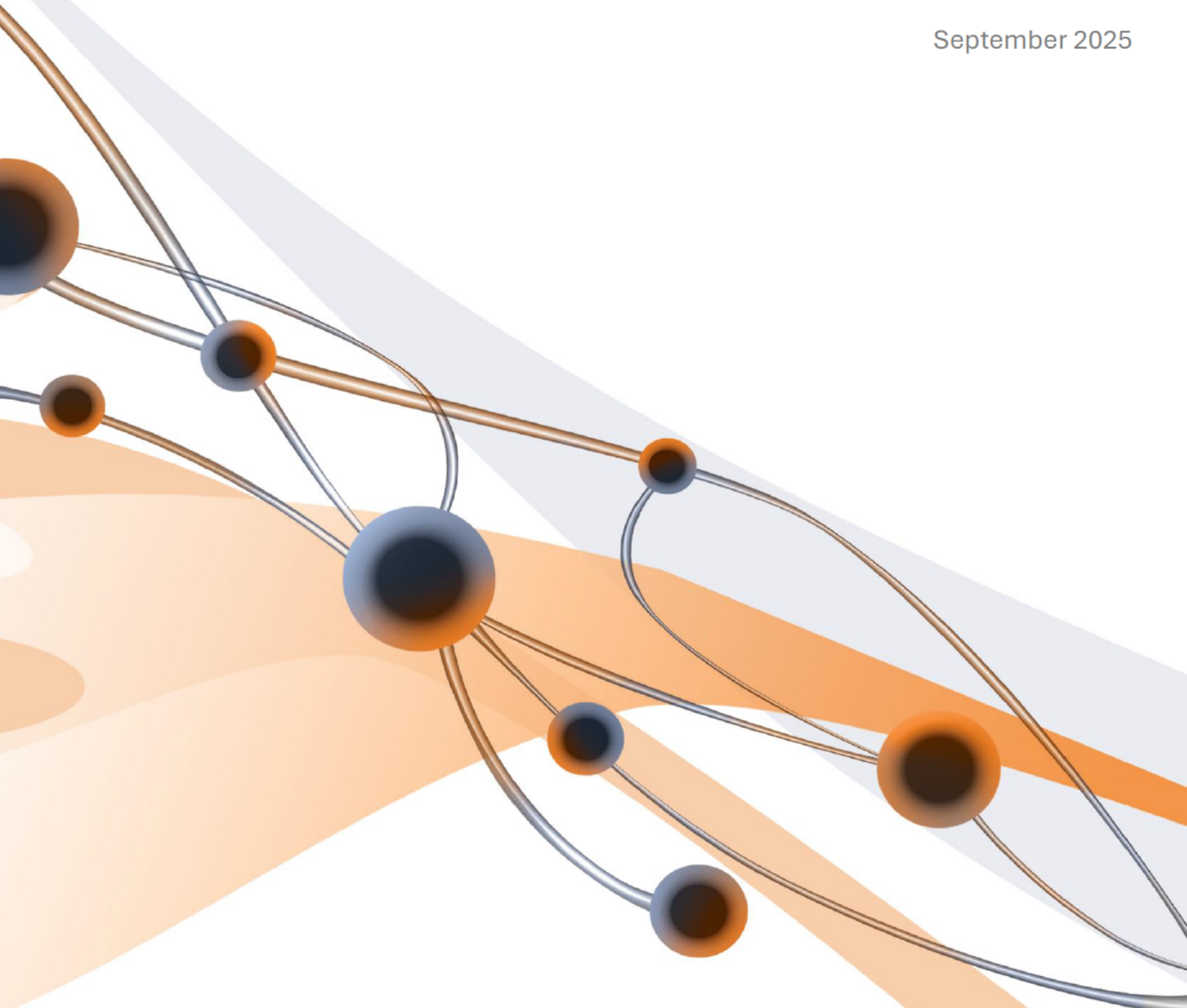


Investing in cheaper, cleaner energy and the net zero transformation

Interim Report Submission

September 2025



**RESEARCH
AUSTRALIA**

*Championing
Australian health
& medical research
& innovation*

Background

Research Australia, as the national alliance and peak body for health and medical research and innovation, welcomes the opportunity to respond to the Productivity Commission's (PC) *Creating a more dynamic and resilient economy* interim report, by way of a written submission.

Research Australia is deeply committed to the government's focus on productivity. We recognise health and medical research, development and innovation not merely as a contributor to productivity, but a fundamental cornerstone of Australia's productivity agenda, driving economic diversification, resilience, growth and budget sustainability. The health and medical research and innovation sector contributes to both a healthy nation, and a healthy economy.

It is well established, investing in health and medical research is budget positive and economically generative – every dollar invested in Australian health and medical research yields close to \$4 to the Australian economy¹, however, it is likely to be much more. Let's take arthritis and musculoskeletal conditions as an example - affecting 7 million Australians, accounting for 13% of disease burden; forcing over 50,000 Australia's out of the workforce (the second leading cause of early retirement) and costing the health system \$16 billion annually². In a Research Australia cost benefit analysis, the return of investment of a \$100 million, 10-year research mission dedicated to arthritis and musculoskeletal conditions, would see a return of every \$1 invested generating \$4.61 back to the Australian economy³. It would also contribute to productivity through a 2.2x reduction in burden to the health system; potential \$361million net return to the Australian economy; and support over 60 research jobs per annum⁴.

In a typical year, poor health reduces global GDP by 15 percent⁵. Better health could add \$12 trillion to global GDP in 2040, an 8 percent boost that translates into 0.4 percent faster growth every year⁶. The health and medical research, development and innovation sector is a vital component in improving the health and wellbeing of Australians and maximising the economic gains associated with doing so. Beyond immediate health benefits, the sector drives job creation, supports high-value industries, and improves workforce participation by reducing the burden of disease. Australia's economic future hinges on ensuring the health and medical research, development and innovation sector is prioritised and supported to flourish.

National prioritisation of health and medical research, development and innovation within the productivity agenda will position Australia as a leader in health outcomes, global innovation, enhance economic diversification, and respond to demographic and healthcare system pressures with evidence-driven solutions. In order to achieve cost neutral, we have to continue to invest, even modestly, in order to drive economic diversification, resilience, growth and budget.

¹ KPMG. (2018). 'Economic Impact of Medical Research in Australia'. KPMG.

² Research Australia. (2025). 'Call for an Arthritis and Musculoskeletal Medical Research Future Fund (MRFF) Mission: Recovery'. See https://researchaustralia.org/wp-content/uploads/2025/09/RA-x-AA_MRFF-Communique.pdf

³ Ibid.

⁴ Ibid.

⁵ McKinsey Global Institute. (2020). 'Prioritizing health: A prescription for prosperity'. McKinsey & Company.

⁶ Ibid.

Health and Medical Research Quick Facts

- For every \$1 invested in medical research, at least \$4 is returned to the Australian economy^{7 8}
- Chronic conditions account for around \$82 billion (or 48%) of all disease spending⁹
- Around a quarter (24%) of all Australian Research and Development (R&D) is spent on HMR¹⁰
- 2.9% of the \$252.5 billion spent on health is on HMR¹¹

The productivity potential of the health and medical research, development and innovation sector to all of the government's 5 pillar productivity agenda is extensive:

A more dynamic and resilient economy: Health and medical research, development and innovation improves population health; lowers healthcare costs; and supports economic growth by advancing disease prevention, diagnosis, and treatment through local industries and global investment.

Investing in the net zero transformation: Contributing to climate goals by reducing the healthcare system's carbon footprint, developing sustainable technologies, and informing policy on climate-related health risks, aligning climate, health and productivity agendas.

Building a skilled and adaptable workforce: A healthier population underpins a productive and innovative workforce across every sector. Specifically, expanding the health and medical research, development and innovation sector offers career pathways in emerging fields like MedTech and digital health, fostering a highly skilled domestic workforce, contributing to our knowledge economy.

Harnessing data and digital technology: Australia's ability to boost productivity is closely linked to its adoption of digital and data innovation, where the benefits of technological and digital transformation are nowhere more evident than in digitally and AI enabled healthcare system which realises the potential of health data as a critical national asset.

Delivering quality care more efficiently: The health and medical research, development and innovation sector drives improvements in healthcare delivery by embedding innovation into clinical practice, informing evidence-based policy, and supporting real-world and consumer-led research. These activities reduce health disparities, improve outcomes, and contain costs to the health system, contributing to a more efficient, sustainable and value-based healthcare system aligned with national productivity goals.

⁷ KPMG. (2018). 'Economic Impact of Medical Research in Australia'. KPMG.

⁸ Research Australia. (2025). 'Call for an Arthritis and Musculoskeletal Medical Research Future Fund (MRFF) Mission: Recovery'. See https://researchaustralia.org/wp-content/uploads/2025/09/RA-x-AA_MRFF-Communique.pdf

⁹ Australian Institute of Health and Welfare (AIHW). 'Health system spending on disease and injury in Australia 2022–23'. Accessed 4 September 2025

¹⁰ Research Australia Analysis of ABS. (2025). 'Research and Experimental Development, Businesses, Australia Dataset'. See <https://www.abs.gov.au/statistics/industry/technology-and-innovation/research-and-experimental-development-businesses-australia/2023-24>. Accessed 1 September 2025.

¹¹ AIHW. (2024). 'Health expenditure Australia 2022–23'. See <https://www.aihw.gov.au/reports/health-welfare-expenditure/health-expenditure-australia-2022-23/contents/overview/total-health-spending>. Accessed 4 September 2025.

About Research Australia

Setup by government following a landmark review in 2000, Research Australia is the national peak body for the health and medical research and innovation sector. Our membership is drawn from the whole pipeline of health and medical research and innovation, from universities and medical research institutes to charities and patient groups, and health care providers and companies commercialising new health technologies. Our priorities include a whole of systems approach to health and medical research and innovation, smarter investment, workforce and advancing prevention. Underpinning these priorities are equitable health outcomes; collaboration; AI and digital health, data and data linkage.

Research Australia offers the following insights and recommendations, drawing upon our expertise and previous work as the collective voice of the HMR&I ecosystem, to inform the finalisation of the Productivity Commission's report. This submission also draws on a recent Research Australia Health Economics Symposium, which convened more than 100 policymakers, health economists, clinicians, researchers, consumer peak organisations and industry leaders. Held at a critical moment of national policy reform, the Symposium reached clear consensus that if we harness our research strength, apply health economics to policy making and invest in health services research, we can strengthen our health systems and build a healthier population and a more productive, competitive Australia.

Research Australia remains committed to progressing the recommendations and broader insights from our membership across the ecosystem.

Summary of Recommendations:

Embed a Multi-Disciplinary Research Agenda to Build Climate Resilience	• <i>Support a multidisciplinary and integrated research agenda to enable effective climate policy and resilience.</i> • <i>Embed health economic practices to better identify, measure and value climate and environmental impacts in health.</i> • <i>Build an integrated approach to outcomes and evaluation which addresses the interplay between environment, cost and risk.</i> • <i>Provide new funds for climate-related health research outside of existing funding streams, recognising that inaction poses a significant threat to the Australian economy.</i>
Drive Reductions in the Carbon Footprint of the Health System	• <i>Activate a greater national focus on reducing unnecessary care through a renewed focus on adopting the best evidence-based models and research.</i> • <i>Create and fund a Centre for Sustainable Healthcare Innovation to identify, evaluate and mitigate emissions across the healthcare system.</i>

Introduction

Research Australia welcomes the Productivity Commission's (PC) interim report, *Investing in cheaper, cleaner energy and the net zero transformation*. We acknowledge the report's focus on minimising the cost of meeting Australia's emissions targets, speeding up approvals for new energy infrastructure, and addressing barriers to private investment in adaptation to enhance productivity and living standards. As the national alliance representing Australia's health and medical research and innovation sector, Research Australia strongly advocates for the elevation of our sector's pivotal role in the net zero transformation. Health and medical researchers will be central to informing aligned policy as climate-related health risks escalate, while also contributing valuable expertise in reducing the healthcare system's footprint.

Embed a Multi-Disciplinary Research Agenda to Build Climate Resilience

Climate change poses significant immediate, medium, and long-term risks to the health of Australians. While the PC report highlights the importance of a healthier population for productivity, there is an urgent need for a coordinated national effort, including leadership from governments, to support a multidisciplinary and integrated research agenda that will enable the development of policies to tackle the root causes of climate change and build resilience within the health sector and communities.

The economic and social costs of climate change on health are substantial and growing. Previous Research Australia polling indicates that 40.4% of Australians have already been impacted by climate change, with 10.7% reporting physical illness and 12.5% reporting mental illness linked to these changes¹². Recent analyses by UNICEF Australia and Deloitte quantified the impact of natural disasters and extreme weather events on children and young people (CYP) as \$6.3 billion annually, with costs set to rise to between \$10.4 billion and \$12.1 billion by 2060 depending on the progression of global climate action¹³. Furthermore, the report estimates the mental health costs for CYP amount to approximately \$662 million within the first two years following a disaster. These figures are expected to escalate, making a health-centric approach to climate action not just an ethical imperative, but an economic necessity.

Research Australia submits there should be an emphasis not only on basing the response to climate change on the best available, data, evidence and research, but to supporting the creation of evidence to inform policy making where this evidence does not currently exist. This includes improving the ability to identify, measure and value climate and environmental impacts in health by embedding health economic practices. Government and policy makers also need to embed an integrated approach to outcomes and evaluation which addresses the interplay between environment, cost and risk. Government should provide new funds for this research agenda outside of existing funding streams such as the NHMRC's Medical Research Endowment Account or the Medical Research Future Fund. As outlined above, underinvesting in climate resilience poses a significant risk to our health and economy, with an additional impact

¹² Research Australia (2023). 'Public Opinion Poll. Health and Medical Research and Innovation'. Access online here: https://issuu.com/researchaustralia/docs/ra_publicopinionpoll_final_12_october.

¹³ UNICEF Australia & Deloitte. (2025). 'The economic and social impact of disasters on children and young people'. UNICEF Australia & Deloitte.

on the budget. We must be bold in our interventions and build the necessary evidence-base to guide future strategic investment and policy.

Recommendations:

- *Support a multidisciplinary and integrated research agenda to enable effective climate policy and resilience.*
- *Embed health economic practices to better identify, measure and value climate and environmental impacts in health.*
- *Build an integrated approach to outcomes and evaluation which addresses the interplay between environment, cost and risk.*
- *Provide new funds for climate-related health research outside of existing funding streams, recognising that inaction poses a significant threat to the Australian economy.*

Drive Reductions in the Carbon Footprint of the Health System

Analysis by the Australian Centre for Disease Control estimates the total greenhouse gas emissions by the Australian health system equated to 5.44% of Australia's total greenhouse gas emissions¹⁴. These emissions are divided between:

- Health Care Services: 59% of the total
- Residential Care and Social Assistance Services: 33% of the total
- Human Pharmaceutical and Medicinal Product Manufacturing: 8% of the total¹⁵

The Australian Government aims to accelerate progress to achieving net zero emissions by implementing effective adaption measures¹⁶. These measures aim to align domestic policies, such as the National Health and Climate Strategy, with global efforts such as the Alliance for Action on Climate Change and Health (ATACH) Programme, within which 84 countries (including Australia) have made commitments to sustainable low carbon health systems¹⁷. To meet net zero targets, and by extension safeguard a healthier population to meet Australia's productivity challenges, the health sector must decarbonise at pace.

Research Australia submits that to do this, we need a much greater national focus on reducing unnecessary care, which has benefits for patients, the health system and the environment. This requires a renewed focus on driving adoption of best evidence-based models of care and the research that produces this data. In addition, we propose the creation and funding of a Centre for Sustainable Healthcare Innovation. This Centre would have two primary purposes:

1. Identify and evaluate areas for potential mitigation of emissions across the supply chain, medicines and gases, waste and prevention and optimising models of care.

¹⁴ Australian Centre for Disease Control. (2025). 'Estimates of Australian health system greenhouse gas emissions 2021–22'. Australian Government. Pg 8.

¹⁵ Ibid.

¹⁶ Verlis K et al. (2024). 'The current state of sustainable healthcare in Australia'. Australian Health Review 48(5), 489–496. Pg. 489.

¹⁷ World Health Organization. 'Country commitments to climate change and health. Alliance for Transformative Action on Climate and Health (ATACH)'. Available at <https://www.who.int/initiatives/alliance-for-transformative-action-on-climate-and-health/commitments>. Accessed 10 September 2025.

2. Solicit proposals for solutions to the identified areas for mitigation.

The Centre would engage clinicians, medical administrators, engineers and health economists in the identification and evaluation of areas to target for mitigation, and the development of calls for proposals to address specific areas. As well as providing opportunities for established Australian companies it could support start-ups through a stage gated research and development process to the delivery of the solution.

Recommendations:

- *Activate a greater national focus on reducing unnecessary care through a renewed focus on adopting the best evidence-based models and research.*
- *Create and fund a Centre for Sustainable Healthcare Innovation to identify, evaluate and mitigate emissions across the healthcare system.*

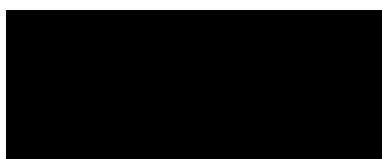
Conclusion

The cost of inaction on climate change and net zero, as outlined above, is a key threat to the Australian population, health system, economy and productivity. The recommendations outlined in this paper have multi-faceted productivity benefits. By prioritising a multidisciplinary research agenda and addressing decarbonisation in health, we can reduce emissions across the system, ultimately leading to a healthier population to spur further economic growth and productivity gains, acknowledging that better health could add \$12 trillion to global GDP in 2040¹⁸. This, alongside efforts to bolster powerful climate policy and resilience and identification of the most efficient models of care through high-quality and well-funded research, will help deliver a robust response to the current threat posed by climate change.

Research Australia stands ready to provide further information and engage collaboratively to advance these critical national priorities.

For further information regarding this submission please contact Dr Talia Avrahamzon, Head of Policy, Projects and Advocacy at [REDACTED] or policy@researchaustralia.org.

Warm regards,



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CEO & Managing Director
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¹⁸ McKinsey Global Institute. (2020). 'Prioritizing health: A prescription for prosperity'. McKinsey & Company.