

Blueprint Institute

# Beyond inertia

Budget Blueprint 2024: Protecting our future



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# About Blueprint Institute

Every great achievement starts with a blueprint.

Blueprint Institute is an independent public policy think tank. The challenges our nation faces go beyond partisan politics. We have a once-in-a-generation opportunity to rethink and recast Australia to be more balanced, prosperous, resilient, and sustainable. We design blueprints for practical action to move Australia in the right direction.

For more information on the institute please visit our website: [blueprintinstitute.org.au](https://blueprintinstitute.org.au)

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# Executive summary

Our 2024–25 Budget Blueprint paper focuses on three areas critical for Australia’s long-term success—system-wide tax reform, picking up the pace and impact of the climate and energy transition, and boosting Australia’s innovation and productivity.

Australia’s economy has been infamously described as one of ‘houses and holes’. Our love affair with property and abundant reserves of coal, iron ore, gas, and other natural reserves have helped us become one of the richest countries in the developed world—flattering the public balance sheets, and fuelling a housing market valued at substantially more than GDP. But our economy faces structural deficiencies and impending challenges to competitively integrate into today’s technology-driven, Asia-dominated global economy. Our long-term economic growth is forecast to slow. Decade after decade of economic, social, and geopolitical stability has shrunk our appetite for substantive change. Our fortunes have bred a complacency that permeates our public policymaking. Ad-hoc, reactive policy responses are the political norm—and inadequate for addressing the challenges ahead.

Disruption abounds across the world, and new economic powers and allegiances are emerging. COVID, the rise of AI and social media, tensions between the US and China, the emerging collaborative force of the anti-Western axis, and ongoing conflicts in Ukraine and Gaza are symbols of a rapidly changing world. Australia’s future prosperity and economic resilience requires us to be adaptive to trade and supply chain disruptions, keep up with our peers, and engage with other nations with geostrategic and diplomatic finesse.

Despite the looming challenges of climate change of climate change, an ageing population, mounting public debt, time-limited foreign demand for our key exports as the global economy shifts away from fossil fuels, and a generation becoming more and more indebted—incrementalism prevails as the political status quo. The spectre of election cycles render long-termism unappealing for our politicians. Both

major parties have shied away from brave reforms, leaving those to the crossbench. Inertia reigns supreme in Parliament House. These indicators signal the need to progress beyond the jaded narratives of Australian mercantilism and secure future economic prosperity with meaningful reform. Substantive, ambitious policy reform is overdue.

In a per capita recession with mortgage stress on the rise, the cost of living remains at the forefront of the electorate’s mind. We are just emerging from a sustained period of inflationary pressures, and persistent services inflation suggests that pain may continue.

We rang in the new year with an all-too-familiar song and dance about income tax—where bracket creep has become the most convenient can to kick down the road. Although Labor’s adjustments to the Stage 3 tax cuts are intended to reflect cost-of-living pressures, ambition to advance wholesale tax reform is still found wanting.

That is why comprehensive, wholesale tax reform is first on our Budget agenda. Making improvements to our taxation system’s efficiency, complexity, and equity will be crucial to quell voter dissatisfaction. Fairer taxes will stem the populist urges of the electorate, and will be key to raising enough revenue to fund critical investments into clean energy, education, and innovation. We need to rely less on personal income—and more on consumption, land, resources, and rents.

Whilst unemployment levels have shown remarkable improvement in the early stages of 2024, we are still firmly in a productivity crisis. Reigniting productivity growth, which has been anaemic for decades, is crucial for Australia’s sustainable prosperity, and the lead determinant of wages and living standards. Tax reform is a big part of boosting productivity—but we must also foster our innovation ecosystems adequately to boost private investment into emerging sectors.

Many of the overdue, nation-building investments into clean energy, infrastructure, technology, and education continue to lag behind schedule and blowout in costs. Non-mining business

investment has been stagnant for decades. We still have failed to meaningfully reflect the cost of externalities into our economy. An economy-wide carbon price is a distant hope, and the political unpopularity of resource rent taxes is bipartisan.

Treasurer Chalmers has foreshadowed that this Budget will have a big focus on investment—particularly, a future made in Australia. Whilst we welcome the investment ambition, we are sceptical about channelling it toward our sovereign manufacturing capability. We must avoid the perils of old-fashioned protectionism, forever subsidies, and picking losers. We are hoping for careful and sensible economic reforms to federal income, and calculated investment into the sectors critical to our future.

Our final area of focus is the investment that will be required to usher in a new era of productivity, dynamism, and innovation in the Australian economy. This will include expenditure in technology, labour mobility, and initiatives to spur innovation and genuine competition.

The political fault lines in Australia are being rewritten. The 2022 teal wave, the referendum latte line, and the push to further ideological extremes from the left and the right are all pertinent hints of a changing political order. Government disaffection—kindling for populism—steadily encroaches upon metropolitan Australia from outer suburbia. Implementing reforms to reduce inequality and promote equal opportunity will offer a compelling economic appeal to the sensible centre, and help engage those looking for answers in populist rhetoric. Australia has an opportunity in 2025 to demonstrate stability and ambition to lead as a healthy democracy—showing how a fair liberalism can prevail in today’s unforgiving, zero-sum political climate.

The golden era of reform in the 1980s and early 90s sets an enviable precedent for ambitious long-term reform. But a sustainable and prosperous economic future is at stake if we fail to champion a similar sense of aspiration. We can change that—and reorient our national direction toward a prosperous economy and sustainable economic growth for decades to come.

This Blueprint shows how.



# Key challenges

- **Cost of living is the key election issue:** this is the make-or-break budget for Labor to test the mood of the nation and respond to cost of living pressures. We need to balance our national ambition with non-inflationary fiscal policy.
- **Intergenerational inequity threatens our social compact:** there is a growing generational bifurcation. We have to do more to support young people.
- **Climate and energy policy has fallen behind:** whilst avoiding reckless fiscal spending, we have to start moving now. The energy transition needs clarity of investment signals and planning. Nature repair is a paramount objective.
- **We are in a productivity crisis:** there is a clear need for Australia to lift productivity and innovation.
- **Economic dynamism and diversification is an existential challenge:** we need sustainable economic growth across diverse industries.

# Key recommendations

## 1. Financing our future: a new, fairer tax bill for Australians

- **Broaden the tax base**
  - Introduce a broad-based annual tax on the unimproved value of land
  - Establish a natural-resource based sovereign wealth fund for renewable energy investments
  - Broaden the base of the GST and raise it to 15%
- **Reduce the complexity of the tax system**
  - Reverse and repeal the new GST distribution regime
  - Abolish state payroll taxes
  - Implement a true indexation of income tax brackets
- **Address intergenerational equity**
  - Index HECS to real wage growth and implement a 3% indexation ceiling
  - Revert to indexation of capital gains
  - Remove negative gearing deductions on investment properties
  - Abolish stamp duty on residential, commercial, and industrial property purchases
- **Boost productivity**
  - Reduce the corporate tax rate to 25%

## **2. Protecting our future: climate and energy priorities for fiscal expenditure**

- **Rethink and implement environmental standards**
  - Fund the development of clear, technology-agnostic biodiversity and environmental standards
- **Aligning understanding and incentives**
  - Reward communities for hosting renewables
  - Fund adult education and tackle mis- and disinformation on climate
- **Fund the transition to net zero and nature positive**
  - Update energy grid system design modelling and approach
  - Accelerate energy efficiency programs
  - Redeploy fossil fuel subsidies
  - Speed up transport decarbonisation
  - Establish a public fund for nature repair

## **3. Invigorating our future: priorities to boost productivity, drive innovation and improve dynamism**

- **Boost research capacity**
  - Increase government spending in research and development as a percent of GDP on par with the OECD average
  - Increase funding to develop Australia's foundational research capacity
  - Employ an outcomes-driven approach to government applied research investments
  - Increase PhD stipends and exempt part-time stipends from tax
  - Fund mechanisms to retain and effectively engage talented international graduates
  - Establish an Australian Institute of Applied Ethics
- **Stimulate investment**
  - Invest in venture funds themselves instead of startups
  - Exempt startups from the unrealised gains tax on super balances
  - Introduce an 'educated investor' exemption for the proposed overhauled sophisticated investor test
  - Exempt startup acquisitions from proposed merger reforms

# Beyond inertia: the case for bold reform

This Blueprint outlines the case for ambitious, system-wide reform. Fiscal policy in this economic climate is a balancing act. Paring back spending would be prudent—indeed, running deficits often makes for easier political wins, but is myopic for long-term structural health. The key distinction is that spending today must be in the interests of securing future economic prosperity and wellbeing. The reforms and investments outlined in this Blueprint are critical to the nation’s sustainable long-term growth. Tinkering around the edges instead of enacting bold, wholesale reform will compromise living standards for the next generation, and generations to come.

It is time to progress *beyond inertia*.

This is **part two of our three-part 2024-25 Budget Blueprint series**. This paper outlines the immediate **climate and energy priorities for a net zero and nature positive future** at both the systemic level and the community level. Paper one of this series outlines present challenges facing the Australian economy and addresses our need for substantive, wholesale tax reform. Paper three of this series outlines reforms to boost our research capacity and stimulate investment to revitalise Australia’s productivity and competitiveness on the world stage.

# Protecting our future

## Climate and energy priorities for fiscal expenditure

### Summary of recommendations

- **Rethink and implement environmental standards**
  - Fund the development of clear, technology-agnostic biodiversity and environmental standards
- **Align understanding and incentives**
  - Reward communities for hosting renewables
  - Fund adult education and tackle mis- and disinformation on climate
- **Fund the transition to net zero**
  - Update energy grid system design modelling and approach
  - Accelerate energy efficiency programs
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There is a lot more work to do as Australia moves to a cleaner economy. Our suite of recommendations focuses on how we future-proof Australia’s policymaking, pushing past the politicisation and short-term thinking, to the clear-eyed collaborative problem solving required to manage the transition.

Labor has taken some important steps on climate action—among them, strengthening the safeguard mechanism, increasing emissions reduction targets ([43% by 2030](#)), and taking steps to address [transmission](#), [demand management](#), and planning. In line with our [recommendations](#) from previous reports, planning for a managed [transition](#) for coal-impacted communities is underway. There has also been some progress on electric vehicles (EVs), including the removal of the [five percent import tariff](#) and a [higher threshold](#) on luxury goods tariffs (though we would argue it should be removed altogether). While the long-overdue fuel [efficiency standards](#) have been proposed, even if enacted, in the Government’s own words we will be unable to [‘catch up to comparable markets’](#) until 2028.

In terms of actual impact, the biggest change is a less emissions-intensive energy-mix driven by a lift in the share of renewables from 25% in

2019–20 to [37% in 2022–23](#). Tasmania and the ACT are already at 100%, but every other [state](#) grew its share of renewable energy. NT was a notable laggard, increasing just one percent to seven percent. Even so, that shift to renewables is arguably more a function of cheaper solar and wind technology and state-based incentives than any recent Federal policies.

Further efforts will be needed if we are to [meet our 82% renewables target](#) for 2030. Only two new wind farms were approved in the last [2.5 years](#), with an average approval time frame of 9.5 years. Snowy 2.0 faces significant delays, and tedious grid connection approval processes persist. Moreover, Australia remains a price-taker in the rollout of renewables and faces [escalating costs](#) and [labour shortages](#) culminating in a [slowdown](#) of renewable builds. Effective mis- and disinformation [campaigns](#) designed to splinter communities permeate, transmission rollouts continue to be cumbersome and expensive, and increasing political divergence of the approach to energy transmission continues to render Australia a laggard in the global energy transition.

We still claim a lot of [credit](#) for driving down emissions through changes in land use, but it is important to recognise that this emissions

reduction is a function of slowing the rate Australia's land clearing, which is well beyond the rates of any other developed economy. Indeed, Australia was ranked in the [top 10 of land clearing countries](#) in 2017. The scope of this slowing might also be contested, with recent investigations suggesting that [93%](#) of threatened species habitat land clearing in Australia was done without federal approval or notification.

To make matters worse, domestic improvements continue to be nullified by our exports. Australia's domestic per capita contribution to total greenhouse gas emissions remains one of the [highest globally](#), above the US, Canada, and China. The Government does not report our export emissions, however, estimates based on our [fossil fuels](#) exports suggest those emissions are almost three times higher than our domestic emissions. We are the [second largest](#) exporter of thermal coal and LNG. Last year was our largest year for exports—supplying roughly 20% of all such exports, ahead of Qatar and the United States. This government is no stranger to the lure of fossil fuel income, with [10 more coal and 12 more oil and gas](#) projects approved as of October 2023. With another hundred gas and coal projects [seeking approval](#), it is hard to argue we are pulling our weight on international climate action.

We need to act now. Delaying the emissions reduction increases costs substantially—every tonne of yearly emissions reduced in 2024 equates to 26 tonnes fewer emissions by 2050. With no proven way yet to remove emissions from the air—each tonne acts like a yearly delivery of rubbish, piling up on our doorsteps. The sooner we stop the delivery, the cheaper and easier the removal process.

## Rethink and implement environmental standards

### Fund the development of clear, technology-agnostic biodiversity and environmental standards

Clear biodiversity and environmental standards must be set for all new energy projects, including identifying which fragile and biodiverse habitats are no-go zones, setting non-negotiable and technology-agnostic standards for waste and soil, water, air and greenhouse gas pollution, and identifying the levels of Indigenous and community buy-in required for approval.

We face a biodiversity crisis, with real implications for our future prosperity. Progress has stalled on Labor's [election commitment](#) to overhaul the Environment Protection and Biodiversity Conservation (EPBC) Act. The need for a strategic plan to improve [cohesion](#) between climate and biodiversity objectives is clear.

Australia has some serious work to do. We have [19 ecosystems](#) under threat. Just [22%](#) of land in state and national parks is protected, [compared](#) to 42% in Hong Kong or 37% in Germany. There is ongoing large-scale land clearing—an area greater than the size of Tasmania, with [7.7 million hectares](#) of threatened species habitat destroyed between 2000 and 2017 ([93%](#) without Federal Government assessment or approval). We hold the [world record](#) in mammal extinctions and come in fourth place for other species. The best time to set clear federal environmental standards would have been decades ago—the second best time is now.

While our research has highlighted the need for retaining an open mind on emerging and changing energy technologies, as long as biodiversity and climate impacts are not priced in, the idea that the 'market' will drive long-term investment in ways that protect our environment or biodiversity is foolhardy. Technologies will come and go, and with them articulate lobbyists, promises of 'jobs for all', and the lure of revenue for state and federal coffers. However, citizens and future generations

rely on the Government to set standards for protecting our natural environment. Clean water, a carbon-absorbing tree canopy, connected biodiversity corridors that allow inhabitants to thrive, and quality soil are all important—not just for our health and wellbeing, but for our long-term economic prosperity.

Australia’s decarbonisation goals, particularly in the energy sector, need to be achieved in the context of protecting our natural environment. Clear standards developed independently from technology decisions are required to ensure that both our environmental and biodiversity goals remain paramount, but also so our renewable energy transition is not hampered with further green tape. Predictability and certainty is critical to driving innovation and investment, as well as slowing Australia’s extinction rate.

## Aligning understanding and incentives

### Fund adult education and tackle mis- and disinformation on climate

The Government should urgently invest in clear and fact-based education campaigns about climate science and its economic implications, and take proactive measures to combat misinformation and disinformation.

Most adults over the age of 40 have not received basic education on the science underpinning climate change, and for younger people, education has been patchy at best. The Howard Government introduced climate science education in [1999](#), but that program was later defunded under the Gillard Government in 2010, and climate education has been inconsistent ever since. Nor have there been any public education campaigns to ensure a basic understanding of the science behind climate change. This is an anomaly—in other areas where the Government recognises an important need to drive behavioural or major policy change, public education campaigns have been an important and effective tool in supporting a shared understanding.

Those gaps have left many vulnerable to misinformation, with well-funded efforts to sow doubt contributing to confusion and scepticism. This knowledge-gap hampers efforts to mobilise public support for necessary policy changes and adaptation strategies, and feeds into the politicisation and flip-flopping which so frustrate many business leaders. There are also [international](#) commitments we have made (like the Paris Agreement) which require governments to educate stakeholders on climate issues, highlighting the need for targeted initiatives to fulfil this obligation.

Fortunately, Australia has a globally envied track record of high impact public education campaigns (on AIDS prevention, anti-smoking, drink-driving campaigns, or even around social distancing during COVID). Leveraging this expertise to educate the public on climate is a no-brainer.

Transforming our energy system is difficult work. It gets easier if everyone understands why we are doing it and how Australia will benefit for generations to come.

### Reward communities for hosting renewables

The Federal Government should take the lead in developing a standardised approach to rewarding urban and rural communities who host renewable developments. This approach has been successfully adopted in countries like [Germany](#), where communities are incentivised through various means such as financial compensation, community ownership schemes, and investment in local infrastructure.

One issue Australia increasingly faces in the rollout of renewables is [community reluctance](#). Despite the health and environmental benefits, some communities resist the establishment of wind and solar farms due to concerns about bushfire risk, land use constraints, visual impact, noise, and potential effects on property values. Additionally, there may be a lack of trust or transparency in the development process, leading to feelings of resentment or opposition within affected communities. This reluctance can significantly hinder the expansion of renewable energy projects and delay efforts to transition to a more sustainable energy system.

Policies that ensure we are consistently rewarding communities for hosting wind and solar farms are a sensible approach to addressing such concerns. Most research suggests that communities are comfortable with renewables after the initial anxiety, so providing incentives for engagement is a pragmatic approach.

There are good case studies for this in Australia. The 42MW [Hepburn Community Wind Farm](#) in Victoria is majority-owned by local residents, and contributes over [\\$30,000](#) per year to the community. The [Sapphire Wind Farm](#) Community Co-Investment Initiative in New South Wales enabled local community members to directly invest in and benefit from the project, and the [Narara Ecovillage](#) in New South Wales developed its own smart grid and microgrid system, with support from the Australian Renewable Energy Agency (ARENA). In NSW, a [\\$1,600 credit](#) is made available to local residents of the Golden Plains Wind Farm through the Community Energy Program.

By following these examples, as well as the example of countries like Germany, Australia can continue to overcome community reluctance to renewable energy and accelerate their transition to a clean energy future.

## Fund the transition to net zero

### Update energy grid system design modelling and approach

The Government urgently needs to provide a technology-agnostic [master plan](#) for decarbonising the energy grid while maintaining energy reliability and minimising the cost for the consumer. The Energy and Climate Change Ministerial Council (ECMC) may be addressing this, but the details are hazy. The plan should examine the optimal mix of different types of storage, energy, and transmission to achieve net zero by 2050, while protecting biodiversity, ensuring energy reliability, respecting community needs, and minimising end user costs.

Such a plan should address the question of the energy mix, and consider a wide range of technologies in an objective way. When it comes to renewables, they should be considered not just en masse. Rooftop solar, utility-scale solar, and wind have different profiles, peak production periods, suit different kinds of locations, and if balanced appropriately can smooth out production. Different types of choices and designs for storage and transmission need to be considered.

The modelling should take a total-system approach to costs (including iterated costs for generator assets, transmission, distribution, ancillary grid services, and storage), treat energy reliability as a constraint, and reflect a clear set of expectations and standards around biodiversity and waste management, at every life stage from development and production to end-of-life recycling. This approach would support a fair economic assessment of clean generating technologies and the optimal investment sequencing pathway for transmission, free of political or ideological bias.

Without a clear plan, we risk more paralysis, at a time we simply can not afford it. Unlike in many other countries (especially those who have already exited coal), climate policy in Australia has repeatedly been used as a political wedge—in no small part due to our economic reliance on fossil fuels. Business leaders (even within the fossil fuel industry) have for years [expressed strong frustration](#) at successive governments

one-step forward, two-steps back approach to climate policy and energy planning, which has made research and development planning difficult, increased compliance costs for companies, delayed investment in emissions-reducing technologies, and ultimately delayed and increased the cost of, emissions reductions.

The major party bifurcation pitting renewables against nuclear risks more of the same ambiguity, delay and paralysis, with significant economic implications. There is no scenario under which delaying action is economically or environmentally responsible. We urgently need a plan we can agree on.

Such planning is absent in Australia. Some might point to the [Integrated System Plan](#) by the Australian Energy Market Operator (AEMO) as the answer, but it is imperfect. While it considers transmission costs, it assumes distributed energy and associated distribution network developments as exogenous inputs. The ISP covers only part of Australia's system, [excludes certain costs](#) for infrastructure, [consumer energy resources and storage](#), and is constrained by the need to treat government commitments as a given. Until very recently, the Australian Energy Market Commission (AEMO's counterpart) did not even have emissions reduction as a consideration for setting rules for the energy system—a major gap we identify in our [Untangling the NEM](#) paper.

Planning should reflect total system costs and consider reliability. Wind and solar require [significant infrastructure](#) to support them—extra transmission, storage, and firming capacity to mitigate against their intermittency and secure supply. With the planned [exit of our coal fleet approaching](#), adequate firming capacity becomes paramount. The [levelised cost of energy](#) (LCOE) which has been used in models like the GenCost report covers the cost base of the generator asset, but excludes broader system costs such as transmission infrastructure, distribution, and grid services.

The renewable rollout has slowed in Australia. Committed investment into grid-scale renewable generation capacity fell from \$6.5 billion in 2022 to just [\\$1.5 billion](#) in 2023, in large part a result of Australia being late to the party. Unlike China, which owns all parts of the supply chain (and are seeing their cost of renewables [go down](#) while the rest of the world's goes up), we are price-

takers—owning almost no elements of the supply chain. We are still trying to update our regulatory approval process to meet the needs of high volume rollouts. We have a massive skills deficit, and are competing for skilled labour at the same time as many other laggards are trying to do the same.

This—as well as the continued lure of fossil fuel dollars—is part of the reason why Labor, despite trying their best to maintain their squeaky-green image, [continues to approve](#) fossil fuel projects quietly in the background. Fumbling the renewable transition will prolong our dependence on coal, no matter how pure the intentions of Labor.

We also need an approach that allows some flexibility and consideration of changing technologies. Such a plan is not going to be one-and-done.

There is also room to mend our approach to transmission planning, which risks being unnecessarily locked in a historic paradigm. An analogy is the introduction of mobile phones into Africa. A number of African countries went straight to mobile—alleviating the need for rolling out a whole lot of poles and wires, and dramatically reducing the cost of their telecommunication system as a result. Our current transmission approach looks a lot like an extension of the historic approach, with big central projects that need to be joined up with lots of poles and wires. But like mobile phones, the world has shifted, and the design of a grid should not be constrained by just making the old one bigger. Solar and wind can be installed close to energy needs, and in the case of solar—within urban centres. Communities and facilities can operate microgrids, options that to date have been inadequately considered in our long-term transmission planning. More work needs to be done to ensure we have genuinely considered all the options, and stay flexible to what will continue to be a rapidly changing space.

This transformation will require real investment, especially as we have left our run so late. Investment and planning decisions must be based on rigorous and fair economic analysis. Making those decisions transparent will increase market clarity, boost investor confidence and help position Australia for long-term prosperity.

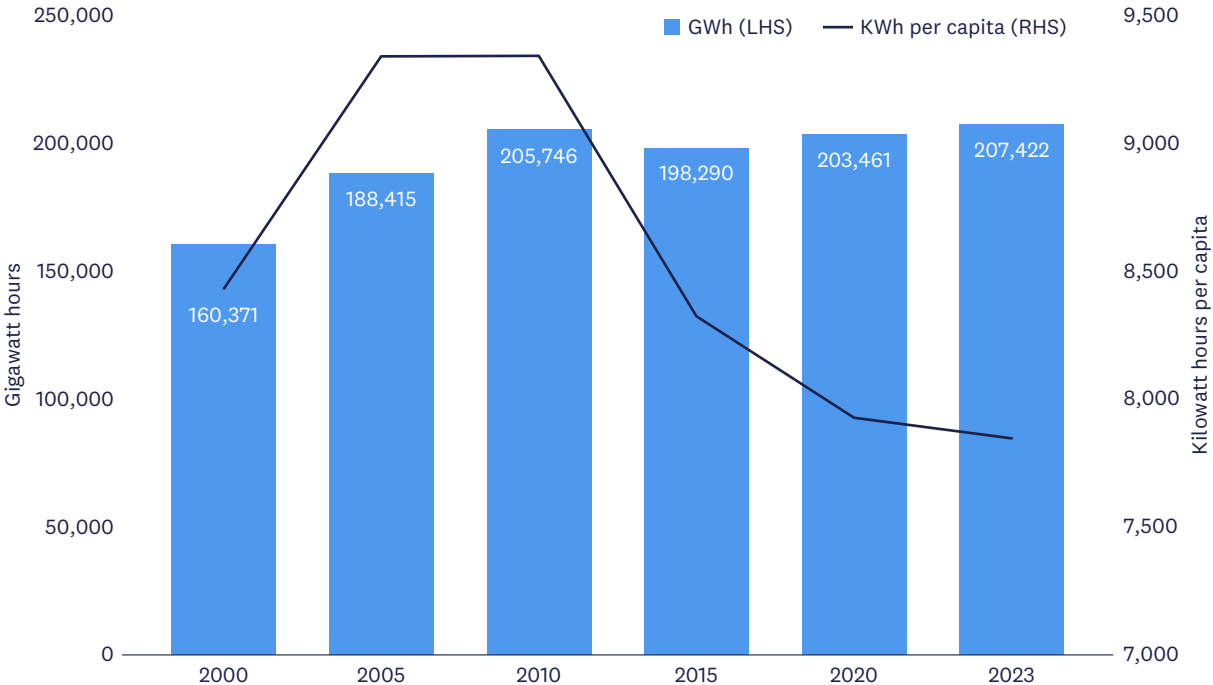
# Accelerate energy efficiency programs

The [National Energy Performance Strategy](#) is a welcome contribution to the often ignored lever of energy efficiency. We encourage the development of clearer targets (especially for the Government’s own energy use—which is always an easy win), faster delivery on key elements including commercial ratings, and better use of targeted standard setting as a way to kick the market into gear.

Energy efficiency measures are not just a cheap form of reducing emissions and slashing energy bills—they are often [GDP positive](#). The reason they are yet to be captured by the market is mostly a split incentive problem. One party bears the cost—the landlord putting in insulation, while another gets the benefit—the tenant. Moreover, manufacturers have to pay more to change the stand-by function to reduce power, yet consumers are often unaware of the benefit they receive from this additional manufacturing cost. As such, government support for energy efficiency initiatives is required.

Even though energy efficiency measures are cost-effective and high impact, they are often the ugly cousin of emissions reduction strategies. They are fiddly, requiring implementation skills—not always the Federal Government’s [strength](#)—with fewer opportunities for MPs to rock a hi-vis vest for the press cameras. To date, states and councils have done most of the heavy lifting, with varying levels of ambition and success. Substantial opportunities remain to speed up emissions reduction and drive down costs by standardising and streamlining approaches.

Australians saved [\\$12 billion](#) in energy costs and at least 40MT of emissions between 2011–22 by way of energy efficiency measures. Whilst this may seem like a win, that means we only saved 4MT of emissions per year—less than one percent of our 2022 domestic emissions ([463.9 million tCO2e](#)). Our per capita use of energy has improved (see [Figure 12](#)), but the climate is indifferent to those wins—total emissions are what counts, and we still need to get to net zero.



**Figure 12** Total energy consumption per capita in the National Electricity Market (NEM) (2000-23)  
 Source [OpenNEM](#)

There is plenty more fat in the system. The Government has developed the [National Energy Performance Strategy](#), a welcome step, but it remains light on tangible targets and downplays the importance of regulation. We at Blueprint Institute believe in letting the market do the work—but with split incentives, setting minimum energy efficiency standards on key areas is the most efficient way to get the market doing the heavy lifting when time is of the essence. The proof will be in the pudding.

## Redeploy fossil fuel subsidies

Taxpayers continue to fund the nation's largest fossil fuel companies—without protection from price increases.

Continuing to prop up an industry with a finite future is a poor economic strategy. More than [\\$9.8 billion](#) of federal funds went to subsidising fossil fuels in fiscal year 2022–23 alone—\$8 billion in fuel tax credits, and the rest in aviation fuel tax credits and support for other petroleum products. This is a conservative figure, which excludes substantial subsidies at the state level, investments in the petro-chemical hub in Darwin, and [\\$152 million](#) of additional investments that were made to shore up coal rail infrastructure.

No government likes winding back subsidies, but these funds could be far better deployed.

We recommend these subsidies be removed, and reinvested in the recommendations throughout this paper.

## Speed up transport decarbonisation

The Federal Government needs to accelerate the decarbonisation of the transport sector—by speeding up the implementation of fuel standards to reduce vehicle emissions, accelerating the uptake of passenger electric vehicles (EVs), coordinating the integration of EVs into the public transport system, and establishing transition pathways for heavy mobility. The urgency to address this gap is underscored by Australia's significant transport emissions, which account for a substantial portion of the nation's total carbon footprint.

Reducing emissions from transportation not only mitigates climate change but also brings substantial [health benefits](#) by reducing air pollution-related illnesses. Australia is lagging in the uptake and rollout of EVs—[fewer than one in five cars](#) sold in Australia in 2023 were electric, compared to [one in three](#) cars registered in China during that same period, with [20.4 million light](#) electrical vehicles already registered. Falling behind in this transition risks Australia's competitiveness in the global market and undermines efforts to meet international climate commitments.

Fuel standards urgently need to be introduced for both light and heavy vehicles and the tax on luxury vehicles removed. Short-term tax breaks should be implemented to accelerate the adoption of passenger EVs—the lost tax revenue could be recouped by the long-term savings in [healthcare expenditure](#) for treating respiratory diseases and other health issues. The Government needs to invest in coordination between public transport operators and industry stakeholders to build out a clear plan for electrifying the public transport system. Furthermore, developing transition pathways for heavy mobility, such as investing in infrastructure for electric charging or hydrogen refuelling stations, will be critical for decarbonising freight and logistics operations.

## Establish a public fund for nature repair

The Government should invest in building and shaping an effective Australian nature repair market to facilitate the exchange of carbon and biodiversity credits. This recommendation expands on the vision of the recently legislated [Nature Repair Act](#)—which set out a framework for the development of a voluntary biodiversity credit market—to encompass other market mechanisms which may be employed for nature repair purposes, such as carbon credits. The promised [reforms](#) to the EPBC Act will be an important first step in this process, with markets contingent on these reforms. Much like how the [Emissions Reduction Fund](#) was established to continue investment into the carbon market in the wake of the repealed carbon tax, a nature repair fund will help channel corporate and philanthropic capital into biodiversity objectives.

The nature repair challenge is immense. Biodiversity loss and its impacts on the global economy and human wellbeing have huge long-term social and economic consequences. As noted above, Australia is no stranger to these crises—Australia’s biodiversity decline is some of the [worst in the developed world](#), and our environmental policy is in a state of ‘[complete inertia](#)’. Approximately half of Australia’s GDP (around [\\$892.8 billion](#)) is linked to ecosystem services, and [80%](#) of export earnings come from sectors dependent on nature. Our [wellbeing, livelihoods, and economies](#) rely on healthy, thriving ecosystems and environmental health, therefore protecting ecosystem health and conserving biodiversity is thus as much of an economic imperative as it is an environmental one. Significant investment is [urgently needed](#) for conservation and biodiversity in Australia to reverse our environmental decline.

The scale of the task is beyond public finance alone—a major contribution must be made through [voluntary private sector](#) investment. This has been reflected in Australia’s commitment to the [Kunming-Montreal Global Biodiversity Framework](#) which lays out a targeted framework of objectives to protect biodiversity and scale investment into nature-positive outcomes.

It is critical that Australia capitalises on this opportunity to build [high integrity](#) environmental markets to fund nature repair. This market would employ land based carbon-sequestration credits and biodiversity credits to deploy finance toward nature repair. Biodiversity credits, representing nature repair activities funded by both government and the private sector, could function as either a linked product with Australian Carbon Credit

Units (ACCUs) or as a standalone product. First Nations-led high integrity biodiversity markets can also support indigenous reconciliation policy, ensuring First Nations communities are not only integral designers in nature-based solutions, but [direct beneficiaries](#) of nature stewardship.

For Australia to reach net zero, we will require up to [eight times](#) the current level of land-based carbon sequestration by 2050. This means demand for carbon credits is likely to boom. Estimates suggest that voluntary demand for ACCUs will reach between [36–44 million units](#) by 2035—whereas the recent report from Carbon Market Institute shows ACCU demand is forecast to peak at [31 million units in 2033](#), before subsiding to 24 million by 2035. Multiplying this by today’s ACCU spot price of \$38 per tonne would deliver billions of dollars annually to buy nature repair or invest in renewable energy infrastructure—and this ACCU price is forecast to rise significantly (to within the [\\$60–80](#) range) by 2035.

A nature repair fund could also invest in independent, centralised national biodiversity data capability—and fund initiatives that ensure the market is well-educated on the Government’s rules for nature related data disclosure. It could also fund coordinated efforts (currently very piecemeal) to standardise biodiversity and natural capital methodologies. The fund could cover overheads to develop the governance and regulatory frameworks, and prepare businesses for mandatory natural capital reporting—which will introduce a market price for the improvement of ecosystems, as opposed to their destruction.

