

Investing in cheaper, cleaner energy and the net zero transformation

Productivity Commission Pillar 5 Consultation

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About CPD

The [Centre for Policy Development](#) (CPD) is an independent, not-for-profit policy institute with staff in Sydney, Melbourne, Canberra and Jakarta.

Our vision is a fair, sustainable society and wellbeing economy that serves current and future generations in Australia and Southeast Asia.

Our mission is to help create transformative systems change through practical solutions to complex policy challenges. We tackle the hard questions, working towards change that is systemic and long-term.

Through our work, we aim to contribute to governments that are coordinated, collaborative, and effective, with an eye to both the near and longer term. We strive to build a social services system that helps people and communities to thrive now and in the future, and drive shifts in policy making practice with a focus on wellbeing and sustainability rather than primarily economic growth.

CPD uses a distinctive Create-Connect-Convince method to influence government policy making. More information about CPD is available at cpd.org.au

We acknowledge and celebrate Australia's First Peoples.

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Table of Contents

Productivity with purpose	3
Investing in cheaper, cleaner energy and the net zero transformation	3
Section 1: Reducing the cost of meeting emissions targets.....	4
Extending the Safeguard Mechanism	4
Offsets are a second-best option, and should be treated as such	5
Section 2: Speeding up approvals for new energy infrastructure	6
Streamlining approvals processes across different government levels.....	6
A region-by-region approach for project approvals.....	6
Engagement to ensure better community and project outcomes and faster approvals	7
Consideration of the energy transition in approval decisions	7

Productivity with purpose

The Centre for Policy Development (CPD) welcomes the opportunity to provide a submission to the Productivity Commission's inquiry on *Investing in cheaper, cleaner energy and the net zero transformation*. CPD is a leading independent policy institute and has for many years worked on economic policies to support a successful and prosperous net zero transition.

CPD agrees that reinvigorating Australia's productivity can play an important part in creating a more prosperous and sustainable future for all Australians and we appreciate the Commission's work across the five pillars.

CPD's recent report, 'Productivity with Purpose', argues that for productivity growth to be truly beneficial, it must be directed towards clear societal goals.¹ We should be asking not just how to boost productivity, but "productivity for who and for what?" CPD believes the goal should be to grow productivity in a way that enhances community wellbeing, secures environmental sustainability, and provides for shared economic benefits that reduce inequality.

A 'growth mindset' must be more than the pursuit of a single metric; it should encompass a holistic vision for a better future. The interim reports from the Productivity Commission miss an opportunity to apply the *Measuring What Matters* framework — as required by the inquiry's Terms of Reference — to embed this broader purpose.

As we argue in 'Productivity with Purpose', a purpose-driven approach can unlock significant gains. It leads to reforms that achieve better alignment between social and economic

value, such as developing quality-adjusted productivity measures in the care economy; it helps fix failures in capital allocation to drive a cost-effective net-zero transition; it fosters investment in prevention and early intervention; and it encourages us to change the fundamentals in sectors like care through new models of commissioning and funding.

Investing in cheaper, cleaner energy and the net zero transformation

CPD broadly agrees with the recommendations in *Section 1: Reducing the cost of meeting emissions targets*, and *Section 2: Speeding up approvals for new energy infrastructure*. For *Section 1*, we strongly agree with the ideas of broadening the Safeguard Mechanism as much as possible and that the federal government should continue work on improving the quality of the Australian Carbon Credit Unit (ACCU). For *Section 2*, we strongly agree with parts of draft recommendation (2.1) to introduce national environmental standards to streamline approvals, facilitate regional planning with stricter statutory deadlines for assessing projects in 'go zones', and set clear expectations about engaging with local communities and First Nations people. Finally, we see value in amending the EPBC Act to require the Environment Minister to consider the energy transition in approval decisions.

To further strengthen efforts towards reducing greenhouse gas emissions and accelerating the time taken to develop new energy infrastructure, we also see opportunities for the Productivity Commission to make recommendations to:

<i>As part of...</i>	<i>The Productivity Commission should recommend that...</i>
<i>Draft recommendation (1.4)</i>	<i>Policies for emissions reductions should incentivise direct emissions reductions as the first-best option by strengthening reporting obligations and making offsets less financially attractive after a certain quantity threshold</i>
<i>Draft recommendation (2.1)</i>	<i>The Australian Government, in collaboration with the Energy and Climate Change Ministerial Council, should develop a “one-stop-shop” for each of Australia’s main electricity grids</i>
	<i>Australian governments should amend the EPBC Act and other relevant acts and frameworks at state and local government levels to better facilitate regional planning</i>
	<i>Australian governments should establish coordinated approaches to regional community benefit schemes and to procedures to engage communities in regional planning</i>
	<i>Australian governments should proactively undertake some parts of the initial project approvals themselves</i>
	<i>The Australian Government should fund a network of Local Energy Hubs across Australia</i>
	<i>Australian governments should establish clear criteria for renewable energy developers who receive government funding to deliver broad social and economic benefits</i>
<i>Draft recommendation (2.4)</i>	<i>Climate change should be urgently listed as a Matter of National Environmental Significance</i>

Section 1: Reducing the cost of meeting emissions targets

Extending the Safeguard Mechanism

CPD agrees with the draft recommendation (1.2) for the Safeguard Mechanism to cover more industrial facilities and improve carbon leakage provisions. In particular, we support the idea of broadening the Mechanism as much as possible, well below the current 100,000 tonnes. This will help achieve greater cost-effectiveness and make progress

towards an economy-wide carbon price. In addition, CPD argues that the government should reduce the emissions baselines set for different entities at a faster rate over time.

To streamline emissions reductions and incentivise deeper emissions reductions in the electricity sector, individual facilities within the sector should be required to satisfy emissions reduction targets under the Mechanism. Currently, the electricity industry has a single, sector-wide limit that

applies to all generators connected to Australia's main electricity grids, however this approach limits the incentive for individual generators to reduce their own emissions.

Offsets are a second-best option, and should be treated as such

The Productivity Commission's draft recommendation (1.4) asserts that the federal government should continue work on improving the quality of the ACCUs and integrate ACCUs broadly into national emissions-reduction policies. CPD strongly supports the need to improve the quality of ACCUs. Studies show that carbon offset projects are often ineffective, failing to reduce carbon emissions or comply with key regulatory requirements.²

However, ultimately, government policy should incentivise direct emissions reductions as a clear first-best option, rather than being infinitely fungible with offsets. Improvements like energy efficiency, electrification, process innovation, and the use of renewable energy have fewer of the quality and assurance problems inherent in the current ACCU market.³ An offset market is necessary and useful, but the incentives are difficult to align perfectly: a high-abatement-cost industry will usually prefer to buy a

certificate, and the marginal certificate provider will have an incentive to over-estimate their impact. Rather than believing the government can regulate this market into a state of perfection, policy settings should accept that the use of offsets is a second-best complement — but not a complete substitute— for legitimate real-world emissions reductions.

On-site emissions reductions can be incentivised by strengthening reporting obligations around the reliance on offsets as well as by making offsets less financially attractive after a certain threshold. For example, a facility that exceeds a specific amount of purchased offsets (say, they have already surrendered ACCUs or Safeguard Mechanism Credits that amount to 10% of their baseline), should attract a reduced rate for any additional offsets, perhaps additional offsets are only counted at 70% of their full face value.

Recommendation 1: Policies for emissions reductions should incentivise direct emissions reductions as the first-best option by strengthening reporting obligations and making offsets less financially attractive after a certain quantity threshold.

Section 2: Speeding up approvals for new energy infrastructure

We broadly agree with the Productivity Commission's recommendation (2.1) to reform national environmental laws to expedite approvals for clean energy projects and better protect the environment.

Streamlining approvals processes across different government levels

CPD supports the draft recommendation (2.1) to introduce national environmental standards as they will be key to streamlining approvals. We also agree with the idea of considering standards and clear rules for a range of different matters, such as engagement with local communities and First Nations peoples, and regional planning.

To accelerate the approvals process further, the Australian Government, in collaboration with the Energy and Climate Change Ministerial Council, should develop a "one-stop-shop" for each of Australia's main electricity grids. This would give developers a single touch-point for submitting an application, with all approval processes coordinated by the one-stop-shop. While some states, including South Australia, have comparatively more streamlined approvals processes for large-scale projects, other states require consultants to navigate the, at times conflicting, requirements across the different levels of governance. A one-stop-shop would help reduce complexity for project developers and speed up permitting processes. A good example is the Danish Energy Agency, which coordinates with all relevant authorities to issue permits and approvals for offshore wind projects, including planning, commissioning and decommissioning.⁴

Ultimately, any reform to the current planning and approvals processes and systems should take a cross-jurisdictional and cross-departmental approach to identify duplicative and contradictory processes in the existing system.

Recommendation 2: The Australian Government, in collaboration with the Energy and Climate Change Ministerial Council, should develop a "one-stop-shop" for each of Australia's main electricity grids.

A region-by-region approach for project approvals

CPD agrees with the Productivity Commission's draft recommendation (2.1) to facilitate regional planning, especially for renewable energy zones, with stricter statutory deadlines for assessing projects in 'go zones'. Establishing a clear delineation between 'go zones' versus 'no go zones' would assist developers in assessing where to build their projects. The EU Renewable Energy Directive 2018/2001 dictates that the maximum time

allowed for granting permits for building, repowering and operating renewable energy storage facilities and connecting them to the grid should not exceed two years. Where it is justified due to extraordinary circumstances, the two-year period may be extended by up to one year.⁵ Similar policies should be adopted in Australia.

CPD agrees that renewable energy zones should have regional environmental plans and that the EPBC Act should be amended to enable regional planning. Australian governments should more proactively facilitate a region-by-region approach to the development of new renewable energy projects, including by amending the EPBC Act and other relevant acts and frameworks at state and local government levels to better facilitate regional planning. Currently, the EPBC Act considers the individual impacts of a project on Matters of National Environmental Significance. However, the impacts of multiple projects, for example in renewable energy zones, are often larger at a cumulative level than at an individual level. Focusing on these cumulative impacts within the EPBC Act and other relevant acts and frameworks would allow for governments to better address issues such as the ability of existing public services including schools and emergency services to cope with the influx of people from new renewable energy projects.

Recommendation 3: Australian governments should amend the EPBC Act and other relevant acts and frameworks at state and local government levels to better facilitate regional planning.

There should also be coordinated approaches to regional community benefit schemes and to procedures to engage communities in regional planning. Regions are increasingly hosting multiple energy projects, giving rise to an increase in the number of benefit sharing programs. Strategically aggregating these community benefit sharing programs — such as through a community managed NGO — would ensure that communities can equitably access the benefits of the energy transition, better address cumulative impacts of energy projects, and pool funds to invest in larger, legacy projects.⁶

Recommendation 4: Australian governments should establish coordinated approaches to regional community benefit schemes and to procedures to engage communities in regional planning.

Additionally, as part of broader regional planning, Australian governments should proactively undertake some

parts of the initial project approvals themselves. We see promise in recent high-level discussions around establishing “go” zones and “no go” zones in the EPBC Act. This would distinguish between regions where individual assessments will not be required, which would reduce the cost and time to receive approvals, and regions where development will not be allowed. In South Australia, the government introduced The Hydrogen and Renewable Energy Act 2023, which is a dedicated licensing and regulatory framework for large-scale hydrogen and renewable projects. The government assigns access to designated release areas for renewable energy developments based on consultation with Native Title groups, landowners, representative organisations and communities. Once areas are released, there will be a competitive tender process to find the best projects and proponents. These differ from renewable energy zones as their geographical boundaries are smaller and the government is making publicly-owned land available.⁷ This model should be adopted by other states and territories.

To reduce costs and early-stage risks for investors, the Dutch Government has opted to identify zones for offshore wind farms, survey pre-designated sites, and conduct environmental and geotechnical assessments in a centralised way.⁸ This centralised model replaces the need for multiple developers to conduct similar site research projects, and the costs are recouped from the developer that wins the permit to construct and operate a specific offshore wind farm. The Australian Government’s Renewables Environmental Research Initiative is a good start to delivering better environmental data and guidance for project proponents. However, proponents will need to conduct their own environmental assessments, meaning they still incur the risk of incurring costs to do these assessments while potentially not being able to construct their project.

Recommendation 5: Australian governments should proactively undertake some parts of the initial project approvals themselves.

Engagement to ensure better community and project outcomes and faster approvals

We broadly agree with the Productivity Commission’s draft recommendation (2.1) to set clear expectations about engaging with local communities and First Nations people. Over the past year, New South Wales, Western Australia and Queensland have all introduced their own versions of community benefit and engagement guidelines, or are in the process of doing so. To simplify processes for developers who work on multiple projects across state boundaries, there should be a nationally consistent guideline. This guideline could draw on existing state versions and should make sure to empower public participants in final decisions.

As part of engaging communities in the development of renewable energy projects, the Australian Government should fund a network of Local Energy Hubs across Australia.⁹ For renewable energy regions, the Hubs would play an essential role in providing community members with

up-to-date information, coordinating consultations, and helping people understand how to access the opportunities from the projects such as jobs and benefit sharing programs. The Hubs would therefore help build trust and acceptance of these projects by communities.

Recommendation 6: The Australian Government should fund a network of Local Energy Hubs across Australia.

Beyond engagement, governments should also work to increase social license and buy-in for the energy transition by establishing clear criteria for developers who receive government funding to deliver broad social and economic benefits. These criteria should draw on the experience and success of programs such as the merit criteria in the Capacity Investment Scheme, and include benefits based on the Community Benefit Principles in the Australian Government’s Future Made in Australia Act, including benefit sharing with First Nations groups and local communities, and support for building workforces and supply chains. The NSW Benefit-Sharing Guideline, Western Australian Community Benefits Guideline (in draft form), and Queensland PSICBOLA Act are promising steps in this direction, but developers would benefit from a consistent framework across jurisdictions.

Recommendation 7: Australian governments should establish clear criteria for renewable energy developers who receive government funding to deliver broad social and economic benefits.

Consideration of the energy transition in approval decisions

CPD agrees that changes should be made to the EPBC Act to enable it to place greater weighting on climate impacts in decision-making for large-scale energy projects. We support the Productivity Commission’s draft recommendation (2.4) that the EPBC Act should be amended to require the Environment Minister to consider the energy transition in approval decisions.

However, we disagree with the decision by the Productivity Commission to not recommend a “climate trigger”. Climate change should be urgently listed as a Matter of National Environmental Significance so that projects with large carbon footprints are referred to the Environment Minister. Currently there is an uneven playing field when it comes to the development, deployment, and financing of new projects. The externalities associated with climate change-causing emissions are not priced into markets, and this gives a “grey discount” to emissions-intensive activities.¹⁰ We expect most members of the Productivity Commission would agree that the best solution is an economy-wide carbon price matched

with a global system of border adjustments.¹¹ However, this is not our current reality. In our current reality, the “grey discount” distorts capital markets in a way that actively slows down the net zero transition. Including a climate trigger in the planning process is one way to remove the grey discount, internalise the externality, and better align capital markets with the fundamental economic realities of net zero transition.

Recommendation 8: Climate change should be urgently listed as a Matter of National Environmental Significance.

Endnotes

¹ Centre for Policy Development. (2025). [*Productivity with Purpose: Clear pathways to a more equitable future.*](#)

² Australian National University. 2024. [*'Widespread non-compliance and poor performance' in world's largest nature-based carbon removal projects.*](#)

³ M Hammerle and T Phillips. 2024. [*Targets, Pathways and Progress: CPD submission to the Climate Change Authority.*](#)

⁴ [*The Danish Energy Agency.*](#) 2025.

⁵ European Union. 2018. [*Directive \(EU\) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources.*](#)

⁶ Community Power Agency. 2025. [*Guide to Regional Benefit Sharing.*](#)

⁷ Government of South Australia. n.d. [*Release areas - Hydrogen and Renewable Energy Act.*](#)

⁸ Renew Economy. 2025. [*How the Dutch can help Australia fast-track offshore wind.*](#)

⁹ RE-Alliance. 2025. [*Over 50 groups call for Local Energy Hubs to plug critical gap in renewable rollout.*](#)

¹⁰ T Phillips. 2024. [*Green gold: A strategy to kickstart Australia's renewable industry future.*](#)

¹¹ Productivity Commission. 2023. [*5-year productivity inquiry: Managing the climate transition.*](#) Productivity Commission. 2017. [*Shifting the dial: 5-year productivity review.*](#)