



Climate Council of Australia

Submission to:	Inquiry into the <i>Future Made in Australia Bill</i> and related bills
Addressed to:	Senate Economics Legislation Committee
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About the Climate Council

Climate Council is Australia's own independent, evidence-based organisation on climate science, impacts and solutions.

We connect decision-makers, the public and the media to catalyse action at scale, elevate climate stories in the news and shape the conversation on climate consequences and action, at home and abroad.

We advocate for climate policies and solutions that can rapidly drive down emissions, based on the most up-to-date climate science and information.

We do this in partnership with our incredible community: thousands of generous, passionate supporters and donors, who have backed us every step of the way since they crowd-funded our beginning as a non-profit organisation in 2013.

To find out more about the Climate Council's work, visit www.climatecouncil.org.au.

1. Introduction

The *Future Made in Australia Bill* represents the sort of leadership Australia needs to tackle climate pollution, generate long-term clean jobs, and ensure a brighter future for our kids. Australia is one of the sunniest and windiest places on earth, a country rich in a range of critical minerals that are essential for the world's energy transition, and one with deep manufacturing know-how. We are therefore very well placed to thrive by growing new clean domestic and export industries that can power us past the end of fossil fuels.

The 2024-25 Commonwealth Budget announced major planned investments in priority clean energy industries like critical minerals, renewable hydrogen and renewable energy generation equipment. Climate Council welcomes the Australian Government now putting in place a legislative framework to underpin these investments and ensure they deliver the maximum benefits possible for the Australian community.

Growing new industries that can see Australia seize our place in decarbonising global supply chains is both urgent and essential for our nation's long-term prosperity. The world is in the midst of a transformational shift from fossil fuels to clean alternatives. This transformation will ramp up demand for clean energy – both directly and as an input to manufactured goods; critical minerals essential for the production of wind, solar and storage infrastructure; green metals like steel and aluminium, and more. It will also drive declining demand for fossil fuels, which will only accelerate as countries progress along their own paths to net zero. According to the International Energy Agency, use of all fossil fuels is on track to peak before 2030, and will decline sharply thereafter.

These trends have major implications for the structure of Australia's economy over the coming decades. We need to act quickly to seize our advantage and set the nation up for the next era of our prosperity. Smart investments now can attract capital and more bright ideas to Australia to build on our existing strengths, putting us at the heart of new global energy and industry partnerships.

The legislative framework established by the *Future Made in Australia Bill* is an important step in unlocking this investment and ensuring it delivers real benefits for Australians. The legislation could be strengthened by ensuring the urgent imperative to cut climate pollution within Australia as we grow new industries is also clearly articulated and embedded as a core consideration for sectors receiving Future Made in Australia support. Climate Council is pleased to provide proposed amendments to further strengthen this bill, in a context of strong overall support for the public investment agenda and clean energy priorities that it is intended to deliver on.

Summary of recommendations

Recommendation 1

Climate Council recommends the Objects of the *Future Made in Australia Bill* be amended to explicitly incorporate the urgent imperative to cut greenhouse gas emissions domestically and globally, and augment the scope of community benefits to recognise that new industries should also seek to minimise their own climate impact.

Recommendation 2

Climate Council recommends the *Future Made in Australia Bill* be amended to incorporate a further requirement for sector assessments to consider the direct emissions impacts of operation at scale by any sector or industry for which such an assessment is to be conducted.

Recommendation 3

Climate Council recommends the *Future Made in Australia Bill* be amended to ensure that sector assessments are subject to appropriate scrutiny and debate within the Parliament. This can be achieved by stating that the report of any sector assessment conducted under this framework is a legislative instrument, and that such a legislative instrument needs to be in place before Future Made in Australia support can be provided.

Recommendation 4

Climate Council recommends the *Future Made in Australia Bill* be amended to add a further item to the list of community benefit principles, requiring the deployment of the best available energy efficient and low- or zero-emission technologies, materials and fuels.

1. Objects of the Bill should clearly address the climate imperative

The Objects of the Bill currently focus on the establishment of a National Interest Framework and community benefits standards which are intended to underpin the allocation of significant public investment. These inclusions are worthwhile and important, and could be strengthened by additional wording recognising the context within which this legislation is being delivered.

That is: Australia must urgently cut climate pollution from our domestic industries to prevent escalating climate chaos. We can also play a significant role in enabling other countries to decarbonise by leveraging our comparative advantages in clean energy, critical minerals and more, creating good new jobs and economic growth in the process. We recommend further additions to the bill's Objects to reflect this important context and make explicit that public investments made under this legislation must be directed towards achieving these twin objectives of reducing domestic and global greenhouse gas emissions.

Furthermore, in setting out the community benefits that public investment made under this and other laws should deliver, it is essential to maintain this focus on reducing greenhouse gas emissions within Australia. It is possible for sectors or industries to produce goods which can contribute to global decarbonisation efforts, but still have significant direct emissions if their production is not, itself, undertaken in the most efficient way and applying the best available low- or zero-emission technologies. The extraction and processing of critical minerals is a particular example of this.

If policy-makers must choose between supporting two sectors or industries, one which would create additional greenhouse gas emissions and the other which would have a neutral impact on domestic emissions or reduce these, it would clearly be to the community's benefit for public funds to flow to the lowest-emitting option, all else being equal. It is important that the *Future Made in Australia Bill* explicitly acknowledges this point, to help direct future public investments to the cleanest emerging sectors or industries.

Proposed additions for the Parliament's consideration are provided below.

3. Objects

The objects of this Act are:

New

(a) to contribute to the development of thriving low and zero emission industries in Australia which will:

- (i) reduce domestic greenhouse gas emissions; and*

- (ii) *reduce global greenhouse gas emissions by increasing the supply of low and zero emission raw, intermediate and manufactured goods to international markets.*

[Re-number current items (a) - (c).]

(d) to ensure that the provision of Future Made in Australia support under other laws considers broad community benefits, in particular by:

- (i) promoting safe and secure jobs that are well paid and have good conditions; and
- (ii) developing more skilled and inclusive workforces, including by investing in training and skills development and broadening opportunities for workforce participation; and
- (iii) engaging collaboratively with and achieving positive outcomes for local communities, such as First Nations communities and communities directly affected by the transition to net zero; and
- (iv) strengthening domestic industrial capabilities, including through stronger local supply chains; and
- (v) demonstrating transparency and compliance in relation to the management of tax affairs, including benefits received under Future Made in Australia supports; and

New

- (vi) *applying the best available energy efficient and low- or zero-emissions technologies, materials and fuels in production, manufacturing and distribution processes.*

Recommendation 1

Climate Council recommends the Objects of the *Future Made in Australia Bill* be amended to explicitly incorporate the urgent imperative to cut greenhouse gas emissions domestically and globally, and augment the scope of community benefits to recognise that new industries should also seek to minimise their own climate impact.

2. Sector assessments must consider direct emissions impacts

In seeking to grow new clean industries in Australia which can contribute to decarbonised domestic and international supply chains, it is essential that the expansion of these new industries is done in a way which minimises the production of additional climate pollution. Given the urgency of cutting all forms of climate pollution now, the industries prioritised for public investment should be those which can operate at scale with the lowest direct greenhouse gas emissions. Companies in sectors like critical minerals and battery production need to be incentivised to establish themselves in a low carbon mode of operating in Australia from day one; the sector assessment process can help to ensure this is the case for those seeking major public investment.

The bill's current wording on 'contribut[ing] to an orderly path to net zero transformation' is insufficiently specific to ensure direct production emissions are given appropriate weight by decision-makers when conducting sector assessments. New industries or sectors may contribute to our domestic and global transition to net zero in general, by providing key materials or products which will be needed to move away from fossil fuels in some sectors. But if these materials are produced in a way which creates an ongoing tail of climate pollution – and particularly which affects how close Australia will be able to get to 'real zero' emissions rather than 'net zero' in the future – this will only prolong our climate pollution challenge.

Proposed additions for the Parliament's consideration are provided below.

8 Conduct of sector assessments

Matters to be considered

(1) A sector assessment must consider such of the following matters as the Secretary considers relevant to the conduct of the assessment:

- (a) whether Australia could be competitive in the sector;
- (b) whether the sector could contribute to an orderly path to net zero transformation, including through the use of renewable energy;

New

(c) whether the sector's direct operations at scale will result in significant additional greenhouse gas emissions within Australia;

[Re-number current items (c) - (e)]

- (d) whether the sector could build the capabilities of the Australian people and the regions of Australia, and generate employment opportunities;
- (e) whether support for the sector could improve Australia's economic resilience and security;
- (f) whether support for the sector could:
 - (i) recognise the key role of the private sector; and
 - (ii) deliver genuine value for money.

Recommendation 2

Climate Council recommends the *Future Made in Australia Bill* be amended to incorporate a further requirement for sector assessments to consider the direct emissions impacts of operation at scale by any sector or industry for which such an assessment is to be conducted.

3. Sector assessments should be endorsed by the Parliament

The Bill contains a welcome transparency measure requiring that a report from any sector assessment must be tabled in Parliament within 30 sitting days after the Minister receives the report. This will ensure all members of Parliament and the Australian community have the opportunity to view the findings of this assessment and understand the advice being provided to government about that sector's eligibility for Future Made in Australia support.

However, given that very significant amounts of public funding may follow from a sector assessment, this aspect of the legislation could be strengthened to give the Parliament more of a direct say on these. Reports from sector assessments could be defined as legislative instruments under the *Future Made in Australia* primary legislation, and would therefore be subject to standard disallowance provisions.

This would give the Parliament the opportunity to debate – and potentially disallow – sector assessments where there is not majority support for the direction of these within the Parliament. Debate itself on these assessments is a valuable way to ensure there is genuine public scrutiny and opportunity for challenge of the inputs, assumptions and outcomes. The potential for disallowance further provides an important safeguard on the allocation of significant public funds, as well as a way to ensure there is clear support for industry assistance which is likely to span multiple terms of government. A sector assessment which is not disallowed would be taken to be endorsed by the Parliament in the same manner other legislative instruments are, adding legitimacy to any significant public investments which follow this.

Proposed additions for the Parliament's consideration are provided below.

9 Reporting on sector assessments

(1) After conducting a sector assessment, the Secretary must give the Minister a report on the assessment.

(2) The Minister must cause a copy of the report to be laid before each House of the Parliament within 30 sitting days of that House after the Minister receives the report.

New

(a) The report of a sector assessment conducted under Part 2 of this Bill is a legislative instrument.

12 Rules relating to provision of Future Made in Australia support

New

(1) Future Made in Australia support may only be provided where a sector assessment has been conducted and the report of this assessment has been adopted by the Parliament as a legislative instrument.

[Re-number current items (1) - (3)]

Recommendation 3

Climate Council recommends the *Future Made in Australia Bill* be amended to ensure that sector assessments are subject to appropriate scrutiny and debate within the Parliament. This can be achieved by stating that the report of any sector assessment conducted under this framework is a legislative instrument, and that such a legislative instrument needs to be in place before Future Made in Australia support can be provided.

4. Community benefit principles should prioritise low and zero emission operations

In line with our comments in Section 1, significant public investment provided through the *Future Made in Australia* framework should prioritise entities which are actively

seeking to operate with the lowest possible climate pollution footprint. This requirement should be incorporated into the community benefit principles outlined in the Bill.

Adding this requirement will both avoid additional direct climate pollution where possible, and contribute to the deployment and scaling up of nascent technologies which can then be adopted by other actors. Public investment should help to build cleaner supply chains at every level, and requiring the deployment of the best available energy efficient and low- or zero-emissions technologies, materials and fuels by recipients of Future Made in Australia support can help to achieve this.

Proposed additions for the Parliament's consideration are provided below.

(3) The community benefit principles are:

(a) that Future Made in Australia support should provide community benefits, in particular by:

(i) promoting safe and secure jobs that are well paid and have good conditions; and

(ii) developing more skilled and inclusive workforces, including by investing in training and skills development and broadening opportunities for workforce participation; and

(iii) engaging collaboratively with and achieving positive outcomes for local communities, such as First Nations communities and communities directly affected by the transition to net zero; and

(iv) strengthening domestic industrial capabilities, including through stronger local supply chains; and

(v) demonstrating transparency and compliance in relation to the management of tax affairs, including benefits received under Future Made in Australia supports; and

New

(vi) applying the best available energy efficient and low- or zero-emission technologies, materials and fuels in production, manufacturing and distribution processes.

Recommendation 4

Climate Council recommends the *Future Made in Australia Bill* be amended to add a further item to the list of community benefit principles, requiring the

deployment of the best available energy efficient and low- or zero emission technologies, materials and fuels.

5. Conclusion

The *Future Made in Australia Bill* is a welcome step toward establishing an effective and transparent framework for directing major public investment towards strategic growth industries. There is clear community benefit in backing future-focused sectors which can create good new jobs for Australians while driving down climate pollution and making our economy more resilient and diverse in a changing global context.

Demand for Australia's fossil fuel exports has already commenced a structural decline as trading partners and markets around the world accelerate efforts to ramp up clean energy and slash climate pollution. We have both an opportunity and an urgent imperative to grow thriving clean industries in their place which will power the next era of Australia's prosperity, and create good jobs for generations to come.

Climate Council strongly supports the focus and direction of the Future Made in Australia agenda, in backing clean industries where we can seize our advantage as one of the sunniest and windiest places on earth, with a skilled manufacturing workforce and deep, trusted global investment partnerships. By growing new industries in clean energy and manufacturing we can cut climate pollution here at home, help our global partners to decarbonise *and* get paid to do so. This will be a win for the climate, a win for Australian jobs and a win for our ongoing trade relationships with key partners like China, the USA, Japan, South Korea and more.

As a key enabler of this important agenda, Climate Council supports the passage of the *Future Made in Australia Bill* with improvements as recommended throughout this submission. These will help ensure that the legislative framework established to guide a Future Made in Australia is clearly linked to the urgent imperative to cut climate pollution, and inclusive of all relevant considerations and voices necessary to do so.