15 September 2025

Commissioners Barry Sterland and Martin Stokie
Productivity Commission

Submitted online: www.pc.gov.au

Dear Commissioners,

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

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Productivity Commission's (PC) Investing in cheaper, cleaner energy and the net zero transformation Interim report.

We believe decarbonisation is good for our customers and the environment and are working to lead the energy transition through cleaner energy and customer solutions. Our second Climate Transition Action Plan (CTAP) reaffirms our aim to take a disciplined, customer-focused approach to balancing emissions reduction with the security, reliability and affordability of energy supply. This will require long-term stability of policy settings and coordinated, well-designed market, regulatory and policy reforms across all levels of government. These reforms must be guided by clear, consistent objectives and robust impact analysis, particularly as the most difficult part of the journey to net zero still lies ahead.

We support the PC's analysis that it is currently harder than it should be to start and operate a business, as well as to build key infrastructure. The framework outlined in the PC's 'Growth Mindset' report offers an opportunity to address this using evidence-based objectives to streamline existing and emerging reforms, supported by clear, targeted roles and responsibilities for all. This consistent national framework could also deliver improved outcomes by testing all possible options against the specified objectives, with trade-offs assessed and appropriate risk management practices adopted. A more principles-based approach based on clear, consistent objectives could help reduce the cumulative regulatory burden imposed on business and allow resources to return to productive outputs.

Further comments on the recommendations for energy and emissions policies are provided below.

More targeted and coordinated reforms will support a least-cost decarbonisation pathway

Achieving net zero by 2050 will require all sectors to play their part to meet the national legislated emissions targets. The contributions from each sector are expected to be outlined in the Commonwealth's Net Zero Plan, alongside the economy-wide strategy. This plan is also expected to propose supportive and coordinated policies to align decarbonisation efforts across governments and provide markets with the confidence to make necessary multi-decade investments.

The energy sector is the largest contributor to emissions, but the electricity sector has also been responsible for the majority of emissions reductions achieved in Australia to date. Incentives from a range of policies, including the Renewable Energy Target (RET) framework, have helped facilitate the innovation required to enable the ready access to mature energy technologies currently driving these material emissions reductions in the electricity sector. Similar outcomes have been observed through the Safeguard Mechanism with large emitters, supported by flexibility measures within this mechanism to manage the impact on businesses. This includes flexibility for the timing of emissions reductions, the ability to access and use offsets, and cost containment measures. But the scale of the task ahead requires proportionate contributions from all sectors to achieve net zero by 2050.

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Driving action across other sectors of the economy is likely to require incentives to ensure the pace and scale of technology development aligns to the trajectory set by national emissions reductions targets. We support the proposal to consider potential emissions-reduction incentives for heavy vehicles under Recommendation 1.3, particularly as these technologies are unlikely to be able to electrify so will require alternative low carbon and clean fuels to be developed. Developing these alternative energy sources will also support efforts to decarbonise other hard to abate sectors. But as we discuss further below, it is important other measures currently in place to support the uptake of electric vehicles (EVs), such as the fringe benefit tax (FBT) exemption, are not prematurely removed.

Broader emissions reductions could be supported through a transparent national-framework framework to extend incentives to new sectors and coordinate a least cost, coordinated pathway to net zero. As the PC advises under Recommendation 1.4, this framework should integrate "high integrity" Australian Carbon Credit Units (ACCUs) into every emissions-reductions policy to ensure consistent incentives across the economy. We suggest the climate risk database proposed under Recommendation 3.1 could also support consistent analysis of physical risks and opportunities associated with climate change for a range of sectors. For example, this could provide a consistent evidence base for the recently introduced Climate Related Financial Disclosure obligations to improve the consistency and rigour of financial reporting.

An agreed national carbon value for policy makers supports greater alignment and productivity

The agreed national carbon value to assess the cost effectiveness of reforms under Recommendation 1.4 should help coordinate decarbonisation policies to achieve emissions targets across all levels of government. The energy sector has already demonstrated the benefits of an interim value of emissions reduction in supporting efforts to align governments, regulators and businesses. For example, providing a consistent value to inform analysis of required expenditure for all regulated network revenue reset processes. But we suggest the approach to setting the value should be consistent with how national emissions reductions targets are legislated. I.e. The Commonwealth Government should decide this value, supported by advice from the Climate Change Authority (CCA).

The Commonwealth Government would then be responsible for using existing collaboration pathways with jurisdictions, such as the Energy and Climate Change Ministerial Council (ECMC), to support consistent adoption of this value. This could include building on the ECMC's recent agreement to update the National Energy Transformation Partnership (NETP) and prepare a National Climate Change Partnership (NCCP) to guide collaboration, including identifying strategic priorities. Engagement with the Council on Federal Financial Relations could also support more consistent adoption of this national carbon value in impact assessments for a broader range of policies across governments.

Regular reviews of emissions policies and supporting mechanisms, including the Safeguard Mechanism, are required to ensure we remain on a least cost pathway to net zero. As proposed under Recommendation 1.4, these reviews should consider alignment with the national carbon value for policy makers. But it is also important these reviews are coordinated and occur when there is sufficient evidence to review the operation of these policies and mechanisms. For example, the latest reforms to the Safeguard Mechanism have only been in place for one year so it would be too soon for these new arrangements to have impacted the necessary investments to deliver sustained, enduring emissions reductions. Creating further policy uncertainty by modifying reforms before they have taken full effect is likely to chill investment and delay the changes necessary to deliver sustained emissions reductions.

Greater nuance is required when applying the proposed framework to existing policies

While we support the PC's proposed approach to reviewing and refining emissions policies, including removing duplication, the commentary regarding specific policies requires more nuance.

<u>Safeguard mechanism</u>

It is not appropriate to say the Safeguard Mechanisms does not impose material administrative costs for participants under Recommendation 1.2. There current legislative framework gives rise to administrative burden in circumstances where there are joint-venture ownership structures, to the extent it largely only considers asset operators rather than owners (e.g. in terms of allocating liabilities). We also do not agree that expanding coverage to more sectors would only create a one-off cost for the Commonwealth. E.g. The methods used by facilities to estimate emissions and required by the Commonwealth under the framework are regularly reviewed / updated to align with international and domestic best practice, which creates costs for both regulatory bodies and industry. It is imperative that any additional obligations are only imposed when there is evidence of material net benefits given the material cost of collecting appropriate data, auditing, and reporting and managing interactions with the many other climate related schemes.

EV incentives support innovation and a more equitable transition

Recommendation 1.3 does not recognise that the EV exemption from FBT complements rather than duplicates the New Vehicle Efficiency Standard (NVES). The NVES provides a high-level target, akin to emissions reductions and renewable generation targets. But as is often recognised, incentives are also required to support and accelerate efforts to achieve these targets, particularly when nascent technologies in 'sunrise industries' are involved. While the FBT exemption has helped advance the rollout of EVs, this remains a 'sunrise industry' that has not yet matured to be cost competitive with alternative light vehicles.[1] As with previous sunrise industries (e.g. solar PV), it is appropriate for the Government to support the development of these industries until they are cost competitive with the wider market, as well as to accelerate the rollout to align with targets.

The broader benefits associated with this incentive also need to be considered. While the PC notes it is generally appropriate to consider 'spillover benefits' when reviewing government policies, it has not considered these types of benefits from the FBT exemption. For example, the increased rollout of EVs incentivised by the FBT exemption has accelerated the pace and scale of EV supply to the second-hand market. This improves access and choice for those unwilling or unable to invest in a new car by providing a greater supply of preowned cars and in turn supports a more equitable transition while increasing potential participation in the decarbonisation of light vehicles. It is also important to note the NVES does not apply to the second-hand market for passenger vehicles as it is restricted to new vehicles.

A coordinated, coherent approach is required for the whole energy system

We agree reforms being considered under National Electricity Market (NEM) Wholesale Market Settings Review (NEM Review) could potentially play an important role in supporting ongoing decarbonisation of the electricity sector by facilitating investment in renewables. This is considering the conclusion of the Renewable Energy Target (RET) in 2030, coupled with rising capital costs for wind and the growing saturation of VRE more broadly, will impact the business case for renewables.[2]

Notwithstanding this, it is not appropriate to focus policy solely on progressing renewable generation in isolation of considering the broader innovation required to facilitate reliable, secure supply for electricity markets and the energy sector more generally to deliver a least cost transition. For example, as the NEM Review identified, shaping and firming services are also required to support grid operation.[3] Renewable generation is unable to provide these services so other technologies must be progressed to support an efficient and operable grid. There will also be consumers unable to electrify based on

[1] We have published customer stories demonstrating the important role the FBT exemption has played for Momentum Collective and the Anglican Diocesan Services on our website to encourage greater participation and inspire more individuals and organisations to invest in decarbonizing their transport.
[2] AER, 'Wholesale electricity market performance report 2024', December 2024, pg. 104.
[3] Nelson, T., Conboy, C., Hancock., A., and Hirschhorn, P., 'National Electricity Market wholesale market settings review Draft Report', August 2025

technology, cost and location, and the low carbon and clean energy alternatives for them are less advanced. Energy sector reforms must also consider these 'sunrise industries'.

Incentives and reforms are also required to support the coordinated development of more nascent industries to ensure all opportunities to reduce emissions are enabled and coordinated. This includes opportunities to coordinate energy performance improvements (flexibility and efficiency) with electrification and other fuel switching. Reforms to broader frameworks, such as approvals, connections, and workforce, must enable a broader range of options as the alternative risks duplicative, uncoordinated outcomes that restrict Australia's ability to meet its emissions targets and introduce unnecessary costs.

Reforms to streamline planning and approvals processes should be sequenced

Origin's response to the PC's questionnaire stated our support for refining and streamlining planning and approvals processes to deliver faster, more efficient decision making that provides certainty, de-risks investments, and ensures better protections for the environment. As Prof Samuel identified in 2020, current processes are overly cumbersome with duplication and slow decision making causing unnecessary delays without adequately serving the environment.[4] Five years on, clean energy and other projects vital to the transition continue to face unnecessary delays.

In principle, we support the PC's recommendations to enable more consistent, predictable and streamlined decision making for governments, as well as provide greater clarity and consistency to make it easier for business to plan, find cost-effective ways to comply and prepare assessments. But how these principles are achieved remains the focus (and responsibility) of the EPBC Act reform the Commonwealth will deliver within the next 18 months. The stated goal for this reform is a faster, more efficient, and more certain application process for new approvals. But it must also ensure industry can continue to rely on current approvals and applications are unaffected by the reforms for existing projects. Initiating further reforms before these outcomes are known risks creating perverse outcomes.

Finally, it is not appropriate to confuse the objectives of the Energy and Climate Change Ministerial Council's (ECMC) priority project list with those for planning and approvals processes as proposed under Recommendation 2.2. The ECMC's list addresses the needs of the energy sector while planning and approvals processes address broader environmental and social considerations. These are important but separate objectives and confusing them would not deliver more productive or effective outcomes. The proposal for further resourcing to develop a strike team also risks duplicating the resources previously provided to deliver faster environment approvals, more information and transparency to support investment in renewables and critical minerals through recent Commonwealth Budget processes.[5]

If you wish to discuss any aspect of this submission further, please contact Shaun Cole at [redacted]

Yours Sincerely,

[redacted]

[redacted]
Group Manager, Regulatory Policy

[4] Samuel, G., 'Independent review of the EPBC Act: final report', 2020.
[5] For example, $134.2 million to strengthen and streamline environmental approvals under 'Advancing a Nature Positive Australia' in the 2024-25 Budget.