**Name:** ASFA

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## 1. Reduce the cost of meeting carbon targets

### 1. What could be done to improve the cost-effectiveness and alignment of policies to reduce emissions across the industrial, electricity and transport sectors?

Energy sector decarbonisation is central to Australia's transition to net zero. New fixed capital investment will involve scaling up low-emissions real energy assets to meet both the demands of a larger population, and to replace existing high-emissions capacity with low/zero-emissions capacity that will need to accommodate more extensive electrification across the economy.

Institutional superannuation will continue to grow in importance as funding source for new fixed capital investment in the Australian economy. For the institutional component of the superannuation system, the total value of investments currently stands at $2.9 trillion.

From the perspective of superannuation funds, any new potential investment opportunity must stack-up – whether this is a direct, discrete investment in an energy infrastructure asset, or an indirect stake via an unlisted investment platform (that holds direct stakes).

In particular, the over-arching legal requirement on the trustee of a superannuation fund is to make investments that are in the best financial interests of the beneficiaries (members) of the fund.

From the perspective of superannuation funds, and institutional investors more broadly, the green premium (on a real energy-transition asset) can be thought of the degree to which the expected rate of return is lower than for a non-transition asset with comparable characteristics.
• The typical usage of the term 'green premium' relates to the additional cost of choosing a clean technology over one that emits more greenhouse gases.
• For superannuation funds, the extent to which there is a price premium for a clean technology real asset (that reflects higher embedded costs), implies a higher required rate of return.

With respect to energy-transition real assets, the size of the green premium can differ according to a range of asset-specific factors. However, broadly speaking, the anecdotal evidence suggests that for stabilised assets, the green premium is in the order of 100 to 200 basis points.

For policy makers, a key challenge is to introduce reforms to either reduce the green premium. No single policy change, on its own, is likely to be sufficient – instead a suite of policy initiatives is required.
The attached ASFA publication, Towards an Energy Transition Accord (published November 2024), sets out some key areas for reform.

https://www.superannuation.asn.au/wp-content/uploads/2024/11/Towards-an-Energy-Transition-Accord-November-2024-004.pdf

2. Are there gaps in the emissions-reduction policies in the industrial, electricity and transport sectors which should be addressed?

The participant did not respond to this question.

3. Are there any duplicative emissions-reduction policies in the industrial, electricity and transport sectors which could be streamlined?

The participant did not respond to this question.

## 2. Speed up approvals for new energy infrastructure

1. Are planning and approvals processes for large energy infrastructure taking too long? If so, what causes the most delay?

Energy-transition projects must comply with important environmental standards, cultural heritage laws, and other planning requirements. However, current approvals processes for new projects are slowing the necessary expansion of renewable energy generation and related and essential infrastructure, such as energy storage projects and transmission lines.

This dynamic risks dampening private sector development activity (of real energy-transition assets), the supply of private-sector funding for development more broadly, and interest from institutional investors, including superannuation funds, as potential owners – where, currently, the flow of new institutional superannuation capital for allocation to new investments is around $150 billion annually.

Ultimately, this risks that not enough new electricity infrastructure of the right kind will be built, in the right place and at the right time.

The broad industry feedback to the Climate Change Authority (CCA) during its recent consultation highlighted that extended approval timeframes can be driven by factors including lengthy and inconsistent assessment processes involving multiple steps, poor coordination between agencies, frequent and unclear requests for information from agencies and approvals processes that are subject to changing expectations. Approval timeframes can vary considerably between jurisdictions (see Commonwealth of Australia (Climate Change Authority) 2024, Sector Pathways Review: https://www.climatechangeauthority.gov.au/sites/default/files/documents/2024-09/2024SectorPathwaysReview.pdf)
In this regard, key recommendations of the Sector Pathways Review are to:
• Clarify, simplify, and make more consistent, approval processes across state jurisdictions for new projects.
• Coordinate state and Commonwealth government processes for assessing renewable energy projects in order to reduce duplication and regulatory burden.
• Develop a set of government-industry agreements that set-out principles for approvals processes and approval time-frames.
• Undertake region-wide environmental and social assessments for renewable energy zones (in place of a project-by-project approach), that could facilitate clustered distribution, generation, storage developments.

• Expedite approvals of identified critical cross-jurisdictional projects, such as critical distribution.

2. How can planning and approvals processes be sped up without unduly compromising regulatory standards?

   The participant did not respond to this question.

3. Should clean energy projects be treated differently to other projects for the purpose of environmental and other approvals? If so, how?

   The participant did not respond to this question.

4. What can be done to build local community support for new energy infrastructure projects?

   ASFA supports the role of the national Net Zero Economy Authority (NZEA) in Australia's transition to a low-carbon economy, particularly in regional Australia. The NZEA's work involves facilitating a fair and orderly transition – including dedicated support for workers and communities impacted by the transition away from heavy-emitting industries and potential new employment opportunities in clean industries.

   The work of the NZEA is likely to help crowd-in private sector investment, including from superannuation funds, in new energy-transition projects. This would be likely to generate economic activity and new employment opportunities in impacted communities – and thus help generate support within local communities.

5. Please outline any evidence showing the productivity benefits of faster approvals for energy projects.

   The participant did not respond to this question.

## 3. Encourage adaptation by addressing barriers to private investment

1. What are the barriers and enablers impacting decisions by owner-occupiers, landlords and developers about how housing is built and updated over time so that it is resilient to the effects of climate change?

   The participant did not respond to this question.

2. What information do people need to make decisions about where to live, how to build and how to upgrade their homes to appropriately factor in climate change?

   The participant did not respond to this question.

3. What are the most cost-effective retrofitting options for improving the resilience of Australia's existing housing stock? What are their costs and benefits?

   The participant did not respond to this question.

4. What role might minimum standards play in ensuring the resilience of Australia's housing stock?

   The participant did not respond to this question.

5. The impacts of climate change are being factored into the regulation of where and how houses are built in different ways around Australia. What does leading practice look like? Where is there room for improvement? Are there lessons we can learn from other countries?

   The participant did not respond to this question.