***The Hon Chris Bowen MP***
***Minister for Climate Change and Energy***
***Speech to Australian Business Economists***
***15 August 2023***

**Introduction**

Thank you Besa for that introduction.

Barangaroo, the woman who is rightly recognised in the place we gather today, was a Gadigal woman.

I recognise the custodianship of this land by her people and acknowledge the elders past and present of the Gadigal people.

While we now acknowledge traditional owners in speeches and in place names, we don't yet do so in our Constitution.

Something our nation has a chance to make right later this year.

This cannot, nor should it be, a symbolic recognition.

Rather this recognition must be an opportunity, as suggested by the Uluru Statement from the Heart six years ago, to provide a voice for our First Peoples to their Parliament on matters affecting them.

Matters like entrenched and generational disadvantage which mean for example, 235 years after Barangaroo and Bennelong saw 11 ships sail into this magnificent harbour they called home, a young Indigenous man today is more likely to go to prison than university.

Like the fact that remote Indigenous Australians today are among the most energy insecure in the world.

Clearly, the current approach hasn't been working.

This year we have an historic opportunity, one I am confident we will take, to rectify this glaring constitutional anomaly and take a significant step towards improving Indigenous outcomes.

**82% renewables by 2030**

Well, it's great to be here today.

I get invited to deliver more speeches than I can fit into my schedule.

But there are two reasons I prioritised your invitation.

1 - Mark Johnson asked me.

I have the deepest respect and warmest affection for Mark. So when he suggests a function as being worthy of an investment of my time, my answer is yes.

2 - Climate change is an environmental challenge and an urgent imperative.

Tackling climate change is the most significant economic transformation our country has had to manage in modern times, so sharing thoughts with a room of business economists is important.

Important because we have important ideas to discuss and test.

Important because this is a challenge that can't and won't be tackled by governments alone.

Governments set the framework and the national policy.

But decarbonising investment will have to come primarily from the private sector.

I don't intend to be too partisan in my remarks today, but I will note that for much of the last decade, business was ahead of the Government of the day on the urgent need to decarbonise.

Now we have to coordinate and collaborate on approaches to decarbonising investment to catch up on missed opportunities, and harness the job-creating and investment-nurturing upsides of good climate policy.

The key reason we legislated our emission reductions targets when it wasn't required under the Paris Accord was because it sent a message to investors around the world that Australia had changed.

That we had brought a rigour to our approach and we are a stable and welcoming country for renewable and decarbonising investments.

Likewise, our Safeguard Mechanism reforms were vital in providing a framework for industrial decarbonisation.

We consulted heavily with relevant industries and I make no apologies for doing so.

The far-reaching but sensible Safeguard reforms for industry allow firms to achieve their published emissions reduction goals in a stable policy environment.

And I note that last week, new figures showed that 80 per cent of the ASX200 capitalisation is in firms committed to net zero and that 70 per cent of the index is reporting against the Taskforce for Climate Related Financial Disclosures Framework.

And investors told me clearly in my dealings with business that sector plans would be a very useful spur to investment, because firms were looking for guidance on the Government's views on the decarbonisation pathway in key sectors.

And so we listened, and a few weeks ago I announced the development of sectoral decarbonisation plans to assist and underpin the development of our 2035 targets and our new and refreshed net zero 2050 plan.

Key among the plans of course will be the Energy and Electricity Plan, with energy currently being Australia's largest emitting sector.

I know it's fashionable at the moment to say Australia can't reach our Government target of 82 per cent renewables by 2030.

I don't agree.

Many of the same commentators who make this case are the very same people who claimed on the record that the 20 per cent Renewable Energy Target wasn't achievable when the country set out on that journey.

We are currently sitting at around 35 per cent renewable energy.

None of this is to say that it is all easy or we don't have considerable work to do.

We've never said that.

82 per cent is ambitious.  But it's also achievable.

We've made a good start.

Our $20 billion Rewiring the Nation plan recognises that there is no transition without transmission.

Our Capacity Investment Mechanism will unleash $10 billion of investment, or 6GW of dispatchable renewable capacity.

That's no small thing.

We've launched the first auction with New South Wales, with Victoria and South Australia to follow shortly.

While focussed on 2035 and beyond, our Energy and Electricity Sector plan will inevitably also include consideration of renewable inducing policy settings which will add to these already significant initiatives.

Not a week goes by when I don't meet with investors and firms working on plans to assist in this massive undertaking to lift our renewable share from 35 per cent to 82 per cent.

This is one of the reasons why I know it's achievable as well as ambitious.

And we will continue to work with the firms and investors rolling up their sleeves to make it happen.

**Addressing carbon leakage across borders**

Yesterday I was in the Illawarra – announcing consultation opening for another offshore wind zone, the fourth zone under consideration.

Offshore wind will play an important role in our renewable energy mix.

Different and more consistent wind patterns offshore mean that it is an important compliment to onshore renewables.

I have already declared two zones (Gippsland and Hunter) and we are consulting on two more (the Illawarra and Southern Ocean).

Just one rotation of one offshore wind turbine provides as much energy as an average rooftop solar installation generates in one day.

And just like renewable energy more generally, investors and CEOs tell me they regard Australia as one of the key markets around the world for the deployment of offshore wind.

You can see why I'm excited for the potential for offshore wind – and importantly, so are investors.

The CEOs of the world's largest renewable energy companies are knocking on our door regularly, because they see Australia as the key market for renewable energy investment around the world.

But we can't pretend that we aren't without serious competition. Global developments are quick and the competitive spirit in the global race to renewables is fierce.

And obviously the IRA has set the pace.

Our Government has achieved real progress negotiating the Climate, Critical Minerals and Clean Energy Transformation Compact with the United States, with more discussions to come.

And intrinsic to this work is ensuring that Australian firms benefit from the US energy transformation and investment through the IRA.

But we are also implementing other measures to bolster our local response.

Our Hydrogen Headstart program announced in the budget is a down payment on ensuring Australians are part of the global race to decarbonise, on which we will be announcing more later in the year.

This $2 billion program will underwrite some of the most exciting electrolyser deployments in the world.

Australia currently hosts about 40 per cent of the pipeline of world hydrogen projects.

The Hydrogen Headstart and the refresh of our National Hydrogen Strategy will ensure that pipeline of projects becomes a reality.

I was disappointed to see the Leader of the National Party criticise the Hydrogen Headstart program on the weekend.

It indicates the alternative government doesn't share our optimism about the Australian hydrogen industry.

We on the other hand know that the IRA and other initiatives elsewhere mean that the Australia needs to act to stay in the game, and that's exactly what we intend to do.

Just as we know Australia can be renewable energy superpower with the right policy settings, so we also know that the right policy settings are important to ensure a level playing field for Australian firms doing the right thing when it comes to decarbonisation.

The decarbonisation task is most acute for large industrial facilities, frequently in hard-to-abate sectors and subject to competition in international markets.

I mentioned before the Government's important reforms to the Safeguard Mechanism.

At the heart of the reforms is a simple principle – we can't achieve our emissions reduction targets without our biggest emitters doing their fair share.

The reforms will reduce more than 200 million tonnes of greenhouse gas emissions by 2030, while improving incentives and confidence for facilities to invest in decarbonising their operations.

Importantly, 80 per cent of Safeguard companies, and 86 per cent of covered emissions, are covered by corporate net zero commitments.

The challenges of emissions-intensive trade-exposed industries were a central design consideration for the reforms, with a range of targeted funding support for trade exposed facilities.

The scheme also includes a special 'trade-exposed baseline-adjusted' category where cost impacts exceed thresholds and lower baseline decline rates apply.

The manufacturing sector, with low margins in many of these industries, has been supported by targeted consideration of impacts on their profitability.

In addition, as part of the consultation process we recognised that, now that Australia has a proper policy in place for industrial emissions reductions, it is the right time to examine how best to prevent international carbon leakage risks, while protecting Australia's reputation as a reliable and secure trading partner.

We know of the potential for production to shift from countries with more ambitious emissions reduction policies to those with lower emission reduction policies, and potentially resulting in increased global emissions.

Carbon leakage undermines national and international climate action and has long been a key consideration in the development of climate policy across the world.

In consultation on the Safeguard Reforms, stakeholders referenced the important work the European Union has taken to develop its own carbon border adjustment mechanism so that from 2026 key importers into the European Union will need to purchase certificates equivalent to the carbon price of their emissions trading scheme.

The EU CBAM initially applies to imports in five emissions-intensive sectors deemed at greater risk of carbon leakage: cement, iron and steel, aluminium, fertilisers, and electricity.

Loss of domestic sovereign capacity creates broader economic risks for the Australian economy and clean energy transition.

Making Australia a renewable energy superpower and leader in areas such as critical minerals will require essential industrial inputs – like steel, cement and aluminium.

Domestic capacity reduces Australia's vulnerability to international supply chain shocks.

Today I am pleased to announce the next steps in the review of whether a CBAM, or other carbon leakage policy options, are right for Australia.

My department will underake the review with the help of academic expertise, about which I will be making further announcements.

But I can advise the review will look at:

- An assessment of the carbon leakage risks
- Development of policy options to address carbon leakage
- And critically, an assessment of the feasibility of an Australian Carbon Border Adjustment Mechanism, particularly in relation to steel and cement.

My Department has put together a team to deliver this review in parallel to the broader work being undertaken on the Net Zero 2050 plan and six sectoral plans.

We intend for the review to consult extensively with two rounds of public consultation, including calls for written submissions.

The team will engage with key stakeholders including industry, peak business groups, experts and researchers, Commonwealth and State and Territory government agencies, international trading partners, relevant international bodies and the broader community.

The final review report will be finalised in the third quarter of 2024.

Detailed design of any agreed policy options would take place after the review and will be taken into account in the Government's Net Zero 2050 plan.

While some in industry think a CBAM or other policy response can be implemented quickly, experience with the EU makes clear a range of complex policy issues need to be examined carefully.

While we intend to learn from the EU's extensive work, any policy for the Australian policy context will need to account for our national circumstances.

Key issues for consideration would be the measurement of emissions embedded in traded goods, carbon costs in countries of origin, how to adapt to policy changes over time and nature of obligations on importers and exporters.

Australia also needs to carefully consider its trading relationships, consistency with international trade rules and interoperability with other schemes such as the EU.

While there has been a lot of focus on CBAMs, we intend for the review to think broadly about the possible carbon leakage policies that could complement and support the Safeguard Mechanism reforms and welcome business engagement in this process.

**Nuclear**

While we are undertaking a significant volume of work to ensure our policy settings are calibrated to capitalise on Australia's potential as a renewable energy powerhouse, far too many newspaper column inches are being spent on what is a rather large attempted distraction; the idea of nuclear power of Australia.

I'm not going to spend too long on this today, but I do want to make a couple of points.

I'll say it simply: nuclear power for Australia doesn't stack up.

We hear a lot about small modular reactors.

In some ways SMRs are small. Their output is low: 300MW compared to around 2GW for many power stations.

In other ways they are not small. Conservative estimates put their cost at $5 billion. Likely much more.

$5 billion for 300MW is a lot of dollars, for not many megawatts.

The AEMO and CSIRO Gencost report has made clear the hierarchy of costs: renewables being the cheapest and nuclear being the most expensive –

With the more likely high end cost of SMR power being $349 MWh while firmed renewables are $100 at the highest possible end, and as low as $65 MWh.

There has been some criticism of the Gencost Report in one newspaper and in Parliament recently.

As AEMO has made clear in response: " Recent media commentary that AEMO's Integrated System Plan (ISP) does not include transmission and storage, as well as generation costs associated with providing electricity to Australian customers is wrong."

"The plan looks at the generation mix into the future, and includes transmission and storage needed to keep the lights on."

While debate is healthy and no organisation is above scrutiny, I have been disappointed with the tone of the some of the commentary around Gencost.

In particular I was disappointed to see the Shadow Minister for Energy refer to Gencost last week as "Labor's Gencost" with no mention of two of our most important agencies in CSIRO and AEMO.

The implication that this is anything but the most rigorous and independent work of two respected and independent agencies is unbecoming and inaccurate.

**Conclusion**

The economics of climate change and action on climate is the most exciting area of modern economics in my view.

Because so much is at stake.

The impacts on the planet of failing to tackle emissions urgently are dire.

The impacts on our economy of getting the policy settings right and unleashing investment in job creating decarbonisation is positive and enormous.

We all have a role to play in this massive undertaking.
And I look forward to discussing this massive economic transformation with you now.