 10 mins  | Welcome and introductions<br><i>Travers McLeod, CEO, CPD</i>   |
| 5:10pm | 15 mins  | Updates on CRI proposals<br><br>Intergovernmental process on climate risk<br><i>Travers McLeod, CEO, CPD</i><br><br>Clean technology market creation co-investment partnership (CiP)<br><i>Anna Skarbek, CEO, ClimateWorks Australia</i> |
| 5:25pm | 60 mins  | The road to COP26<br><br>Including remarks from Her Excellency Vicki Treadell CMG, MVO, British High Commissioner to Australia, followed by an open discussion.  |
| 6:25pm | 5 mins   | Conclusions and next steps<br><i>Travers McLeod, CEO, CPD</i>  |

# Overview of the CRI process



## Identifying priorities

Framing paper on opportunities for transition-aligned recovery

**First stakeholder roundtable** to identify key priorities and opportunities (25 June)



## Refining key CRI proposals

Develop key proposals and analysis identified through first roundtable

**Second stakeholder roundtable** to refine and test support (8 September)



## Shaping the medium term agenda

Refine key CRI proposals and work towards their implementation

Pursue collaborations and policy development to **elongate the window for influence** and support better climate-recovery alignment in the medium term ahead of COP26

**Third stakeholder roundtable** (8 November)

## Key question for this roundtable:

*How do we bolster the alignment between climate and recovery and strengthen Australia's position in the run up to COP26, building on the Technology Roadmap and recent developments at home and abroad?*

# Participant list for Roundtable Three

| <b>Name</b>       | <b>Position and affiliation</b>   |
|-------------------|---|
| Angela Cummine    | Director - Sustainable Finance, NSW Treasury  |
| Anna Skarbek      | CEO, ClimateWorks Australia   |
| Beth Brunoro      | First Assistant Secretary, Climate Adaptation & Resilience, Dept. of Agriculture, Water & the Environment |
| Cathie Armour     | Commissioner, ASIC  |
| Chris Barrett     | CEO, Invest Victoria  |
| Darren Miller     | CEO, ARENA  |
| Dennis Molloy     | Head of Economics, QLD Treasury   |
| Don Russell       | Chair, Australian Super   |
| Eytan Lenko       | Executive Chair, BZE  |
| Geoff Summerhayes | Executive Board Member, APRA  |
| Guy Debelle       | Deputy Governor, RBA  |
| Helen Bennett     | Head of Climate Change Division, Dept. of Industry, Science & Energy                                      |
| Ian Learmonth     | CEO, CEFC   |
| Innes Willox      | Chief Executive, AiG  |
| Ivan Varughese    | Head of Green Investment Group, Asia Pacific, Macquarie Group   |
| Jamie Isbister    | Australia's Ambassador for the Environment & First Assistant Secretary, DFAT                              |
| Joe Morrison      | Managing Director, Six Senses Advisory  |
| John Lydon        | Co-Chair, Climate Leaders Coalition & Senior Partner, McKinsey  |
| John Thwaites     | Chair, ClimateWorks Australia   |
| Karen Hussey      | Deputy Director General, QLD Dept. of Energy & Science  |
| Katherine Palmer  | Executive Director - Financial Risk, NSW Treasury   |
| Kellie Caught     | Senior Advisor, Climate & Energy, ACOSS   |
| Ken Henry AC      | Board of Governors, CEDA  |

| <b>Name</b>               | <b>Position and affiliation</b>  |
|---------------------------|--|
| Kylie White               | Deputy Secretary, Environment and Climate Change, VIC Dept. of Environment, Land, Water and Planning |
| Lill Healy                | Deputy Secretary, VIC Dept. of Jobs, Precincts and Regions   |
| Louise Davidson           | CEO, ACSI  |
| Mark Wakeham              | Senior Advisor - Climate, Energy & Just Transition, Australian Council of Trade Unions (ACTU)        |
| Martijn Wilder AM         | Founding Partner, Pollination Group  |
| Megan Flynn               | Executive Director, Pollination Group  |
| Meghan Quinn              | Deputy Secretary, Markets Group, Treasury  |
| Michele O'Neil            | President, ACTU  |
| Mike Rowe                 | Director General, WA Dept. of Water & Environmental Regulation                                       |
| Patrick Suckling          | Senior Partner, Pollination Group  |
| Paul Grimes               | Coordinator General - Environment, Energy and Science, NSW Dept. of Planning, Industry & Environment |
| Paul Heithersay           | Chief Executive, SA Dept. for Energy & Mining  |
| Pradeep Philip            | Partner, Deloitte Access Economics   |
| Richard Yetsenga          | Chief Economist & Head of Research, ANZ  |
| Sam Mostyn                | Chair, Citi  |
| Stan Krpan                | CEO, Solar Victoria  |
| Steven Worrall            | Managing Director, Microsoft   |
| Tennant Reed              | Principal Advisor - National Public Policy, AiG  |
| Tim Reed                  | President, Business Council of Australia   |
| Travers McLeod            | CEO, CPD   |
| Vicki Treadell CMG<br>MVO | British High Commissioner to Australia, UK Government  |

# Recap and update on CRI proposals

# Proposal summary: New process on climate risk and resilience to inform the National Cabinet

## Background

- There have been consistent calls for a new process to connect public and private sector activity on climate risk and resilience and facilitate coordination of resources, effort and expertise.
- The financial and economic dimensions of climate change are central to many initiatives underway. These include the Council of Financial Regulators Working Group on Climate Risk, the Australian National Outlook Project, the National Resilience Taskforce, the Disaster and Climate Resilience Reference Group, APRA's climate change financial risk vulnerability assessment and industry-led efforts including the Australian Sustainable Finance Initiative, Climate Action 100+, and the Global Commission on Adaptation.
- The transition to a new National Federation Reform Council structure provides an opportunity to enshrine a new intergovernmental process on climate risk and resilience.

## The new intergovernmental process would:

- Focus on climate risk and resilience to enable jobs and investment in a challenging natural environment, informed by the implications of climate change for financial stability, economic growth, risk management and corporate governance.
- Provide a platform for high-level engagement by Commonwealth and state senior officials alongside financial regulators and business leaders.

## Potential models

1. **Incorporate an explicit focus on climate risk and resilience as part of the new Council on Federal Financial Relations (CFFR).**
  - Frame climate risk as a key issue to be considered by Treasurers and officials as part of the economic policy agenda.
  - Reflects increased emphasis on climate risk and resilience by the Council of Financial Regulators and state treasuries.
2. **Establish a new ministerial forum or taskforce on climate risk and resilience, built around a 'Senior Officials Plus' model.**
  - Include selected financial regulators and leaders from business and civil society.
  - Chaired (or co-chaired) by the Secretary of the Treasury or Secretary of the Department of Industry, Science, Energy and Resources.
  - Supported by a government and business secretariat.
  - Reports to the **CFFR** and the **National Cabinet**.
  - Similar structure to the 2006-07 Joint Government Business Prime Ministerial Task Group on Emissions Trading.

**Update:** There continues to be strong interest and support for this proposal. It has been flagged as a potential part of the forward agenda for the CFFR. Discussions are continuing in key states with a view to it being formally proposed.

# Proposal summary: Australian Clean Technology Market-Creation Co-Investment Partnership (CIP)

## What it is

- The CIP is a proposed model for providing financing to scale up supply chain responses in all clean technology markets across all Australian States and Territories and all sectors of the Australian economy.
- Australia's Technology Investment Roadmap sets out over 100 clean technologies in seven sectors that can provide zero emissions solutions and the Australian Government, as the nation's largest early-stage technology investor, is committed to annual Low Emissions Technology Statements to support a partnership with the private sector and the states and territories. All State and Territory governments in Australia have committed to be net zero emissions economies by 2050.
- The CIP can be implemented as a partnership model between the Australian Government and state and territory governments, whereby state and territory government program investment, traditionally through the form of grants, can be better coordinated to leverage co-financing investment contributions from the Australian Government and attract private investment. Australian Government contributions can be provided through existing agencies such as CEFC and ARENA and/or additional funding.

## How it would work

- Investment opportunities would be identified using a multi-sector goal-oriented approach, using 'reverse auction' style competitive rounds to achieve scale that catalyses market supply chains.
- Sectors and priority investment areas could correspond with those covered in the Australian Government's Technology Investment Roadmap, in addition to an 'enhanced manufacturing' stream to support growth of traditional manufacturing and new industries.
- Within each sector, funding would be allocated to align with sectoral decarbonisation pathway goals, while also incorporating COVID recovery goals and geographic investment priorities. Proposals would be called for to meet those goals.
- State and territory government program investment can leverage significantly more private sector finance when used in ways that are more tailored to meet commercial and private sector needs, including with risk-sharing instruments and coordinating with ARENA and CEFC.
- This model would collectively leverage a greater amount of overall private sector capital, delivering bigger economic and employment impacts, lowering economy-wide emissions and leading to greater resilience of the Australian economy.

**Update:** Two key examples have been identified where the CIP model could benefit public policy and scale up supply chain responses in clean technology markets across states: (1) the Federal Government's Future Fuels Fund, and (2) establishment of Renewable Energy Industrial Precincts. We have included below a **CIP update paper**, which provides detail on these opportunities.




# COP26 Roadmap for Australia

# Why a roadmap to COP26 for CRI?

We are aiming to identify the combinations of activities that are needed, the roles that different stakeholders can play and how we can work together to strengthen our position going into COP26 and in the longer term.

Once key priorities in the roadmap have been refined, we will map these across key stakeholder groups to identify the most important collaborations/clusters and areas where CRI can make a key contribution.

|                    | <br>GLOBAL GREEN ECONOMY | <br>TRANSITION VISION | <br>INVESTMENTS & ACCOUNTABILITY | <br>NET ZERO 2050 | <br>2030 TARGETS |
|--------------------|---|--|---|--|---|
| FEDERAL GOVERNMENT |   |  |   |  |   |
| STATE GOVERNMENTS  |   |  |   |  |   |
| REGULATORS         |   |  |   |  |   |
| BUSINESS           |   |  |   |  |   |
| UNIONS             |   |  |   |  |   |
| COMMUNITY          |   |  |   |  |   |

FOR DISCUSSION

# Current state of play

## Net zero by 2050

Significant movement internationally (Japan, China, Korea, EU, UK), with Australian investors & corporates also stepping up despite lack of national target



## Mixed community sentiment

Disparate messaging on climate risks & opportunities has created mixed public support towards change in key regions



## Bumpy transition

Lack of a clear and just transition plan means economic and social uncertainty, especially for regional Australia



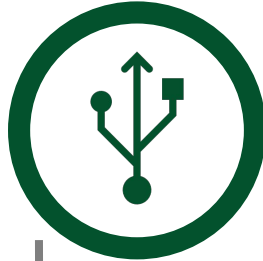
## Diminishing resilience

Increasing severity and frequency of extreme weather events – bushfires, floods, droughts



## Tech roadmap

Increasing support from government to develop key technologies



## Diplomatic engagement

Australia is an outsider in the world of climate diplomacy & green trade negotiations – including in its support for carryover credits



## Road to 2030

26-28% reduction target puts us on catastrophic 3-4° C warming trajectory despite Paris Agreement ratification



## Trade outlook

Australia's biggest exports face substantial risks + huge potential upside from a global green recovery



# Roadmap to COP26

*Five potential areas in which to strengthen Australia's position have been selected by the CRI Steering Group*

SECURE AUSTRALIA'S POSITION IN A GREEN GLOBAL ECONOMY

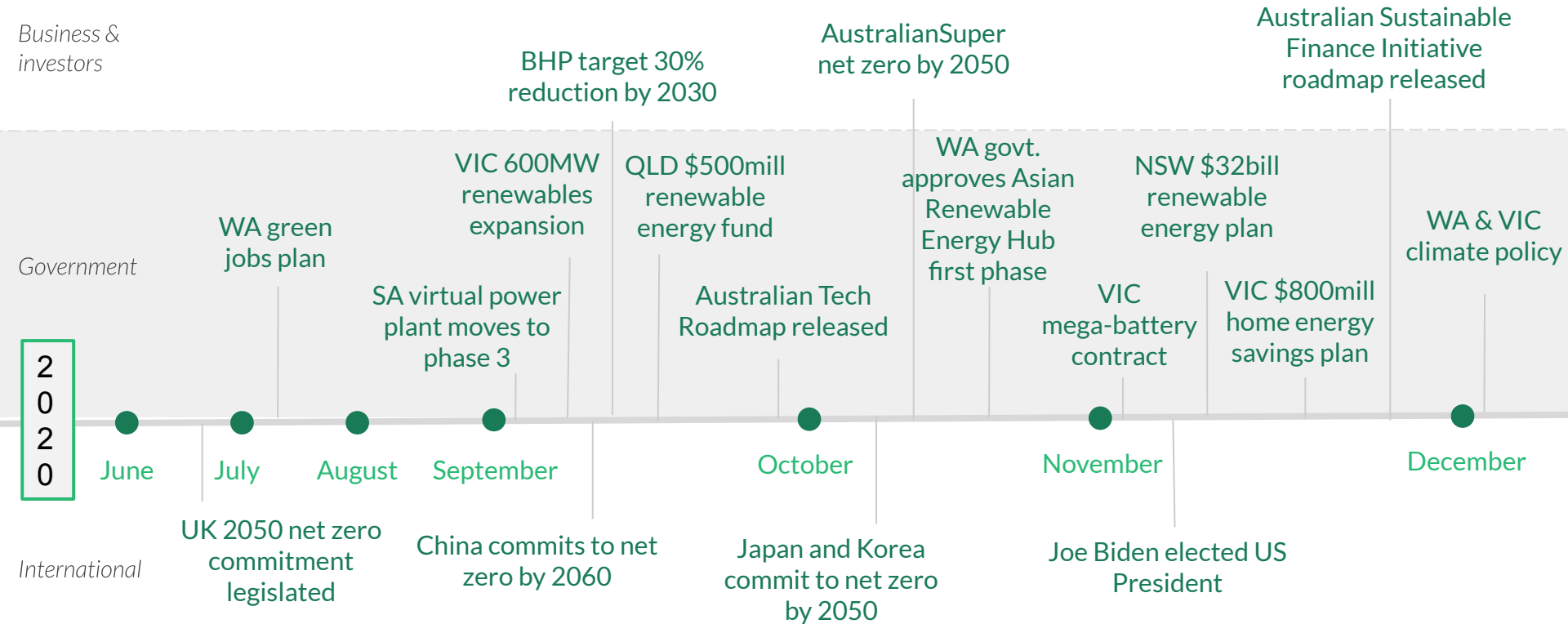
VISION FOR JOBS AND TRANSITIONS IN KEY REGIONS

ACCELERATE KEY INVESTMENTS AND ACCOUNTABILITY MECHANISMS

BUILD NET ZERO POTENTIAL FOR 2050

STRENGTHEN 2030 TARGETS

# Recent milestones - 2020



# Key milestones on the road to COP26 - 2021

*Business & investors*

CFR climate change vulnerability assessment

*Government*

WA election

Federal Budget

Vic and ACT mega-batteries come online (targeted late-2021)

2021

Jan

Feb

March

April

May

June

July

Aug

Sept

Oct



COP26

US re-enters Paris Agreement

ASEAN Summit

UNFCCC intersessional technical meetings

CHOGM

Asia Pacific Climate Week

UN General Assembly

Pre-COP Ministerial, Milan

ANZUS 70th anniversary

AUSMIN (tbc)

NZ Budget

UN Adaptation Summit

*International*






## 1. SECURE AUSTRALIA'S POSITION IN A GREEN GLOBAL ECONOMY

*Climate-aligned stimulus and net zero commitments by major economies are creating massive global momentum. There is significant economic and diplomatic upside for Australia if we are a key partner in this agenda. We need a comprehensive response to secure our position in a green global economy. Priorities include:*

1. Gather new evidence to understand and address **Australia's economic exposures and opportunities in a greener global economy**, with a focus on trends for key trading partners and sectors.
  - Example - ABS baseline of Australia's current position in global green economy
2. Highlight new **opportunities and priorities on climate diplomacy and trade in the Asia Pacific**.
  - Example - Lead regional initiatives on climate security; climate focussed bilateral MOUs with key regional partners
3. Secure **Australian support for key global norms and mechanisms on climate**, revitalising Australia's contribution on the global stage.
  - Example - Addressing Kyoto carryover issue
4. More **active and coordinated participation by Australian institutions and business** in climate diplomacy.
  - Example - Initiatives to showcase climate leadership and capability of Australian institutions and sectors

# Global recovery pulse check shows a subset of nations leading the pack

## We've seen significant green spending in the past months...

| State     |   | AUD clean <u>recovery</u> stimulus<br>(% of total recovery stimulus) <sup>1</sup> | Clean policy highlights (abridged)                    |
|-----------|---|---|---|
| EU        |  | >\$400bn (30%)  | Renewables, retrofits, hydrogen, Just Transition Fund |
| Germany   |  | ~\$51bn (21%)   | Hydrogen, electric vehicles, aviation, shipping       |
| France    |  | ~\$52bn (34%)   | Connectivity, hydrogen, circular economy              |
| Sth Korea |  | >\$37bn (42%)   | Natural capital, renewables, worker retraining        |
| UK        |  | ~\$16bn (32%)   | Retrofits, clean heavy industry, CCS                  |

## ...although many nations are yet to announce major recovery plans

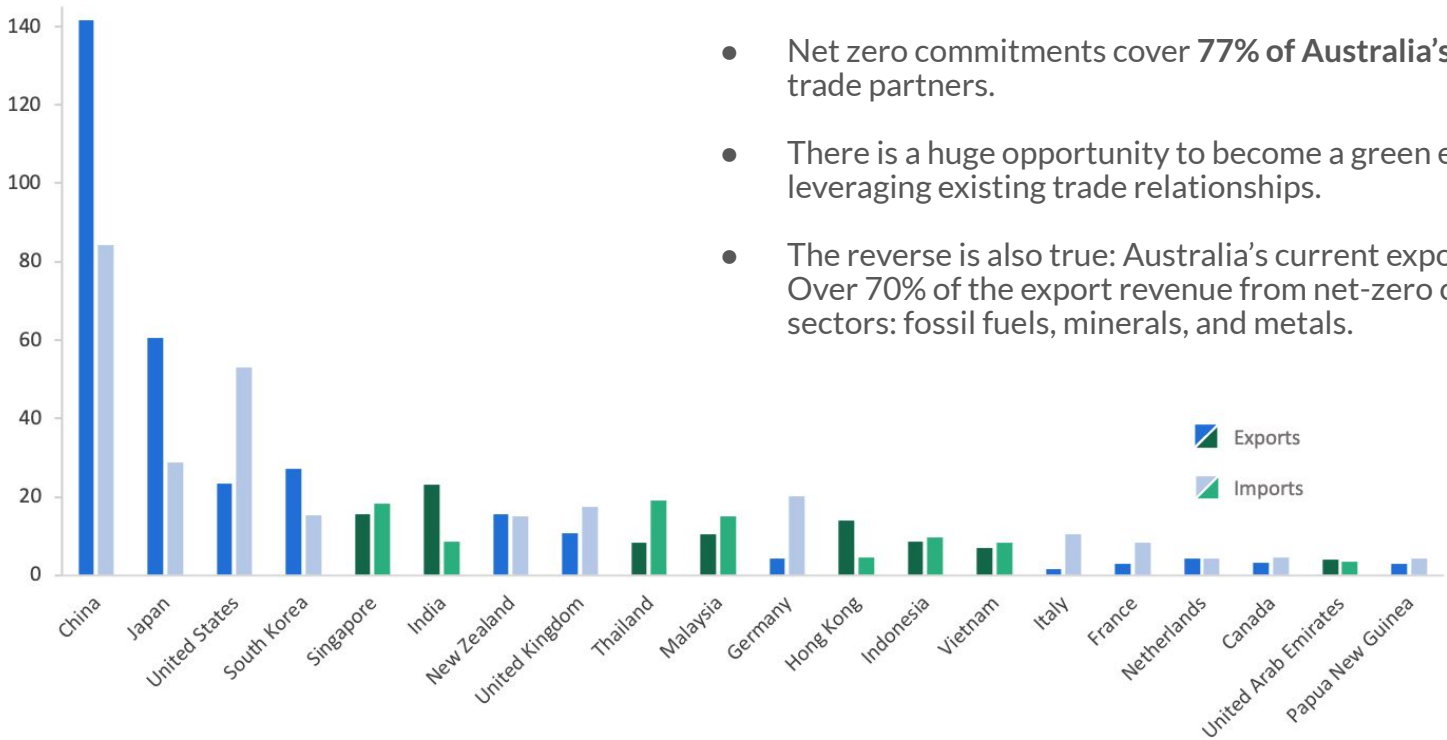


and many more...



# Australia's major trading partners have stepped up their response

Trade in goods and services  
\$AUD billions



- Most of Australia's major trading partners have made commitments to be net-zero by 2050 or to significantly scale up their commitments (in blue\*).
- Net zero commitments cover **77% of Australia's exports** to our top 20 trade partners.
- There is a huge opportunity to become a green export superpower, leveraging existing trade relationships.
- The reverse is also true: Australia's current export industries will decline. Over 70% of the export revenue from net-zero countries is in three sectors: fossil fuels, minerals, and metals.

\* Note: several of these countries (e.g. PNG) have signalled intentions to be net zero by 2050, but have not yet built it into policy frameworks. The USA is based on president-elect Biden's campaign commitments. China has committed to net zero by 2060, not 2050. The Netherlands has committed to a 95% reduction in emissions by 2050, not net zero.

## 2. VISION FOR JOBS AND TRANSITIONS IN KEY REGIONS

*Australia can't secure its place in a green global economy unless it delivers more resilient local economies and fair and effective transitions at home. Aligning COVID recovery and climate priorities can secure jobs for today and tomorrow. Priorities include:*

1. Ensure **local job creation and recovery measures take full advantage of climate-aligned opportunities** and support transition.
  - Example - Connect climate/transition opportunities to Local Jobs Taskforces & planning (see below)
2. Establish a **transition planning commission or authority** to support an enhanced focus on transition planning and opportunities.
  - Example - Establish an Australian Carbon Transition Commission model that brings together key stakeholders to develop and implement clear and just transition plans for key regions
3. Run **communications initiatives on Australia's climate positioning and transition planning** to build public understanding and expectations for stronger responses.
  - Example - Undertake public awareness program across key regions to highlight benefits associated with transition and the importance of decarbonisation to risk management and resilience.

## The challenge of a fair and effective transition



General equilibrium analysis also doesn't always take account of adjustment burdens and costs. I see that as one lesson from the debate around trade liberalisation. Trade theory clearly acknowledges that there are winners and losers from trade but that the winners can compensate the losers. But it is clear from the current debate that, in practice, the compensation generally has not occurred. **The adjustment costs have fallen on groups that have not received their share of the benefits.**

A similar situation is present in the case of climate change. The transition path poses challenges, but it also presents opportunities. **Particular industries and particular communities that are especially exposed to the costs of changes in the climate will face lower costs if there is an early and orderly transition.** Others will bear greater costs from the transition to a lower carbon economy. While others still, such as the renewables sector, may benefit from that transition.

But unlike the example of trade, **it may not be possible for the winners to compensate the losers in a way that leaves no-one worse off.** In economic jargon, it may not be possible to find a Pareto improving outcome, at least in the narrow monetary sense.



Reserve Bank Deputy Governor **Dr Guy Debelle**

[Climate Change and the Economy](#), Keynote Address to Centre for Policy Development Public Forum, 12 March 2019

## Regional collaborations can support transition aligned stimulus

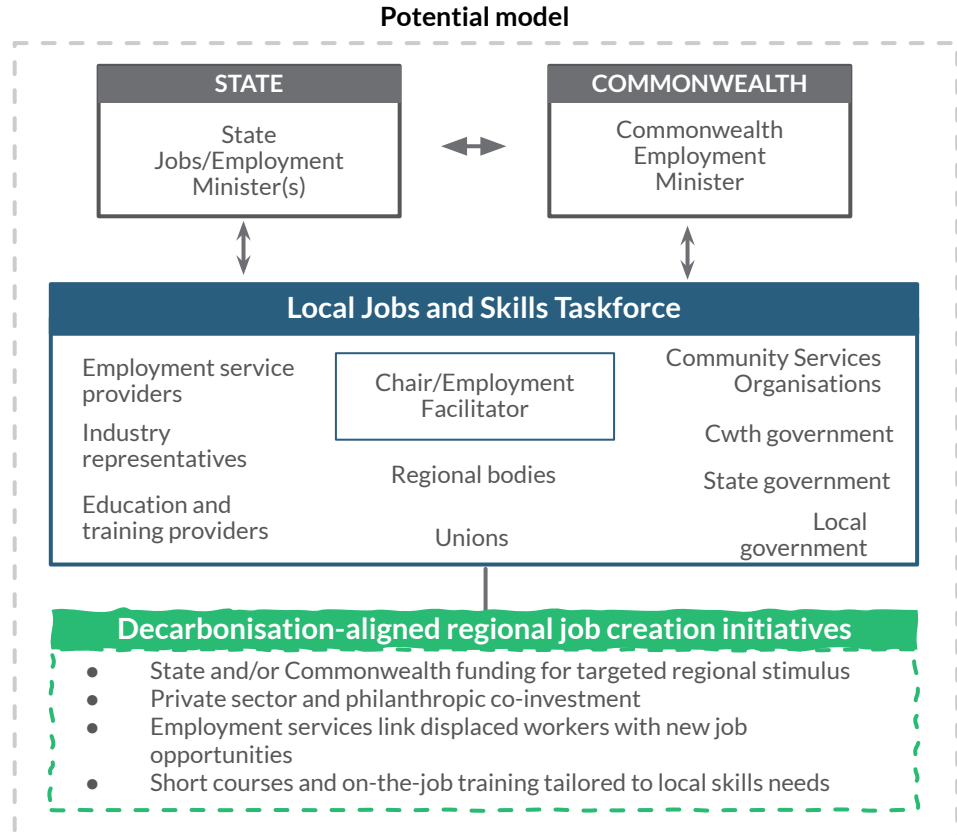
There is growing appetite and momentum for tailored, place-based strategies to support job creation and economic development as part of COVID-19 recovery.

The Commonwealth Government's \$62.8 million Local Jobs Program has established 25 Local Jobs and Skills Taskforces targeting employment regions most impacted by COVID-19 and facing ongoing disadvantage. State governments and regional organisations are also exploring place-based responses.

Place-based responses should incorporate the best ideas and evidence on decarbonisation-aligned job creation opportunities.

Effective delivery of transition-aligned regional initiatives will require collaboration between governments (local, state and federal), employers, employment service and training providers, and community organisations. Local Jobs and Skills Taskforces have the potential to support this collaboration.

**Now established, taskforces should ensure that Local Jobs Plans consider opportunities to efficiently create jobs through decarbonisation-aligned investments.**

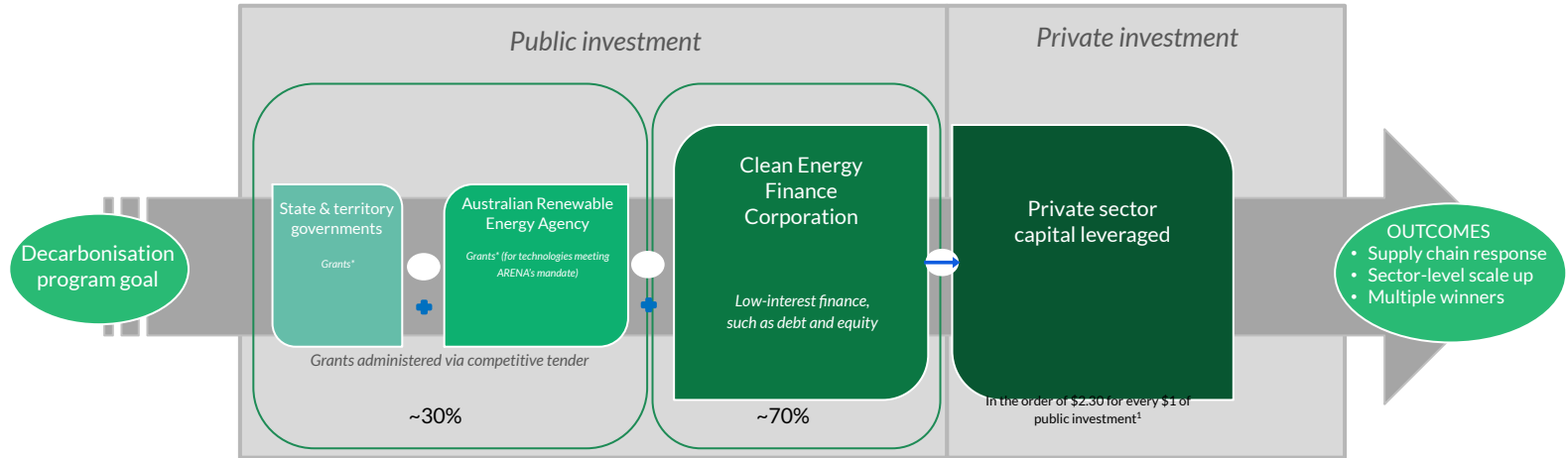


### 3. ACCELERATE KEY INVESTMENTS & ACCOUNTABILITY MECHANISMS

*Seizing the moment at home and abroad requires a massive surge in public and private investment. We need to rapidly scale up investments into established and emerging climate solutions, requiring strategic partnerships and clear policy frameworks. This includes:*

1. Accelerated **investments in priority regions and sectors**, building on established policy frameworks or institutions that can deliver transformation at scale.
  - Examples:
    - Clean Technology Market-Creation Co-investment Partnership (CiP) model (CRI roundtable 2) and priority opportunities for CiP in action (CRI roundtable 3) e.g. Renewable Energy Industrial Precincts
    - Develop supportive policy framework to enable effective implementation of Tech Roadmap
    - Extend funding of and replicate successful Latrobe Valley Authority in other regions
2. Strengthen **reporting requirements and accountability mechanisms** to support clearer market signals and an accelerated transition.
  - Examples:
    - Commit to credible national carbon accounting framework
    - Stronger monitoring and enforcement of climate risk governance and shift to mandatory climate disclosure

## Clean Technology Market-Creation Co-investment Partnership (CiP) model



<sup>1</sup>Private sector leverage ratio of \$2.30:\$1 is based on an average across almost 200 large-scale CEFC commitments ([CEFC Annual Report 2019](#))

\*Or risk sharing agreement

### Example 1 - Future Fuels Fund

- The Federal Government's Future Fuels Fund has committed a \$71.9m co-investment fund to support the incorporation of new vehicle technologies into fleets and establishing hydrogen refuelling demonstration sites.
- The states and territories are also prioritising and investing in vehicle technologies and infrastructure.
- It would be useful to explore ways to enhance the ARENA administered Future Fuels co-investment fund by partnering with states and territories to leverage private investment, using a goal-oriented competitive approach designed to build scale and catalyse market supply chains.

### Example 2 - Renewable Energy Industrial Zones (REIZs)

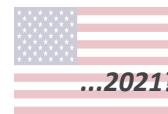
- REIZs to support a cluster of manufacturers powered by 100% renewable energy. These zones are located within Renewable Energy Zones or connected to renewable energy generation through the transmission network.
- Two goal-oriented competitive rounds could be administered in partnership between the Commonwealth government and states and territories to attract investment in REIZs: one to secure xMW of renewable energy projects to be supplied to a REIP; the other to secure xMWh/year of renewable energy required by industrial users in the REIP. This would leverage co-financing from CEFC and/or ARENA) & attract private investment.
- REIZs will help carbon-intensive industries access cheaper renewable energy, scale up the production of low carbon products and deliver bigger economic and employment impacts.

## 4. BUILD NET ZERO POTENTIAL FOR 2050

*A clear national 2050 net zero commitment will allow momentum, ambition and action to coalesce around a well understood and widely-shared goal – and help guide the sectoral pathways and partnerships needed to achieve it. Priorities include:*

1. Establish a clear **national commitment to net zero by 2050**, with a coordinated position across federal and state governments, business and civil society.
2. Identify and fund **high-level pathways for key sectors** in collaboration with industry, covering the whole economy, including green hydrogen, buildings, manufacturing, transport, industry, electricity, agriculture & land.
3. Amplify **net zero commitments by industry and sector leaders**, building capability to support action and implementation.

# Net zero commitments



AustralianSuper

HESTA



aware  
SUPER

UniSuper

ANZ

nab

Westpac

ING

HSBC

Bank Australia

Teachers  
Mutual Bank

QANTAS

FMG  
Fortescue

AURIZON

WOOLWORTHS GROUP

Kathmandu

ALDI

lendlease

mirvac

investa

dexus

Charter Hall



GPT  
The GPT Group

VICINITY  
CENTRES

GROWTH-POINT  
PROPERTIES



UNIBAIL-RODAMCO-WESTFIELD

CROMWELL  
PROPERTY GROUP

Microsoft

Google

amazon

Morgan Stanley

Allianz



Swiss Re



## 5. STRENGTHEN 2030 TARGETS

*Australia's current 2030 target puts us on a catastrophic warming trajectory of 3-4°C. By supporting the use of carryover credits, we are seen to be undermining global emissions reduction efforts. Enabling green recovery stimulus projects and strengthening our 2030 commitments as part of our long-term climate strategy will make our economy more competitive and our society more resilient.*

1. Secure a more **credible and ambitious NDC**, including ruling out the use of Kyoto carry-overs.
2. Support **integration of transition planning alongside NDCs** as a hallmark of an effective approach to the Paris Agreement.
3. Strengthen and showcase **state and corporate 2030 emissions reductions commitments and policies** that are consistent with longer-term net zero targets.

# CiP Update Paper

# Clean Technology Market-Creation Co-investment Partnership Update Paper

## Introduction

The Clean Technology Market-Creation Co-investment Partnership (CiP) concept was presented at the Climate and Recovery Initiative (CRI) second roundtable on 8 September 2020. It proposes a model for the Australian Federal, State and Territory Governments to coordinate co-financing investment contributions that better attract private investment and scale up supply chain responses in all clean technology markets across all jurisdictions and sectors of the Australian economy. Co-investment opportunities are to be identified using a multi-sector competitive goal-oriented approach to achieve scale that catalyses market supply chains.

Since the 8 September roundtable, CRI members have consulted with seven of eight states and territories on the CiP model and how to apply it to stimulus measures relevant to each jurisdiction. We received strong interest in the model from departmental officials and Ministers across multiple jurisdictions. Some officials consulted were already exploring opportunities to apply a co-investment partnership approach to some aspects of their climate change work program. The majority were interested in further exploring through the CRI how the CiP could be applied in practice to climate change policy, in particular in hard-to-abate sectors such as industry, transport and land.

This update paper provides two examples of areas where there are co-investment opportunities:

- the Federal Government's *Future Fuels Fund*, and
- the establishment of Renewable Energy Industrial Precincts.

## Future Fuels Fund

### *Summary*

The Federal Government's *Future Fuels Fund* has committed a \$71.9m co-investment fund to support the incorporation of new vehicle technologies into fleets, reducing charging 'blackspots,' and establishing hydrogen refuelling demonstration sites through a competitive grants process. The co-investment fund is being administered by ARENA and a first consultation workshop has been held with stakeholders to design the program guidelines.

The states and territories are also prioritising and investing in vehicle technologies and infrastructure. It would be useful to explore ways to enhance the co-investment approach (with Federal, State and private sector contributors) to deliver goal-oriented outcomes at maximum scale.

### *Why this idea has been chosen*

- The Federal Government, through its *Future Fuels Fund*, has already committed \$71.9m
- Renewable charging infrastructure is an effective short-term stimulus measure<sup>1</sup>
- Several state and territory governments are considering, and/or have made announcements to invest in, EV related programs and are identifying it as a priority area for emissions reductions in discussions on the State-Commonwealth bilateral deals. What is missing, according to ClimateWorks' in-house state and territory policy assessment, is a scale of policy ambition, in particular in relation to EV uptake, required to meet the decarbonisation goals of the Paris Agreement.
- Cars and light duty vehicles were responsible for 75 per cent of Australia's total transport emissions in 2018, with the transport sector the equal fastest growing sector for emissions (along with fugitive emissions) from 2000 to 2018.<sup>2</sup> Fleets buyers purchase as many as one in five new vehicles in Australia.<sup>3</sup>
- Considerable barriers exist to acceptance of new technologies by consumers, such as purchase costs, concerns about accessible charging infrastructure, and insufficient consumer awareness.<sup>4</sup>
- In Australia, electric vehicles are projected to reach upfront price parity with traditional combustion engine vehicles from 2024.<sup>5</sup> It is likely that many fleet management companies would benefit economically now from switching their fleet to electric, biofuel or hydrogen vehicles but may be reluctant to make these changes for the reasons set out above.

### *Proposed implementation*

Explore ways to enhance the ARENA administered Future Fuels co-investment fund by partnering with states and territories to leverage private investment using a goal-oriented competitive approach designed to build scale and catalyse market supply chains.

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<sup>1</sup> AlphaBeta, 2020. *Clean Jobs Plan*, <https://www.climatecouncil.org.au/resources/clean-jobs-plan>

<sup>2</sup> CEFC, 2019, *CEFC encourages fleet owners to super charge Australia's transition to electric vehicles*, Media release, <https://www.cefc.com.au/media/media-release/cefc-encourages-fleet-owners-to-super-charge-australia-s-transition-to-electric-vehicles/>

<sup>3</sup> Ibid

<sup>4</sup> Electric Vehicle Council (2020) *State of Electric Vehicles*, <https://electricvehiclecouncil.com.au/wp-content/uploads/2020/08/EVC-State-of-EVs-2020-report.pdf>

<sup>5</sup> NSW Government Department of Planning, Industry and Environment (2020) *Net Zero Plan Stage 1: 2020-2030*, <https://www.environment.nsw.gov.au/-/media/OEH/Corporate-Site/Documents/Climate-change/net-zero-plan-2020-2030-200057.pdf?la=en&hash=D65AA226F83B8113382956470EF649A31C74AAA7>

*Illustrative funding breakdown<sup>6</sup>*

|  | Investment<br>percent/ratio | Investment     |  |
|--|-----------------------------|----------------|--|
| State/territory govt contribution (\$m)      | 15%                         | 71.9           |  |
| DISER contribution (\$m)                     | 15%                         | 71.9           |  |
| CEFC contribution (\$m)                      | 70%                         | 335.5          |  |
| Total Cth contribution (\$m)                 |                             | 407.4          |  |
| <b>Total govt contribution (\$m)</b>         |                             | <b>479.3</b>   |  |
| Potential private investment leveraged (\$m) | \$2.30:\$1 <sup>7</sup>     | 1102.39        |  |
| Total potential investment (\$m)             |                             | 1581.69        |  |
|  |                             |                |  |
| Jurisdictions                                | Population (m)              | Population (%) | Committed<br>state/territory<br>govt funds |
|  |                             |                |  |
| NSW  | 8.1                         | 32%            | 22.91                                      |
| Vic  | 6.7                         | 26%            | 18.74                                      |
| Qld  | 5.1                         | 20%            | 14.46                                      |
| WA   | 2.6                         | 10%            | 7.44                                       |
| SA   | 1.8                         | 7%             | 4.96                                       |
| Tas  | 0.5                         | 2%             | 1.51                                       |
| ACT  | 0.4                         | 2%             | 1.20                                       |
| NT   | 0.2                         | 1%             | 0.69                                       |
| <b>Total</b>                                 | <b>25.5</b>                 |                | <b>71.90</b>                               |

<sup>6</sup> Figures are illustrative only and roughly based on the ARENA and CEFC Large Scale Solar Program in which close to \$90 million of ARENA grant funding was combined with over \$370 million of CEFC finance.

<sup>7</sup> Private sector leverage ratio of \$2:30:\$1 is based on an average across almost 200 large-scale CEFC commitments (see: [https://annualreport2019.cefc.com.au/media/1428/cefc\\_annual\\_report\\_2018-19.pdf](https://annualreport2019.cefc.com.au/media/1428/cefc_annual_report_2018-19.pdf))

## Renewable Energy Industrial Precincts

Solutions in hard-to-abate sectors such as industry will need to scale up and accelerate for Australian states and territories to meet their net zero commitments. All necessary ingredients for a rapid scale-up in renewable-powered industry exist within CEFC, ARENA, and state governments. Latent support for such a scale-up already exists within these organisations but they lack a replicable model for connecting low-cost renewables with industry users at an affordable cost to the public. The [Clean Technology Market-creation Co-investment Partnership](#) (CiP) model can be used to develop a Renewable Energy Industrial Precinct (REIP) prototype to be replicated across Australian jurisdictions.

### What is a Renewable Energy Industrial Precinct?

Renewable Energy Industrial Precincts (REIPs) are regions wherein a cluster of industrial businesses (e.g. manufacturers) are powered by 100% renewable energy (which could include both renewable electricity and renewable hydrogen). Businesses in these precincts access low-cost renewable energy with the support of a mix of public funding and finance, due to the precinct either being located within Renewable Energy Zones (REZs) or connected to renewable energy generation through high voltage transmission lines.

A REZ involves coordinating new or existing grid infrastructure development in energy-rich areas, to connect multiple generators in the same location. Just as the announcement of REZs has unearthed unexpected levels of investor interest in government-supported locations, we expect REIPs to attract interest from existing industry as well as new industrial investment looking to take advantage of firmed renewable energy supply at a low price.

### *Why this idea has been chosen*

- There is a clear policy gap across a number of states and territories when it comes to mitigating emissions from industry (including industrial energy use), according to ClimateWorks' in-house state and territory policy assessment
- Significant effort is required this decade for states and territories to meet their net zero emissions goals and aspirations. Decarbonising will require support for emerging solutions through government and private investment, and these solutions will need to scale up and accelerate.
- REIPs will help carbon-intensive industries to capture the benefits of cheaper renewable energy, scale up the production of low carbon products and deliver bigger economic and employment impacts. As a result, Australia can rapidly harness significant competitive advantage in a decarbonising global economy.

### *Proposed implementation*

- Explore ways for the Commonwealth government to partner with states and territories to leverage private investment using two goal-oriented competitive rounds designed to build scale and catalyse market supply chains.

- The first competitive round would call for a certain MW of renewable energy projects to be supplied to a Renewable Energy Industrial Precinct. It would target regions that are or will be close to areas of high-quality renewable energy and transmission infrastructure new renewable energy generation (e.g. renewable energy project approvals are planned for the next three years or the Integrated System Plan (ISP) or Renewable Energy Zone (REZ) shows that the transmission will be built there). Renewable energy generation or storage suppliers will be invited to bid and clarify the types of additional renewable energy supply that will be available in their region and when.
- The second competitive round would call for energy usage by industrial users in the Renewable Energy Industrial Precinct to be 100% renewable, with the objective of matching renewable energy generation supply patterns in the region. Additional reverse auction terms may include:
  - demonstrated commitment to employing a certain number of people (including indigenous employment targets),
  - demonstrated increase in private capital investment in Australia, and
  - consideration of dispatchability/specific storage requirements.

#### *Investment goals*

- Investment goal 1: a certain MW of renewable energy projects to be supplied to a Renewable Energy Industrial Precinct
- Investment goal 2: a certain volume of renewable energy usage per year by industrial users in the Renewable Energy Industrial Precinct