

Friday 26 July 2024

Submission to Inquiry into Future Made in Australia Bill 2024 [Provisions] and the Future Made in Australia (Omnibus Amendments No. 1) Bill 2024 [Provisions]

The Future Made in Australia (FMIA) Act is the Australian government's lynchpin mechanism that will kick-start our role in the global decarbonising market.

Its introduction is clear recognition of Australia's potential to gain significantly from a world where global trade is increasingly driven by government policy, public monies and legislation; a world where a level playing field is greatly diminished. 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. Emerging markets such as Indonesia, the Democratic Republic of Congo and Peru are also requiring domestic value-add as the requirement for access to their resources.

The [Climate Capital Forum](#) largely supports and endorses the 2024-25 Budget direction as a good initial down-payment. Our detailed Budget 2024-25 Response Paper is [available here](#).

We provide the following comments on the draft legislation for the Future Made in Australia Bill (Omnibus Amendments No 1) Bill which partially implements the Attracting Investment in Key Industries measure.

Our expert members of the Forum would be happy to appear before the Committee to address the key issues presented in this document.

Administrative and governance changes

The Climate Capital Forum supports the administrative changes outlined in this first tranche of legislative amendments including:

- The changes to governance, role and funding arrangements for ARENA which seem appropriate and important. While the removal of restrictions on staffing and how it can engage consultants seems sensible, ensuring consultants are engaged in accordance with current public service guidelines would be essential.
- The expanded mandate of Export Finance Australia funding to allow investment in projects that will lead to the development of export products and processes relating to



decarbonisation and energy transition – where funding is not available elsewhere – is also reasonable and will help to support diversification and the build out of missing parts of the clean technology supply chain. However, policy consistency across portfolios and funding bodies must be adhered to; to avoid confusion, all government funding bodies should be required to support projects in line with overall government policies, such as reducing carbon emissions. And the independence, experience, diversity, transparency and integrity of the board is critical to limiting any appearance of government ministers picking winners.

- The role of government in the changes to our energy system relates to leveraging the Australian government balance sheet to generate returns above the cost of borrowings, so at most only the operating costs and a provision for any potential bad debts would have an impact on the forward estimates. This provides access to investment of public strategic national interest patient capital, not subsidies.

New front door and streamlined foreign investment

The \$3.2 billion additional funding for ARENA technology commercialisation is welcome, using a proven model with skills and experience to move Australian clean technology solutions forward and avoid their loss to overseas nations. With \$168 million allocated to prioritise approval of decisions for renewable projects of national significance, this 'new front door' is critical to speed up the rollout of renewable technologies and is also a good step forward. Consideration could also be given to including access to this support for all projects on request. Sometimes smaller project outcomes provide the missing link in knowledge and lead to projects with greater impact.

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

No support for fossil fuel investments

There must explicitly be **no funding support** for fossil fuel, CCS and methane gas projects through the Future Made in Australia Act and under the National Interest Framework.

Community Benefits Principles

How will the benefits be measured and what does success look like? How is equity measured? Is an environmental benefit more valuable than a program that enhances skilled employment? Having a regional community and First Nations benefit focus for projects under the FMIA is supported, but more information to understand the scope of impact is needed.



Hydrogen

We acknowledge the potential role that green hydrogen can play in the green metals transition and welcome continued investment through the \$6.7 billion Hydrogen Production Tax Incentive (PTI) and \$1.3 billion of additional Hydrogen Head Start funding.

While fluctuating cost pressures currently have resulted in a slow down on the production of green hydrogen as a suitable replacement for coal and gas fuels, the certificate of origin scheme identifying renewable-made hydrogen would help to drive Australian resources companies to pivot to value-adding, such as processing critical minerals and producing strategic metals such as green steel. Therefore investment in such a scheme is still considered a priority. The Forum suggests the medium term parameters be emissions reduction oriented without aiming for perfection, but there must be a clear understanding the certificate parameters will progressively ratchet up (e.g. towards the long term requirement of 24/7 matching).

However, the lack of funding for complementary green metals processing research and value-adding is concerning. The consultation paper for the 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 note that government consultation on barriers and opportunities to advancing Australia's green metals production has also been conducted. We urge the government to deliver a commensurate policy for industry advancement supported by a funding package for a PTI for strategic metals value-adding in the MYEFO statement 2024.

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 unless transparent independent monitoring, reporting and verification (MRV) is mandated, and the long tail risk is valued and imposed on the project proponents rather than outsourced to the taxpayer via the Federal government after 15 years (as is the current position). The Forum strongly believes that no taxpayer funds should be allocated to further supporting this technology's development unless it is for non-fossil fuel sector applications.

Critical minerals production tax credits

The Forum wholly supports the \$7 billion Production Tax Credit (PTC) 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 (aiming to leverage and extend the EU Battery Passport re-traceability and high ESG standards) 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. We also encourage the government to ensure Production Tax Credits can be maintained despite future election outcomes via a dedicated fund. The Forum encourages the development of transparent criteria for eligibility including commitment to Environment and Social Governance (ESG) and an emission reduction pathway including targets. Ultimately, all projects need to be required to be at least partially powered by renewables within a defined period, with the goal that PTC inclusion of methane gas as a fuel source to be phased out over time, and a higher tax credit level available if no methane is used.

Solar Sunshot

The \$1 billion SolarSunshot program (which we assume is mostly assigned to a 10-year PTI for a single 1GW pa module manufacturing facility) 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 up-stream solar and battery manufacturing to ensure we are moving fast enough to capitalise on the economic opportunities here and for exports. The Forum sees it as really important that the SolarSunshot be used to leverage and enhance Australian solar cell technology developments, maximising our world-leading university research reputation and outcomes in this field. We also would like to see an explicit requirement that any manufacturing facility be majority Australian owned but undertaken in equity partnership with a global technology leader to ensure ongoing access to world leading technology, automation and global supply chains.

Battery Breakthrough

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, significantly 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, and to allow extending Australian competitive advantages in critical

minerals mining to selective onshore value-adding, as we are already seeing in lithium spodumene being processed onshore into lithium hydroxide.

First Nations

The Forum welcomes the broader government focus on community benefits across all policy platforms and programs, as well as the continuing identification of First Nations priorities.

Central to the tenets of the Community Benefits Principles will be the involvement of First Nations to support and facilitate their partial equity ownership in projects, delivering both cultural, social, capacity building and economic benefits, at a local community level. The changing energy system opportunity is allowing the wider community to see the value and benefits of embracing First Nations. Appropriate financial support in MYEFO statement 2024 of the First Nations Clean Energy Strategy will ensure greater chance of success in this area and a sharing of the equity upside in new project proposals should expedite First Nations buy-in to projects and reduce the risk of litigation and approval delays.

The Community Benefit Principles as currently identified do not adequately prioritise and focus project decision-makers and proponents on achieving First Nations outcomes. Specific guidance on this should be included to ensure First Nations communities and Traditional Owners can participate in and benefit from Future Made in Australia initiatives.

Separating out First Nations outcomes in the design of the Capacity Investment Scheme as a conditionality of access to public capital support is also important. There is precedent for this approach having a specific focus on First Nations outcomes as distinct from general community outcomes in the Net Zero Economy Authority Bill and in the National Reconstruction Fund Corporation Act.

Regarding the broader evaluation of whether private and public investment benefits local communities, it would be worth considering whether local content requirements may provide an overt mechanism displaying public good, particularly as this would also work to build clear regional community benefits and hence support. The Forum has [advocated](#) for this previously.

Sector assessments

The production of sector assessments at the direction of the Treasurer or other ministers requires more clarity regarding how and who would conduct them. To ensure the best expertise and evidence is accessed to inform the policy development, including the option to consult with the Chief Scientist, Chief Economist, the National Science and Technology Council could be included. There is also a wide range of expertise available from the science, engineering and



economics communities: experts from the Fellows of the Australian Academy of Science and the Academy of Technological Sciences (ATSE) and the Academy of Social Sciences.

It is important that there is not a conflict in producing those assessments, particularly in how they line up with the sector decarbonisation plans currently being prepared by the Climate Change Authority for DCCEEW, as well as conflicts of interest, which could be a risk if they are provided by external commercial consultancies.

It would also be helpful to clarify if there is a conflict with funding priorities in other policy frameworks, how those conflicts would be resolved.

To ensure certainty of policy, any ministerial decisions need to be based on evidence provided by independent expert advice. Where a ministerial decision diverges from the advice given by independent expertise, that decision must be explained to the community.

Future Made in Australia Plans

Clearer understanding of the mechanisms of a minister's requirement for a Future Made in Australia Plan is needed. Outlining the scope, expectations for project proponents, whether the plans are commercial-in-confidence, and what would trigger a minister to request the development of a Plan would be useful.

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