

James Bowen, Researcher and Policy Analyst
Fremantle, Western Australia

Submission to the “Inquiry into Australia’s transition to a green energy superpower”

Joint Standing Committee on Trade and Investment Growth

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I appreciate the opportunity to contribute to this inquiry.

This submission notes that Australia’s pursuit of “green energy superpower” status should be considered as much a foreign as domestic priority, and as much a strategic as economic opportunity. The Commonwealth should seize the opportunity for positive and mutually reinforcing outcomes at home and abroad by taking actions across multiple portfolio areas.

I authored the report *Reenergising Indo-Pacific relations: Australia’s clean energy opportunity*, jointly published by the Perth USAsia Centre and Climate Council, in July 2022. It contains supporting research and analysis for this submission and is provided as an attachment.

International and strategic drivers for going green

Global decarbonisation efforts are gathering steam. Australia’s Indo-Pacific home will continue to dominate future activity. The region has the world’s highest energy usage and is expected to account for 44 per cent of consumption by 2050. The Indo-Pacific’s emissions intensity is even greater than average and already accounts for 52.4 per cent of the global total.ⁱ

The Indo-Pacific also has stronger than average motivations to decarbonise. It experiences more weather-related natural disasters than other regions (37 per cent of the global total).ⁱⁱ Many of its countries also boast combinations of large populations and low human development levels that are noted to be conducive to climate-linked conflict.ⁱⁱⁱ

Climate concerns are not the only driver of decarbonisation. Russia’s war in Ukraine has also accelerated desires to increase energy—and associated national—security via increased adoption of renewables and other clean energies. The disruption of energy markets has improved the already growing price competitiveness and accessibility of clean energy in many areas. The dangers of interdependence with authoritarian fossil fuel providers have also become clearer. The International Energy Agency predicts fossil fuel use will peak in five years, partly due to the crisis.^{iv}

An accelerated domestic energy transition could improve Australia’s own energy security. This is strategically important in the context of our inability to maintain sufficient domestic production, refining, or storage capacity for oil. This is a significant liability at a time of rising regional tensions and the growing threat of disruption of maritime supply lines. Australians also face considerable exposure to international prices for gas and coal due to our strong export positions.

Australia could simultaneously aid other countries in their clean energy journeys. We are becoming an important supplier of critical minerals—including lithium, nickel, cobalt and rare earths—needed in technologies such as electric vehicles (EVs) and batteries. We could build our value-adding positions in these sectors over time. Australian interests could also provide other countries with resources such as green hydrogen, renewable electricity, and goods made with them.

Numerous barriers threaten the energy transition's future progress. Companies and governments which depend on fossil fuel revenues will seek to delay the implementation of policies able to achieve rapid decarbonisation. Developing economies will find it particularly difficult to finance and institutionally manage transitions away from fossil fuels. The world must also reduce an overconcentration of clean energy activity in China. Chinese enterprises control more than half of the value chains for many clean energy technologies and associated critical minerals^v.

Supply chain diversification

The need to diversify clean energy supply chains deserves special attention. It is critical to ensuring an equitable share of opportunities and reducing vulnerabilities in the energy transition. Australia is well-placed to play a major role in this process. This stems from our geophysical advantages as well as the increasing attention our strategic allies and partners are paying to this task.

In 2022, the United States unveiled the multi-billion-dollar Inflation Reduction Act (IRA), which aims to improve American competitiveness across numerous clean energy sectors. The IRA provides significant financial support to US consumers and industry. Other jurisdictions including the European Union have pledged to implement responses to it.

A rising clean energy arms race would create both opportunities and challenges for Australia.

There is assured to be increased ability to attract investment in critical minerals to service other countries' manufacturing desires. The IRA, for example, allows US companies to source inputs from free trade agreement partners (such as Australia) where domestic capacity is lacking. Australian households and businesses could also secure more advanced and affordable decarbonisation aids.

There could, on the other hand, be increasingly strong competition for the capital, labour and other inputs necessary to develop Australia's strengths in key sectors. There is assured to be an influx of new entrants to international markets where Australian companies are looking to build strong positions. The IRA, once again, offers prominent financial support to US production of clean hydrogen and, by extension, hydrogen-derived products such as fertilisers, chemicals and metals.

Policy recommendations

- Accelerating the clean energy transition at home and abroad would enhance levels of climate, energy, and national security in addition to economic opportunity. The Commonwealth should recognise these mutually reinforcing outcomes and develop an expansive **green energy superpower strategy** that engages multiple portfolios and agencies.
- **Increased financial support** is required if Australian consumers and companies are to achieve domestic decarbonisation goals and build strong positions in clean energy value chains. The Commonwealth should study international support packages such as the Inflation Reduction Act and develop commensurate responses to them.
- Enhanced international cooperation is necessary to accelerate the global energy transition and create new opportunities for Australia within this. The Commonwealth should develop an Indo-Pacific-centric **clean energy diplomacy program**. This could facilitate continued growth, and formation of new, cross-border partnerships to develop supply chains and provide financial and technical support to developing economies.

- There is a specific opportunity to leverage the current review of Australia's international development program to advance the clean energy transition and grow associated markets and relationships. The Commonwealth should adopt formal guidelines that direct development assistance and export credit towards **regional clean energy investments**.

ⁱ <https://perthusasia.edu.au/our-work/reenergising-indo-pacific-relations-australia-s-c>

ⁱⁱ <https://www.emdat.be/>

ⁱⁱⁱ <https://www.mdpi.com/2076-0760/9/5/78>

^{iv} <https://www.iea.org/reports/world-energy-outlook-2022>

^v <https://perthusasia.edu.au/our-work/reenergising-indo-pacific-relations-australia-s-c>