

# Productivity Commission – Inquiry Interim Report

## Investing in cheaper, cleaner energy and the net zero transformation

Submission by Renewables, Climate and Future Industries Tasmania (ReCFIT), Department of State Growth

Closing Date: 15 September 2025

### **1. Reducing the cost of meeting emissions targets**

#### *Draft recommendation 1.1 – Reducing emissions in the electricity sector after 2030*

- ReCFIT agrees the current suite of policies targeting the decarbonisation of Australia's electricity sector only incentivises new investment until 2030.
- The Tasmanian Government supports the principle that governments should prioritise market settings that create nationally consistent incentives for clean energy and other energy system services. Ideally, incentives to invest in clean energy should also be consistent across technologies. However, exceptions may need to be made in the interests of ensuring supply is sufficiently diversified and able to withstand extreme conditions that can impact on particular regions and/or technologies.

#### *Draft recommendation 1.2 – The Safeguard Mechanism should cover more industrial facilities and carbon leakage provisions should be improved*

- ReCFIT supports the 2026-27 Safeguard Mechanism review to consider expanding the scheme's coverage and assess whether this approach would provide an efficient incentive to reduce emissions across all sectors.
- Tasmania currently has six facilities covered by the Safeguard Mechanism. Reducing the scheme threshold from 100,000 to 25,000 tonnes (t) of carbon dioxide equivalent (CO<sub>2</sub>-e) would potentially double the number of facilities covered by the scheme.
- The share of emissions covered by expanding coverage of the Safeguard Mechanism would be substantially less than for those larger emitting facilities in Tasmania currently covered by the scheme.
- Existing facilities that are covered by the Safeguard Mechanism have been involved in the scheme for over 10 years and generally have sufficient resources to understand their obligations and prepare for the reforms introduced in 2023.
- Setting the threshold for Safeguard Mechanism coverage at 25,000 t CO<sub>2</sub>-e would align with the current reporting requirements for facilities under the National Greenhouse and Energy Reporting (NGER) Scheme.
- Lowering the threshold of the Safeguard Mechanism to 25,000 t CO<sub>2</sub>-e would capture more facilities and businesses. However, these businesses would potentially have fewer resources available with requisite technical knowledge or access to capital to comply with the scheme.
- Providing adequate time for the transition of new facilities covered under an expanded Safeguard Mechanism should be an important consideration for the 2026-27 Safeguard Mechanism review.
- ReCFIT recommends that data supplied by reporting businesses under the NGER Scheme are analysed to determine whether the increased regulatory burden and

associated costs on these businesses are appropriate for the potential carbon abatement and their capacity and capabilities to comply with the requirements of the Safeguard Mechanism.

- ReCFIT supports the Australian Government introducing mechanisms to prevent carbon leakage to countries with less stringent emissions reduction policies.
- The 2026-27 Safeguard Mechanism review should include a scan of state-based policies to determine whether these overlap or complement the Safeguard Mechanism.

*Draft recommendation 1.3 – Introduce an emissions-reduction incentive for heavy vehicles and phase-out policy overlaps for light vehicles*

- ReCFIT supports measures to introduce emissions-reduction incentives to cover heavy vehicles. Option 1, to include a carbon component in a future road user charging scheme, is preferred. Any future road user charging scheme should apply to all vehicles, whether heavy or light, internal combustion engine (ICE) or electric vehicles (EV). Greenhouse gas emitting vehicles should pay an additional penalty on top of any weight-based measure of charging. Appropriate transition arrangements would need to be put in place to minimise emitting vehicles paying both fuel excise and road user charging.
- ReCFIT disagrees with part of this draft recommendation regarding the phase out of incentives to encourage EV uptake. Rather than focusing on removing incentives for EVs, ReCFIT proposes the Australian Government should instead focus on removing any measures that incentivise the uptake of ICE vehicles, such as the instant asset write-off.
- ReCFIT also disagrees with some of the supporting justifications for this recommendation. The Interim Report outlines that people likely do not compare the different long-term costs and benefits when making a purchase decision. While this is likely true, it also does not fully appreciate that the higher upfront cost of EVs is a significant barrier to purchase, regardless of long-term savings that may be achieved. Attracting savings in the future does not mean that people are able to access a higher amount upfront to purchase a more expensive car.
- The Interim Report also suggests that fuel excise creates an operational incentive to reduce emissions. The fuel excise is a hidden part of the cost of fuel, which fluctuates due to a range of external factors. It is likely that few vehicle users could accurately state what the excise component of the fuel price is and therefore it is questionable how much individuals are incentivised to reduce emissions by the fuel excise specifically and not the fluctuating price of fuel more broadly.
- The Interim Report suggests that the fuel excise makes it more expensive to drive ICE vehicles and therefore incentivises people to drive low and zero emissions vehicles (LZEV). While this may be the case in some vehicle segments, emissions from light commercial and sports utility vehicles as a segment have increased over time as consumers opt for larger, more emissions-intensive vehicles. This has been supported in part by taxation incentives for businesses such as the instant asset write-off and is at odds with the assumption that fuel excise incentivises the choice for lower emissions vehicles.
- This draft recommendation outlines that incentives for electrification of transport aren't needed because the National Vehicle Efficiency Standard (NVES) is now in place. The NVES began on 1 July 2025 and there are no data available yet to consider the impact of the standard on EV uptake.
- EVs still make up a very small share of the Australian fleet and only around 10 per cent of monthly sales. As well as this, a price differential is still in place for many EV segments

compared to their ICE equivalents. It is premature to suggest reducing EV incentives, until the effectiveness of NVES has been analysed and EVs make up a larger share of the Australian market.

- The Interim Report notes the relatively high cost per tonne of carbon for fringe benefit tax exemptions for EVs, but does not include the other benefits of electrification, such as a reduced reliance on imported fuel and increased fuel security, and reduced airborne pollution and noise from vehicles.
- The Interim Report recommends that the Australian Government should introduce a new emissions-reduction incentive to cover heavy vehicles. ReCFIT supports this recommendation and suggests any incentive targeting heavy vehicles should be as technology-neutral as possible, meaning that it should create the same incentive to reduce emissions by switching from fossil fuels to electric vehicles, low-carbon liquid fuels or any other method to reduce emissions.
- Taking a technology-neutral approach should also be considered by the Australian Government in the context of work underway to consider road user charges for low or zero emissions vehicles (LZEVs).
- Applying cost recovery principles, if a road user charge for LZEVs is introduced in the absence of a carbon charge, governments will recover less from diesel vehicles than from LZEVs. It is important that, in encouraging LZEV uptake, road managers have adequate revenue to fund increased road maintenance costs associated with heavier battery electric vehicles using the road network.
- In encouraging the uptake of lower emissions vehicles, an important consideration is the non-operational embodied carbon of the asset and the trade-off between keeping a vehicle for its operational life versus disposing of it for a new greener version. There are consequences of turning over stock and there will be a point at which it is better, overall, to upgrade; but upgrading too early can have a larger overall carbon footprint.

*Draft recommendation 1.4 – Apply frameworks to achieve emissions targets at least cost and improve transparency*

- ReCFIT supports the recommendation for an independent agency to be given responsibility to develop national carbon values to provide a consistent policy benchmark to assess the cost-effectiveness of emissions-reduction policies.
- The setting of target-consistent carbon values should build on and align with the following work:
  - national carbon values completed by Infrastructure Australia for the Infrastructure and Transport Ministers Meeting
  - embodied carbon metrics under development by the Australian Building Codes Board for inclusion in future updates of the National Construction Code.

## **2. Speeding up approvals for new energy infrastructure**

*Draft recommendation 2.1 – Reform national environmental laws*

- The Australian Government is accelerating its reform of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) in line with this recommendation, which is encouraging.
  - While the legislation is not specific to clean energy, a large proportion of renewable energy projects in the pipeline have been determined to be controlled actions requiring assessment under the EPBC Act.

- The assessment phase is the longest of the major renewable energy project development phases, often spanning multiple years.
  - Significant costs are incurred to meet the regulatory requirements and at a time where there is not yet project certainty (that is, no guarantee of financial return).
- In response to Information request 2.1, ReCFIT agrees that efficiency and effectiveness of the legislative framework directly correlates to investor confidence and total ongoing energy costs to consumers. While difficult to calculate, cost escalation estimates are:
  - Approximately 41 to 52 per cent cumulative cost impact over four years, based on infrastructure inflation (which is roughly consistent with CSIRO's 2024-25 GenCost figures of a 54 per cent increase over four to five years).
  - The cost increases due to inflation are considered to be far greater than other costs of delays such as further studies and staff costs.
  - Electricity price impacts are more difficult to calculate but, based on anecdotal cost escalation evidence from proponents, could equate to an additional approximately \$20-\$30 per megawatt hour.
  - In terms of levelised cost of energy, the lower the risk of regulatory uncertainty, the more likely investors will invest in projects with lower internal rates of return.
- Other financial risk exposures from regulatory delays include:
  - escalating steel and commodity prices
  - foreign exchange risk, given that most of the key components, such as transformers or wind turbines, are sourced from overseas
  - supply chain shortages or contractual risk if long lead items are contracted before receipt of approvals
  - workforce shortages and market risks (for example collapse of EPBC Act contractors).
- In principle, regional plans are supported. These enable landscape-scale assessment and potential for more streamlined assessment. However, implementation requires careful consideration, noting that:
  - 88 per cent of the EPBC Act renewable energy project pipeline has assessments underway, raising issues of procedural fairness.
  - Strategic assessments are already available under the EPBC Act but are under-utilised.
  - Where used, strategic assessments have been applied to situations where the intensity and scale of use and development and associated impacts were relatively easy to quantify (for example for irrigation scheme development in Tasmania).
- Recognising the transition is already underway, an alternative is to focus efforts on key building blocks towards a more strategic assessment approach, for example:
  - Data sharing agreements to inform cumulative impact assessments.
  - Laws or policies that enable more flexible conditions, recognising that regional planning is unlikely to influence assessments that are underway, but the results could be built into the regulatory phase (for example offset and construction management plans, or detailed design).
- Approvals for new renewable energy projects need to consider the impacts on road networks. For example, renewable energy projects are often located in remote areas serviced by roads and bridges not designed for large and heavy loads. Wind farm developments generate over-size and over-weight vehicle movements which may require road and bridge infrastructure upgrades and need funding, planning and delivery.

- In principle, bilateral assessments are also supported. However, as an existing regime under the EPBC Act any reforms must be informed by analysis of the reasons existing bilateral arrangements are not achieving their desired objectives to reduce duplication. Reasons could include poor communication or process, or barriers under existing legislative frameworks.

*Draft recommendation 2.2 – Set up a specialist ‘strike team’ for priority projects*

- Overall, a prioritisation approach that incentivises proponents to actively progress projects is supported, rather than trying to service all of the existing backlog of projects, some of which may be on hold. This approach requires regular reviews to ensure the ‘right’ projects are prioritised, for example on a six-monthly basis.
- A team with major renewable energy project experience, as is understood to be recommended for the ‘strike team’, is supported.
  - In the context of an ongoing skills shortage, this recommendation may be best achieved by establishing a national ‘expert panel’ and focus on ensuring assessment approaches and conditions are consistent and appropriate for major energy infrastructure projects.
  - For species conservation outcomes, better utilisation of local knowledge from protected species experts in each jurisdiction; or better communication between state and Australian Government team specialists, could be beneficial.
- Localised teams are strongly supported, particularly for small states like Tasmania, which is currently serviced by a combined Victorian/Tasmanian DCCEEW assessment team. Given that local staff already exist, the emphasis should be to ensure:
  - Face-to-face engagement, encouraging site visits and jurisdictional collaboration with local species experts.
  - Continuity of case management should be an internal performance measure, noting reported high turnover of staff by proponents throughout their assessment experience, including at critical phases.
  - Further embed continuity by removing the delineation between the assessment and regulatory teams, enabling continuation of project understanding and opportunity to improve effectiveness and appropriateness of regulatory requirements throughout a project lifecycle.

*Draft recommendation 2.3 – Establish a Coordinator-General for priority projects*

- Given the highly regulated nature of Australia’s electricity sector, it is recommended that this role be led by an energy agency rather than a centralised agency. This approach will ensure the existing synergies, including targets, policies and funding initiatives, are maintained, and does not create another layer of bureaucracy contrary to the ‘speeding up’ objective.
- In Tasmania, for example, responsibility for major renewable energy projects is allocated to ReCFIT to enable strong connections to both renewable and climate change objectives. Key functions for the relevant team in ReCFIT include project case management services, government agency coordination (internally and with DCCEEW), project pipeline reporting and data sharing, and communications to support process efficiencies and coordination outcomes.
- As DCCEEW already has internal pipeline reporting (via the EPBC Act portal and Capacity Investment Scheme teams), the recommendation is to enhance transparency by sharing with jurisdictions key baseline data such as:
  - notification of time extensions and information requests

- flexibility to trial upfront assessment schedules or process timeline targets to underpin reporting and track performance.

*Draft recommendation 2.4 – Consider the energy transition in approval decisions*

- The inclusion of stronger links between Australia’s renewable energy and net zero emissions targets and environmental approval frameworks is supported. In practice, the key challenge is policy conflict between sectoral priorities. Ideally these conflicts would be resolved and not left to the regulatory process on a project-by-project basis.

### **3. Addressing barriers to private investment in adaptation**

*General comments*

- There is ample evidence that climate change disproportionately affects those who are already the most vulnerable in our society and that those most at risk are likely to be those with the least ability to change their circumstances. For example, renters are less likely to be able to ensure that their home is retrofitted to be more resilient to the changing climate. Any attempts to improve adaptation at a household level should consider entrenched inequality and how this can be remedied through government intervention (<https://www.worldbank.org/en/topic/social-dimensions-of-climate-change#:~:text=Extreme%20weather%20events%20are%20deeply,%2C%20and%20decision%20making%20power>).
- The Council of Australian Governments’ [\*Roles and Responsibilities for Climate Change Adaptation in Australia\*](#) suggests that the Australian Government has responsibility for maintaining a strong, flexible economy and a well-targeted social safety net. A strong social safety net is essential to assist those who may otherwise have difficulty in adapting, especially for vulnerable groups, such as the aged, the poor and Indigenous communities. Any Australian Government policy targeted toward improving the resilience of people and communities should consider those most vulnerable to climate change and how we might work to reduce inequality.
- Providing information regarding climate hazards without implementing other complementary government policies may make people who are already vulnerable to climate change even worse off.
- The justification used in the Interim Report for the sole focus of adaptation in relation to residential housing and how this links to the net zero transition is unclear. Housing is an important piece of the adaptation puzzle, but it is unclear why it has been prioritised over supply chains and other parts of the economy that would also benefit from an uplift in private investment to improve resilience.
- The proposed recommendations and initiatives should be aligned with the outputs of the National Adaptation Plan (NAP) and the National Climate Risk Assessment.
- The proposed initiatives should also consider the role of the insurance sector and the relationships between vulnerable populations, climate change, insurance and government policy.

*Draft recommendation 3.1 – Set up a climate risk database covering all climate hazards*

- Tasmanian rental vacancy rates are extremely low. As at 4 August 2025, Hobart’s rental vacancy rate was 0.6 per cent (<https://tascoss.org.au/wp-content/uploads/2025/08/Tasmanias-State-of-Housing-Data-August-2025.pdf>). The nature of the rental market in Tasmania means that when selecting a property to rent or

purchase people often don't have free choice in relation to the property's resilience or exposure to risk. Provision of hazard information alone is unlikely to improve decision making or reduce risk exposure.

- Ideally, support would be multi-layered, focused on information as well as incentives, regulation, and 'next step' guidance (for example knowledge brokerage, support services). This support should focus not just on identifying where the climate hazards are likely to occur, but also how to prepare and respond to these hazards.
- Similarly, if the intent is to facilitate better housing choices, the climate hazard risk information should be meaningfully linked with planning and building systems to better inform decision making.
- Climate hazard and risk data should be tailored to a range of users, from novice to advanced, and should provide translation pieces to guide users who are not experienced in interacting with climate data.

*Draft recommendation 3.2 – Develop a nationally consistent climate resilience rating system for housing*

- The idea of retrofitting existing housing as a means of improving resilience has a great deal of merit. However, ReCFIT does not believe the case has been made that a star rating system is the right approach.
- A rating scheme will not encourage or support the uptake of resilience improvements in legacy housing that was likely built with a lower level of resilience and in locations where risks or hazards are already prominent.
- Of particular importance for a climate resilience rating system is the ability to include a measure for local vulnerability from multiple climate-related extreme events overlaid with specific property resilience metrics.
- ReCFIT suggests refocusing this recommendation on actions that prioritise retrofitting existing housing stock and supporting more vulnerable populations.

*Draft recommendation 3.3 – Governments should agree on a series of actions to improve housing resilience over time*

- The inherent uncertainty, regional impacts and non-linearity of climate change makes it more complex to undertake thorough cost benefit analyses that properly account for the benefits of preparing for and adapting to the changing climate at a national level.
- Flexibility should be maintained for states and territories to set actions that are appropriate for their jurisdiction and their projected future climate.
- ReCFIT agrees that climate risks should be considered in planning and zoning decisions but suggests that this is already occurring to varying degrees across Australia. Appropriate mechanisms should be considered that mandate or otherwise drive stronger action.

*Draft recommendation 3.4 – Give the Climate Change Authority responsibility for monitoring, evaluation and learning regarding adaptation policy*

- ReCFIT is broadly supportive of national monitoring, evaluation and learning (MEL) approaches for climate change adaptation. This applies for adaptation across the whole economy and not just the housing resilience scope of this Interim Report.
- ReCFIT suggests that MEL relating to climate adaptation is not the same as it applies to emissions reduction and decarbonisation. It is much more difficult to develop metrics and measure climate adaptation than it is to quantify emissions reduction and requires a

different set of skills, methods and approaches. This complexity should be recognised when considering whether the Climate Change Authority (CCA) takes responsibility for measuring and evaluating climate adaptation activity.

- Developing and implementing a MEL framework by CCA for adaptation policy should be appropriately resourced to ensure it is fit-for-context, coordinated with existing MEL approaches and doesn't create a disproportionate data collection and reporting burden. ReCFIT notes a preference be given for the use of existing data sources where appropriate and practical.
- ReCFIT suggests that any national climate adaptation MEL framework, including one developed and implemented by the CCA, should be:
  - Coordinated with other similar national mechanisms, particularly the proposed National Adaptation Plan MEL system, along with existing sub-national government adaptation MEL approaches. Any duplication or conflicts should be clearly identified.
  - Developed collaboratively with those who will be expected to provide data and reporting through the MEL framework (for example sub-national governments and the Australian Government). This should be done in a way that maintains the CCA's independence.
  - Supported by appropriate resources for establishing the MEL framework and ongoing implementation and reporting.
  - Supported by clear and agreed scope, objectives, roles and responsibilities.
- Importantly, sub-national governments should also be appropriately engaged in development, and supported and resourced if the MEL framework is to result in significant additional data collection, analysis and reporting requirements.