Submission to the Productivity Commission

Net Zero Interim Report
Investing in Cheaper, Cleaner Energy and the Net Zero Transformation
From: Craig Kenny (personal submission)
Date: September 2025

Introduction

I welcome the opportunity to comment on the Productivity Commission's Interim Report *Investing in cheaper, cleaner energy and the net zero transformation* (August 2025).

The report highlights the importance of efficient, transparent policy settings, timely infrastructure approvals, and resilience measures to support the net zero transition.

In this submission, I propose a concept: the creation of regional community foundations as an expression of place-based industry–community partnerships.

These would act as trusted, independent vehicles to manage the flows of capital associated with the energy transition to build regional wealth funds. My suggestion is not based on a live project or pilot, but rather on a conceptual model that could help Australia deliver the transition with fairness, trust, and intergenerational equity.

1. The Problem: Fragmented Flows, Fractured Trust

The energy transition represents one of the largest capital reallocations in Australia's history, with estimates of between $200 and $600 billion nationally over the next 50 years. For some regions, such as Gippsland, this could equate to tens of billions in new investment.

At present, however, the financial flows tied to this transition—community benefit schemes, biodiversity offsets, social licence payments, and transition funds—are fragmented, time-limited, and inconsistent.

Communities see projects imposed upon them, often with little transparency in benefit distribution. Industry faces persistent social opposition that slows approvals and increases risk. Governments are left carrying the political and fiscal cost of inadequate engagement.

Without a new framework, the transition risks being slowed, politicised, and mistrusted.

2. The Concept: An Industry–Community Partnership

The idea I put forward is a **community wealth fund model**—establishing a series of large-scale place-based community foundations jointly supported by industry, governments, and civil society, but governed independently at the regional level. (Refer attached provocation / prospectus developed in recent months to commence discussion in Gippsland.)

Key Features

- **Capital Aggregation**: Pool transition-related funding (e.g. community benefit flows, industry contributions, offsets, transition support, philanthropy) into a perpetual endowment.

- **Perpetual Fund**: Invest capital to generate long-term income, distributing at least 4% annually into grants and impact investment aligned with community priorities.
- **Independent Governance**: A skills-based board with representation from community, Traditional Owners, and local institutions, ensuring accountability and transparency.
- **Named Sub-Funds**: Industry or project-specific contributions (e.g. wind, transmission, or transition sub-funds) managed under a common framework but preserving donor intent.
- **Intergenerational Mandate**: Designed to create lasting benefits, not just one-off compensation, thereby embedding equity across generations.

3. The Benefits

a) For Communities

- Ensures **fairness and legitimacy** by giving local people a direct voice in how benefits are managed.
- Provides **visible, perpetual benefits** such as education, resilience, health, and enterprise development.
- Builds capacity and strengthens local networks rather than duplicating them.

b) For Industry

- Provides a **predictable, trusted mechanism** for delivering community benefit obligations.
- Reduces project risk by improving social licence and accelerating approvals.
- Creates a visible legacy, demonstrating responsible corporate citizenship.

c) For Governments

- Aligns with the Commission's call for transparency, efficiency, and community engagement standards.
- Offers a **principles-based national framework** that avoids case-by-case negotiation while retaining local independence.
- Reduces fiscal exposure by leveraging private capital for community outcomes.

d) For the Nation

- Converts one-off transition flows into **perpetual community wealth**.
- Enhances long-term productivity through investment in skills, health, resilience, and local enterprise.
- Strengthens democratic trust by embedding community agency in the transition.

4. Fit with the Productivity Commission’s Priorities

The Interim Report identifies three reform priorities: reducing the cost of meeting emissions targets, speeding up approvals, and addressing barriers to adaptation. Industry–community partnership foundations would:

- **Reduce costs** by de-risking projects, enabling efficient rollout of infrastructure.
- **Accelerate approvals** by embedding transparent and legitimate benefit-sharing.
- **Support adaptation** by investing in housing resilience, local skills, and social infrastructure.

This model complements broad-based market incentives and regulatory reforms by addressing the social and legitimacy dimension of the transition—an area not fully captured by existing frameworks.

5. Recommendations

I respectfully recommend that the Productivity Commission:

1. Acknowledge the potential of industry–community partnerships as a mechanism to secure social licence and intergenerational equity.
2. Advise government to establish enabling policy and tax treatment (including application of the new community foundation DGR status) to support such models.
3. Encourage a National Energy Accord Framework to set common principles for how benefit-sharing should occur, leaving flexibility for regional adaptation.
4. Consider regional foundations as a tool for resilience and productivity, alongside market and regulatory reforms.

Conclusion

The net zero transition is not only a technological challenge but a profound social one. A concept such as the Re:Gen foundation demonstrates how industry, government, and communities can **work together through independent, perpetual foundations** to secure trust, fairness, and intergenerational benefit.

By embedding such mechanisms into the national policy framework, Australia can ensure that the once-in-a-generation investment in clean energy becomes a **lasting legacy of community wealth and productivity**.

Attachment: Re:Gen Community Foundation Prospectus

Craig Kenny

West Gippsland Re:Generation – Community Foundation
A Perpetual Vehicle for Regional Renewal and Shared Prosperity

A Provocation / Prospectus | August 2025

1. Vision

To create a resilient, vibrant, and just future for the Latrobe Valley and broader West Gippsland region by harnessing the financial flows of the energy transition into a perpetual community-owned foundation that delivers long-term environmental, economic, and social benefit.

2. Context

The Latrobe Valley and West Gippsland region stand at the forefront of one of Australia's most significant energy transitions. As coal-fired power stations close and the region shifts towards a future defined by renewable energy—including major offshore and onshore wind projects—there is a generational opportunity to redefine the region's future.

This transformation, while complex and disruptive, also brings substantial financial flows: transition payments, community benefit schemes, social licence investments, biodiversity offsets, and economic development funds. Currently, these investments are fragmented and time limited.

There is a clear need for a **coordinated, strategic, and community-anchored approach** to manage these flows for the benefit of future generations.

3. Purpose

The **West Gippsland Re:Generation Community Foundation** will:

- **Aggregate and steward** transition-linked funding into a perpetual capital base.
- **Invest strategically** in projects and initiatives aligned with community priorities.
- **Make grants to support just transition outcomes**, including workforce reskilling, First Nations economic empowerment, regenerative land use, and social innovation.
- **Ensure local governance** through community-led decision-making and strong accountability mechanisms.

There is a pressing need for a coordinated, strategic, and community-centred approach to harness the available financial resources for the benefit of the community and future generations.

4. Structure

Legal Form

- **Company Limited by Guarantee** or **Perpetual Charitable Trust**, depending on partner and regulatory advice.
- Registered as a **charitable Public Ancillary Fund (PuAF)** to enable tax-deductible donations and philanthropic contributions.
- Seek ministerial approval to become a **community charity DGR**, this new category of DGR is specifically designed for place-based foundations and provides greater flexibility to operate its own programs and make grants other DGR eligible entities

Governance Model

- **Foundation Trustees (members of the company)**: Representing major stakeholders (e.g. renewable energy developers, transmission companies, government, and community representation).
- **Community Directors**: Nominated by civil society groups, Traditional Owners, and regional institutions.
- **Advisory Council**: Comprising youth, industry, social sector, academic, and environmental voices.

Core Principles

- **Independence** from government and individual corporate control.
- **Transparency** and public reporting.
- **Community-centred** strategy development and decision-making.

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5. Sources of Capital

Initial and ongoing capital contributions may include:

- **Social licence investments** by renewable energy and transmission proponents.
- **Transition funding** from state and federal government (e.g. net zero, just transition, economic diversification).
- **Philanthropic partnerships** and structured giving campaigns.
- **Biodiversity offsets**, carbon credits, and environmental markets.
- **Bequests and local giving**, including broader engagement.
- **Co-investment models** with community energy, housing, or enterprise initiatives.

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6. Strategic Investment Areas

The Foundation will make grants and impact investments in areas such as:

- **Impacted landholders** and environmental projects
- **Local enterprise development** and jobs of the future
- **Youth engagement** and leadership pathways
- **First Nations-led land and cultural management**
- **Community-owned renewable energy**
- **Mental health and wellbeing support**
- **Place-based education and skills development**
- **Regenerative agriculture and biodiversity protection**
- **Cultural and creative industries**

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7. Next Steps

We invite interested stakeholders to join a **founding dialogue** to shape the establishment phase of the Foundation. This includes:

- Co-design of governance and legal structure
- Mapping of capital flows and potential funding commitments
- Engagement with community members, First Nations representatives, and local institutions
- Formation of a **Steering Committee** to guide the legal establishment

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8. Invitation

This is a rare moment in history. The region's future is being written now.

We invite energy producers, civil society organisations, government, Traditional Owners, philanthropists, and citizens to co-create a **living legacy—**a community foundation owned by the people, for the people, with the power to sustain regional prosperity well beyond the lifespan of any individual project or political cycle.

To express interest or receive further information, please contact:

[Insert Contact Name]
West Gippsland Re:Generation Community Foundation Initiative
Email: [insert]
Phone: [insert]
Website: [insert]

Possible corporate structure

Community Foundations can have various types of corporate structure, the following outlines a typical form.

Re:Generation Ltd – a company limited by guarantee registered under the Corporations Act (Cth).

The company operates as a not-for profit-entity registered as a charity with the Australian Charities and Not for Profit Commission (ACNC).

The company acts as trustee for various Trusts which are established for different purposes. (i.e., Charitable Fund, Public Fund, Special Purpose Fund, Emergency Relief Fund, etc)

The purpose of the Foundation and Trusts is outlined in the constitution.

The key attributes of the Trusts are:

- The Foundation as body corporate is the Trustee
- Trust funds must be applied solely for providing, money, property, or benefits to eligible recipients
- The Foundation is required to make a minimum annual distribution to eligible recipients
- The Trustee has control and ultimate responsibility but can consider donor advice in making grants
- The Foundation if wound up would distribute assets to eligible entities

Named funds

The Foundation can create specific named funds that can be used as a vehicle for various purposes, in the case of energy transition there could be:

- Individual Funds reflecting sources of funding: e.g. Offshore Wind Fund, Loy Yang Pit Fund, VicGrid Community Benefit Fund, etc.
- Funds would have specified policy objectives according to the purpose of the fund
- Each fund under the Public Fund will need to make a specific distribution each year
- There should be comprehensive donor reporting on distributions and impact of the funds

Distributions from the named funds would be directed to pursue the policy objectives of the fund.

Distributions

The Foundation would aim to distribute at least 4% of funds under management annually.

Foundations usually have several grants rounds each year and some have flexible small grants that can be used at short notice for community benefit.

Flow-through grants can be facilitated on a modest fee for service basis.

Under the community foundation DGR status there is greater flexibility for use of funds but these would generally be directed to not-for-profit corporate entities (including existing local Foundations such as Mirboo North, East Gippsland Community Foundation, and others).

Community input can be used in the evaluation of grant applications and impact of projects delivered.

Members

Members of the company are non-beneficial shareholders and essentially control the Foundation through variations to the Constitution and appointment and removal of directors.

Board Directors are accountable to Members for the effective performance of the Foundation.

It is envisaged that companies that are major contributors to the Foundation would be eligible for membership and would therefore be a key stakeholder to the Foundation.

Additionally, there could be a category of community membership (civil society entities or individuals) that could embed a community ownership model.

At the conclusion of their involvement in the energy transition process, a member can resign or transfer their membership of the company to another entity, person, or group.

It will be important to consider long-term models of community ownership and building the legitimacy of the Foundation in the eyes of the people it serves.

Transparency and public accountability will be essential to build trust and confidence.

Board and Directors

It is essential that the Foundation has a skills-based board of directors appointed.

A skills matrix will determine the range of skills and experience required. Most of the board should be 'responsible persons'.

The Board will have sub-committees to manage the business of the Foundation:

- Finance, Investment, & Risk
- Grant making
- Partnerships and development
- Nominations and employment

The key responsibilities of the Board include:

- Set strategies, plans, and policies for the Foundation
- Approve budgets including source of funds and expenditure
- Implement and monitor risk and compliance mechanisms
- Ensure transparency and accountability to stakeholders and community
- Monitor and evaluate performance and impact of the Foundation
- Monitor and review management processes

Advisory and coordination structures

Community foundations generally establish advisory structures and could host community and youth leadership initiatives.

A key role of community foundations is to build a detailed sense of community needs and attributes to ensure grants and funding is directed to achieve greatest social impact.

Coordination with industry, academia, and government can be achieved through structured MOUs or more informal relationship frameworks.

Operating structure

The Board will appoint an executive officer who will appoint additional staff to manage the business of the Foundation.

It is likely the Foundation will have ~2.0 EFT staffing in the first decade.

It is proposed that for the first ten years of operation the Foundation operating costs will need to be underwritten by contributions on a shared cost basis by major donors.

Once the Foundation corpus achieves scale (>$20m) it will be able to achieve financial sustainability and fund its operations from investment revenue. At an operating scale of over $50m funds under management (FUM) it is likely to be fully independent.

FUM	Investment returns	Distributions	Operating
$1m	~$60 to $80,000	~$40,000	~$20,000
$5m	~$300 to $400,000	~$200,000	~$100,000
$20m	~$1.2 to $1.6m	~$800,000	~$400,000
$50m	~$3m to $4m	~$2m	~$1m

ATO matters

The Foundation will be endorsed by the ATO for income tax exemption, GST concessions and FBT rebate.

The Charitable Fund will be endorsed by the ATO for income tax exemption and GST concessions.

The Public Fund will be endorsed by the Minister/ATO as a Community Charity Fund DGR (Community Foundation).

Investment model

The Foundation will engage professional fund managers to invest corpus funds according to an Investment Policy that reflects an appropriate risk appetite and expectations of earnings.

The Foundation will adopt and maintain an Investment Policy that outlines investment expectations, ethical screening, and provides comprehensive guidance to appointed fund managers.

Market volatility has been a hallmark of recent years, but it is likely that investment returns in the range of 6% to 8% could be expected over the medium-term. (~CPI + 3.5%)

There is always a balance between achieving capital growth and income generation to meet granting obligations.

Principles	Description
1. A Fair and Just Transition	For community – self-determination, place-based equity, transparency, and capacity building For industry – certainty and clarity, transparency and proportionality, durability and alignment, partnership, not patronage For government – policy coherence, facilitation, not control, redistributive fairness, long-term stewardship, regulatory clarity
2. Community-Led Governance & Legitimacy	Embed local voices (including Traditional Owners) within governance and advisory bodies to ensure decisions reflect community priorities and accountability.
3. Broad Benefit Delivery	Support economic, social, cultural, and environmental initiatives (e.g., energy security, community development, regenerative land use) that align with just transition goals.
4. Perpetual Community Capital	Establish a long-term endowment using diverse revenue streams (social licence, offsets, philanthropy) to fund regeneration, community development, and transition-related projects.
5. Sustainable Scale and Impact	Grow the fund corpus (target \$20–50 M in the medium to long term) to generate sustainable grant income (~4% annual distribution) and cover operational costs.
6. Capacity and Resilience Building	Facilitate regional skills development, partnerships, and local innovation to empower communities to lead their own transition.
7. Stakeholder Alignment & Support	Engage energy producers, developers, government, and regulators to align mandates, secure seed funding, and integrate community objectives with policy frameworks.