



Australian
Industry
Greenhouse
Network

AIGN submission

Productivity Commission Interim Report: Investing in cheaper, cleaner energy and the net zero transformation

September 2025

1 Summary

The Australian Industry Greenhouse Network (AIGN) welcomes the opportunity to provide comment on the Productivity Commission's interim report. This submission makes the following key recommendations:

Safeguard Mechanism

AIGN recommends allowing sufficient time to assess the impacts of the 2023 reforms before introducing further changes. Any future adjustments should be subject to thorough consultation, adequate lead times, and comprehensive cost assessments, noting that administrative costs are currently underestimated for both industry and government.

Carbon Leakage

AIGN considers ongoing provisions to address carbon leakage essential to safeguard the competitiveness of trade-exposed industries until a credible alternative policy framework is established.

Electricity Sector Decarbonisation

AIGN supports nationally consistent, technology-neutral incentives to deliver least-cost emissions reductions while maintaining system reliability and security. Incentives should encompass renewable energy, firming and shaping services, and emerging low-carbon fuels. Reforms to the National Electricity Market should be aligned with broader energy system reforms to ensure a coordinated transition.

Climate Risk Information Database

AIGN supports expanding Draft Recommendation 3.1 beyond the housing sector to establish a national database capable of providing consistent climate-risk information across all sectors. This would assist in informing disclosure frameworks and broader climate-risk assessments.

Approvals Reform

AIGN supports streamlining approvals for low and zero carbon energy, industrial, and resource projects through national environmental standards, regional planning, and clear statutory timelines. Rather than a narrow approach, a comprehensive reform could include clearly defined regulatory responsibilities, strategic planning and early engagement, and improved coordination and resourcing across agencies.

Consultation Process

AIGN highlights that the current overlap of major consultation processes strains stakeholder capacity. A more coordinated, iterative, and multi-stakeholder consultation process is recommended to enhance engagement, integrate cross-cutting issues, and strengthen policy outcomes (e.g., Productivity Commission and Climate Change Authority concurrently seeking feedback on the Safeguard Mechanism).

2 About AIGN

AIGN is a network of industry associations and businesses that provides a forum for discussion on key climate change issues, as well as information and analysis on national and international climate change policy, and the role industry can play in the transition to net-zero emissions by 2050.

We are committed to supporting cohesive, efficient, and predictable climate policies that align with Australia's Paris Agreement targets. We believe a harmonised approach across federal, state, and territory jurisdictions is essential to achieving our emissions reduction targets while maintaining investment stability and minimising sovereign risk.

The transition to a net-zero economy is complex and ambitious, requiring collaborative management and open dialogue. AIGN corporate members are on the frontlines of this transition (including many of the nation's largest energy producers, energy users, and exporters); association members are valuable sources of expertise on the specific needs and challenges of their respective industry sectors as they move towards a net-zero future.

3 Feedback on the draft recommendations

AIGN's feedback on the draft recommendations is guided by our long-standing policy principles (https://www.aign.net.au/policy_principles.html).

3.1 Reducing the cost of meeting carbon targets

AIGN continues to support a technology-neutral, economy-wide framework to reduce emissions. Policies should create consistent, credible, and enduring signals that support least-cost abatement while maintaining competitiveness and energy security.

3.1.1 Reducing emissions in the electricity sector after 2030

The PC recommended that governments prioritise enduring, broad-based market settings in the electricity sector beyond 2030. These should create nationally consistent incentives for lowest-cost clean energy irrespective of technology or jurisdiction, embed investment incentives to maintain reliability and system security, and phase out jurisdictional or technology-specific incentives over time.

AIGN has consistently advocated for nationally coherent, stable, and technology-neutral climate and energy policies. The establishment of a long-term price signal across the whole economy would reduce uncertainty and enable efficient investment. Policy settings should further be transparent, stable, and aligned across jurisdictions.

Trade competitiveness must be supported during the transition to net zero. Measures should deal equitably with early movers, incumbents, and new entrants, promoting both public and private investment in low-emission technologies.

AIGN supports this recommendation. Nationally consistent and technology-neutral incentives will deliver the least-cost emissions reductions and help avoid the inefficiencies and distortions that arise when states and territories pursue different schemes. The phasing out of jurisdictional

and technology-specific incentives is consistent with AIGN's emphasis on reducing complexity, promoting efficiency, and ensuring a level playing field for all technologies and investors.

Embedding investment incentives for reliability and system security is also critical. As the electricity system transitions, ensuring firm capacity and resilience against variability is vital to protecting against supply disruptions and price shocks.

AIGN supports the principle that market settings should balance decarbonisation with reliability and affordability, providing a framework that encourages efficient investment while safeguarding Australia's energy security.

However, as noted by the National Electricity Market (NEM) wholesale settings review, among others, the solution is not just renewable generation alone but – aligned with a focus on least cost emission reductions – a mix of low-carbon and decarbonised energy alternatives.

It is important that renewable generation is not supported in isolation from firming and shaping services and that nascent alternatives, such as low-carbon liquid fuels, also receive nationally consistent incentives and policy signals.

Reforms to the NEM should be aligned with broader energy system reforms to support a coordinated transition to net zero. The energy sector has a key role to play in reducing emissions in its own sector, as well as facilitating emissions reductions in other sectors. Progressing one technology or market in isolation from the others risks less efficient outcomes and further increases the complexity (and costs) of the transition.

3.1.2 Increasing coverage of the Safeguard Mechanism

The PC recommends lowering the Safeguard Mechanism (SGM) threshold from 100,000 tonnes CO₂-e to 25,000 tonnes, with final thresholds to be determined at the scheduled 2026/27 review. It further suggests phasing out Trade-Exposed, Baseline-Adjusted (TEBA) provisions if a border carbon adjustment is introduced.

AIGN considers that expanding SGM coverage does warrant careful examination. Broader coverage could provide more consistent incentives across the economy. However, lowering the threshold raises questions of effectiveness and materiality. Compliance costs, particularly for smaller facilities, must be weighed against the additional emissions that are captured. Introducing new obligations should not impose disproportionate costs or create uneven sectoral outcomes.

Any change should be phased in gradually, with consultation and sufficient lead time, to preserve investment confidence and operational stability.

AIGN does not share the interim report's view that administrative costs are immaterial. Members' experience indicates that collecting, auditing, and reporting data under multiple frameworks is resource intensive. It also has a relatively high opportunity cost, diverting resources that could be focused on emissions reduction activities.

Complexities arise from varying methodologies, ownership structures, and operational responsibilities. These represent substantial ongoing costs for industry, in addition to the

government's one-off costs of establishing reporting systems. Reform of reporting requirements should therefore proceed only based on clear, evidence-based assessments of net benefits.

3.1.3 Addressing carbon leakage and trade competitiveness

Border carbon adjustment mechanisms, in the absence of globally consistent carbon pricing on goods and services, remain an interesting policy lever to address trade competitiveness and carbon leakage. This is a complex policy area, and a principled approach is best applied. That is simply that policy responses should not expose Australian export and import competing industries to costs not faced by these industries in other countries.

Measures to address leakage must recognise Australia's trade-exposed profile and avoid disadvantaging domestic industries relative to global competitors, including where domestic producers are subject to higher carbon constraints and associated costs. Crucially, it must be capable of addressing unique carbon leakage impacts experienced in different sectors, sub-sectors, and, in some cases, facilities.

There are mixed views across AIGN's membership on the most suitable policy mechanism to address this risk.

Should a border carbon adjustment policy be pursued, its design, feasibility, legal robustness, and interaction with the SGM must be thoroughly assessed. Any leakage provisions must reflect Australia's highly trade-exposed profile and avoid disadvantaging domestic industries relative to international competitors. They must also be capable of addressing sector and facility specific risks.

Interactions with other export-focused policies, such as the Future Made in Australia agenda and the Guarantee of Origin scheme, must also be considered. These frameworks have been designed with TEBA facilities and hydrogen exports in mind; introducing new leakage measures could require adjustments to both policy intent and supporting legislation.

3.1.4 Emissions reduction incentives for vehicles

The PC recommended introducing a new emissions reduction incentive for heavy vehicles, designed to be as technology neutral as possible, and phasing out overlapping policies for light vehicles. Specifically, the PC suggested that with the New Vehicle Efficiency Standard (NVES) now in place, the exemption of electric vehicles (EVs) from the Fringe Benefits Tax, as well as state-based exemptions from stamp duty and registration, should be phased out.

AIGN consistently advocates for climate policies that are technology-neutral, comprehensive (but not duplicative) in coverage, and provide stable, predictable, and transparent incentives to encourage transition-aligned investment. To date, the transport sector has had insufficient policies in place to drive decarbonisation.

Therefore, AIGN considers this recommendation to be broadly consistent with its principles. Introducing a technology-neutral incentive for heavy vehicles would support emissions

reduction in a hard-to-abate sector while allowing flexibility for different solutions – whether electrification, hydrogen, biofuels, or other emerging technologies.

Maturing some of these alternative energy sources is also likely to provide ‘spillover benefits’ for other hard-to-abate sectors, particularly where electrification is not yet technically or commercially feasible.

On phasing out overlapping light vehicle incentives, AIGN recognises the importance of avoiding unnecessary duplication once a national framework such as the NVES is operational.

Overlapping and inconsistent policies at the Commonwealth and state levels create inefficiencies, increase administrative complexity, and can distort investment and consumer decisions. Rationalising these exemptions could improve policy coherence, provided changes are phased in carefully to avoid sudden disruption to the EV market and to maintain public confidence in the transition.

It is also important to consider the context for these incentives. As the PC notes under Recommendation 1.1, renewable generation is already cost competitive; however, there are likely to be social benefits from accelerating the rollout of technologies to facilitate net zero in this sector.

We note that as the cost competitiveness of EVs evolves, it may be appropriate to establish a long-term metric to signal when this support may end. This would retain the incentive in the short-term and provide transparency to the market over the longer-term investment cycle.

It is also noted that the incentives from the FBT exemption have provided ‘spillover benefits’ in the form of increasing the pace and scale of EV supply to the second-hand market, supporting a transition by increasing access for those unable to invest in a new vehicle.

3.1.5 Transparency of emissions reduction policies

The PC recommended that governments improve transparency by consistently assessing the cost-effectiveness of emissions reduction policies against agreed national carbon values. An independent agency could develop these values to serve as benchmarks across government in delivering policies to ensure the least-cost abatement.

To support achieving net zero at the lowest cost, the PC recommended frameworks for extending emissions reduction incentives to new sectors, ensuring costs are aligned with these carbon values, and continuing to strengthen the integrity of ACCUs while integrating them across all national emissions reduction policies.

AIGN supports a policy environment that creates consistent, credible, and enduring signals that encourage least cost abatement while maintaining competitiveness and energy security.

Ensuring transparency across levels of government to support coordinated and streamlined policies can help avoid misalignment, duplication, and higher compliance costs, which divert resources away from decarbonisation initiatives and impede least-cost abatement at scale.

The use of agreed national carbon values developed by an independent agency could provide an objective and transparent benchmark for evaluating policy effectiveness, reducing the risk of

fragmented or inconsistent approaches across jurisdictions. While the concept is sound, it should be noted that the detailed work program to develop such values (as well as the detailed use case for them) would need to be consultative (across multistakeholder groups) and transparent to deliver the best result.

AIGN supports the extension of emissions reduction incentives into new sectors, provided this is done in a way that equitably distributes costs, recognises sectoral differences, and avoids imposing disproportionate burdens on trade-exposed industries.

3.1.6 Carbon markets are enablers of the transition to a net zero economy

The continued strengthening of the ACCU Scheme is consistent with AIGN's support for high-integrity carbon markets. The independent review of the ACCU Scheme found that it is fundamentally sound, while recommending reforms to improve transparency and confidence, which the Government is now implementing. Integrating ACCUs more broadly across policies can provide flexibility and cost-effective abatement options, particularly for hard-to-abate sectors, while maintaining transparency and public confidence.

Generally, clear objectives and flexibility in how they are achieved (e.g., ACCUs, multi-year monitoring, and cost containment measures for the Safeguard Mechanism) will be increasingly important. Entities need to be able to adapt and modify their approach as the transition will not be linear, and the most challenging part of the journey to net zero may still lie ahead.

3.2 Speeding up approvals for new energy infrastructure

AIGN supports reforming and streamlining approvals processes to support meeting Australia's climate targets. Timelier approvals are needed for emissions reduction projects and more broadly for industrial and resource projects, in order to maintain the economy's competitiveness and which will ultimately support this transition.

We note the Government has committed to delivering reforms to the Environment Protection and Biodiversity Conservation (EPBC) Act within the next year. To ensure that reforms genuinely accelerate the approval process, AIGN supports sequencing further reviews and reforms to address critical issues as a matter of priority. It will be essential to 'grandfather' existing processes to avoid further changes and delays for these projects.

3.2.1 Reform of national environment laws

The PC recommended reforming national environmental laws to expedite approvals for clean energy projects while better protecting the environment. The proposed reforms include introducing national environmental standards; facilitating regional planning, particularly within renewable energy zones, with stricter statutory deadlines in designated "go zones"; improving access to environmental information and past assessment decisions; streamlining offsetting through an Australian Government offsets fund; and setting clear expectations for engagement with local communities and Aboriginal and Torres Strait Islander peoples.

AIGN supports reforming and streamlining approvals processes to enable Australia to meet its ambitious climate targets, as current timelines suggest it could be logistically impossible to deploy enough decarbonisation projects to achieve net-zero emissions by 2050. As emphasised in our previous submission to the PC, timelier approval processes for emissions reduction investments must be complemented by a similarly streamlined system for industrial and resource projects, which are likewise essential to the net-zero transition (e.g., critical minerals developments for inputs to clean energy and infrastructure components).

Streamlining approvals through national environmental standards, regional planning, and clearer statutory timelines could address delays caused by overlapping federal, state, and local approval regimes with separate (and sometimes conflicting) requirements if the standards are comprehensive. In addition to environmental standards, projects also face layered and inconsistent standards under other frameworks, e.g., heritage, planning, biodiversity, Indigenous engagement, etc.

A streamlined and consistent approvals framework would improve predictability for investors and reduce costly delays, while still upholding environmental protections. Providing accessible, high-quality information about environmental values and past decisions would increase transparency and help build community trust in the system.

However, in the interest of sequencing reviews and ensuring targeted, evidence-based reforms, these proposals should be revisited after the outcomes of the Commonwealth's current EPBC Act reforms are known.

There is merit in making biodiversity offsetting arrangements more efficient. A well-designed offsets fund could lower transaction costs and facilitate compliance, provided it maintains environmental integrity and is underpinned by transparent governance.

Finally, AIGN supports clear expectations for engagement with local communities and Traditional Owners. Constructive and inclusive consultation is vital for both securing a social licence for projects and ensuring that the benefits of the energy transition are widely shared.

3.2.2 Specialist 'strike team' for priority projects

The PC recommended establishing a specialist "strike team" within the Department of Climate Change, Energy, the Environment, and Water to accelerate the assessment of priority renewable energy projects under the EPBC Act. The strike team should be adequately resourced, combine environmental and clean energy expertise, operate with clear expectations and escalation procedures, and coordinate with state and territory counterparts to reduce duplication and share expertise.

AIGN continues to advocate for a climate policy framework to encourage least-cost abatement, support ambition, and encourage investment. The atmosphere does not recognise where emissions reductions come from, or which technologies are used to achieve them.

AIGN supports reforming and streamlining project approvals, and we believe the same unbiased approach should be applied here. Therefore, while renewable energy projects are unquestionably critical, they should not be promoted at the expense of decarbonisation projects

in other sectors. If the approvals process is only streamlined for renewable energy projects, this will risk delaying decarbonisation pathways in excluded sectors.

In our previous submission to this inquiry, AIGN called for a comprehensive approach to reforming the approvals process. These reforms should:

- Rationalise overlapping processes and avoid duplication between environmental and climate policy processes. The Safeguard Mechanism, which is designed to decarbonise covered sectors efficiently, should be the default system to ensure net-zero alignment of relevant projects.
- Clearly define lead regulators and responsibilities. Approvals are primarily handled at the state level, with some federal government involvement around EPBC Act requirements. AIGN supports accrediting state assessments and approvals, with the federal government assuring state processes.
- Make greater use of strategic planning and approvals processes and establish early engagement processes that provide greater certainty for proponents.
- Improve coordination and resourcing across agencies.

Members report that past reforms designed to streamline approvals (e.g., bilateral assessment agreements, strategic assessments under the EPBC Act) have sometimes added further process without improving timeframes or certainty. For example, despite national support for renewable energy zones (REZs), grid-scale transmission approvals remain subject to jurisdictional planning systems, often requiring sequential approvals for corridor alignment, environmental assessment, and social licence.

AIGN supports a strategic, national approach to all project approvals. Transparent and efficient approvals facilitate investment in transition-enabling projects, consistent with AIGN's principles of least cost, technology-neutral climate policy implementation.

The objectives of the Energy and Climate Change Ministerial Council's (ECMC) priority project list should not be confused with planning and approvals processes. Each plays an important but separate role; the ECMC's list reflects the needs of the energy sector while planning and approvals reflect broader environmental and social considerations. It would not necessarily be effective or faster to remove these targeted, complementary objectives for each process.

The proposal for further resourcing to develop a strike team does risk duplicating the resources provided to deliver faster environment approvals, more information, and transparency to support investment in renewables and critical minerals through the Commonwealth's 2024-25 Budget process.

3.2.3 Coordinator-General for priority projects

The PC recommended establishing an independent Clean Energy Coordinator-General for priority renewable energy projects. The role would track the progress of all required approvals, investigate and resolve delays, report to the Energy and Climate Change Ministerial Council (ECMC), and provide advice based on objective criteria about the composition of the National Renewable Energy Priority List.

AIGN strongly supports nationally coordinated approaches, including across jurisdictions, with clear institutional roles and accountability to instil confidence in the integrity and efficiency of project approval processes. The proposal to establish a Clean Energy Coordinator-General could help to improve accountability, transparency, and timeliness in the development of priority projects. This role could help ensure that project prioritisation is based on clear, consistent, and nationally relevant criteria, rather than ad hoc or jurisdiction-specific approaches. Regular reporting to the ECMC would help maintain national coordination and accountability, supporting the efficient roll-out of renewable energy infrastructure that is critical to achieving Australia's net zero goals

However, the National Renewable Energy Priority List is focused on energy sector objectives, while planning and approvals processes are to consider much broader environmental and social considerations. Using the list as a proxy for planning and approvals priorities is not recommended in isolation.

3.2.4 Approval decisions that consider the energy transition

The PC recommended amending the Environment Protection and Biodiversity Conservation (EPBC) Act 1999 to require the minister to consider the needs of the energy transition when deciding whether to approve an energy project that would significantly impact a matter of national environmental significance.

Requiring ministers to consider the energy transition in project approvals could help to ensure that regulatory decisions reflect both environmental protection and Australia's national emissions reduction commitments. On the condition that these provisions are well designed and implemented, this dual consideration may promote clarity for project proponents about how climate objectives will factor into approval processes, thereby reducing uncertainty.

At the same time, AIGN emphasises the importance of transparency in how these considerations are applied, to maintain public confidence and avoid creating new layers of complexity. Incorporating the needs of the energy transition into decision-making should complement, not replace, rigorous environmental assessment. Done well, this approach could strike an appropriate balance between safeguarding matters of national environmental significance and facilitating timely investment in the infrastructure needed to achieve net zero.

3.3 Addressing barriers to private investment in adaptation

While the resilience of housing is outside the scope of the work of AIGN, we consider that there is an opportunity for one of the draft recommendations under this priority to offer broader benefits.

3.3.1 Climate risk information database

Draft recommendation 3.1 to set up a climate risk information database would provide a nationally consistent source of information to support broader assessments of physical risks associated with climate change. A nationally consistent resources would support assessment

and reporting of physical risks across a broader range of frameworks, such as the climate related financial disclosure reforms.

4 Providing evidence-based feedback

AIGN notes the detailed consultation program for the next several months, with many important consultation processes coinciding. This limits stakeholders' ability to provide detailed, evidence-based feedback.

Consultation processes requiring engagement throughout September and October include:

- The Climate Change Authority's issues paper on its Annual Progress Report 2025
- The greenwashing inquiry currently before the Senate
- Exposure draft legislation related to the Guarantee of Origin scheme
- The Productivity Commission's interim reports for its productivity inquiry
- The National Electricity Market wholesale market settings review
- Treasury's development of guidance on writing corporate transition plans
- DCCEEW's Offshore carbon capture and sequestration (CCS) under the Environment Protection (Sea Dumping) Act 1981 consultation
- State government processes, including the WA Government's inquiry into the state's role in global decarbonisation and the NSW EPA's consultation on *Climate Change Licensee Requirements*.

In addition to engaging in these consultations, AIGN corporate members are developing and implementing decarbonisation projects across their operations and participating in the substantial program of regular reporting obligations under frameworks such as the National Greenhouse and Energy Reporting Scheme (NGERS) and the new climate-related financial disclosure framework. Within an organisation, often the same small team is responsible for delivering all these tasks.

There is much value to be gained in creating a genuine iterative process that allows sufficient time to outline policy priorities or focus areas, seek industry feedback, and then, importantly, return to the industry for feedback on draft reports. This will not only provide an opportunity to develop broader, more well-informed reports but also offer an opportunity to garner support (or understand points of difference) for the policy proposals contained within them.

4.1 Coordinated interjurisdictional consultation

AIGN encourages the Government to coordinate between federal departments and agencies to engage multilaterally (or at least sequentially) with stakeholders on common issues between consultation processes.

Coordinated interjurisdictional consultation processes can align the various agencies seeking feedback on the same policy and/or interrelated policies. For example, the interim reports for the Productivity Commission's inquiries into productivity, the draft report for the NEM Review of wholesale market settings, and the Treasury's consultation on guidelines for preparing transition plans as part of its climate-related financial disclosure framework are all concurrently seeking

feedback. Each of these is a critical and complex process in which AIGN members have a strong interest, and the issues on which they seek feedback overlap.

A more coordinated approach to scheduling major consultations would improve the quality of stakeholder engagement and the robustness of policy outcomes.

5 Conclusion

Thank you for the opportunity to provide input to the Productivity Commission's important interim report on investing in cheaper, cleaner energy and the net zero transformation.

Australia's decarbonisation pathway to achieve net-zero emissions by 2050 can enable the economy to remain internationally competitive, with streamlined policy approaches that promote investment in critical, transition-aligned projects. The supply of low-emissions and reliable energy is a key enabler of decarbonisation for both society and industry. Promoting clean energy must be balanced with strengthening key resources and manufacturing industries to maintain a thriving economy while transitioning to net-zero in line with Australia's obligations under the Paris Agreement.

For AIGN corporate members, planning and investment decisions consider a wide range of factors, including Australia's transformation towards net-zero emissions by 2050, Paris Agreement goals, as well as a wide range of other conditions (market access, macroeconomic stability, labour, infrastructure, regulatory and legal frameworks, financial considerations, etc).

AIGN welcomes future opportunities to engage with the Commission and the Government on these matters.