July 2024

Budget 2024-25 Response Paper

Introduction

The Climate and Capital Forum largely supports and endorses the 2024-25 Budget direction. Our Forum members congratulate the government and specifically the Treasurer, Finance Minister, the Minister for Climate Change, Energy Efficiency and Water, the Minister for Resources and the Minister for Industry and Science for outlining their decarbonisation vision and supporting progress in addressing the immediate challenges we face in our rapidly changing climate. We acknowledge and appreciate that the Australian government's lynchpin Future Made in Australia Act is designed to kick-start our role in the global decarbonising market. Finally, we congratulate the government on its recent appointment of Matt Kean to the federal Climate Change Authority as an important step toward cross-party policy that supports not only the economic benefits but the emissions reduction benefits needed to protect the global climate.

We welcome the clear recognition of Australia's potential to gain significantly from the fast-emerging global decarbonising economy. In a world where global trade is driven by government policy, money and legislation, a level playing field no longer exists. Since the 2022 introduction of the U.S.'s Climate Bill – the Inflation Reduction Act (IRA) – the paradigm shift in global trade has been significant, and other developed economies have moved to embrace ambitious economic statecraft to drive innovation in the clean energy transition.

The 2024-25 Budget comprises important initiatives covering critical minerals development, support for solar manufacturing and hydrogen industries as well as expanded funding and investment for the Australian Renewable Energy Authority (ARENA), all of which the Climate Capital Forum has identified, prioritised and advocated for since the last election. This funding will allow Australia to build a future economy as part of the growing demand for decarbonising energy, products and manufacturing globally. Budget funding provides a solid down payment for the transition of our economy towards decarbonisation and we welcome the ambition.

We acknowledge the sectoral decarbonisation plans currently being developed by the government, with advice from the Climate Change Authority and endorse the goal of developing a whole of economy strategy to both reach net zero while advancing the Future Made in Australia initiatives.
Given Australia's late start in pursuing both decarbonisation and relevant industry development, **the Forum stresses the urgent need for policy development and implementation now that can kick-start the areas of decarbonisation that offer us the greatest economic opportunities.**

With that in mind and with the detail of our responses below, **the Climate Capital Forum strongly recommends:**

- **The establishment of a coordinator general role that can help bring together project proponents, investors and other stakeholders aiming to navigate the complexities of the Australian regulatory environment in the renewable energy sector;**
- **The establishment of a Production Tax Credit program in 2025, implemented well before the government's current date of 2027;**
- **Allocation of $20 billion to the Future Fund to take strategic equity stakes in emerging Australian critical minerals mining developments and stockpiling;**
- **Funding for green metals processing research to unlock green metals opportunities;**
- **After the consultation process for advancing Australia's green metals production, the development and launch of a policy for industry advancement, supported by a funding package, released as part of the the 2024 MYEFO statement;**
- **A comprehensive and well resourced First Nations Clean Energy Strategy in 2024;**
- **The development of an electrification package that includes a suite of financial incentives, loans and other mechanisms to close gaps in up-front costs, ensuring Australian businesses and households can electrify everything, including commercial buildings, rental accommodation, social and low-income housing;**
- **Reconsidering the Budget's $32.6 million allocation of public funding to support international regional cooperation on carbon capture use and storage (CCUS), which reinforces the idea that we can continue to burn and export fossil fuels without detrimental climate change impacts. This funding could be better allocated to support initiatives driven by communities themselves.**

As global demand for products made from low- and no-carbon sources grows and with the impacts of the demise of Australia's fossil fuel exports, Australia needs to replace that critical income, and soon. Our future economic security depends on producing goods with "green electrons" made from renewable sources here in Australia, supplied to local industrial centres that can make "green products" here for export to the world. Queensland alone is projected to gain 145,000 new jobs and $350 billion in new exports from clean energy projects and their supply chains, and the rest of the country should be equally well placed to benefit from the transition.

The government's release of the ill-timed and ill-conceived Future Gas Strategy is causing distraction and confusion for potential investors. No one is arguing that gas can be phased out of our energy system immediately but the level of need has been inflated and manipulated by bad faith actors seeking to ramp up gas exports despite the global commitment to wind back fossil fuel use. To truly plan for the fossil fuel transition that Australia must make domestically and, more importantly, through our exports, it's beyond time to pick a side. Opening up new gas fields for development sends the wrong message and implies open-ended growth. It plays into political objectives of dissemblers designed to distract from the urgent need to get out of gas and solidly commit to the transition to clean energy and low- and no-carbon exports.

This signalling confusion has been exacerbated by the Opposition Leader's announcement that the Liberal/National Coalition will reject elements of Australia's Paris climate commitments, and its promotion of an untenable and prohibitively expensive nuclear option if elected. Apart from the damage that this kind of divisive party politics does to Australia's international reputation, it's a dangerous distraction from, and a discredit to, the reality of growing and deadly climate change impacts, and the fast-changing pace of the global economic shift.

What ultimately drives jobs growth is giving investors certainty so they are confident to start and back new decarbonising businesses; it also encourages young workers to stay in regional communities to work within these new opportunities. This commitment to local production contributes to protecting our energy security and supply chain sovereignty as well as ensuring a future for manufacturing in Australia.

The **Budget's omission of strategic funding support for First Nations in the context of the Future Made in Australia Act and the renewable energy transition was extremely disappointing.** Securing social licence rests with local community engagement, and particularly with First Nations. Gaining consent to, participation in, benefit from and ownership of clean energy projects is critical and will lead to quality and sustainable jobs, community benefits, environmental protection and economic equity. The acceptance of the recommendations from the Energy Infrastructure Commissioner's (EIC) review along with changes to the Capacity Investment Scheme's tender guidelines that clarify and prioritise good community engagement reflect an understanding of the need for improvements in consultation on project development.

It is essential that the government delivers on a properly resourced First Nations Clean Energy Strategy in 2024. As outlined in the [First Nations Clean Energy Network (FNCEN) Submission] to the First Nations Clean Energy Strategy Consultations, the highest priorities are the adoption of electrification and battery applications for housing energy use; removing dependence on diesel fuel; and investing in the huge human potential amongst First Nations to ensure local skills development and leadership in the energy transition. Funding of $1.5 billion has been called for by the FNCEN. The Forum endorses and supports this call for investment as commensurate with the task ahead and must be deployed quickly to ensure First Nations communities are engaged early and that the opportunities for their economic empowerment in the transition are captured for current and future generations.

The Forum was disappointed with the Budget's $32.6 million to support regional cooperation on carbon capture use and storage (CCUS), which reinforces the idea that we can continue to burn and export fossil fuels without the climate change impacts we are already seeing around the world. This technology has already seen significant investment without demonstrating cost effective abatement and raises concerns where sites would have negative environmental impact. Australia should not be a dumping ground for CCUS from regional neighbours and no taxpayer funds should be allocated to further supporting this technology's development.

Section 1: Urgent next steps to develop our future decarbonising economy

1. The Forum wholly supports the $7 billion Production Tax Credit plan for critical minerals and welcomes the positive impact it has already had in encouraging investment. The recent signing of Memorandum of Understanding with the European Union for increased cooperation on critical minerals development is just one indicator. We would, however, **encourage the government to bring forward the start date of the credits from 2027 to 2025. The sector is ripe for investment right now. Why wait? We also encourage the government to ensure Production Tax Credits can be maintained despite future election outcomes via a dedicated fund. Finally, the Forum encourages the government to develop transparent criteria for eligibility including commitment to Environment and Social Governance and an emission reduction pathway including targets.**

2. We acknowledge the potential role that green hydrogen plays in the green metals transition and welcome continued investment through the $6.7 billion Hydrogen Production Tax Incentive and $1.3 billion of additional Hydrogen Head Start funding. However, the lack of funding for complementary green metals processing research is concerning. The consultation paper for the Future Made in Australia Act (FMIA) does identify the need to unlock green metals opportunities which is a real and massive investment, employment and export opportunity for Australia, and redirects the narrative away from fear of change and the risks ahead. We also note that government consultation on barriers and opportunities to advancing Australia's green metals production is underway. **We urge the government to deliver a commensurate policy for industry advancement supported by a funding package in the MYEFO statement 2024.**

3. It is critical to ensure that the processing knowledge for what is one of our major export products – green iron – is sufficiently mature by the time the hydrogen production and feedstock processes are ready for use in domestic settings, including understanding the scope and potential of other processes, such as molten oxide electrolysis, that may also be appropriate for supporting green metals production. **We call on the government to ensure that funding for domestic green metals production is ready to go when it's needed.**

4. The $500 million for the Battery Breakthrough Initiative is a good start for this sector, which is burgeoning with local and regional opportunities in the supply chain, including engagement with trusted manufacturers in the APAC region. **To harness the opportunities of green metal production and the potential global circular battery economy that includes recycling and remaking fully decarbonised batteries for generations to come as well as Australian IP for these systems, more investment and policies to incentivise private equity investment is needed. Now is the time to invest heavily in the facilities and materials stockpiling to be ready for the inevitable upswing.**

5. A further $209 million into the Net Zero Economy Authority is a positive step ensuring the regional impacts and opportunities are managed well. **The Forum supports the Smart Energy Council's call for a coordinator general role that can provide holistic decision making and help bring together project proponents, investors and other stakeholders aiming to navigate the complexities of the Australian regulatory environment in the renewable energy sector.** This role would be instrumental in simplifying the often intricate, multi-layered and interconnected process of compliance and implementation of projects related to renewable energy. By offering a single

point of contact, the coordinator general would provide clarity and guidance through the regulatory landscape, facilitating quicker and more efficient project initiations.

6. **The Forum repeats its call for a new $20 billion strategic national interest mandated allocation to the Future Fund to take strategic equity stakes in emerging Australian critical minerals mining developments and stockpiling.** This would provide patient capital support for firms investing in onshore resource value-adding practices and would help to avoid premature takeover by foreign investors. It would also ensure the wider Australian community reaps the longer-term benefits from successful investments made on its behalf. Ideally it would also help firms retain a majority Australian ownership so that the ATO can realistically expect to gain Australian corporate taxes (rather than have multinationals take control via their foreign tax haven entities). Over the last 10 years, the Future Fund has returned 8.4% per annum, versus its "inflation plus 4-5%" benchmark of 6.9%. This recommendation is focused on enhancing the independence and expertise of the Future Fund to invest sustainably to build long term wealth for Australia, leveraging the national value and capacities of its now $255 billion reserve, enhancing not draining its capital base.

7. The $1 billion Solar Sunshot program is welcome strategic support designed to identify initial steps for future investment in solar panel manufacturing supply chains in Australia, as identified by the Australian PV Institute in research funded by ARENA. **While this is a great first investment, the Forum strongly recommends additional resources and policy incentives to encourage private equity flow into Australian solar and battery manufacturing to ensure we are moving fast enough to capitalise on the economic opportunities here and for exports.**

8. A comprehensive and focussed R&D agenda of discovery research and the processes and experience of applying new knowledge will be central to Australia's successful implementation of the objectives of the Future Made in Australia path, leading to increased productivity and a competitive economy. The government's strategic review of Australia's R&D system to ensure the community gains from the government investment in R&D is welcomed, especially in the face of the significant decline in funding over many decades. There have been increases in government investment recently in research in health, energy, environmental and defence – as analysis from Australian Academy of Science recently discussed. However, a strong culture of investing in research conducted in Australia will build confidence in our research community, help to reduce the move of researchers overseas, and build a culture of what is made in Australia starts its

research life here too. **Understanding the skills combination required, the teaching capacity and social environments, including addressing gender and cultural diverse representation, are central to the success of this sector, and it is recommended that the review include investigation of and consultation on these issues.**

9. Both the U.S. IRA and Canada's clean energy tax credits embed rewards for equivalent conditionalities, to ensure industries are delivering tangible public benefits that are visible in communities, and generating a sustainable political constituency. **To ensure that Australian public money generates public good, the Future Made in Australia Act should embed common-sense conditionalities that ensure benefit sharing with local communities – especially First Nations communities; the creation of well-paid, safe and secure jobs; a diversified workforce; adequate skills and training opportunities; and the incubation of local and national supply chains.**

10. **Ensure that transmission projects that connect large-scale renewables to industrial regions are funded and prioritised as a priority in existing industrial regions to support them as they decarbonise mining, and develop clean commodities and clean technologies.**

11. **Understand how other countries' Carbon Border Adjustment Mechanisms (CBAMs) may impact the ongoing viability of Australian government supported new clean materials and manufacturing sectors and develop strategies to work closely with those countries to take advantage of opportunities.**

Section 2: Economic and strategic opportunities for advancement

1. The $3.2 billion additional funding for ARENA technology commercialisation is welcome, using a proven model with skills and experience to move clean technology solutions forward. With $168 million allocated to prioritise approval of decisions for renewable projects of national significance, this so-called 'new front door' is critical to speed up the rollout of renewable technologies and is also a good step forward.

2. However, only $19.9 million is dedicated to speed up projects reviewed under the Environmental Protection and Biodiversity Conservation Act (EPBC Act), with the rest directed to broader approvals and funding species research. While the latter is welcome, **focus is needed to ensure minimising environmental impacts of the energy transition are given equal weight in decision-making.**

3. The $91 million to accelerate the development of the clean energy workforce and expanding the New Energy Apprenticeship Program and $179 million in additional employment and skills support for regions plus $56 million in the Building Women's Careers program are all initiatives that are addressing ways of improving decades of neglect. **This is a valuable start but more is needed to meet the demand for the skilled and experienced workforce for the future economy.**

4. The $76.2 million over five years from 2023–24 to support Australia's continued engagement in international climate change and energy transition issues. **While this commitment is a good start, more support will be needed especially in the Pacific regions which will be significantly impacted by climate change.** The allocation and management of climate-financing funds will be a central topic at the November COP29 meeting in Azerbaijan; this topic has been historically riven with disagreement between developed and developing countries on access to previously committed funds as well as funding yet to flow. There is a risk that funding may be re-badged from existing aid budgets, rather than additional commitments. By the end of COP29, there must be a negotiated agreement on a "new collective quantified goal" (NCQG) to guide the provision of climate finance, replacing the $100bn target after 2025. Similarly more funding will be required to support loss and damage claims in developing countries. **Australia must be ahead on loss and damage policy development here to both ensure regional neighbours are in the best possible place moving forward, but also to achieve the successful negotiation on co-hosting COP31 with Pacific nations.**

5. The absence of additional funding to Electrify (and Retrofit) Everything was a disappointment in this Budget. **Electrification and efficiency continue to be the low-hanging fruit in emission reductions, neglected for more than forty years.** Limiting and stopping gas use and helping households to cut their electricity bills with initiatives for more electric and efficient products is one of the fastest ways of reducing household emissions. The one-off sugar hit of the $300 bill discount will be forgotten quickly, but there is a substantial opportunity in supporting more rooftop solar and household batteries, home electric appliances, and electric vehicles, which keep

paying back to consumers. While there are initiatives rolling out in jurisdictions across the country, the need is huge. A low-cost loan scheme would help those Australians access newer, more efficient appliances for their homes, and EVs. **The government must develop a landmark package that includes a suite of financial incentives, loans, and other mechanisms to close the gaps in up-front costs allowing Australian households to electrify, with different mechanisms tailored to the needs and possibilities of different segments of the population (e.g., renters, social housing, low-income families, multi-family dwellings, etc.)** Such a package should also include a focus on electrifying and retrofitting commercial buildings, starting with those owned or operated by government entities, including public schools and hospitals. While complex and cross-jurisdictional, this approach would have huge potential benefit in both stimulating demand and reducing households and emissions.

6. Funding to implement the long-awaited New Vehicle Efficiency Standards – $154.5 million over six years from 2023–24 – including new regulation and installation of EV charging stations in car businesses is a good initiative as we continue to play catch up with the international community. Transport emissions are projected to continue to grow. New funding for EV retrofitting, electric truck subsidies and funding for shared-use infrastructure are all options that would accelerate adoption of cleaner machinery. **At the same time, we recommend initiatives to address the reduction in fuel excise income due to fewer ICE vehicles on roads.**

7. Any future consideration of **reform of the Australian tax system could include discussion on ensuring foreign firms operating here pay taxation commensurate with the benefit they gain from using our finite natural resources.** In reference to tax reform, it should be noted that almost all firms domiciled in Australia pay a very full 30% corporate tax every year and as a result 100% of their Australian corporate tax is rebated in the form of franking credits, passed to their domestic shareholders to prevent double income tax. Therefore, domestic shareholders would not benefit from any corporate tax rate cut to domestic companies; the companies would pay less corporate tax, but individual shareholders would pay more.

Section 3: Supporting nature and limiting climate change impacts

1. Add **additional funding to meet the challenges of biodiversity loss and climate change.** Environmental impacts should not be second-class or “nice-to-have” considerations. **Decision-making on any projects requiring fast-tracked approvals for any reason must not weaken environmental considerations.** The latest $134.2 million announced for improving approval processes is important, but ensuring that more of our unique natural environment is not lost in striving to achieve decarbonisation should be paramount. Opportunities for remediation of existing damage should also be considered. There are welcome pledges in the Budget to prevent new extinctions and protect 30% of Australia’s land and sea areas, but without the funding needed to meet these commitments, it does not carry weight.

2. Where funding has been allocated to natural resources, it relates directly to renewable energy projects and precincts: $65.1 million for research on threatened species, mainly to close critical information gaps in assessing offshore and onshore renewable energy projects; and $19.9 million funding to accelerate decisions under the EPBC Act for renewable energy priority projects. **Ensure provision of a priority list of renewable projects to enable consultation that ensures biodiversity protection can take place quickly so as to speed up approval.**

3. The development of seven priority regional plans across the country, although broader than renewable energy, go some way to help identifying ‘no go’ zones for projects that would cause irreparable damage in critical habitats and or affect areas of high community value. **The recent process undertaken for consultation on Tasmanian Renewable Energy Zones should be considered as an approach that may ensure community engagement is front loaded, giving understanding of community considerations the highest priority.** Adopting co-design processes in energy hubs which are well resourced through local councils to educate, develop materials, retain knowledge and facilitate cohesion amongst stakeholders will see local communities have greater ownership of projects, perhaps even through community ownership structures.

4. The renewable energy transition offers opportunities for significant investment in Australia’s “nature positive” goals through landscape restoration and regeneration projects. Partnerships with First Nations communities, landcare groups, local councils and environmental stewards could work to restore environmental values by improving landscape connectivity, and key habitats,

using local knowledge and experience. **Ensuring clear processes to better integrate conservation into renewable energy projects is key to improving social licence and environmental outcomes.**

5. We call on the government to embed a culture of constructive and collaborative thinking on the renewable transition across the federal government departments directly involved in relevant policy development to limit the siloed nature and the "good policy versus fiscal management" dyad that perpetuates. These should not be mutually exclusive. **Implementing new pathways, encouraging and facilitating collaboration beyond the interdepartmental committee structure where there is a lead department responsible for the process, would develop more productive and diverse thinking around solutions.**

6. While the Budget contained significant funding to support water security, this is just a small part of the overall climate adaptation and resilience preparedness that is needed. **Funding and policy to ensure national resilience and climate-proof infrastructure, agriculture, ecosystem remediation, community and local government capacity building, worker health and safety reforms to protect workers from the impacts of extreme heat and weather are some of the areas that need addressing now.** A focus on physical risk was recognised as a priority in the recent Investor Group on Climate Change report State of Net Zero Investment, which identified a need for increased action on adaptation and resilience to safeguard the value of investments, with only a small proportion of investors currently analysing, and acting on, physical risk across asset classes. Government investment and support for climate adaptation is particularly important given the low rates of private investment in this sector, and as per research conducted for the Insurance Council of Australia and referenced in the Intergenerational Report – $1 invested in adaptation and resilience now could provide returns of $8.10 by 2050. **As the impacts of fire, flood and storms cost up to eight times more to repair after they occur compared to providing upfront funding support in adaptation initiatives, the Forum recommends the government address this issue as a priority as part of its election package.**

This document has been prepared by the Climate Capital Forum, a network of impact investors, climate finance experts, philanthropists and not-for-profits advocating for Australia's economic benefit in the global effort to decarbonise. We support government efforts at all levels to build a strong future economy and long-term job opportunities that will benefit Australia and uphold our net-zero commitments in our region and internationally.

Further information: Amanda Caldwell: amanda@climateenergyfinance.org.