BCA

Business Council of Australia

Investing in cheaper, cleaner energy and the net zero transformation

BCA response to the Productivity Commission's Interim Report

September 2025

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1. BCA response to the Productivity Commission's Interim Reports

The BCA welcomes the opportunity to respond to all five interim reports developed as part of the Productivity Commission's Five Pillars of Productivity Inquiries. We are a member-led organisation, and our submissions reflect engagement with those members and the expertise and practical experience they bring.

Australians have long enjoyed rising living standards, supported by productivity growth, abundant natural resources, a skilled population, and strong institutions. But this is now under pressure. Living standards are falling amid rising costs and sluggish productivity. At the same time, geopolitical tension, shifting trade patterns, decarbonisation, and digital transformation are reshaping the world economy. The only sustainable path to higher living standards and real wage growth is faster productivity growth. This means improving skills, attracting capital, innovating, and allocating resources efficiently.

Australia's productivity growth over the previous decade was the weakest in 60 years, and Budget forecasts suggest it will be even lower this decade. This outlook is based on an assumed return to pre-COVID productivity trends — a risky bet that ignores the scale of the challenge we face.

What's needed is a shift in mindset, one that recognises our deteriorating competitiveness and puts productivity back at the centre of the national reform agenda. That means doubling down on the fundamentals: investment and innovation.

There are practical, positive steps we can take, and ones that we believe could unite business, government, and the broader community. We must make it easier to do business, without compromising the protections and standards that underpin trust in our economy. That starts with cutting the needless red tape that adds cost but delivers no value.

We believe Australia should set a national ambition: to reduce the cost of regulation by 25 per cent by 2030.

The Productivity Commission gets the challenge, and we acknowledge the extensive work that it has undertaken to develop detailed and actionable recommendations that seek to support Australian governments to deliver meaningful and measurable reforms to boost productivity. The BCA does not support every recommendation in the interim reports; however, we welcome the constructive exchange of ideas and the opportunity for robust policy debate.

This report focuses on our response to the report titled *Investing in cheaper, cleaner energy and the net zero transformation* released for comment on 3 August 2025. In section two we provide our detailed observations and recommendations in response to the draft recommendations and information requests. These are summarised below:

- BCA supports the PC's approach to achieving the net zero goal at least cost. We note:
  - Australia needs consistent and comprehensive incentives to reduce emissions.
  - Government policy frameworks should aim to fill gaps, remove overlaps and ensure incentives are neutral towards which technologies can achieve reductions.
  - The cost effectiveness of policies should be regularly assessed, and policy settings amended as needed to ensure they are consistent with an efficient emission reduction pathway(s).

  However, what also requires the PC's attention are the broader enablers to decarbonisation, such as the critical role of gas in electricity and industrial sector decarbonisation, and the critical role of AI/digital infrastructure in reducing emissions more generally across the economy.
- The BCA supports reforming the EPBC Act to deliver on the Samuel Review, which sought to balance improved environmental protection while also providing efficiency sought by business. This includes state accreditation and new National Environmental Standards that reduce duplication and streamline approvals while strengthening environmental protections. Any reform needs to ensure it improves efficiencies overall. However, we do not support prioritising one project type over another, as all national priorities, including

energy, housing, and critical minerals, require efficient approvals; instead, reform efforts should focus on adequately resourcing the system as a whole.

- The Government will need to carefully balance the need to ensure Australia is ready for the impacts of climate change and the costs that will impose, with the cost of resilience measures. This will mean being judicious in the costs imposed on private individuals and business, and targeting government investment where it is most necessary.

2. Key observations and recommendations

2.1 Reducing the cost of meeting emissions targets

Table 1 Draft recommendations

No	Draft Recommendation	BCA Response
1.1	Reducing emissions in the electricity sector after 2030.	The National Electricity Market (NEM) review and its recommended reforms are an opportunity to consider emission reductions from electricity (together with reliability and affordability). Consideration of the trade-offs associated with meeting these objectives will be important and is consistent with the approach taken to include decarbonisation in the national energy objectives (NEO). The draft NEM review recommendations are specifically addressing the short-, medium- and long-term investment and operational signals needed to serve the NEO. The introduction or application of a separate emission reduction mechanism (outside of what is being implicitly developed in the NEM review) is likely to create unnecessary investment uncertainty and risks undermining the integrated pursuit of the market's three core objectives, particularly where whole-of-system energy costs are not considered. Recommendations from the NEM review need to be integrated with the energy sector plan being developed as part of the Government's Net Zero Plan. Moreover, broader energy sector reforms must also be considered and coordinated. The Government has committed to pursuing electrification, but this will not always be possible. It is important that other low emission alternatives, as well as energy performance improvements are progressed alongside electricity reforms. We note that the Wholesale Electricity Market (WEM), which supplies electricity to Western Australia, along with all major off-grid electricity capacity installations across Australia, falls outside the scope of the current NEM Review. However, ensuring adequate investment in both the WEM and major off-grid assets warrants the same level of policy attention and consideration to achieve a balanced approach to emission reductions, energy reliability, and affordability particularly in Western Australia.
1.2	The Safeguard Mechanism should cover more industrial facilities and carbon leakage provisions should be improved.	The Safeguard Mechanism (SGM) review scheduled for 2026/2027 should consider: a) Improving carbon leakage provisions and maintaining Australia's international competitiveness, either within the SGM or as part of a comprehensive Australian Carbon Border Adjustment Mechanism (currently being considered by the Government's Carbon Leakage review). b) The merits of covering more industrial facilities by dropping the liable facility threshold, which has the benefit of more equitably and efficiently allocating the burden across

No	Draft Recommendation	BCA Response
		SGM facilities (and therefore industrial emission point sources across the economy). Both policy changes are complex, consequential and important but part a) should be resolved first, before resolving part b). Moreover, it is also important that changes to SGM legislation and regulation are supported by robust analysis and material net benefits.
1.3	Introduce an emissions reduction incentive for heavy vehicles and phase out policy overlaps for light vehicles.	For an emission reduction policy framework to be least cost, all emissions point sources across the economy should face an efficient and effective carbon signal (in some form). In some cases, this will mean filling existing policy gaps, and in other cases this will mean removing overlaps, although it is important to also consider the maturity of the market and proportionality of any reforms. Any policy gaps and/or overlaps in relation to liquid fuel use across the economy need to be addressed and not just focused on one element such as heavy vehicles. One way to achieve this is to support low carbon liquid fuels, to enable these nascent industries to mature faster and help reduce their technology costs. Ideally, the policy design architecture for supporting low carbon liquid fuels should consider the whole-of-economy liquid fuel value chain at the outset. This would entail the consideration of all users of liquid fuels, including heavy transport, mining, aviation and agriculture, when designing support mechanisms.
1.4	Apply frameworks to achieve emissions targets at least cost and improve transparency.	Government is in a unique position to provide the extraordinary level of coordination and integration required across the economy and the community to transition the economy to net zero. Strong coordination and integration includes reducing regulatory burden and duplication across all levels of government. For example: a) There is a need for greater interoperability between the SGM, the National Greenhouse and Energy Reporting (NGER) scheme and state-based requirements that support Australian Accounting Standards Board (AASB) disclosures. Without alignment, organisations are faced with overlapping and inconsistent obligations, which create an unnecessary administrative burden and risk duplicate reporting. Improved interoperability would ensure that data collected under one framework can be more readily applied to others, streamline compliance processes and reduce costs. It would also enhance the consistency and comparability of climate-related disclosures, supporting both regulatory objectives and the integrity of financial reporting. b) The Australian Energy Ministers' method to derive the 'interim value of emission reductions' — to be used in considering or applying the NEO — is supporting efforts to align governments, regulators and businesses. This includes

No	Draft Recommendation	BCA Response
		providing a consistent value for regulated network revenue determinations. c) The Government should advocate for international equivalency with the Australian Accounting Standards Board S2 Climate-related Disclosures, to reduce the regulatory burden for international businesses of having to prepare multiple sustainability reports. We recommend introducing a National Carbon Markets Strategy as part of the Net Zero Plan and 6 sector plans, with a view to expanding the role and potential contribution of the Australian Carbon Credit Unit (ACCU) market, in Australia's emission reduction framework. The more sectors and emission point sources that have incentives to access a high integrity, deep and liquid ACCU market, the closer the economy can get to a common carbon signal across sectors — which is necessary for least cost abatement over time. Accordingly, there should be no restriction on the use of high integrity carbon credits within an efficient and effective Australian emission reduction framework. While transparent, least cost carbon policy signals are necessary, they are not sufficient to deliver efficient and effective abatement outcomes. These signals need to flow through value chains, connecting producers and consumers, but real world rigidities and bottlenecks can interfere with this flow. Even the most theoretically efficient and effective carbon policy design will not overcome physical bottlenecks impeding build rates for energy and related infrastructure. In particular, the regulatory approval processes at the Commonwealth, jurisdictional and local government levels need to be streamlined to better enable this flow. Reducing duplication and improving coordination will support a least cost pathway to net zero by 2050.

Table 2 Information requests

No	Information Request	BCA Response
1.1	Advantages and disadvantages of options to reduce emissions for heavy vehicles. What are the advantages and disadvantages of these options to reduce emissions from heavy vehicles? ▪ What would be the costs and benefits of each option? ▪ Would there be any consequences not mentioned in this section? ▪ What are the key implementation considerations?	We support pursuing clear, consistent signals to ensure proportionate contributions from all sectors towards achieving emissions targets. Although it is important to also consider the maturity of the market and proportionality of any reforms. We support a technology neutral approach to facilitate the lowest cost abatement from heavy vehicle use. For heavy vehicles on long-haul routes, electric vehicles are not currently practical, and hydrogen is not yet commercially available. In this context, renewable fuels represent the most viable option, although they remain more expensive than traditional fuels. To avoid policy overlap for heavy vehicles, the NVES should remain focussed on light vehicles.

No	Information Request	BCA Response
	■ Are there options not covered that the PC should consider? What would be their advantages and disadvantages?	We note with option 2, that the SGM is already extremely complex and extending it in this way could introduce significant administrative burden and methodological inconsistency. Applying a fundamentally different emissions accounting approach to transport compared to other SGM covered sectors risks undermining the coherence of the overall framework. With regard to the other options, the focus of road user charging should be on road infrastructure and potentially congestion, and the collection of funds to pay for road maintenance and upgrades/expansion of infrastructure.

BCA supports the PC's approach to achieving the net zero goal at least cost. We note:

- Australia needs consistent, comprehensive and proportional incentives that respond to the maturity of the market, to reduce emissions.
- Government policy frameworks should aim to fill gaps, remove overlaps and ensure incentives are neutral towards which technologies can achieve emission reductions.
- The cost effectiveness of policies should be regularly assessed, and policy settings amended as needed to ensure they are consistent with an efficient emission reduction pathway(s).

However, what also requires the PC's attention are the broader enablers to decarbonisation, such as the critical role of gas in industrial decarbonisation, and the critical role of AI/digital infrastructure in reducing emissions more generally across the economy.

2.2 Speeding up approvals for new energy infrastructure

Table 3 Draft recommendations

No	Draft Recommendation	BCA Response
2.1	Reform national environment laws.	The BCA supports the need to reform the EPBC Act, which should occur broadly in line with the recommendations of the Samuel Review. This includes accreditation of states and territories for decision making to create a combined approval process, underpinned by new National Environmental Standards. Any reform needs to ensure it improves efficiencies overall. This will deliver more efficient approvals not only for energy projects, but across a range of projects that are national priorities or are significant economic and jobs drivers. At the same time the Samuel review also delivers clearer and more robust environmental protection.
2.2	Set up a specialist 'strike team' for priority projects.	The BCA agrees with the need to adequately resource the assessment of EPBC assessments, to deliver faster decisions. However, we do not believe that prioritising one set of projects over another makes sense, particular in the context of a limited pool of assessment resources. The energy transition is a national priority, which we support, and agree there is an urgency around. But so is the need to deliver more housing to address the housing supply crisis, and other economically important infrastructure.

No	Draft Recommendation	BCA Response
		Prioritising one set of projects over another either leads to other essential priorities being sidelined, or every project vying to be deemed a priority. It also risks an overly fragmented and complex framework that increases costs for the regulator and diverts resources away from productive outcomes for businesses. There is merit however in establishing specialised teams within the Department of Climate Change, Energy, the Environment and Water that build up expertise in specific, frequently assessed project types, including a renewable energy focused team, as well teams focused on housing, infrastructure, mining etc. We also support the best practice assessment proposals around a risk-based approach, greater transparency, and collaboration with states and territories. It will also be important to ensure adequate resourcing overall, and to continue progressing reform of the system overall.
2.3	Establish a Coordinator General for priority projects.	BCA is open to the creation of a Coordinator General within an existing agency, empowered to resolve roadblocks to project delivery. Infrastructure Australia may be an appropriate entity for this role. Having regard to recommendations 2.2 and 2.3, we also note that significant funding has been provided through recent Budget processes to help support priority project deliver more broadly. It would be prudent to consider whether any funding already allocated could be used to also support these recommendations if progressed.
2.4	Consider the energy transition in approval decisions.	Assessment under the EPBC Act absolutely must consider economic and social factors of a project, along with environmental impact. This should include whether a project is contributing to Australia's renewable energy objectives and Australia's emissions targets. It does not require a special carve-out or singling out of energy transition projects (or for other national priorities), nor was this recommended in the Samuel Review of the Act. Once one priority, like renewable energy, is identified, the question will become why other priorities, like housing, critical minerals, and economically essential industries, are not also priorities. The focus should be on getting the EPBC Act working, not on special approaches to particular areas.

Table 3 Information requests

No	Information Request	BCA Response
2.1	Estimating the economic benefits of faster approvals. The PC is seeking information that may be helpful for estimating: a. the effect on power prices of bringing more capacity online faster	The PC should engage with the Department of Climate Change, Energy, the Environment and Water to understand the number of energy projects currently in the EPBC approvals system, and timeframes for those projects.

No	Information Request	BCA Response
	b. the cost savings (both direct and indirect) for proponents from a more efficient approvals process and its effect on power prices.	

The BCA has been a longstanding proponent of the need to reform the EPBC Act to deliver faster decision making and more robust environmental protection. The Samuel Review provides the basis for the reforms necessary. We support the Government progressing the reforms to the Act, in consultation with stakeholders.

2.3 Addressing barriers to private investment in adaptation

Table 5 Draft recommendations

No	Draft Recommendation	BCA Response
3.1	Set up a climate risk information database covering all climate hazards.	The BCA welcomes greater transparency and information sharing with industry. The Government will need to carefully consider how the output of this work will impact existing landholders. Consistency across baselines and input assumptions across hazards, as well as consistency in the output resolution will enable meaningful comparison between hazards and geographies. To be effective, the design of a centralized database should: a) Be based on a national climate risk assessment; b) Align with relevant sustainability reporting requirements under the Corporations Act and the Australian Sustainability Reporting Standard; and c) Consider the national security implications of making this information available - in terms of vulnerable critical infrastructure and commercial in-confidence data.
3.2	Develop a nationally consistent climate resilience rating system for housing.	The BCA supports greater information for consumers. However, designing this system will need to be cognisant of not creating additional cost barriers to the delivery of new homes, either through overly excessive new regulation via the National Construction Code or planning system changes, or new reporting costs imposed on industry where financial feasibility of development is already an issue limiting housing supply. While ensuring climate resilience of a dwelling is important, if dwellings are not delivered at all due to their cost profile, then we will have failed future owners and tenants even more. It is also worth noting that consumer confidence in build quality and developer/building performance is a known issue and is also being addressed in some jurisdictions via a rating system, such as the iCert scheme in NSW. Given the national housing supply crisis, this may be a greater priority for new housing builds. With respect to the existing housing stock, the provision performance rating information is needed at the point of asset sale, to provide a signal of the value of energy

No	Draft Recommendation	BCA Response
		efficiency upgrades, making these investments more financeable. While several jurisdictions have performance rating schemes in place, this information is not necessarily being used to value housing asset, which may warrant mandating such information provision at the point of sale.
3.3	Governments should agree on a series of actions to improve housing resilience over time.	The Government will need to balance the need to improve the climate resilience of existing housing over time, with the financial impact on owners and the fiscal impact to government. As climate change becomes more acute there may be need for specific, targeted approaches.
3.4	Give the Climate Change Authority responsibility for monitoring, evaluation and learning regarding adaptation policy.	While this is a worthwhile goal, there is a question whether government resources, especially those within the Climate Change Authority, are best focused on the critical task of transitioning to a net zero emissions economy. While the Climate Change Authority should inform government on the science and impact of climate change, individual agencies may be better tasked to respond to the adaption need within their existing remits and using existing resources.

Table 6 Information requests

No	Information Request	BCA Response
3.1	Developing a national resilience rating system will involve several design and implementation choices. ▪ What should be the role of self- versus third party assessment? What are the potential costs of different assessment approaches? And how might the choice of approach impact the information gathered? ▪ How can the rating system be developed to ensure a property's resilience is reflected in insurance premiums? For example: what type of information should be used to calculate ratings; how should that information be collected (self- versus third party assessment); and how should insurers be involved in development of the system? ▪ What entity or entities should take the lead in developing supporting material on upgrades that would improve properties' resilience? ▪ What governance arrangements should be in place for both development of the rating system and supporting material?	If such as system was developed, it would make sense to engage closely with insurers, the property and construction industry, state and territory governments, and local councils.

No	Information Request	BCA Response
	▪ How do you foresee that the rating system might be used by households and other parties, including regulators, local governments and builders?	

The Government will need to carefully balance the need to ensure Australia is ready for the impacts of climate change and the costs that will impose, with the cost of resilience measures. This will mean being extremely judicious in the costs imposed on private individuals and business, and targeting government investment where it is most necessary.

In particular, with the need to deliver significant new supply in homes for Australia, there is a delicate balance in ensuring those homes are fit for a future with a changing climate, while also not impacting feasibility that would diminish new housing. There is a risk in this space that the perfect is the enemy of the good, and that much needed dwellings are not delivered due to additional costs imposed. This ultimately would mean there are fewer housing options for people, which would be a poorer overall outcome than building of a dwelling that is not fully climate adapted but is available to provide shelter. At the same time, given there will ideally be a significant increase in new housing stock, there is an opportunity to ensure those new homes are appropriately climate resilient for the future.

We support the PC's focus on clarifying objectives, rather than prescribing processes to enable strategies and processes to adapt to changes in policy, regulatory, markets and technology.

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