

15 September 2025

Productivity Commission

Submitted online



Interim report: Investing in cheaper, cleaner energy and the net zero transformation

The Australian Financial Markets Association (AFMA) is responding to the Productivity Commission's interim report: Investing in cheaper, cleaner energy and the net zero transformation.

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, and other specialist markets such as gas, carbon, electricity and environmental products. We have more than 130 members, from Australian and international banks, leading brokers, securities companies, and state government treasury corporations to fund managers, energy firms, and industry service providers. AFMA energy members include many of the major participants in the east coast energy market.

Key Points

- **AFMA supports the recommendations and approach taken by the Commission as a steady and sustainable approach to the transition**
 - **Markets-based settings are the optimal design to encourage investment**
 - **Addressing inefficient regulatory burden would boost productivity and improve investment signals**
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AFMA welcomes the Productivity Commission's interim report and recommendations and encourages the Commission to take forward its recommendations in a steady and sustainable manner that complements, not duplicates, existing streams of work. More broadly, while AFMA agrees that renewable generation is critical to the transition, we ask that the Productivity Commission, as part of this review, pay due consideration to the range of other assets will also be required to support transition for more challenging sectors of the economy.

1. Markets-based approaches

AFMA supports the Commission's recommendation to prioritise introducing enduring, broad-based market settings in the electricity sector beyond 2030.

The National Electricity Market (NEM) review has identified that a range of different services will be critical to achieving Australia's 2050 emissions target. It is our assessment that as we move through the transition, the market will naturally determine and drive investment into the most efficient, economic, and long-term viable mix of assets to provide these services. AFMA's long-held position that no one technology should be incentivised, and we therefore support your proposal to phase out jurisdictional and technology-specific incentives over time.

2. NEM review

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As expressed in our previous submission,¹ we consider the NEM review is well placed to develop recommendations to guide the energy sector through the transition to lower emissions. We see this as the fundamental productivity challenge in energy, the review commencement and recent draft report successfully begins to outline plans to transition and the necessary generation, that does not require duplication.

AFMA does however see benefit in the Commission focusing its efforts on initiatives to spur investment in transitional assets as this is outside the scope of the NEM review's work.

3. Role of gas

AFMA anticipates that natural gas will be part of the mix of fuels required to achieving our 2050 emissions reductions target. Gas fired generation will be particularly important for firming renewables and managing peak demand. We consider that currently energy policy is unclear about the role of natural gas in the transition, which has blunted the investment signals.

AFMA sees the current gas market code review as an opportunity to introduce a more coherent framework that provides long-term certainty to investors and consumers. AFMA made a number of recommendations in its submission to the review that we encourage the Productivity Commission to consider advancing as part of this inquiry.²

4. Existing inefficiencies in energy regulation

As expressed in the Productivity Commission's interim report on creating a more dynamic and resilient economy, AFMA sees inefficiencies and productivity burdens in the regulatory landscape and policy in the energy sector which we believe should be of consideration for reduction as part of this inquiry. AFMA provides three key examples below.

a. Data gathering

In both the gas and electricity market, we see significant overlap in the data gathering functions and reporting requirements which are leading to increased costs for the market participants, which are ultimately recovered from customers.

While AFMA appreciates the value of increased market transparency and well-informed regulators, we have been concerned that the multiple new measures have resulted in substantial overlap between the information collected by AEMO, the AER and the ACCC in the electricity market. There is clear opportunity to streamline, and we believe not extending the ACCC electricity inquiry would be a valuable step, given the AER's new functions.

At the same time, whilst the AER has approached the new gas wholesale market monitoring regime collaboratively with industry, there is significant duplication in information industry is required to provide already to the ACCC and AEMO; and likewise, a lack of information sharing between the various agencies has made the process less efficient that it could be.

b. Environmental reporting

¹ <https://www.afma.com.au/policy/submissions/2025/r32-25-productivity-commission-pillar-5.pdf?ext=.pdf>

² <https://www.afma.com.au/policy/submissions/2025/r47-25-gas-market-review.pdf?ext=.pdf>

Similarly, as AFMA expressed in its previous submission, whilst supportive of the various federal reporting regimes, including the Safeguard Mechanism, National Greenhouse, Energy Reporting Scheme and new climate-related financial disclosures regime, these could be better aligned and consolidated to minimise duplicative reporting and costs associated.

c. Inefficient regulation

AFMA considers that the unwillingness of government to repeal the Prohibiting Energy Market Misconduct Act (PEMM Act) despite clear evidence that it has had little or no impact on market conduct or retail prices and that other reforms, have been more effective and largely removed the need for the PEMM Act, is a clear example of inefficient regulation.³ The final report of the review of the PEMM Act recommended not repealing it on the basis that the department believes it may deliver some unspecified benefit, despite identifying that it largely duplicated other reforms. AFMA considers that any regulations which are not delivering a demonstrable benefit should be reformed or repealed.

AFMA Recommendations

- i. Phase out technology-specific incentives
- ii. To complement the NEM review, focus on investment in transmission assets
- iii. Provide a clear guidance on the role of gas in the energy transition
- iv. Remove or reform inefficient and duplicative regulation and reporting obligations
- v. Repeal unnecessary legislation, such as the PEMM Act

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact Monica Young via

[REDACTED] or [REDACTED]

Yours sincerely,

[REDACTED]

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³ <https://www.afma.com.au/policy/submissions/2025/r07-25-pemm-review.pdf?ext=.pdf>