Submission – Productivity Commission – Pillar 5: Investing in cheaper, cleaner energy and the net zero transformation

June 2025

Overview

RIAA thanks the Productivity Commission (Commission) for the opportunity to respond to Pillar 5: Investing in cheaper, cleaner energy and the net zero transformation consultation questions (the consultation).

RIAA welcomes the government's engagement through the work of the Productivity Commission under Pillar 5 to consider reforms which can deliver cheaper, cleaner and reliable energy and adapt to the risks posed by climate change.

Sustainable finance can play a key role in supporting a prosperous future for our nation: from developing future-proof skills and capabilities, building infrastructure, supporting affordable housing to investing in new technologies and financing the transition to net zero emissions. With such a breadth of application and opportunity, sustainable finance incorporates systems change to challenge, adapt and improve underlying structures and frameworks in support of sustainable growth.

If done right, this will benefit all Australians and businesses by ensuring that the economy builds resilience in a fast-changing world and the transition supports local communities and First Nations people.

But this is not an outcome that the private sector, or institutional investors, can achieve alone. The policy and regulatory landscape must support responsible investing. Australia risks missing out on the finite capital available for the transition to a more sustainable future if policy settings are not changed and if misaligned incentives are not dismantled.

RIAA's submission has been informed by the input of RIAA members and outlines whole-of-government solutions to address the concerns outlined in the consultation questions. RIAA thanks those RIAA members who contributed to the development of this response.

In preparing this submission, RIAA has been informed by its previous publications and submissions:
- RIAA Policy Platform 2025 *Harnessing sustainable finance for a thriving Australia*
- AU Treasury - Future Made in Australia Investor Front Door - Submission

---

About RIAA

The Responsible Investment Association Australasia champions responsible investing and a sustainable financial system in Australia and Aotearoa New Zealand. It is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

RIAA represents

75% professionally managed funds in Australia

73% professionally managed funds in New Zealand

A$ 76 trillion managed by our members in assets globally

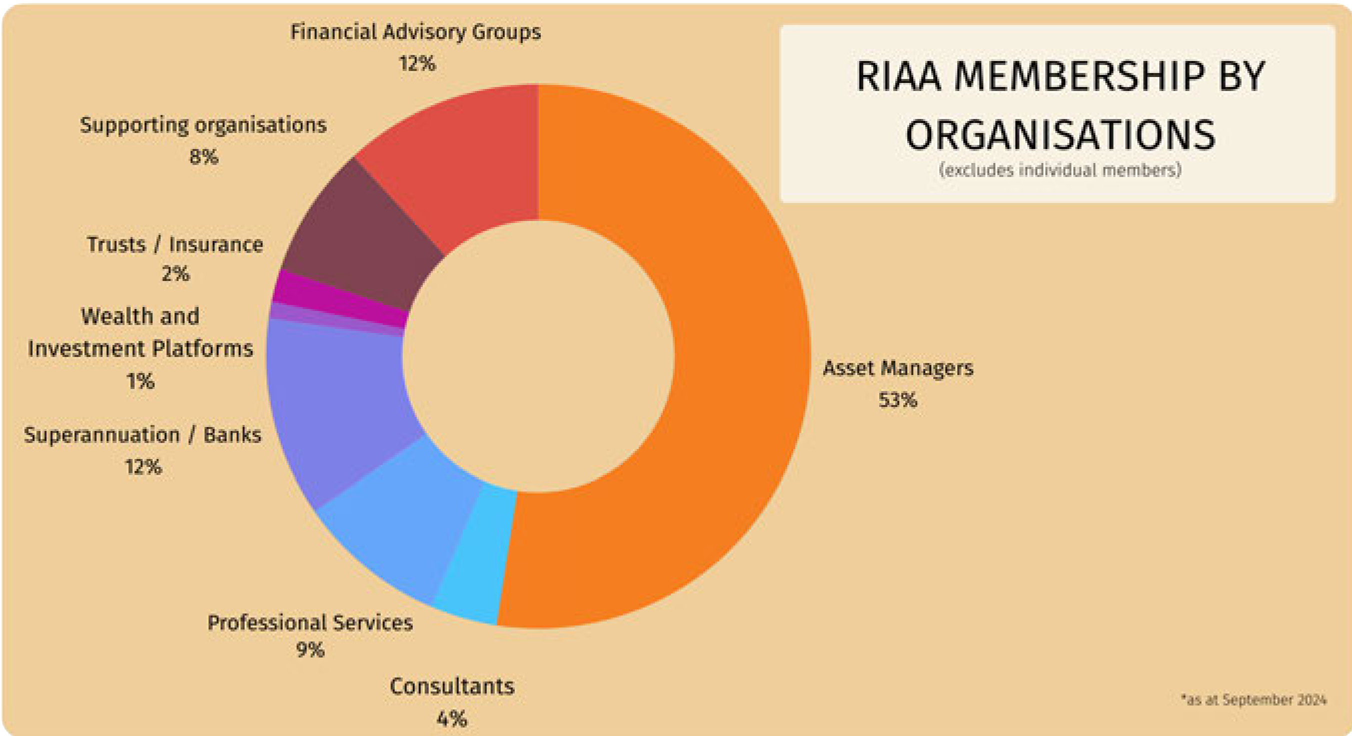
CERTIFIED BY RIAA

World's longest running certification program for responsible investment products

340+ RIAA certified products

10 largest super funds by no. members / asset under management in Australia are RIAA members

10 largest KiwiSaver Funds by no. members are RIAA certified products



Context for RIAA's submission

1- Cost of inaction must be a central consideration for sustainability-related policies

RIAA acknowledges the need to ensure that policies introduced to reduce emissions in Australia must be cost effective and supports the Commission making practical recommendations to help governments increase the efficiency of emissions-reduction signals and align these signals over time. However, RIAA cautions against taking a 'least cost' framing to meeting carbon targets without recognising that there is a significant cost incurred by doing nothing. In addition, the cost of taking action will only increase with delays and worsening impacts of climate change.

Historical and continued failure to act on climate change through credible carbon targets and meaningful emission reduction mechanisms has reduced the timeframe and options Australia has available to meet the now legislated emissions reductions target. For example, in addition to the reports referred to by the Commission in the consultation, the Productivity Commission has produced reports on the topic for decades such as the 1991 Industry commission: Costs and Benefits of Reducing Greenhouse Gas Emissions, Report No. 15. This report identified a number of steps Australia could take to best prepare for a world with lower emissions. Due to delay and inaction, these proposals are either no longer an available option or no longer provide the benefits they once did.

Various organisations have sought to quantify the costs that climate change has already had to the global economy. These include the World Economic Forum, which noted that "Climate change has caused over $3.6 trillion in damage since 2000. Without urgent action global GDP could drop by up to 22% cumulatively by 2100."[1]

The Australian Government has itself identified the importance of looking beyond economics. The Measuring What Matters Framework was released in July 2023 to understand, measure, and improve on the things that matter to Australians with an objective to embed the Framework into government decision making, to inform policy development and evaluation. Specifically, the Framework refers to:

a) **Valuing non-market transactions** (p30), looking at the importance of estimating and monitoring the monetary value of activities not captured by GDP. For example, the benefits derived from environmental services – such as air filtration, water purification and flood mitigation – and the benefits from unpaid household service work – including cooking, cleaning, caring, and transportation. While developing monetary value of non-market activities was not the purpose of the Framework, it provided that:

   While estimating the monetary value for non-market benefits will not capture all of the importance of these activities to people's wellbeing, the valuation can be relevant in supporting policy and decision making…Finding consistent ways to value these benefits and costs help policy makers to understand the relevant trade-offs that need to be balanced against each other.

b) **Emissions reduction** (p45), which acknowledged the acceleration of global action to achieve net zero and that this transformation is the most significant shift in the world's economy since the industrial revolution. Crucially, the Government accepted:
   The costs of inaction or delaying action will far outweigh the costs of efficient mitigation. In Australia, annual greenhouse gas emissions have fallen by 24.7 per cent since June 2005 (the baseline year for Australia's 2030 target under the Paris Agreement), however emissions per capita are higher than the OECD average. Substantial further progress needs to be made to reach Australia's legislated commitment to reduce emissions by 43 per cent by 2030.

[1] See also: Climate change damage could cost $38 trillion per year by 2050, study finds | Reuters; New report: extreme weather events cost economy $2 trillion over the last decade - ICC - International Chamber of Commerce; What are the economic costs of climate change? This is what climate change costs economies around the world | World Economic Forum; Climate change is costing the world $16 million per hour | World Economic Forum

The 2025 report by the Clean Energy Investor Group (CEIG) 'The cost of no renewables: The unaffordable alternative' which highlights the potential consequences of a reduced renewable energy future, should policies be implemented that create uncertainty or barriers to renewable energy investment. Noting that there may be a cost to the transition to renewable energy, this cost is borne out by the overall positive impact of the renewable sector, for example with CEIG's modelling:

- Without renewables and battery storage assets, wholesale electricity prices in 2024 would have been higher by $30-$80/MWh, with greater risks of blackouts.
- Running a grid using fossil fuels rather than renewables would increase total system costs, weaken energy security, and place greater strain on ageing coal and gas infrastructure.
- A system reliant on coal and gas would also divert more gas away from manufacturing and industry, pushing costs even higher.
- Renewables, backed by transmission, batteries, and peaking gas, provide the most affordable and stable replacement for retiring coal.

Similarly, the Clean Energy Council's 2025 report *The Impact of a Delayed Transition on Electricity Bills* examines the impact to power bills for Australian households and businesses should renewable energy generation be capped at 54 per cent.
The report shows that:

- Household energy bills would be 30 per cent more expensive (41 per cent for small businesses) in 2030 if Australia were to stall the pace of building new renewable energy projects.
- Should coal fired power stations experience significant outages, as has been the case regularly over recent years, the increase to household bills jumps to $606 on average per year while small businesses would see an average increase of $1182 in 2030.
- Australians will pay a total of $2.3-$3 billion for gas electricity in 2030, compared to the $770 million paid today.
- The emissions impact of the modelling demonstrates that reducing renewable build investment in the run up to 2030 will see emissions increase 37.7 Mt CO_2e to 77.2 Mt CO_2e. The value of these increased emissions under this assumption would be $3.9 billion.

Recommendation: Note the increasing evidence of urgency and economic impact of delay and inaction and recognise and incorporate into findings the cost and impact on productivity that will arise from inaction, acknowledging that the cost of taking action will always be at its lowest today.

2- Without a whole-of-government approach, success is unlikely

Sustainable finance will interact and influence most, if not all, of these (and future) initiatives through its role in financing Australia's transition to net-zero. However, the process of assessing the adequacy of policies is difficult without a shared level of ambition and urgency in achieving the transition to net-zero and an understanding of the policy positions and strategies across industries, real economy and financial economy which have this shared goal.

The move to, and implications of, a net-zero economy require effort well beyond finance and energy sectors; it involves all industries across all government portfolios. RIAA endorses the number of initiatives the Government has progressed in support of a renewable and sustainable future across many industries. This includes the First Nations Clean Energy Strategy, releasing the Future Made in Australia (FMIA) policy plan, expanding the Capacity Investment Scheme to increase the energy grid capacity, updating the *Environment Protection and Biodiversity Conservation Act* 1999 to strengthen and streamline Australia's environmental laws, committing to national law reform on Indigenous cultural heritage protection, establishing the Net Zero Economy Authority, signalling support for increased sustainability disclosures beyond climate, appointing the inaugural federal Anti-Slavery Commissioner and responding to the review of the modern slavery reporting requirements.

Furthermore, the interconnected nature of sustainability issues through the economy means that it is likely that activities which support transition to a net-zero future could have unintended negative consequences for other sustainability factors such as labour rights, First Peoples' rights, gender equality and biodiversity if not considered together.

Recommendations:

- Articulate an integrated, Whole-of-Government approach and shared level of ambition and urgency in achieving the transition to net-zero.
- Publish a holistic, Whole-of-Government framework of initiatives and strategies that aim to progress Australia to a net-zero economy.
- Research other jurisdictions which have successfully implemented whole-of-government initiatives to urgently progress policy and change and make recommendations to Government on possible options.

3- RIAA's policy platform sets out priorities to progress sustainable finance

RIAA Policy Platform

RIAA's Policy Platform 2025 outlines key actions for the Australian Government to mobilise the capital needed to transition the economy. There are 9 priorities and 2 policy principles:

1- Capitalise on Australia's opportunity to become a sustainability leader	2- Build Australians' trust in responsible investment	3- Make sustainable investment easier with fit-for-purpose regulatory frameworks and the right guidance
4- Reduce nature-related financial risks and support a nature positive transition	5- Prioritise progress of the Sustainable Finance Roadmap	6- Provide certainty to markets and global investors by reinforcing net zero commitments with science-based targets and investment in proven technologies
7- Support economic self-determination for First Nations peoples and embrace Indigenous knowledge to drive sustainable investment outcomes	8- Equip Australia with the data to support good investment decision-making	9- Improve human rights protections to support investors in managing modern slavery and supply chain risks
Coordinate efforts across Government to ensure the successful economic transition, including harnessing all available policy levers		
Ensure policy developments acknowledge the impact on other sustainability-related issues		

RIAA has recommended a number of actions for the Australian Government to take to ensure that global and domestic capital continues to progress the economic transition to net-zero. These have been referenced below.

Specific responses

Reduce the cost of meeting carbon targets

Q1 What could be done to improve the cost-effectiveness and alignment of policies to reduce emissions across the industrial, electricity and transport sectors?

RIAA acknowledges the need to ensure that policies introduced to reduce emissions in Australia are cost effective and supports the Commission making practical recommendations to help governments increase the efficiency of emissions-reduction signals and align these signals over time. However, RIAA cautions against taking a 'least cost' framing to meeting carbon targets without recognising that there is a significant cost incurred by doing nothing. A myopic focus on the cost of taking action can lead to additional delay, irretrievably losing possible opportunities and options: see above for more details.

Recommendation: Note the increasing evidence of urgency and economic impact of delay and inaction and recognise and incorporate into findings the cost and impact on productivity that will arise from inaction, acknowledging that the cost of taking action will always be at its lowest today.

Speed up approvals for new energy infrastructure

Q4 Are planning and approvals processes for large energy infrastructure taking too long? If so, what causes the most delay?

Q5 How can planning and approvals processes be sped up without unduly compromising regulatory standards?

The Productivity Commission notes that renewable energy projects, such as solar, wind and transmission lines, must comply with important environmental standards, cultural heritage laws, and other planning requirements. But slow, complex and overlapping approvals processes can cause significant and costly delay. For example, the PC notes that pre-construction planning and approvals for solar and onshore wind projects can take four to five years to complete.

RIAA encourages the Productivity Commission to conduct analysis of planning and approval times, to determine where any key pressure points are located and put forward recommendations on potential ways to address those pressure points alongside existing planning and approvals requirements. This should include an examination of the differences in approval times between renewable and non-renewable projects, including avenues available to non-renewable projects which may not be available for renewable projects.

RIAA will continue to engage with the Australian Government in relation to FMIA and the proposed Investor Front Door (see RIAA submission). Any solutions considered by the Commission should incorporate the impact of this policy plan. In addition, proper community engagement from the beginning of project development is vital for timely implementation: see response to Q7 below.

Policy Platform Priority 6 *Provide certainty to markets and global investors by reinforcing net zero commitments with science-based targets and investment in proven technologies* outlines key asks to provide the necessary policy certainty and frameworks within which planning and approvals of sector-specific projects take place:

- Continue to leverage the leadership shown in the sector decarbonisation pathways by establishing credible interim science-based targets for net zero, which will provide certainty and attract international capital. NDCs, together with supporting policy frameworks, play an important role in portfolio construction and investment decision-making. It is materially important for institutional investors to have an ambitious, Paris-aligned and scientifically backed Australian 2035 NDC, with supporting policy frameworks.

- Continue support and incentives in skills, renewables, natural resources and innovation to accelerate investment in renewable energy that will reduce energy prices and increase renewables options for Australians' energy use.
- Maintain and expand the Safeguard Mechanism to ensure accountability for the impact of carbon emissions on the economy and environment.
- Leverage the global transition by supporting the growth of clean technology, particularly by supporting and funding:
    - the Australian Renewable Energy Agency (ARENA);
    - the Clean Energy Finance Corporation (CEFC) to take a central role in providing early-stage investment which supports transition to a net zero economy and nature and biodiversity protection and restoration; and
    - the Net Zero Economy Authority to support regional projects.
- Further accelerate the transition to support jobs and growth by implementing a robust Australian Government Green Bond Framework to deliver projects and use of proceeds that are proven to transition the economy.

Q6 Should clean energy projects be treated differently to other projects for the purpose of environmental and other approvals? If so, how?

RIAA is supportive of greater investment in clean energy projects but cautions against treating clean energy projects differently without considering the interrelated nature of sustainability considerations and environmental and other approvals.

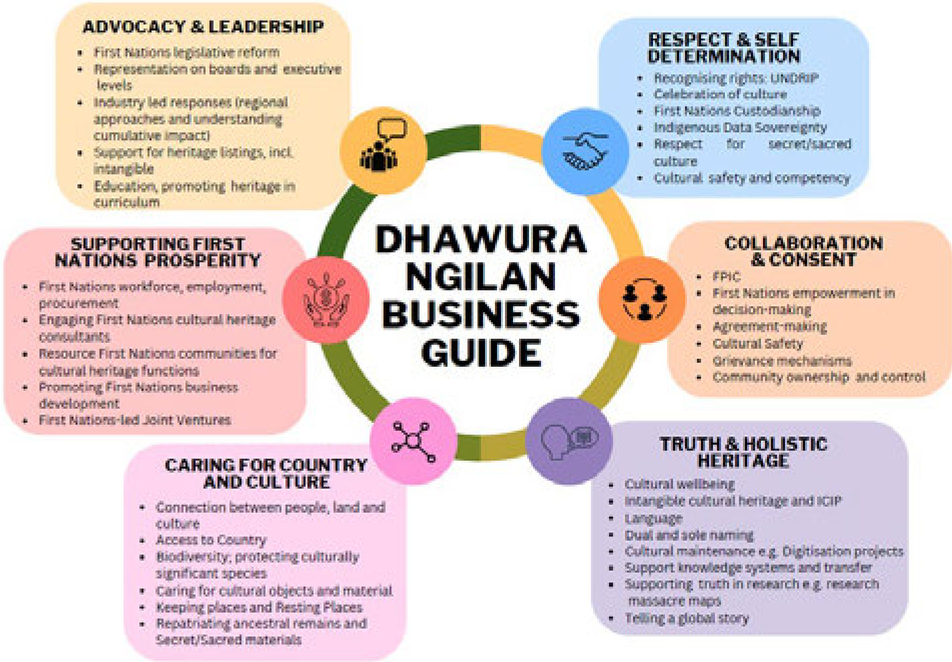
The interconnected nature of sustainability issues through the economy means that, if not done right, activities that support the transition to a net zero future may have unintended negative consequences for other factors such as labour rights, First Peoples' rights, gender equality and biodiversity. In any response to climate change, the impact of policy on other sustainability factors and policy priorities must be considered and acted on: see above for more information.

Q7 What can be done to build local community support for new energy infrastructure projects?

Australia's wealth and prosperity has long relied on primary and extractive industries. These sectors will be greatly transformed by the transition as Australia joins the global push towards a decarbonised economy which require significant support for new energy infrastructure projects. The Just Transition is underscored by a commitment to building community support and making sure impacted groups are not left behind. One aspect of this will be ensuring First Nations communities benefit from the opportunities the energy transition will bring.

RIAA refers to Policy Platform Priority 7 *Support economic self-determination for First Nations peoples and embrace Indigenous knowledge to drive sustainable investment outcomes* which asks the Australian Government to:

- Legislate the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) principles, including a clear definition of Free Prior and Informed Consent (FPIC), to provide a level playing field for companies on the ground and hence investor certainty and lower risk
- Support models that encourage Traditional Owner partnerships in renewables investments
- Endorse and adopt the Dhawura Ngilan Business and Investor Guide and principles to minimise risks related to the destruction of Indigenous cultural heritage:



Encourage adaptation by addressing barriers to private investment

Q9 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?

To determine barriers and enablers impacting decisions by owner-occupiers, landlords and developers, it is important to consider those who drive development and support housing supply – this includes institutional investors. Superannuation funds in particular have progressed important housing initiatives including:

- advocating for the Commonwealth Government
  - to prioritise improving planning and zoning systems for large-scale housing projects (including quicker decisions, higher certainty of planning outcomes and density/floor space bonuses, and consideration of climate change impacts around zoning) and
  - increase land-availability pipelines for housing projects, while maintaining an important focus on ensuring housing projects are sustainable and energy efficient; and
- accessing partnerships to increase the supply of affordable housing to generate stable, long-term returns by investing in housing at scale across Australia.[2]

However, regulatory frameworks in Australia are not conducive to increasing investment and productivity. For example, the annual superannuation performance test disincentives for long-term investments in new and emerging sectors, preventing everyday Australians from benefiting from the financial opportunities afforded by the net zero transition: see RIAA submission.

Other regulatory barriers are outlined in Policy Platform Priority 3 *Make sustainable investment easier with fit-for-purpose regulatory frameworks and the right guidance* which asks the Government to:

- Review regulatory conditions for private markets to improve transparency, so investors can make informed decisions about social and environmental risks and opportunities.
- Further support transparency and consistency for investors by collaborating with industry to provide guidance on climate-related financial disclosures.
- Provide specific guidance on corporate transition plans, for both preparers and users.

[2] AusSuper, HESTA commit to low-cost housing supply boost - Financial Newswire

- Adopt a pragmatic and proportionate approach to early enforcement of new regulations such as the climate related financial disclosure regime, to support industry to leverage the benefits of climate-related information transparency and outcomes.
- Prevent everyday Australians from being subject to greenwashing by issuing new, as well as monitoring and updating existing, guidance on how companies and institutional investors can communicate with consumers and retail investors on sustainability matters.
- Expand mandatory sustainability reporting to other areas, in consultation with industry, with (acknowledging its interconnectedness with climate) nature risk disclosure being the next priority, leveraging the Taskforce on Nature-related Financial Disclosure (TNFD) recommendations.
- Ensure a joined-up policy on the use of carbon offsets, centred on a mitigation hierarchy that firstly focuses on eliminating emissions within value chains.

Q12 What role might minimum standards play in ensuring the resilience of Australia's housing stock?

Minimum standards de-risk Australia's largest asset owners from investing in Australia's housing market. Responsible investors and particularly Superfunds are eager to increase their portfolio allocation to increasing Australia's supply of affordable housing by entering blended finance arrangements and investing directly. Minimum standards are crucial to de-risking these assets stimulate the capital.