



## Joint Standing Committee on Treaties Inquiry: IPEF Clean Economy Agreement

Submission of The Australian Workers' Union

January 2025

## Overview

The Australian Workers' Union (AWU) is one of Australia's largest and most diverse unions. We represent around 77,000 workers across the length and breadth of the country. Our members are responsible for producing the majority of Australia's 20 largest exports: a list crossing raw materials, refined metals, agricultural products and energy.<sup>1</sup> Tens of thousands of AWU members also work in the manufacturing sector, making products such as steel, glass, extruded aluminium goods, chemicals and refined fuels. Many of those industries – major employers providing important sovereign capabilities – are highly import exposed. Some face suspected dumping on an unprecedented scale amid ongoing overcapacity in China's manufacturing sector.

The diversity of our membership and the manner in which members both benefit and are placed at risk by trade liberalisation dictates our approach in this area. The AWU supports trade policy that balances an open and outward-looking posture with firm regard for all workers and local supply chains. One which ensures that the interests of working people – regardless of whether they work in commodities, manufacturing or elsewhere – are advanced by Australia's trade and investment agreements. Specifically, we seek to ensure that our country's trade relationships:

- Are fair, supporting more and quality jobs across the economy;
- Support a resilient Australia, with broad sovereign capabilities to safeguard the national interest;
- Do not hinder the Australian Government's capacity to set policy, including in relation to public procurement, in its own best interests; and
- Allow for union and industry oversight and input throughout the negotiation of agreements.

In light of this outlook, the AWU regards the *Indo-Pacific Economic Framework* and its *Agreement Relating to a Clean Economy* ('the agreement') as laudable in its dedicated consideration of the interests of affected workers. The agreement is the centrepiece of the current White House's "*commitment to a worker-centric trade policy*."<sup>2</sup> Legitimately worker-oriented trade policy and agreements would represent a meaningful and necessary break from precedent.

In addition, AWU members work across the majority of Australia's highest-emitting industrial sites<sup>3</sup> - as well as in all industries considered vital to the country's 'green manufacturing superpower' vision.<sup>4</sup> This gives us a unique perspective on decarbonisation; with a broad interest in both an effective and a worker-positive energy transition. In this light, we also commend the agreement for its focus on important aspects of the energy transition – especially investment in low emissions solutions in industry. Many of IPEF's members are among Australia's largest foreign investors,<sup>5</sup> and our country requires monumental investment for an effective energy transition. By one estimate, a further \$225 billion is needed to transition Australia's energy system and make good on opportunities in heavy industry alone.<sup>6</sup> The agreement's exploration of the vital importance of a just energy transition for all affected workers is also welcome.

While, for these reasons, we commend the agreement's positive intent, the AWU has two principal concerns. First, the absence of any clear requirements on signatories or enforcement mechanisms make us sceptical as to whether the agreement can drive action to advance its goals. Second, the

hostility of the incoming US administration to IPEF requires action from Australia and other signatories to safeguard the agreement's future.

The AWU's specific comments on the agreement, and recommendations to ensure it can have meaningful impact and a viable future, are explored below.

## Positive directions, problematic delivery

The Asia Society Policy Institute has characterised IPEF's clean economy agreement as "*a menu of initiatives and areas from which parties can pick and choose according to their interests and means*".<sup>7</sup> While its items appear more appetising than many served up by trade initiatives in recent decades, the AWU supports this characterisation. The agreement presents a long and largely agreeable menu of options for enhanced cooperation. One which signatories might choose to order from when convenient - but which many others will just as easily ignore.

On labour rights and the interests of workers affected by decarbonisation, Articles 19 and 20 do well to articulate and explore the importance of a worker-positive energy transition in all industries. In doing so, the agreement explicitly lists several categories of action strongly supported by the AWU.

- **The role of unions:** The agreement provides that signatories intend to cooperate with workers' organisations on just transition policymaking.<sup>8</sup> The AWU and Australian union movement have established their credentials as key stakeholders in just transition policymaking via extensive and important inputs to design of Net Zero Economy Authority (NZEa). It further states that "*the effective recognition of the right to organise and collective bargaining is particularly important*."<sup>9</sup> We welcome reaffirmation of what are fundamental labour rights.
- **Quality jobs:** The agreement makes repeated reference to the need to deliver 'decent work' and 'quality jobs' via the energy transition. The need for energy transition initiatives to deliver quality jobs is a consistent focus of the AWU and union movement – as our role in advocating for robust and enforceable community benefit rules for Future Made in Australia programs reflects.
- **Skills implications:** The agreement recognises the importance of upskilling and reskilling of workers affected by the transition. These issues have been at the heart of union advocacy around the NZEA and related programs.

This strong correlation between the AWU's just transition outlook at that of Articles 19 and 20 is welcome. But we note that these provisions are particularly light on commitments to action. Articles 19 and 20 largely amount to a recognition of principle only, with few actions provided for even on a voluntary basis.

As regards provisions to accelerate the energy transition, many provisions in the agreement are also reflective of AWU priorities – especially those advanced on behalf of our members in manufacturing and industry. We note in particular the following:

- **Sustainable aviation fuel:** The agreement commits to cooperation to progress production and availability of sustainable aviation fuel (SAF).<sup>10</sup> SAF is a major opportunity for Australian workers in both industry and agriculture, and a means of shoring up domestic petroleum production in the medium to long-term. The AWU has called for significant Commonwealth support to foster SAF production under the Future Made in Australia program.<sup>11</sup>
- **Carbon capture:** The agreement states that signatories intend to collaborate on the development of carbon capture, utilisation and storage (CCUS).<sup>12</sup> Hard to abate industrial sites producing cement,<sup>13</sup> chemicals<sup>14</sup> and other products are highly likely to require some level of CCUS to reach net zero emissions. There is also likely to be a role for direct air capture in deep decarbonisation<sup>15</sup> – explicit provision for which is made in the agreement.<sup>16</sup>
- **Product standards:** The agreement provides that parties intend to cooperate on product disclosure and measurement standards for embodied emissions in industrial products and construction materials.<sup>17</sup> Such efforts can facilitate the export of low emissions goods as Australia transitions to a green manufacturing superpower.

Despite positive statements in the agreement in relation to both workers' interests and the energy transition, we query its utility. IPEF's strictly voluntary status is underscored by repeated references to actions 'intended' or which 'may be' taken. The agreement is awash with measures to be pursued by 'interested parties' only. The text also provides nothing that could be construed as a clear or measurable deliverable.

The AWU acknowledges the intent of IPEF parties not to deliver a traditional trade agreement,<sup>18</sup> as well as the need to ensure buy-in on labour and environmental issues from some uncertain members.<sup>19</sup> But it is difficult to see how the agreement will meaningfully support the virtues it extolls with such unwavering non-commitment. Certainly, DFAT's contention that the agreement will "*lift [labour] standards in the region*", and represents "*an important tool for Australia to achieve our goal of becoming a clean energy superpower*",<sup>20</sup> appears wildly optimistic. This is asking too much of what amounts to a multilateral MOU.

IPEF's objectives are worth pursuing. But as the Center for Strategic and International Studies has opined, "*if signatories and non-members are to be expected to trust in the durability of this agreement, IPEF members will have to set a clear agenda with tangible deliverables...*"<sup>21</sup> The Australian government should advocate for amendments to the agreement that provide for tangible commitments in relation to key objectives. These should include explicit deliverables and targets around labour provisions in Articles 19 and 20, and further provisions that relate to advancing investment and deployment of low emissions technologies. The Commonwealth should further advocate amendments that would make all commitments with explicit deliverables and targets enforceable.

**Recommendation:** The Australian government should advocate amendments to the IPEF Clean Economy Agreement that:

- Prescribe clear targets and deliverables in relation to provisions in Articles 19 and 20, and in relation to investment in and deployment of low emissions technologies; and
- Make all provisions with explicit deliverables and targets enforceable.

## Washington headwinds

We recognise that, even in its current 'no obligation' format, IPEF faces a highly uncertain future. Asked about the initiative during its negotiation period, US President-elect Donald Trump was scathing: *"the Biden plan for 'TPP Two' will be dead on day one...it's worse than the [Trans-Pacific Partnership], threatening to pulverise farmers and manufacturers with another massive globalist monstrosity designed to turbocharge outsourcing to Asia."*<sup>22</sup> While this portrayal is almost entirely out of step with IPEF's content, it appears unlikely to matter. A deep hostility to trade, particularly with the Asia-Pacific region, is at the heart of the next White House's agenda: *"It would be politically untenable for [President-elect Trump] to embrace the signature initiative of his defeated rivals, and his articulated trade policies fly in precisely the opposite direction."*<sup>23</sup>

Asia-Pacific trade and foreign policy experts regard the probability of US withdrawal from IPEF as ranging from likely to virtually certain.<sup>24</sup> While IPEF members themselves have been circumspect in public, they appear to share grave concerns around the agreement's future.<sup>25</sup>

Persevering with IPEF as a commendable if imperfect attempt at a new approach to trade thus requires Australia (and other member-states) to address the elephant in the room: the US' future in a framework it created. In the immediate term, Australia should lobby the incoming Trump administration on the merits of remaining in IPEF. Despite some superficial similarities, the agreement is very clearly not 'TPP Two' in substance. If policymakers can be convinced to look past reflexive hostility and its status as a Biden-era project, IPEF can be portrayed as a better fit with an administration sceptical of traditional trade policy. Problematic as the agreement's weak approach to delivering on its aims may be, this might also be sold as a positive to a Trump White House.

Should the US ultimately follow through with withdrawal, damage to IPEF from losing its largest economy - and by far the world's biggest source of foreign direct investment<sup>26</sup> - will be inevitable. But Australia should work to preserve the positive precedents set by IPEF, working with remaining members to ensure the agreement does not collapse.

**Recommendation:** Australia should advocate to the incoming Trump administration that the United States remain in IPEF.

**Recommendation:** Should the United States withdraw from IPEF or any of its four constituent agreements, Australia should work with remaining members to secure the future of the agreement.

The Australian Workers' Union

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## More information

We welcome the opportunity to contribute further to the Inquiry's work, and to respond to any queries regarding this submission. Please contact Thomas Mortimer, National Policy Director, at [REDACTED] and [REDACTED]

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<sup>2</sup> US Department of Commerce 2024, 'IPEF Pillar II – Supply Chains'. Available at: <https://www.commerce.gov/ipef/pillar-ii>

<sup>3</sup> Clean Energy Regulator (2024), 'Safeguard facility reported emissions data'. Available at: <https://cer.gov.au/markets/reports-and-data/safeguard-facility-reported-emissions-data>

<sup>4</sup> See Australian Government (2024), 'Budget 2024-25: A Future Made in Australia', p. 2. Available at: <https://budget.gov.au/content/factsheets/download/factsheet-fmia.pdf>

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<sup>8</sup> IPEF Clean Economy Agreement, Article 19.2

<sup>9</sup> IPEF Clean Economy Agreement, Article 20.3

<sup>10</sup> IPEF Clean Economy Agreement, Article 9.3(c)

<sup>11</sup> See Australian Workers' Union (2024), 'Unlocking Australia's low carbon liquid fuel opportunity', Department of Industry, Science and Resources. Available at: <https://www.infrastructure.gov.au/sites/default/files/documents/lclf2024-australian-workers-union.pdf>

<sup>12</sup> IPEF Clean Economy Agreement, Article 14

<sup>13</sup> International Energy Agency (2023), 'Cement'. Available at: <https://www.iea.org/energy-system/industry/cement>

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<sup>15</sup> See for example, International Energy Agency (2023), 'Net zero roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach: 2023 Update'. Available at: [https://iea.blob.core.windows.net/assets/8ad619b9-17aa-473d-8a2f-4b90846f5c19/NetZeroRoadmap\\_AGlobalPathwaytoKeepthe1.5CGoalinReach-2023Update.pdf](https://iea.blob.core.windows.net/assets/8ad619b9-17aa-473d-8a2f-4b90846f5c19/NetZeroRoadmap_AGlobalPathwaytoKeepthe1.5CGoalinReach-2023Update.pdf)

<sup>16</sup> IPEF Clean Economy Agreement, Article 14.2(a)

<sup>17</sup> IPEF Clean Economy Agreement, Article 8.4

<sup>18</sup> Curtis, H. et al (2022), 'Australian views on the Indo-Pacific Economic Framework', Australian Strategic Policy Institute, p. 4. Available at: [https://ad-aspi.s3.ap-southeast-2.amazonaws.com/2022-07/Australian%20views%20on%20the%20IPEF\\_0.pdf?VersionId=i5uDFFh3AJOPG8a5rphC0rkXakarNeQs](https://ad-aspi.s3.ap-southeast-2.amazonaws.com/2022-07/Australian%20views%20on%20the%20IPEF_0.pdf?VersionId=i5uDFFh3AJOPG8a5rphC0rkXakarNeQs)



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