



THE SENATE

Senate Economics Legislation Committee

Inquiry into Future Made in Australia Bill 2024 [Provisions] and the Future Made in Australia (Omnibus Amendments No. 1) Bill 2024 [Provisions]

Answers to written questions on notice from the Investor Group on Climate Change asked by Senator Andrew Bragg on 30 August 2024

Question:

1. *Your submission recommended that the requirement to deliver a commercial return be removed for ARENA and -EFA on these policies - can you explain the logic behind that?*
 - a. *Aren't your members making commercial investments?*

Answer:

IGCC's members invest on the basis of their Best Financial Interest Duty.

This recommendation is focused on small scale investments in pre commercial technologies. Generally, these kinds of investments don't meet the risk-return profiles required to attract institutional capital.

IGCC's research has shown that countries that undertake targeted and appropriate subsidies focused on national priorities are more likely to build the companies that will ultimately attract institutional capital. This requires direct and targeted support from the R&D, through to venture capital, private equity and small caps. Creating this ecosystem of government support is central building an economy that can compete for investment in global markets.

Question:

- b. *Why should taxpayers subsidise that risk when many of your members wouldn't?*

Answer:

The Intergovernmental Panel on Climate Change and others have found the biggest barrier to investment in the industries required for the transition to net zero emissions is the misalignment of government policy with the objectives of the Paris Agreement.

To overcome the well-established barriers in new technologies experts agree a range of subsidies, regulations and pricing will be required to overcome market failures to prohibit investment in Australia's net zero future.

Australia will not achieve net zero in an orderly way without targeted government interventions.

Question:

- c. *What scale of returns are we talking on these projects after the government de-risks them?*

Answer:

Investors require different return profiles, depending on their strategy and mandates, to meet their Best Financial Interest Duty.

The primary objective of investments in pre-commercial technologies is to allow them to prove themselves at scale. Once this is done they will become more attractive to larger investors who have an appetite to invest in continuing to build scale of the technology and associated companies.