



15 September 2025

Five Pillars of Productivity Inquiries
Productivity Commission

Via submission portal

SUBMISSION TO THE PRODUCTIVITY COMMISSION'S PRODUCTIVITY INQUIRIES – INTERIM REPORTS ONE AND TWO

Infrastructure Partnerships Australia is pleased to provide this submission in response to the Productivity Commission's (PC) call for submissions to the interim reports across its Five Pillars of Productivity inquiries.

Infrastructure Partnerships Australia is an independent think tank and executive member network, providing research focused on excellence in social and economic infrastructure. We exist to shape public debate and drive reform for the national interest. As the national voice for the infrastructure sector in Australia, our membership reflects a diverse range of public and private sector entities, including infrastructure owners, operators, financiers, advisers, technology providers and policy makers.

This submission provides comment on two of the five interim reports released by the PC – on '*Creating a more dynamic and resilient economy*' and on '*Investing in cheaper, cleaner energy and the net zero transformation*'.

Creating a more dynamic and resilient economy – interim report

Infrastructure Partnerships Australia's feedback on this interim report pertains primarily to the PC's recommendation to introduce a net cashflow tax of five per cent. While Infrastructure Partnerships Australia acknowledges the need for tax reform, and supports the PC's broader tax reform and investment agenda, the introduction of a universal cashflow tax may have unintended consequences which are particularly impactful in infrastructure. As such, it could be a blunt instrument attempting to solve a complex problem.

Early insights from this year's edition of the Australian Infrastructure Investment Monitor¹ survey has identified taxation as a key systemic factor impacting appetite for investment in Australian infrastructure, with survey participants increasingly identifying tax settings as disadvantageous relative to previous years. We would therefore caution the PC, and the Federal Government, from considering measures that would exacerbate this sentiment further.

The PC acknowledges that further work would be needed to understand the implications of the proposal. In the infrastructure context, this consideration must include the unique characteristics of concession models and leveraged vehicles where a substantial proportion of cashflows are necessarily diverted to service debt incurred to finance significant upfront capital investments.

¹ The Investment Monitor provides analysis on the infrastructure landscape by surveying international and Australian investors who together collectively own or manage over A\$686 billion of infrastructure assets across the globe.



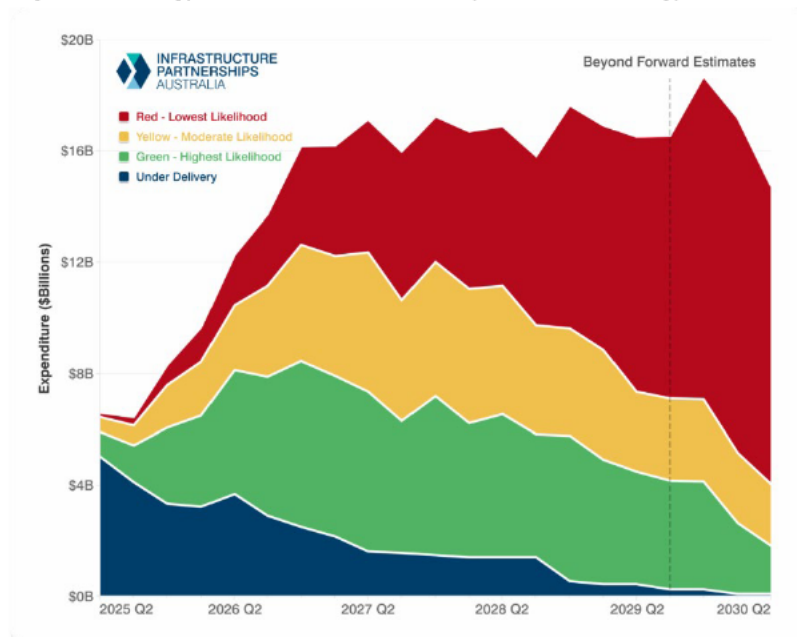
Investing in cheaper, cleaner energy and the net zero transformation – interim report

Speeding up approvals for new energy infrastructure

A streamlined and coordinated process for planning and approvals is a key component in enabling effective delivery of, and attractive investment settings for infrastructure. In its interim report, the PC stresses that the system in its current capacity is in need of urgent reform to meet our renewable energy targets and ensure a reliable supply of energy, providing numerous examples of where processes are failing to achieve required outcomes. Infrastructure Partnerships Australia's analysis of projects on the Australian and New Zealand Infrastructure Pipeline² has already observed considerable delay in the delivery of energy infrastructure, with a cumulative delay of 21.8 years recorded across the pipeline in the 12 months to April this year. It is crucial that these processes are improved to facilitate the delivery of renewable energy projects – particularly considering the scale of the pipeline that is fast approaching.

Infrastructure Partnerships Australia has recently conducted research on the likelihood that energy projects recorded on ANZIP will meet their planned delivery schedule. The Energy Infrastructure Plausibility Matrix makes this assessment by running energy projects not yet under delivery through a multi-criteria analysis model that assesses projects against their achievement of lead indicators of success. This criterion is then applied to a model which estimates the quarterly rate of expenditure for each project using expenditure benchmarks based on the project's sector and position in the planning and delivery cycle. Projects categorised as Green are assessed as being most plausible to proceed as currently planned, Yellow projects have moderate potential to be delivered as scheduled, and Red projects are least plausible to be delivered as scheduled. Figure 1 breaks down the Q2 2025 energy pipeline expenditure forecast using this Matrix.

Figure 1: Energy Infrastructure Plausibility Matrix, all energy asset classes



Source: Infrastructure Partnerships Australia

² The Australia and New Zealand Infrastructure Pipeline (ANZIP.org) database provides a forward view of major infrastructure projects and contracts across the two countries. ANZIP tracks infrastructure opportunities with a capital value exceeding \$300 million from announcement to completion, providing updates and objective analysis each step of the way.

The Plausibility Matrix finds for projects not yet under delivery, 24 per cent are assessed as Green, 25 per cent are Yellow and 33 per cent are Red. The Australian Energy Market Operator's (AEMO)'s recently released [2025 Electricity Statement of Opportunities](#) finds that if all pipeline projects considered in its primary scenario are delivered on schedule, there will be no reliability gaps across the National Electricity Market over the next 10 years. While the pipeline of projects assessed by AEMO and ANZIP are unlikely to be identical lists, Infrastructure Partnerships Australia has already observed considerable delay in the delivery of energy infrastructure and expects this to continue for some time.

Additionally, early insights collected by Infrastructure Partnerships Australia for its 2025 edition of the Australian Infrastructure Investment Monitor more directly attribute barriers to investment and project delivery to the existing planning and approval framework. Of those surveyed, over half identified the planning and approval process as the biggest challenge to delivering Australia's energy transition. Additionally, more than half of all participants found planning processes at both the Federal and State levels to be ineffective at enabling the energy transition.

To inform potential solutions to these challenges, Infrastructure Partnerships Australia has been engaging with our membership, including most recently through a roundtable convened last month to discuss reform opportunities for the delivery of major renewable energy infrastructure. The session brought together senior government officials and the private sector to discuss bottlenecks and reforms in the planning and approvals process. The discussion focused on future opportunities to improve the planning system to facilitate delivery of renewable energy projects.

Some of the common challenges identified by participants included:

- Approval processes are deemed to be too linear, sequential and, at times, duplicative.
- Inefficient processes, heightened risk aversion, and cultural and behavioural nuances were identified as contributors to costs and delays.
- Approaches to social licence and community engagement can be cumbersome and instil uncertainty across all parties.

This discussion, and subsequent engagement, have highlighted several potential opportunities for reform. These include:

- implementing concurrent, unified and streamlined approvals processes across governments – focusing on enabling priority projects
- introducing accreditation and mutual recognition of approvals across jurisdictions and agencies
- setting up a national coordination authority to align planning, approvals and delivery across jurisdictions
- using precinct-based or regional planning approaches to streamline approvals
- considering opportunities for standardisation, and
- ensuring risk-based scoping to prioritise high-impact issues

Infrastructure Partnerships Australia is broadly supportive of the PC's recommendations to speed up approvals for new energy infrastructure. Drawing on the PC's research, as well as feedback from our own engagement, reforms could include: standardising and streamlining planning and approvals; producing templates for



environmental assessments; creating a consistent framework across projects for community benefits; and standardising biodiversity requirements. In addition, establishing a well-resourced strike team focused on progressing high-priority energy projects and a Coordinator-General to track approvals progress, investigate and help resolve delays and report on progress, were both identified through engagement as effective solutions.

Reducing the cost of meeting emissions targets

In relation to the interim report's recommendations on reducing the cost of meeting emissions targets, Infrastructure Partnerships Australia makes the following observations.

- **Road User Charging**

Infrastructure Partnerships Australia has been a consistent advocate for Road User Charging (RUC) with a series of policy papers, submissions, and advocacy campaigns since our inception. We welcome the Productivity Commission's renewed focus on RUC in a number of its recent reports including the [National Competition Policy analysis 2025 interim report](#). However, Infrastructure Partnerships Australia would caution against introducing complexities to a potential RUC scheme so early in its inception, such as the option proposed to include a carbon component in a future road user charging scheme as an incentive to reduce emissions.

The RUC has a defined policy rationale – ensuring that road users pay their fair share for road use. This provides both a clear identification of the problem and a measurable objective that can guide the design and development of a specific RUC scheme. Introducing additional target outcomes may deliver a more complicated system with competing, or unmet, objectives. International examples demonstrate that simplicity and clarity of narrative are crucial to successful first implementation of RUC, and particularly for building community confidence throughout delivery. These principles were outlined in Infrastructure Partnerships Australia's 2014 [Road Pricing and Transport Infrastructure Funding Discussion Paper](#) and remain highly relevant today.

- **Energy Market Settings**

The PC has highlighted that the two key policies supporting emissions reduction in the electricity sector – the Renewable Energy Target and the Capacity Investment Scheme - are set to conclude by 2030. The PC warns that without these, or similar policies, to incentivise the uptake of renewable generation, the electricity sector might not decarbonise fast or deeply enough to make a sufficiently large contribution to national emissions targets.

The NEM Wholesale Market Settings Review is currently underway, with the goal of providing recommendations for future market settings to promote investment beyond the conclusion of the CIS in 2027. The Draft Report identifies one of these discernible market failures called the 'tenor gap' – representing the mismatch between the long-term contracts needed by electricity sellers to finance capital-intensive generation assets and the short-term contracting of electricity buyers. The Report proposes an Electricity Services Entry Mechanism (ESEM) to procure new projects by offering fungible financial contracts for the later years of a project's lifecycle.

The Review noted that government policy support in the NEM has been a key driver of new generation capacity historically – regardless of technology type. Acknowledging this dynamic, government support in the energy market should be targeted and limited to alleviating identifiable impediments to the decarbonisation of the electricity sector. An effective solution should include a carefully calibrated mechanism that encourages long-term investment in renewable energy, without consumers or taxpayers paying for activities that would have occurred naturally without government policy support.



- Target-consistent Carbon Values

The PC recommends developing national target-consistent carbon values (TCCVs) to guide Australia's efficient emission reduction pathway. The TCCV would be based on what the implied carbon prices would need to be to meet the Federal Government's net zero by 2050 commitment. This process would include the development of a framework for valuing carbon and measuring the cost-effectiveness of any emission-reduction policies against it. The PC's interim report recommends that any significant new emission reduction policy would be assessed against its costs, its benefits (beyond emission reduction), and the estimated emissions it would reduce. The TCCV would also be used to extend incentives to other sectors – such as infrastructure.

Infrastructure Partnerships Australia's major research report [Decarbonising Construction: Putting Carbon in the Business Case](#) set out a proposal that an embedded carbon 'base case' should be included in all business cases for infrastructure projects and programs over \$100 million in capital cost. This solution was adopted by the NSW Government in its [Investment Framework](#) in December 2024, setting out how agencies should consider emissions as part of business case development, including requirements that agencies include carbon emissions in cost-benefit analysis for all capital projects with a total cost of \$100 million or more. The NSW Government's Framework bases its carbon price on the marginal abatement costs consistent with the state's legislated emissions reduction targets. Additionally, the Infrastructure and Transport Ministers' Meeting (ITMM) has approved a nationally consistent set of carbon values for use in transport infrastructure project decision making, with values to be applied for every project submission to Infrastructure Australia.

Infrastructure Partnerships Australia welcomes in-principle the recommendation to introduce national TCCVs. A state or sector specific approach may risk unnecessary complexities and inefficiencies. As outlined above, there are a number of other models that have already been developed in Australia. The Federal Government should evaluate the core elements of these existing programs, to create a fit-for-purpose model at the national level.

Infrastructure Partnerships Australia looks forward to further assisting the Productivity Commission. If you require additional detail or information please do not hesitate to contact [REDACTED]

Yours Sincerely,



ADRIAN DWYER
Chief Executive Officer

