



Australian Government

Department of Climate Change, Energy,
the Environment and Water

Annual Climate Change Statement 2025



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Department of Climate Change, Energy, the Environment and Water

GPO Box 3090 Canberra ACT 2601

Telephone 1800 920 528

Web dcceew.gov.au

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Acknowledgement of Country

In delivering this Annual Climate Change Statement to Parliament, we pay our respects to First Nations peoples, Elders, and ancestors who have cared for their lands, waters, and skies for over 65,000 years, and who continue to care for Country today. First Nations peoples have loved, cared for, and listened to Country for thousands of generations, so it is important to reflect on these ongoing connections and guardianships. These enduring cultures are amongst the oldest on Earth. Guided by traditional knowledges, First Nations peoples have sustained a deep and enduring relationship with Country, adapting to Australia's changing climate over millennia. Their resilience and stewardship continue to inspire this Government. First Nations peoples' voices and knowledges are critical to addressing the impacts of climate change and responding to the challenges we all now face. In the spirit of reconciliation, we commit to improving how these voices are heard and represented in Australian Government action and decision making, especially in our current climate and environmental crisis. Australia recognises and pays respect to First Nations peoples as the Traditional Owners of Australia. We would like to thank the Traditional Owners for their continuing custodianship of the lands, waters, and skies that we live and work within today.



Foreword

I am proud to deliver the 2025 Annual Climate Change Statement. 2025 has been a landmark year for climate action in Australia, building on the strong foundations we have laid over the past 3 years.

Too often, the discussion around an ambitious net zero agenda is cast at the costs of avoiding the worst impacts. Without downplaying the significant risks that inaction presents for our environment and way of life, this does a disservice to the economic opportunities that a decarbonised economy presents for Australia. We know that, given our high-quality wind and solar conditions, our abundance of critical minerals and resources, and our attractive investment environment, we are among the best placed countries in the world to benefit from the transition to net zero.

Energy affordability and reliability can only be achieved for Australia by continued investment in renewable energy, transmission and storage. Persistent outages of ageing and unreliable coal fired generation has been causing Australian households and business to pay more on their bills. Sweating those assets for longer would only make this situation worse. Overreliance on fossil fuels has pushed up prices, but the transition to renewables, increased efficiency and electrification continues because what's good for the planet is good for your hip pocket.

Climate action is a global effort and momentum continues. Over half of the parties to the Paris Agreement have submitted Nationally Determined Contributions that include a 2035 target, covering around 75% of global emissions and 60% of the global population. Since the Paris Agreement commenced our projected global warming trajectory has improved from 4°C to 2.8°C (UNEP 2025; UNFCCC 2023).

In addition, around 80% of Australia's trade is with countries that have made net zero commitments. Clean energy investment is now \$2 trillion, double the rate of fossil fuel investment. Not only are other countries making the switch to a lower carbon future, but they are competing hard for the capital required to support it. Australia needs to be in this race, and policy certainty is critical to our chances of getting ahead.

That is why we have a practical plan to seize the economic opportunity and ensure we aren't left behind. In September, the Australian Government accepted the recommendation of the independent Climate Change Authority (CCA) and set a 2035 emissions reduction target of 62–70% below 2005 levels. This target represents our highest possible ambition, backed by credible technological and economic pathways for delivery. It provides the necessary certainty for industry and business to confidently invest.

In support of this target, we released a whole-of-economy Net Zero Plan along with 6 sector emissions reduction plans. We also announced that we will establish a new \$5 billion Net Zero Fund, within the National Reconstruction Fund, to drive the uptake of low-emissions technologies, provided up to \$2 billion to the Clean Energy Finance Corporation to accelerate the energy transformation and set aside more than \$1 billion to make more clean fuels in Australia.

Importantly, our pursuit of an ambitious 2035 target is starting from a strong base. As this Annual Climate Change Statement reflects, significant progress has been made over the past 3 years, and there are many good news stories from our climate and energy initiatives throughout 2025. The

Statement is informed by advice from the CCA in their 2025 Annual Progress Report, including our full response to their recommendations, and released alongside the latest emissions projections.

The clean energy transition is well underway. Renewables now make up over 40% of Australia's 2 largest electricity grids. In September and October 2025, renewables were the largest source of electricity in Australia's largest grid – the National Electricity Market (NEM) – surpassing coal for the first time.

This year's expansion of the Capacity Investment Scheme (CIS) target by 25% will further accelerate the deployment of renewables as we near 2030. The scheme is on track to deliver an additional 40 GW of renewable energy capacity this decade. It continues to be strongly oversubscribed, demonstrating a strong pipeline of projects to 2030.

Australian households also continue to work with us to meet our energy transformation goals while driving down their bills, with 1,000 households installing a home battery under our Cheaper Home Batteries Program each working day since the scheme commenced. The Clean Energy Regulator predicts 175,000 valid battery applications by the end of the year.

Australia is playing our part as a constructive partner internationally, including to progress global climate change collaboration. We welcome the progress made through negotiations at COP30 in Belém, Brazil. At COP30, it was agreed that COP31 will be hosted by Türkiye, where Australia will assume the role of President of Negotiations. In partnership with the Pacific, we will set the agenda for and preside over a special pre-COP leaders' event in the Pacific, bringing global attention to the threat climate change poses to our region and showcasing Pacific-led solutions. This arrangement gives Australia and the Pacific unprecedented influence to shape and guide global decision-making, strengthen international action, and advance the interests of our region. We are proud to work with Türkiye to deliver an ambitious and successful COP31, reflecting our commitment to multilateralism, Australia's national interests, and the Pacific family.

We are already experiencing the impacts of climate change. Decreasing emissions will reduce some, but not all, of the additional climate impacts we'll face. Strong action on adaptation is required to protect the things we value most. This year we released the National Climate Risk Assessment – the first in-depth overview of the climate impacts Australians could face. We also delivered the National Adaptation Plan to set out how we will work together to adapt to these risks.

I look forward to continuing to work together to reduce our emissions, ensure our future economic prosperity, and build our resilience to the impacts of climate change.

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Executive summary

This Annual Climate Change Statement provides an overview of Australia's climate change progress in 2025. Following on from the previous 3 annual statements, the statement reports on the Australian Government's initiatives and programs that are contributing to climate action and setting the foundation to meet ambitious targets over the next decade.

This year's statement is released in the context of a global transition sustaining momentum, as many countries strengthen their emission reduction ambitions and invest in affordable, reliable clean energy. This shift presents an opportunity for Australia's economic growth and diversity, if we act now to support an orderly transition.

With a fair and orderly transition, Australia's targets are achievable and will deliver a stronger economy with higher living standards and employment opportunities. Delayed climate action under a disorderly transition pathway would lead to lower real wages, higher energy prices and weaker economic outcomes.

To deliver affordable electricity to Australian households and business, ageing and unreliable coal fired generation must be replaced by continued investment in renewable energy, backed by batteries, gas and pumped hydro. The Australian Energy Market Commission has warned 'delaying the connection of renewable generation and transmission into the market would put upward pressure on residential electricity costs' (AEMC, 2024). The Australian Energy Regulator has continued to warn about the wholesale price impacts we are seeing from coal outages and the CSIRO's latest GenCost report confirms new coal is high cost as well as high emissions.

Since the first Annual Climate Change Statement in 2022, Australia's climate change policy has undergone significant reforms, which have improved the future emissions outlook. Introduction of the *Climate Change Act 2022* legislated the strengthened 2030 and net zero by 2050 targets. Major policy actions have followed, including restoring the Climate Change Authority, a commitment to 82% renewable electricity by 2030, Safeguard Mechanism reforms, and introduction of the Capacity Investment Scheme and New Vehicle Efficiency Standard. These measures are working in tandem to set emissions on a downward trajectory and provide the foundations for future progress.

In the year to June 2025, Australia's total emissions decreased by 10 Mt CO₂-e or 2.2%. This is the largest non-land sector emissions reduction in any year to date, except for 2019-20 when COVID-19 restrictions contributed to a significant drop in transport emissions.

In 2024-25, emissions are down 29% on 2005 levels. *Australia's Emissions Projections 2025* show that emissions will continue to fall and with current policies Australia meets its 2030 target on a budget basis and is within reach of the point-in-time target, reflecting the solid foundations for climate action established since 2022. While significant progress has been made in implementing policies to support Australia's decarbonisation agenda, the projections demonstrate there is more to do to reach Australia's new 2035 target. The Australian Government remains focused on implementing our plan to meet these targets, with the new measures and reviews of existing policies not included in those projections.

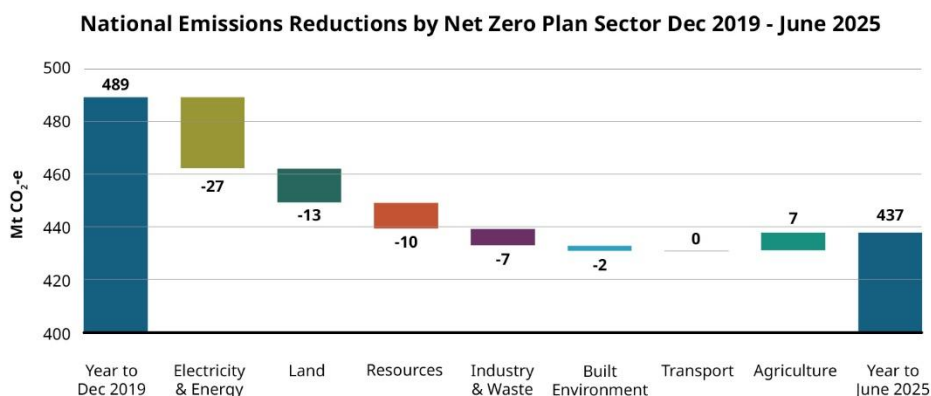
The statement sets out emissions data and projections across all sectors of the economy and covers key developments. Key progress includes:

- record renewable energy uptake. Currently, over 40% of Australia's 2 major grids are renewable, up from 13% in 2015, just a decade ago. This will continue to grow, including through the expansion of the Capacity Investment Scheme (CIS).
- the Clean Energy Regulator (CER) anticipates it will approve 3.8 to 4.0 GW of additional utility-scale generation capacity in 2025 – a good result immediately following a record year in 2024 of 4.3 GW. When combined with smaller scale capacity approved in 2025, the CER estimates close to 7 GW of renewable capacity will have been added to the grid in 2025.
- over 4.2 million rooftop solar PV systems installed under the Small-scale Renewable Energy Scheme (the SRES), including around 230,000 installed in 2025. The scheme provides a discount on the cost of installing small-scale renewable systems, such as rooftop solar PV and solar water heaters. Rooftop solar now equates to 27 GW of installed capacity in Australia – more than black and brown coal combined.
- about 630 km of new transmission lines are in operation, with a further 3,235 reaching final investment decision since May 2022. The Australian Government continues to support the development of the transmission required to transform our electricity grid through the more than \$20 billion allocated to Rewiring the Nation.
- since commencement of the Cheaper Home Batteries Program in July 2025, over 135,000 batteries have been installed by households, businesses and community organisations across Australia. This equates to around 3 GW hours of additional battery storage capacity, helping to reduce electricity bills for households and reduce peak demand.
- net emissions from the country's largest emitting facilities (127.8 Mt CO₂-e) were down 7% in 2023–24 following the first full compliance year since the Safeguard Mechanism reforms. The Climate Change Authority's analysis of preliminary data indicates that net emissions from Safeguard facilities in 2024–25 was 119.6 Mt CO₂-e or 6.2% lower than in 2023–24 and 13% lower than 2022–23 before the reforms.¹
- electric vehicles (EVs) are becoming an increasingly popular choice for consumers. From January to September 2025, EVs represented 12.7% of new light vehicle sales, up from 9.5% over the same period in 2024. And there are more models available, increasing from 104 models in 2023–24 to 153 by June 2025. Of these models, 55 were priced below \$60,000 and 7 were priced below \$40,000.
- charging infrastructure is also expanding rapidly, with 1,422 EV fast-charging stations now available nationally, up from 1,000 in June 2024.

¹ 2024–25 figures are subject to change as the CER undertakes the data quality assurance process. The CER will publish final 2024–25 data in 2026.

Climate action progress in 2025

Emissions
continue to fall
29%
since 2005



Source: Department of Climate Change, Energy, the Environment and Water



Big emitters

Net safeguard emissions are **down 7% in the first year** of the reformed Safeguard Mechanism. In 2023–24:

- **219** facilities were covered by the Safeguard Mechanism
- net safeguard emissions fell to **127.8 Mt CO₂e**



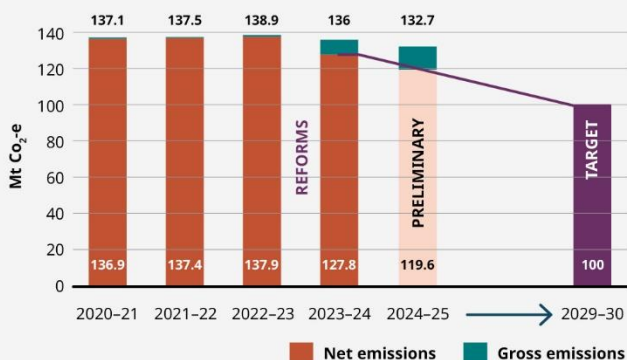
Electric vehicles

Electric vehicles made up 12.7% of new light vehicle sales in the first 9 months of 2025 continuing a steady trend upward.

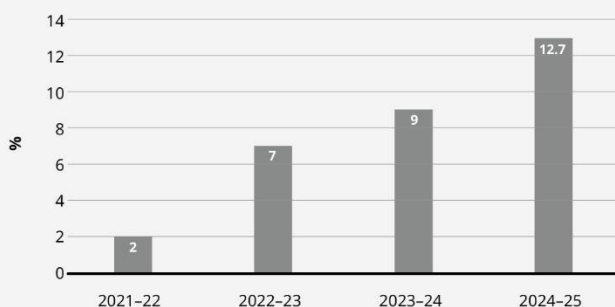
EVs are more affordable than ever in 2024–25:

- **55 models** under \$60K (up from 33 in 2023–24)
- **26 models** under \$50K
- **Used EV sales doubled:** 18,000+ sold in 2024–25 vs. 9,400 in 2023–24.

Safeguard emissions to date and net emissions target



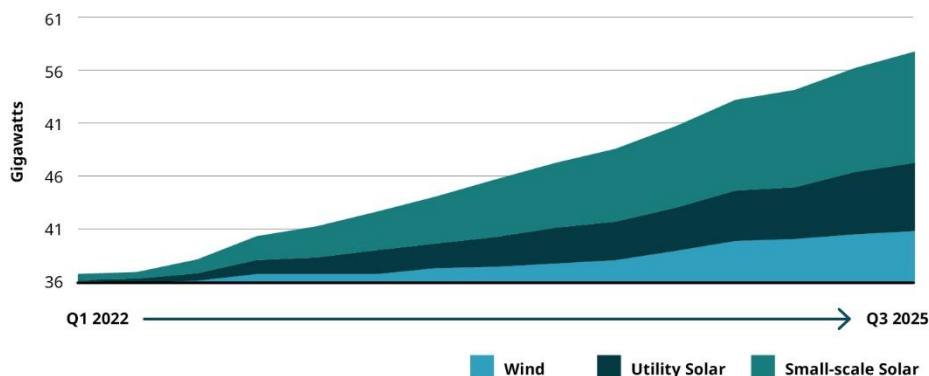
EV share of new light vehicle sales



Renewables share was over 40%

in the year to October 2025 across Australia's two major electricity grids — up from just 13% in 2015

Wind and Solar Capacity Q1 2022 – Q3 2025



Source: Clean Energy Regulator



Energy investment

To date, the Australian Government has announced support for:

- **13 GW** of renewable energy to be generated (enough to power 6 million+ homes in eastern states)
- **5.4 GW** of new battery storage (enough for 4 million+ homes in eastern states and 600K+ in the west)
- Additional **15 GW** of battery storage through hybrid generation projects



Household solar and batteries

Australian Government programs have seen:

- **4.2 million+ rooftop solar systems installed** via the Small-scale Renewable Energy Scheme
- including **230,000 installed** so far 2025
- **135,000+ batteries installed** under the Cheaper Home Batteries Program since launch July 2025 (representing 3 GWh)

Modernising the grid



~630 km

new transmission lines in operation



3,235 km

of transmission projects have achieved final investment decision since May 2022



\$7.4 billion

committed under Rewiring the Nation (as of September 2025)

2025 saw further major developments in Australia's efforts to reduce emissions and adapt to the impacts of climate change. The government set Australia's **new target to reduce emissions by 62–70%** below 2005 levels by 2035, the second Nationally Determined Contribution (NDC) under the Paris Agreement. This target adopts the independent and science-based recommendation from the Climate Change Authority (CCA) under the *Climate Change Act 2022*.

The 2035 target is ambitious, achievable, and in our national interest. It represents Australia's obligation under the Paris Agreement for targets to represent each country's highest possible ambition. It is a significant step-up on Australia's 2030 target and provides a strong signal to attract the investment required to grow new industries and support continued economic growth, higher living standards and employment.

Net Zero Plan

Five decarbonisation priorities to achieve net zero emissions:



Achievement of Australia's targets is underpinned by the **Net Zero Plan (NZP)**, released in September 2025. It sets out 5 decarbonisation priorities to drive action towards net zero emissions by 2050.

Six emissions reduction plans for the electricity and energy, industry, resources, transport, agriculture and land, and the built environment sectors, underpin the Net Zero Plan. These plans provide detail on the emissions reduction opportunities and transition pathways for each sector.

The 2035 target, Net Zero Plan and 6 sector plans were informed by **detailed economic modelling and analysis** by the Australian Treasury. This modelling demonstrates that credible action towards net zero maximises Australia's economic opportunities. Under Treasury's Baseline Scenario, a scenario broadly reflecting the Government's Net Zero Plan, the economy grows by 81 per cent, and real GDP per capita is \$36,000 higher by 2050 compared to current levels. It also shows that leveraging Australia's comparative advantages in renewable energy will deliver broad-based benefits to Australians and can also help to grow new export bases. In comparison, a disorderly transition, without a credible 2035 target, will cost investment, jobs and the economy. Treasury also notes the costs of not pursuing net zero by 2050 would be significant and consequential, risking even lower economic growth, reduced investment, missed export and employment opportunities, and higher electricity prices than a disorderly transition.

While we have made significant progress in implementing policies to get us to net zero, there are challenges to reach our targets, including workforce limitations and global supply chain constraints. This statement provides a transparent account of what the Australian Government is doing to overcome these barriers.

This year, the Government also released Australia's first **National Climate Risk Assessment** – a comprehensive, system-wide analysis of climate risks. Key findings include the increasing frequency and severity of extreme events, the compounding and cascading nature of climate hazards, and their disproportionate impacts on vulnerable communities, cohorts and ecosystems. The **National Adaptation Plan** was also released, demonstrating extensive Commonwealth action already underway. It provides a platform for prioritising future Commonwealth action and leadership that is targeted, evidence-based and collaborative.

This year also saw significant developments in Australia's international engagement, with Australia appointed to **preside over COP31 negotiations** and securing a pre-COP event agreed to be held in the Pacific. This will give Australia and the Pacific the opportunity to shape and guide international negotiations in support of growing global trade and investment in clean energy industries.

Navigating the statement

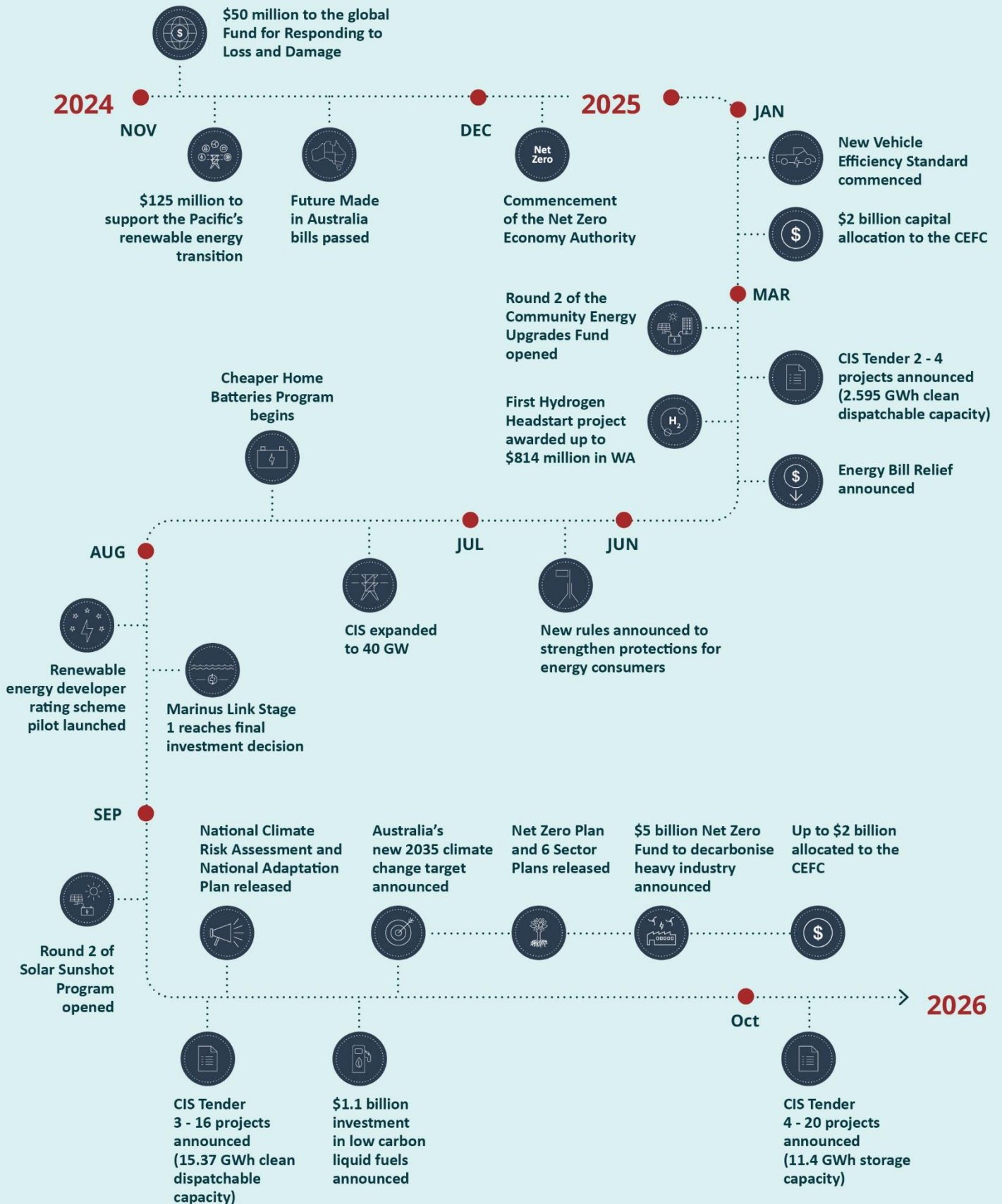
This year's statement:

- demonstrates Australia's progress towards its emissions reduction targets, summarising analysis from Australia's Emissions Projections 2025 (Chapter 1)
- outlines emissions reduction progress across key sectors of the economy (Chapter 2)
- describes how Australia is working to seize the benefits of the global net zero transition through the Future Made in Australia agenda (Chapter 3)
- sets out the work the Australian Government is doing to ensure that rural and regional communities benefit from the net zero transition (Chapter 4)
- explains how the Australian Government is informing adaptation action at the national scale, and working with First Nations peoples to take adaptation action (Chapter 5)
- provides an update on international climate and energy developments across 2025 (Chapter 6).

As required under the *Climate Change Act 2022*, the statement also includes the Australian Government's response to the recommendations from the Climate Change Authority's 2025 Annual Progress Report.

Key Achievements

November 2024 – October 2025



Chapter 1: Progress in 2025

The 2035 Target and Net Zero Plan

On 18 September 2025, the Australian Government announced an emissions reduction target of 62-70% on 2005 levels by 2035.

The *Climate Change Act 2022* enshrines a world-leading process for developing emissions reduction targets, requiring the government to consider the independent advice of the Climate Change Authority (CCA). In setting the target, the Government accepted the CCA's recommended target.

The CCA advised that the target range 'represents Australia's highest possible ambition...is achievable and is in Australia's national and economic interest' (CCA 2025a). The CCA also found that the range was consistent with Australia making a credible contribution to keeping global warming well below 2°C and 1.5°C within reach.

The target is a substantial step-up in ambition for Australia, halving current emissions levels and accelerating progress towards net zero by 2050. The CCA advise that an ambitious target increases the likelihood of Australia capturing the benefits of the global transition. In addition, 'it can be achieved with existing technologies and practices – it does not rely on new, unproved technology' (CCA 2025a).

Alongside the 2035 target, the Government also released the Net Zero Plan. The Net Zero Plan sets out the pathway for Australia to achieve its 2035 emissions reduction target and net zero by 2050. The plan demonstrates the economic opportunities that global net zero efforts present for Australia and identifies how a fair, orderly and efficient transition that builds on our strengths will grow the economy, create new jobs and secure affordable, reliable clean energy for the future.

The plan is supported by 6 sector emissions reduction plans covering all major emissions sources in our economy. The sector plans provide more detailed analysis around the emissions reduction opportunities and pathways, as well as considering Australian Government policies to drive investment in each sector. Snapshots of the 6 sector plans are provided at the end of this section.²

The Net Zero Plan recognises the solid foundations that have been built since 2022, on which further action can be built, including:

- backing Australia with the Future Made in Australia agenda
- accelerating investment in renewable energy through the Capacity Investment Scheme and Rewiring the Nation
- supporting Australians to join the clean energy transition through the Cheaper Home Batteries Program

² The sector plan snapshots use emissions data drawn from the Department of Climate Change, Energy, the Environment and Water, Quarterly Update of Australia's National Greenhouse Gas Inventory: December 2024, released May 2025. Emissions data in Chapter 2 is drawn from the latest Quarterly Update of Australia's National Greenhouse Gas Inventory: June 2025, released November 2025.

- reforming the Safeguard Mechanism to provide a stable, predictable and efficient path to net zero for Australia's biggest industrial emitters
- introducing the New Vehicle Efficiency Standard to give Australians more choice in fuel-efficient and zero emissions vehicles
- strengthening Australia's world-leading carbon credits market.

The Net Zero Plan also identifies 5 decarbonisation priorities to achieve net zero emissions:

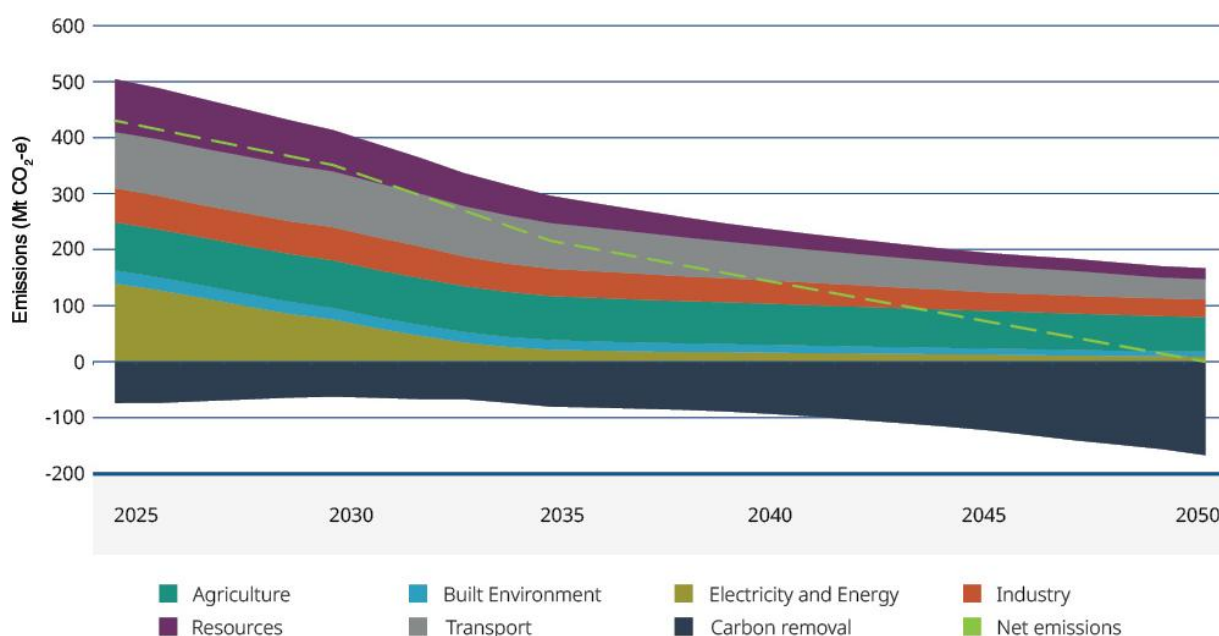
- **Clean electricity across the economy:** more renewable electricity generation, supported by new transmission and storage (including household batteries)
- **Lowering emissions by electrification and efficiency:** electrifying wherever possible and improving energy and materials performance
- **Expanding clean fuel use:** establishing a low carbon liquid fuels industry and supporting renewable hydrogen to enable activities that can't electrify to switch to low carbon alternatives
- **Accelerating new technologies:** innovating to expand emissions reduction options through Future Made in Australia investments, and support through ARENA
- **Net carbon removals scaled up:** to balance residual emissions, enabling land holders to earn money for eligible carbon storage and a robust ACCU scheme.

The Net Zero Plan was informed by modelling and analysis undertaken by the Australian Treasury, with a detailed report released alongside the plan. Scenario analysis, drawing on the best available evidence, was used to provide insights into the potential economic opportunities from different pathways to net zero.

Treasury's Baseline Scenario illustrates an efficient pathway to net zero, consistent with existing policies, the expected availability of abatement technology and a global economy that achieves emissions reductions consistent with keeping global average temperature increases to well below 2°C. It shows all sectors contribute to emissions reductions, but their contribution changes over time. For some, the decarbonisation pathway will be more rapid because technologies are mature, cost effective and ready to scale (e.g. electricity and energy). Others face a slower decline because technologies are at an earlier stage of development, or there are other barriers (e.g. agriculture) (Department of the Treasury 2025a).

The actual mix of activity will be determined by the combination of abatement technology, market, policy and other drivers over the period to 2050.

Figure 1 – Projected emissions under Treasury Baseline Scenario, by sector



Treasury’s modelling finds that Australia’s ambitious and achievable plan to reduce emissions will support continued economic growth, higher living standards and employment. Under the Baseline Scenario, the economy is projected to be 81% larger by 2050 and real GDP per capita \$36,000 higher in 2050 than it is today. In dollar terms, the economy is expected to be \$2.2 trillion bigger by 2050, relative to current levels (Treasury 2025).

In addition, credible targets and policies are critical for investment certainty and growth. Australia’s Net Zero Plan provides businesses with the certainty required to invest efficiently. Under the orderly transition scenarios, investment is projected to grow by 79-84% between 2025 and 2050.

In comparison, a disorderly scenario where Australia delays further climate action, will cost investment, jobs and the economy. Under the Disorderly Transition Scenario, the economy is projected to be up to a cumulative \$2 trillion smaller by 2050, compared to an orderly transition. The Disorderly Transition Scenario is projected to increase wholesale electricity prices by 17 per cent on average during the 2030s and up to 54 per cent in the 2040s, relative to the Baseline Scenario (Department of the Treasury 2025a).

Treasury (2025a) also notes that not pursuing net zero could exceed these costs. Abandoning net zero by 2050 ‘risks lower economic growth, reduced investment, missed export and employment opportunities, and higher electricity prices’. This would flow from ‘heightened policy uncertainty, increased borrowing costs on global markets and the loss of potential new export markets’. Additionally, Treasury reference findings in the *Long-Term Emissions Reduction Plan* (DCCEEW 2022) that ‘inaction domestically and globally will exacerbate physical climate risks, resulting in higher costs from adapting to and managing these’.

Treasury (2025a) also reference the finding of the *Long-Term Emissions Reduction Plan* (DCCEEW 2022) modelling that the impact of adopting and deploying advanced technologies and increased

hydrogen production, along with the avoided capital risk premium, translated to an increase in Gross National Income per person of \$2,000 in 2050.

The Net Zero Plan was accompanied by a set of new measures, including:

- a new \$5 billion Net Zero Fund, a reallocation within the National Reconstruction Fund, to help industrial facilities decarbonise and scale up more renewables and low emissions manufacturing
- up to \$2 billion for the Clean Energy Finance Corporation to continue to drive downwards pressure on electricity prices
- \$1.1 billion to encourage more production of clean fuels here in Australia
- \$40 million to accelerate the roll out of kerbside and fast EV charging across the suburbs and regions
- \$85 million for frameworks and tools to help households and businesses understand and improve their energy performance
- \$50 million for sports clubs doing their bit to decarbonise and drive climate action.



Sector Overview

Covers the generation of electricity, manufacture of petroleum products, the supply of gas, and other related services

- Directly accounted for around 1% of GDP in 2023, and underpins other sectors
- 34% of national emissions in 2024
- Emissions peaked in 2009 and are now 22% below 2005 levels, with renewables displacing coal
- Renewables have grown from 13% to 40% of generation in our two largest grids over the past 10 years

Abatement opportunities



Improve energy performance
through electrification, boosting energy efficiency and increasing demand flexibility



Decarbonise and expand electricity network
through investment in firm renewables and incentivising consumer energy resources



Renewable gases
such as biomethane and hydrogen



Low carbon liquid fuels
like Sustainable Aviation Fuel and renewable diesel

Phases of the transition

To 2030

- Renewable electricity generation increases to 82% on-grid
- Rooftop solar and battery uptake expands, cutting bills and emissions
- Electric vehicle uptake drives declines in overall liquid fuel demand
- Renewable gas substitutes for some natural gas uses
- Foundations of hydrogen and LCLF markets established

To 2035

- Economy-wide energy efficiency improvements support growing demand
- Demand flexibility is embedded as electrification of homes, businesses, low-heat industrial use and light vehicles continues
- Orderly coal exit as firm renewable electricity supply grows
- Renewable gas supply scales up and begins to displace natural gas use that can't be electrified
- Growing LCLF production supports a lower-emissions fuel mix

To 2050

- The energy system is high performance: efficient, flexible and optimised to deliver reliable and secure renewable energy
- Electricity demand grows significantly as new industries scale
- Firmed renewables meet all our electricity needs
- Natural gas increasingly replaced by renewable gases
- LCLF comprises a significant proportion of remaining liquid fuel use and Australia is an advanced producer and exporter

Pathway to Net Zero

Emissions decline as our energy system becomes more efficient, more electrified and transitions to clean energy supply

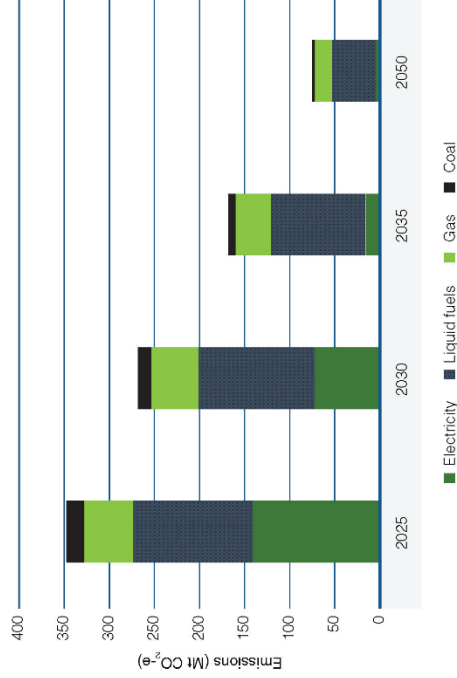


Figure: Electricity & energy sector emissions

Source: DCCCEW and Treasury modelling and analysis 2025, Baseline Scenario. Pathways are illustrative only.

Key challenges

- Delivering better network utilisation and clearer market investment signals
- Timely deployment of infrastructure through smooth planning and approvals processes and connection processes
- Building social licence, and ensuring greater regional benefits
- Reducing cost and increasing availability of LCLF and renewable gases

Actions

- 1. Accelerate energy performance improvements**
 - National Energy Performance Strategy
 - Household Energy Upgrades Fund and Social Housing and Energy Performance Initiative
 - \$50 million to support energy upgrades for community sports clubs
 - Expand and reform existing rating and disclosure mechanisms such as Greenhouse Energy Minimum Standards, the Commercial Building Disclosure Program, and the Nationwide House Energy Rating Scheme
 - Establish a Demand-side Statement of Opportunities
 - \$40 million to accelerate the rollout of kerbside and fast electric vehicle charging
- 2. Expand and decarbonise electricity supply**
 - Snowy Hydro 2.0
 - Clean Energy Finance Corporation
 - Capacity Investment Scheme
 - Consumer Energy Resources Roadmap
 - Cheaper Home Batteries program
 - Grid Enhancing Technologies program, Accelerating Connections Fund, Enhancing Capacity of Existing Network Infrastructure
 - Rewiring the Nation
 - National Electricity Market Review
- 3. Develop renewable gases while maintaining supply security**
 - Safeguard Mechanism, including review in 2026-27
 - Gas Market Review
 - Guarantee of Origin scheme
 - National Hydrogen Strategy, production supports and H2Global
- 4. Decarbonise liquid fuels while maintaining supply security**
 - Safeguard Mechanism, including review in 2026-27
 - Future Made in Australia Innovation Fund
 - \$1.1 billion Cleaner Fuels Program



Sector Overview

Covers manufacturing and processing of goods, refining and waste processes across 9 sub-sectors

- Accounts for the equivalent of 7.7% of GDP (2024), with 120,000 businesses generating \$205.8 billion in gross value added
- 14% of national emissions in 2024
- The Safeguard Mechanism covers approximately 56% of industrial scope 1 emissions

Abatement opportunities



Improve energy performance
through energy efficiency and demand flexibility



Electrify uses and processes where possible



Switch to alternative fuels and inputs where electrification not feasible
e.g hydrogen, low carbon liquid fuels

Key challenges

- Scaling supply of firm renewable energy and low carbon fuels and incentivising electrification
- Development of commercially viable options for industrial processes requiring high-temperature heat or natural gas as a feedstock
- Maintaining the competitiveness of industrial facilities through the transition

Phases of the transition

To 2030

- Commercially available abatement technologies taken up, including electrification of low temperature heat processes
- Foundations of hydrogen market established
- Expand and decarbonise electricity supply (See energy and electricity sector plan)

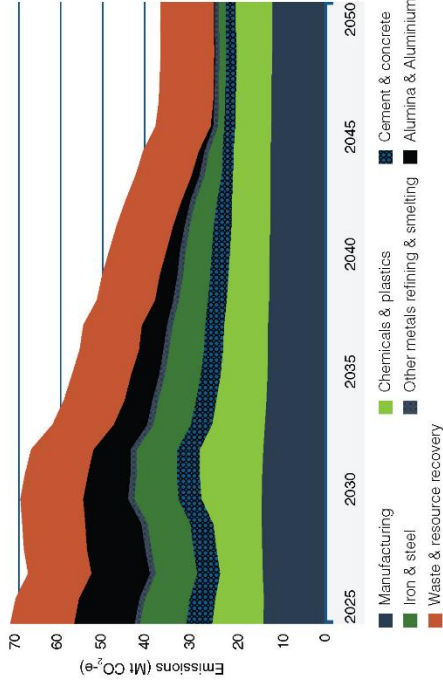
To 2035

- Heavy industry gradually deploying technologies such as electric boilers, high temperature heat pumps and mechanical vapour recompression as they become commercially available
- Sub-sectors such as iron and steel, alumina and aluminium begin fuel switching and using alternative feedstocks such as hydrogen as they become available

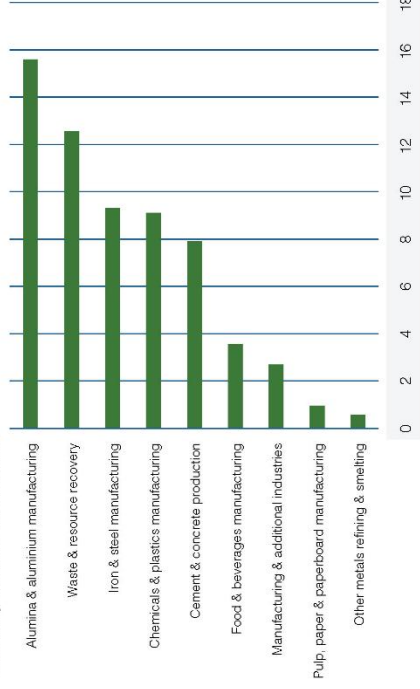
To 2050

- Growth of new industry opportunities in green metals, green chemicals, clean energy manufacturing and other areas of comparative advantage
- Deployment of carbon management technologies, and any breakthrough technologies like flash ironmaking, molten oxide electrolysis or hydrogen plasma smelting

Pathway to Net Zero



Industry sector emissions



Industry sector emissions sources 2024

Source: Baseline Scenario, Treasury modelling and analysis 2025.

Pathways are illustrative only.

Actions

1. Improve energy use now to reduce costs

- \$5 billion support through National Reconstruction Fund
- Energy Efficiency Grants for Small and Medium Sized Enterprises
- National Energy Performance Strategy
- Safeguard Mechanism, including review in 2026-27

2. Electrify processes where possible

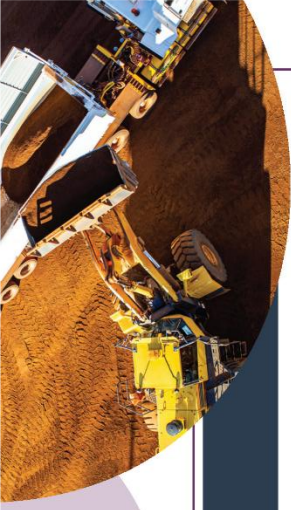
- Safeguard Mechanism, including review in 2026-27
- Clean Energy Finance Corporation
- Australian Renewable Energy Agency, including \$40 million National Industrial Transformation Program and \$400 million Industrial Transformation Stream
- Powering the Regions Fund

3. Switch to alternative fuels and inputs

- Safeguard Mechanism, including review in 2026-27
- National Hydrogen Strategy, Hydrogen Production Tax Incentive, Hydrogen Headstart
- \$1.1 billion Cleaner Fuels Program
- Australian Renewable Energy Agency

4. Invest in technology opportunities to support the transition

- \$1.5 billion Future Made in Australia innovation fund
- National Reconstruction Fund including a new \$5 billion Net Zero Fund
- \$1 billion Green iron investment fund
- \$2 billion Green aluminium production credit
- \$1 billion Solar Sunshot
- \$500 million Battery Breakthrough Initiative, delivered by ARENA



Sector Overview

Covers exploration and production of minerals, oil and gas, and coal resources. Also covers mine closure, decommissioning and rehabilitation

- Contributed 11.4% of Australia's GDP in 2024 and two thirds of Australia's total merchandise exports in 2025
- Contributes a significant proportion of global exports of LNG (20% in 2024) and metallurgical and thermal coal (46% and 19% in 2023)
- 22% of national emissions in 2024, mostly from gas and coal production
- Sector emissions saw a continual increase from 2005 through to 2020, but are now declining
- The Safeguard Mechanism covers 87% of the sector's emissions

Abatement opportunities



Reducing fuel combustion emissions
through electrification and low-carbon fuels
e.g. LCLF and hydrogen



Reducing fugitive emissions
through ventilation air methane (VAM) abatement, leak detection and repair, pre-drainage of coal methane and reduced routine venting and flaring



Scaling up carbon management technologies
e.g. carbon capture and storage (CCS)

Phases of the transition

To 2030

- Reduced routine venting and flaring from oil and gas facilities
- New resources facilities designed for electric power and improved energy efficiency, where technically and commercially feasible
- Demonstration and commercialisation of electrified haulage and equipment
- Demonstration of VAM abatement technology in Australian coal mines
- Expansion of CCS

To 2035

- Increased electrification and energy performance across the sector
- Deployment of heavy electric vehicles and equipment, with greater penetration of low carbon liquid fuels and renewable energy in remote regions
- Greater use of methane pre-drainage in coal mines
- Scale-up of VAM abatement technology in coal mines
- Use of CCS continues to grow

To 2050

- Widespread use of VAM abatement and pre-drainage technologies in coal mines
- Increased use of low-carbon fuels
- Use of CCS continues to grow

Pathway to Net Zero

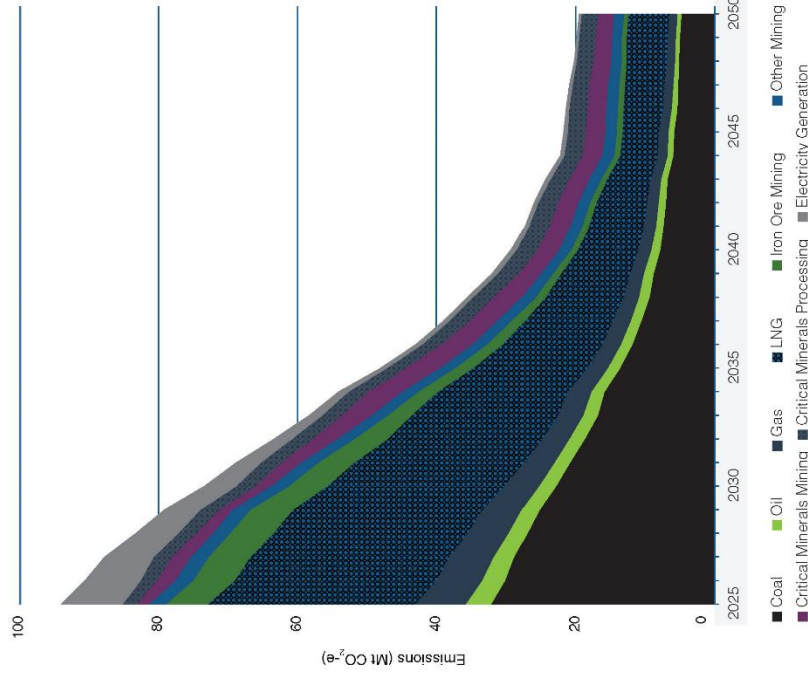


Figure 1: Projected emissions in the resources sector to 2050

Source: Baseline Scenario, Treasury modelling and analysis 2025. Pathways are illustrative only.

Actions

- 1. Reduce fuel combustion emissions**
 - Safeguard Mechanism, with review in 2026-27
 - Future Made in Australia Innovation Fund
 - Powering the Regions Fund
 - Clean Energy Finance Corporation
 - \$1.1 billion Cleaner Fuels Program
- 2. Reduce fugitive emissions**
 - Safeguard Mechanism, with review in 2026-27
 - Future Gas Strategy, including offshore venting and flaring
 - Powering the Regions Fund
 - Enhanced measurement, including expert panel
 - Working with states on regulatory frameworks
- 3. Scale up carbon management technologies**
 - Safeguard Mechanism, with review in 2026-27
 - National Reconstruction Fund
 - Resourcing Australia's Prosperity

Key challenges

- Barriers to retrofitting abatement technologies to existing facilities, including cost, commercial, environmental and infrastructure
- Development of commercially viable low-carbon fuels, alongside deployment of firmed renewable energy
- Maintaining Australia's role as a reliable trading partner for minerals, metals and energy through the global transition



Sector Overview

Covers light and heavy road transport, rail, maritime, aviation and the construction of transport infrastructure

- Accounts for 4.6% of Australia's GDP (transport, postal and warehousing industry, 2024) and underpins many other sectors
- 22% of national emissions in 2024
- After steady growth since 2005, emissions dipped in 2020-2022 with COVID restrictions but are now 21% above 2005 levels
- Electric vehicle uptake is accelerating, growing from 0.8% of new light vehicle sales in 2020 to 10% in 2025

Abatement opportunities



Electrification of light vehicles
and improved energy efficiency



Electrification of heavy vehicles
Low carbon liquid fuels (LCLF) or hydrogen where battery electric is not feasible



Track electrification, battery electric
LCLF or hydrogen where battery electric is not feasible



Hydrogen derived fuels
(e.g. methanol or ammonia), hydrogen and LCLFs



LCLF (Sustainable aviation fuel)
Electrification or hydrogen for short haul

Phases of the transition

To 2030

- EVs become increasingly more affordable
- On-going investment in charging infrastructure
- Electrification of buses and small trucks
- Trials for battery electric rail, short range maritime and aviation
- Foundations of hydrogen and LCLF (including sustainable aviation fuel) markets established
- Continued investment in active and public transport infrastructure

To 2035

- EV market and charging infrastructure matures; significant proportion of light vehicles are EVs
- Bi-directional charging and vehicle to grid capabilities scale up
- Battery electric and hydrogen-fuel cells begin to be deployed for rail, short range ships and flights
- LCLF and hydrogen market grows, supported by certification and accounting frameworks
- National rail charging and refuelling network and intermodal hubs

To 2050

- EVs, battery and hydrogen technologies widespread – including in rail and shipping
- Bidirectional charging widespread, supporting grid capacity and stability
- LCLF comprises a significant proportion of remaining liquid fuel use and Australia is an advanced producer and exporter
- Low emission ports and airports operational

Pathway to Net Zero

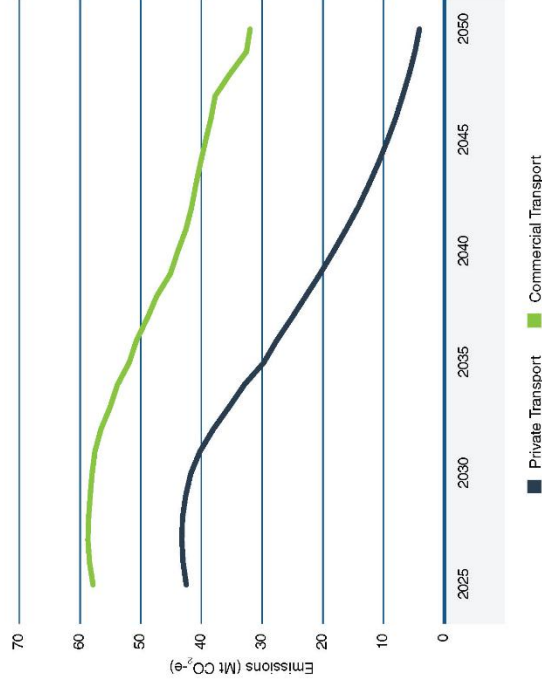


Figure: Transport sector emissions

Source: Baseline Scenario, Treasury modelling and analysis 2025.
Pathways are illustrative only.

Key challenges

- Accelerating rollout of EV charging infrastructure
- Solutions for longer range heavy vehicles, maritime and aviation not yet commercially viable
- Reducing cost and increasing availability of LCLF and hydrogen

Actions

- 1. Invest in enabling low and zero emissions infrastructure**
 - Infrastructure Policy Statement & Infrastructure Investment Program
 - \$100 million Active Transport Fund, High-Speed and Inland Rail
 - National Freight and Supply Chain Strategy
- 2. Electrify and increase energy performance**
 - New Vehicle Efficiency Standard including 2026 review
 - National EV Strategy
 - Safeguard Mechanism including 2026-27 review
 - \$40 million to accelerate the rollout of kerbside and fast electric vehicle charging
 - Electric Car Discount
 - Maritime Emissions Reduction National Action Plan
- 3. Switch to low carbon alternatives**
 - \$11.1 billion Cheaper Fuels Program
 - Guarantee of Origin & Fuel Quality Standards
 - National Hydrogen Strategy and production supports
 - Sustainable Aviation Fuel (SAF) Funding Initiative
 - Australian Jet Zero Council
- 4. Innovate to expand cost competitive technology options**
 - \$250 million Future Made in Australia Innovation Fund for LCLF
 - \$475 million Driving the Nation Fund
 - \$500 million Powering Australia Technology Fund
- 5. Scale up efforts to reduce embodied emissions**
 - National Carbon Values for use in cost-benefit analyses
 - National Sustainable Procurement in Infrastructure Guideline
 - \$21 million for Low Carbon Concrete Centre
 - Future Made in Australia green metal investments



Sector Overview

Covers emissions and carbon storage from agricultural activities, land management and on-farm energy use

- Agriculture accounted for 2.4% of value-added GDP, 10.8% of exports, and 5.9% of rural employment in 2024
- Agriculture was 19.6% of national emissions and the land sector was a net sink equivalent to -16.5% of national emissions in 2024
- Agricultural emissions are dominated by methane from ruminant livestock and manure management, and nitrous oxide from agricultural soils
- Land sector has changed from a major net source of emissions to a large net sink. Agriculture emissions have been broadly stable

Abatement opportunities



Enteric fermentation

e.g. herd and pasture management, feed additives



Manure management

e.g. covered anaerobic ponds, anaerobic digesters



Agricultural soils

e.g. precision agriculture, enhanced efficiency fertilisers, fertiliser use efficiency



On-farm energy use

e.g. renewables, electrification, energy performance improvements, low carbon liquid fuels



Protect and enhance carbon stores in vegetation and soils

e.g. environmental plantings and farm forestry

Phases of the transition

To 2030

- Agriculture and land emissions and sequestration largely stable
- Investments in technology solutions to reduce emissions longer-term
- Investments in systems, knowledge and capacity to support on-ground action, with incremental electrification underway

To 2035

- Emissions intensity of agriculture declining through herd and pasture management, more efficient use of inputs such as fertiliser, and energy performance improvements
- Reforestation practices are increasing with incentives supporting wider uptake

To 2050

- Technologies for agriculture emissions reductions are commercially viable and taken up at scale
- Market signals, including demand for low-emissions intensity products and financial returns for carbon storage and nature repair, are stimulating on-ground action
- The transition is benefitting local communities, supporting First Nations participation, increasing agricultural productivity, protecting and enhancing our biodiversity and contributing to food security
- Agriculture and land are appropriately contributing to Australia's net zero goal

Pathway to Net Zero

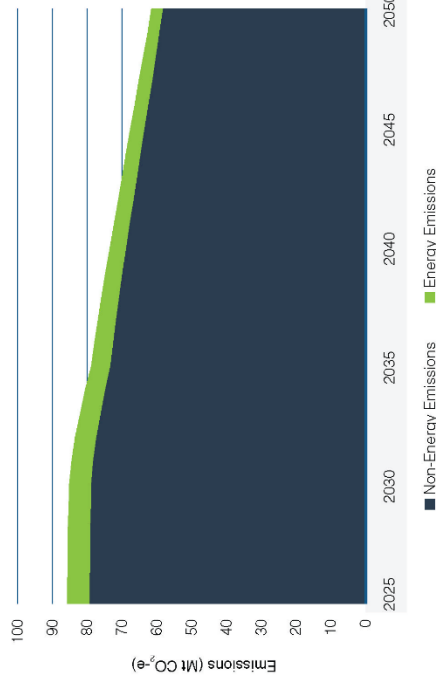


Figure 1: Agriculture sector emissions

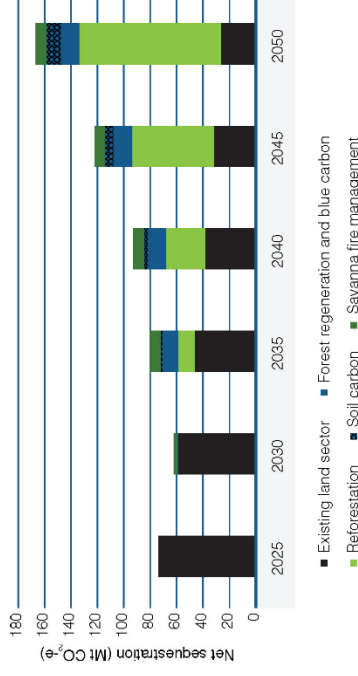


Figure 2: Land sector net carbon removals

Source: Baseline Scenario, Treasury modelling and analysis 2025. Pathways are illustrative only.

Actions

1. Understand emissions at the enterprise and national level

- Voluntary emissions estimation and reporting standards, and incorporating standards into emissions calculators
- Improving National Greenhouse Accounts to better reflect regional differences and mitigation actions

2. Support innovation to deliver commercially viable abatement options

- Zero Net Emissions Agriculture Cooperative Research Centre
- Methane Emissions Reduction in Livestock program
- Investment in Rural Research and Development Corporations

3. Strengthen on-ground action

- New \$1 billion investment in the Regional Investment Corporation
- Carbon Farming Outreach Program
- Natural Heritage Trust Climate-Smart Agriculture Program
- Clean Energy Finance Corporation

4. Enhance the role of land in a net zero economy

- Australian Carbon Credit Unit Scheme
- Nature Repair Market
- Support Plantation Establishment Program
- Australian Bushland Program
- \$1.1 billion Cleaner Fuels Program

Key challenges

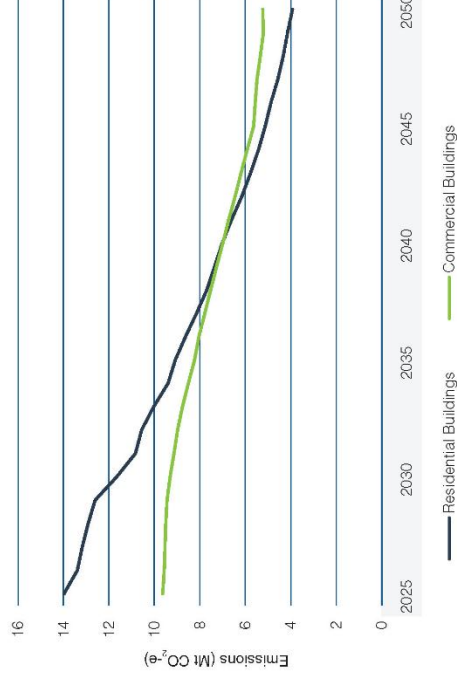
- Diverse industry, with varying capacity to engage in decarbonisation
- Uplift and use of greenhouse gas accounting systems to support understanding of emissions
- Lack of commercially viable abatement options for use in agriculture
- Balancing land use for agricultural production, carbon storage, feedstocks and nature repair



Sector Overview

- Covers residential, commercial and public buildings, urban open spaces and water infrastructure
- Australia has more than 11 million residential and 1 million commercial and public buildings
 - Construction subsector within the built environment accounted for around 7% of GDP in 2023
 - 5% of national emissions in 2024
 - Indirectly, accounts for almost half of emissions from electricity generation, and further emissions embodied in building materials
 - Since 2005, direct emissions have risen by 30% resulting from increase in the number of buildings, specifically apartments
 - Home energy ratings have risen to an average of 6.8 stars in 2025 from 1.8 stars in 2003

Pathway to Net Zero



Built Environment sector emissions

Source: Baseline Scenario, Treasury modelling and analysis 2025.
Pathways are illustrative only.

Abatement opportunities



Electrification of buildings



Improving energy performance through energy efficiency and demand flexibility



Improve building designs, material efficiency and embodied carbon within building materials

Phases of the transition

To 2030

- Household and business energy efficiency upgrades and electrification are underway
- Strong uptake of household batteries and solar
- Frameworks to reduce embodied carbon established
- Investment in research and development to support modern methods of construction
- Phase down of high global warming potential refrigerants (HFCs) in air conditioning and refrigeration

To 2035

- Households and business continue electrification and energy performance retrofits
- Improved standards for new buildings
- Appliance and equipment efficiency continuing to improve through standards and as new technology comes online
- Introduce embodied carbon requirements for most buildings

To 2050

- All users that can, have electrified
- HFC phase down completed in 2036
- Embodied carbon in construction and renovation is minimised

Actions

1. Accelerate electrification and increase energy performance

- National Energy Performance Strategy, including \$1 billion Household Energy Upgrades Fund and \$800M Social Housing Energy Performance Initiative
- Cheaper Home Batteries Program
- Modernise the Greenhouse Energy Minimum Standards
- Expand the National Australian Built Environment Rating System for non-residential buildings
- Expand the Commercial Building Disclosure Program
- Expand the Nationwide House Energy Rating Scheme (NatHERS) to cover existing homes
- \$50 million to support energy upgrades at community sports clubs
- Clean Energy Finance Corporation

2. Continued collaboration with jurisdictions through Ministerial Councils for greater national consistency in building regulations and policies

- Implement the Trajectory for Low Energy Buildings
- Implement Consumer Energy Resources Roadmap

3. Innovation and deployment of technology to support material efficiency and low carbon options for concrete, cement and steel

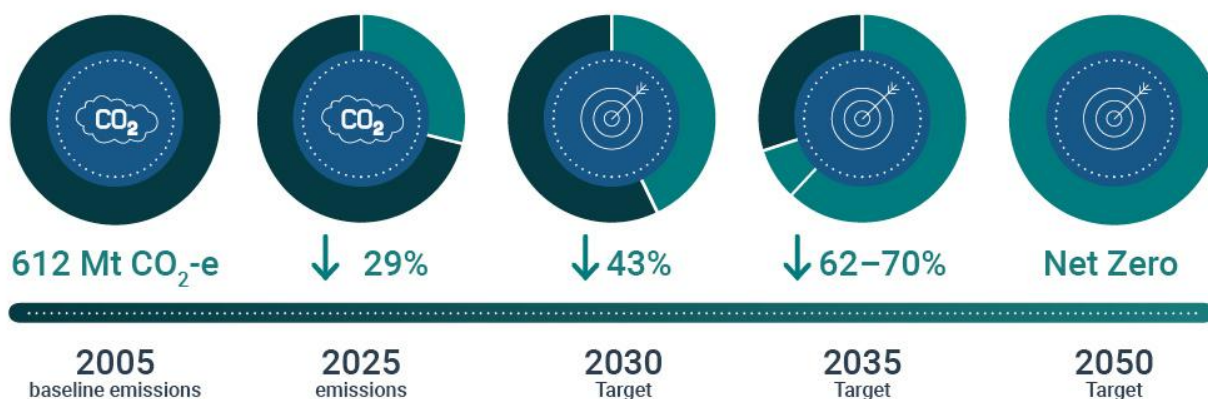
- ARENA, including Future Made In Australia Innovation Fund
- Low Carbon Concrete Centre

Emissions progress

This section summarises:

- the latest quarterly emissions inventory results, which report current emissions trends
- 2025 emissions projections, which estimate future emissions to 2040 based on currently implemented policy.

Achieving net zero emissions



Emissions reductions

The latest quarterly inventory shows that, in the year to June 2025, Australia's total emissions decreased by 10 Mt CO₂-e or 2.2%. Australia's annual emissions are now 29% below 2005 levels. In 2025, this reflects:

- decreased *electricity* emissions (down 3.3%; 5.0 Mt CO₂-e), reflecting record renewables generation and the ongoing displacement of coal
- decreased *fugitive emissions* (down 4.3%; 2.1 Mt CO₂-e), mainly due to reductions in natural gas venting emissions from new carbon capture and storage activities and a decline in production from underground coal mining
- decreased emissions in *stationary energy* (excluding electricity) (down 2.0%; 2.0 Mt CO₂-e), reflecting decreased combustion activity
- decreased emissions from *industrial processes and product use* (down 2.2%; 0.7 Mt CO₂-e), due primarily to technology and production changes in the chemicals and metals sectors
- decreased emissions from *agriculture* (down 0.6%; 0.5 Mt CO₂-e), mainly due to lower grazing cattle and sheep numbers partially offset by increased emissions from cropping
- an increase in *transport* emissions (up 0.3%; 0.3 Mt CO₂-e), mainly driven by increases in diesel consumption for road transport and domestic aviation activity.

Overall, emissions in the year to June 2025 are 3.1 Mt CO₂-e less than the year to June 2022, with the rise of over 18 Mt CO₂-e from the transport sector recovering from COVID-19 and the easing of La

Nine in the land sector more than offset by over 22 Mt CO₂-e of reductions across electricity, fugitives, stationary energy and industrial processes and product use.

Progress towards our targets

Australia's Emissions Projections 2025 provides the latest estimates of Australia's greenhouse gas emissions to 2040. It shows how Australia is tracking against its emissions reduction commitments by examining potential impacts of currently implemented policies and measures to reduce Australia's emissions.

The 2025 emissions projections incorporate currently implemented policies such as the expanded Capacity Investment Scheme (CIS) to help deliver on the government's 82% renewable electricity target, the Safeguard Mechanism, the Australian Carbon Credit Unit (ACCU) Scheme and the New Vehicle Efficiency Standard (NVES). The projections also reflect some measures announced under the Future Made in Australia agenda, including Hydrogen Headstart, the Hydrogen Production Tax Incentive, and the Critical Minerals Production Tax Incentive, as well as recent initiatives such as the Cheaper Home Batteries program and changes to Queensland's energy policy.³ The emissions projections include state and territory policies as of July 2025.

The emissions projections do not include new policies announced alongside the Net Zero Plan and 6 sector plans; potential future policy changes arising from scheduled reviews, such as the Safeguard Mechanism, the NVES and the review of National Electricity Market wholesale market settings; or future policies to further the 5 decarbonisation priorities outlined in the Net Zero Plan and flagged in the 6 sector plans.

A number of pre-existing policies are also not included, such as support to accelerate the development of Australia's green metals industry, including the green iron investment fund and the green aluminium production credit. Projects funded under the Future Made in Australia Innovation Fund and new government purchases of ACCUs under the Powering the Regions Fund are also not included.

The purpose of the projections also differs from the modelling and analysis undertaken by the Australian Treasury to support development of the Net Zero Plan and 6 sector plans. Treasury's modelling examined different scenarios to provide insights into how Australia can efficiently achieve emissions reductions over time and the economic opportunities from different pathways. These scenarios were based on different assumptions than the 2025 emissions projections, such as global mitigation action consistent with keeping global average warming well below 2°C, and market and technology trends consistent with that global action.

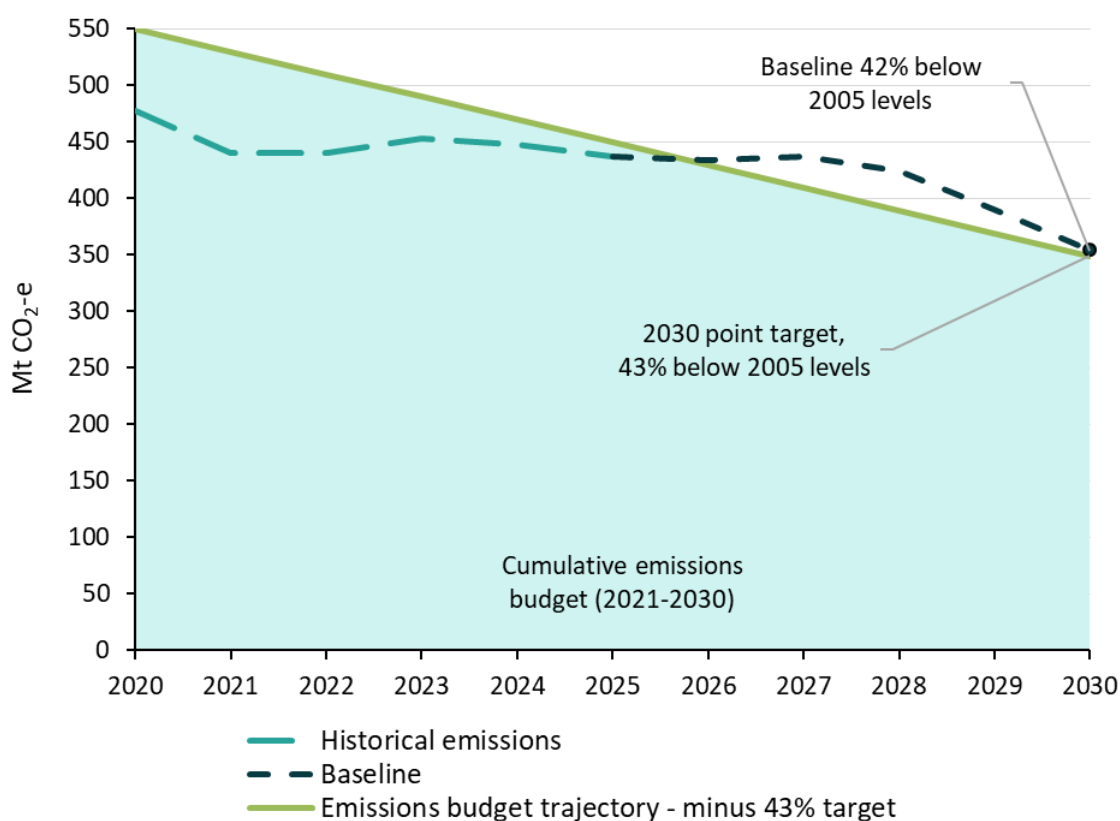
³ The 2025 emissions projections reflect Queensland energy policy as understood at July 2025. The emissions projections include coal closures in Queensland based on technical life and the repeal of Queensland renewable energy targets for 2030, 2032 and 2035.

Progress against the 2030 target

Well over half of Australia's emissions are now covered by legally binding emissions reduction policies. The 2025 emissions projections show that with current policies, Australia meets its 2030 target on a budget basis and is within reach of the point-in-time target. This is because of key federal policies like the Safeguard Mechanism, the NVES and the Capacity Investment Scheme, all calibrated to Australia's 2030 targets.

Over the period 2021 to 2030, cumulative emissions are projected to be 3% below the budget. That is, Australia is expected to overachieve on its 2030 target on a budget basis. In terms of the point-in-time target, emissions are projected to be 354 Mt CO₂-e or 42% below 2005 levels (Figure 2).

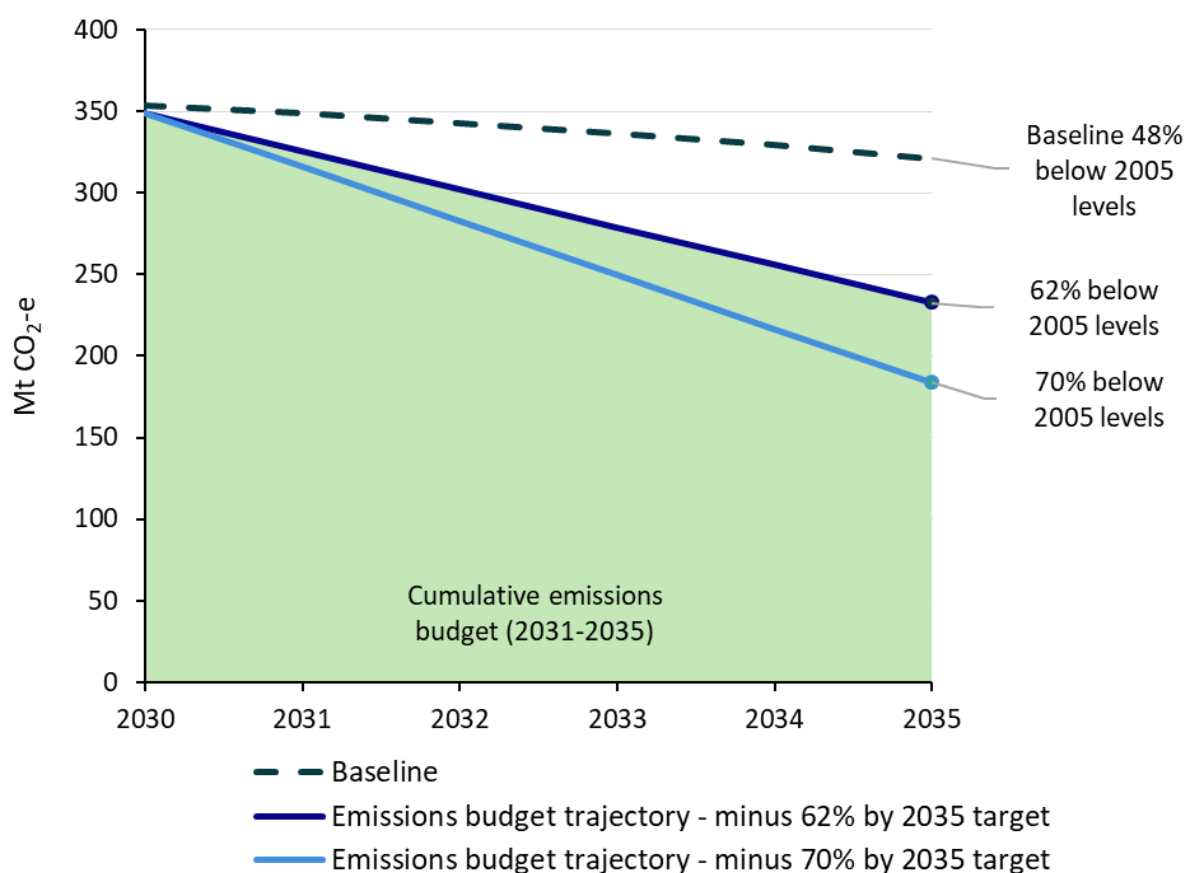
Figure 2 – Tracking against the 2030 target, 2020 to 2030, Mt CO₂-e



Progress against the 2035 target

Under currently implemented policies and not taking into account new actions under the Net Zero Plan, emissions in 2035 are projected to be 48% below 2005 levels. When assessed against the 2035 target, emissions are 20–34% above the 2031–35 emissions budget. To meet the target, Australia needs to reduce its emissions by a further 283–429 Mt CO₂-e over 2031 to 2035. As noted above, the projections do not include policies announced with the Net Zero Plan, policies yet to be reviewed in light of the 2035 target, or future policies that the Commonwealth, state, territory or local governments may consider.

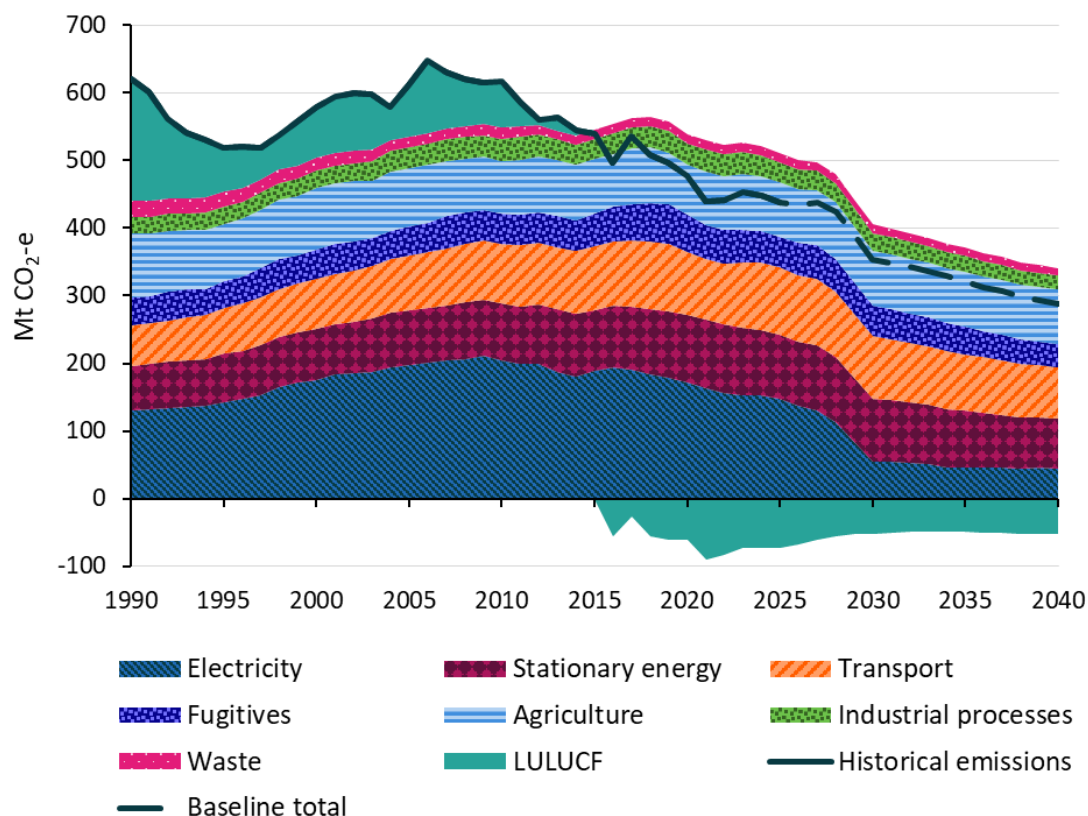
Figure 3 – Tracking against the 2035 target, 2030 to 2035, Mt CO₂-e



Emissions trends to 2040

From 2025 to 2040, greenhouse gas emissions are projected to decline in almost all sectors driven by federal and state and territory policies (Figure 4).

Figure 4 – Australia’s emissions projections, 1990 to 2040, Mt CO₂-e



The strongest emissions declines to 2030 are projected in the **electricity sector**, where emissions are projected to decline more than 60% from 148 Mt CO₂-e in 2025 to 55 Mt CO₂-e in 2030, and then continue to decline, though at a slower rate, reaching 45 Mt CO₂-e by 2040. This is driven by state and territory renewable targets and plans, as well as the Australian Government’s target to achieve 82% on grid renewable generation nationally by 2030. The target is supported by the expanded CIS, new and upgraded grid infrastructure through Rewiring the Nation, Renewable Energy Transformation Agreements and the Cheaper Home Batteries program. Electricity emissions decline further to 2040, driven by state and territory policies, including Victoria’s 2035 renewable energy target of 95%, and the exit of coal power stations in Victoria, NSW and Queensland. However, emissions reduction slows as increasing electricity demand from electrification and data centres is met by a combination of fossil fuel and renewable generation.

Emissions in the **transport sector** have steadily risen since 1990, with the exception of the period from 2020 to 2022 when COVID-19 related travel restrictions reduced emissions. Between 2025 and 2030, transport emissions are projected to fall 6% to 92 Mt CO₂-e. This is largely driven by the NVES, which commenced on 1 January 2025 and covers the light vehicle category, which is the single largest source of emissions within the transport sector. Transport emissions are projected to continue to decline through to 2040 as more efficient vehicles are sold and less efficient vehicles are retired.

Emissions in the **stationary energy** and **fugitives** sectors are projected to increase in the short-term to 2027 before declining. This follows temporary outages at a number of gassy coal mines and the

ramp-up of new and returning liquefied natural gas (LNG) capacity. This increase in stationary energy and fugitive emissions is partially offset by abatement activities at Safeguard facilities incentivised by the Safeguard Mechanism like efficiency improvements, fuel switching and process changes.

Abatement incentivised by the Safeguard Mechanism also reduces emissions in **the industrial processes and product use (IPPU) sector**. Greater levels of technology deployment are projected to continue through to 2040 as Safeguard baselines decline to zero by 2050.

Agriculture and waste emissions are projected to remain largely flat from 2025 to 2040. Emissions in the agriculture sector are heavily influenced by seasonal conditions and the projections assume oscillations between wet and dry climate drivers over the short- to medium-term. Agriculture emissions are projected to increase marginally between 2025 and 2040. Waste sector emissions are projected to decline marginally to 2030 and to 2040. Recycling, resource recovery, methane capture and the introduction of food organic and garden organic (FOGO) waste bins, have helped to slowly reduce emissions from waste despite the impact of a growing population on the volume of waste disposal.

The **land use, land use change and forestry (LULUCF) sector** is projected to remain a net sink over the projections period. That is, more carbon is projected to be sequestered than emitted from this sector each year. The net sink is expected to continue to moderate from a peak of -90 Mt CO₂-e in 2021 to -52 Mt CO₂-e in 2030. This peak in 2021 resulted from high rainfall La Niña conditions, increasing forest growth and building soil carbon in cropland and grasslands. This is expected to be a temporary occurrence with conditions assumed to return to seasonal averages. LULUCF emissions are projected to remain a net sink at -50 Mt CO₂-e in 2035 and -53 Mt CO₂-e in 2040, in part due to sequestration activities incentivised by the ACCU scheme.

Strong foundations for future reductions

The 2025 emissions projections show that with currently implemented policies, Australia could achieve the 2030 target in budget terms and be close to achieving the 2030 point-in-time target. It also shows that more effort is needed to achieve Australia's 2035 target, which reflects Australia's obligation under the Paris Agreement for targets to represent each country's highest possible ambition.

Australia's Net Zero Plan and 6 sector plans establish that, with the right policy, technology and investment settings, Australia can achieve our targets while supporting economic growth and delivering affordable, reliable energy for the future. This is confirmed by the CCA's advice that notes the target is 'technically feasible, harnessing contributions across every sector and jurisdiction and enabled by practical policy measures' (CCA 2025a:7). The Net Zero Plan outlines the Government's existing policy foundations that provide a strong basis for future emissions reductions.

The plan also presents a set-do-review-refine framework (Figure 5) which underpins how Australia will continue to track progress and adjust policies and measures over time toward ambitious emissions reduction targets.

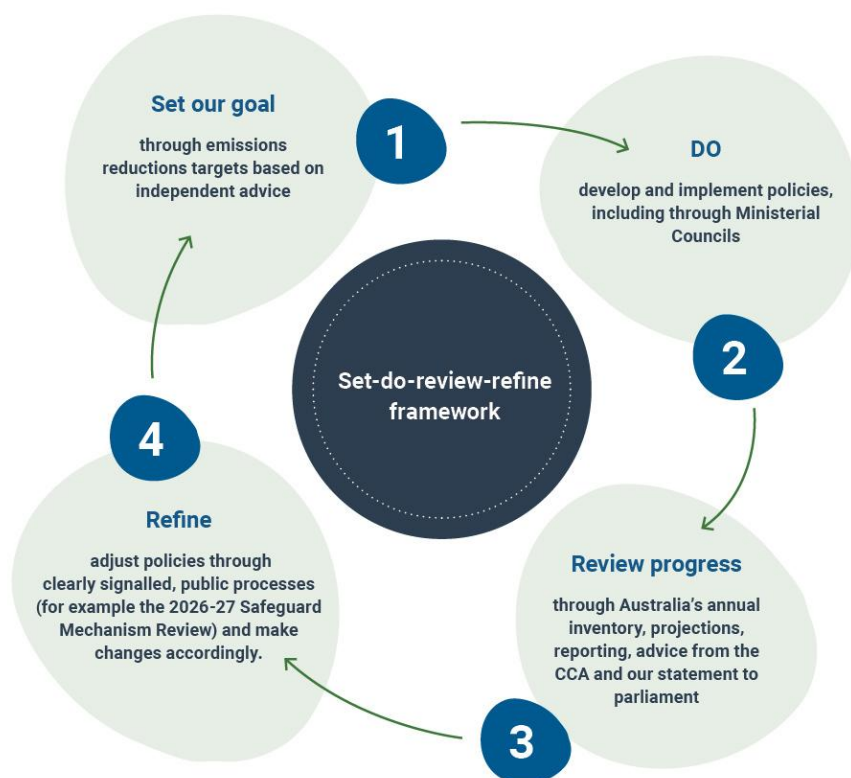
The 2035 target, Net Zero Plan and 6 sector plans represent the 'set' phase, establishing the goal, strategic roadmap and sectoral pathways to reach net zero by 2050. The 'do' phase involves implementing policies and actions.

The ‘review’ and ‘refine’ phases are supported by quarterly updates to Australia’s emissions inventory, which provide timely, transparent data on actual emissions trends; and the emissions projections, which offer a forward-looking perspective to inform policy adjustments. Alongside these, the Annual Climate Change Statement provides transparent, yearly updates to parliament on progress toward legislated targets, policy effectiveness and emerging risks, while the Climate Change Authority’s Annual Progress Report provides independent expert analysis and recommendations for improvement.

Together, these mechanisms create a continuous feedback loop – setting strategy, implementing actions, reviewing outcomes, and refining approaches – ensuring the government remains on track to achieve its ambitious emissions reduction commitments.

States and territories are also continuing to update and refine their policies over time to meet their own relevant 2030, 2035 and net zero targets.

Figure 5 – Set-do-review-refine framework



2025 Annual Progress Report

This year's Annual Climate Change Statement is informed by the Climate Change Authority's 2025 Annual Progress Report (the APR), which was provided to the Australian Government on 14 November 2025.

The APR outlines that all sectors need to reduce emissions faster for Australia to meet its 2030 and 2035 targets. The APR confirms our new 2035 target 'is ambitious, achievable, and firmly in Australia's national interest' (CCA 2025b:12). The APR acknowledges the Government's current and recently announced emissions reduction policies and that there are additional opportunities to accelerate progress.

The APR warns that 'delays increase risks to Australia's economic productivity, environment and communities' (CCA 2025b: 10). Despite commentary to the contrary, it confirms that 'Climate action is an economic opportunity. Cutting emissions and adapting to climate change can boost productivity and support jobs, businesses, and communities' (CCA 2025b:10). It states 'the global direction is clear: the world is rewiring its energy and industrial systems, and Australia's comparative advantage will increasingly depend on how quickly it can align its exports, infrastructure and workforce with these transforming markets.' (CCA 2025b:12).

The APR has a focus on continuing to reduce emissions from the energy and electricity sector as a near-term priority, with recommendations on accelerating deployment of renewable energy projects, extending investment through the Capacity Investment Scheme, and ensuring community benefits from clean energy projects. This is alongside a focus on adaptation, with recommendations the Government should lead development of a national adaptation finance strategy.

As required by legislation, the APR provides further analysis regarding the operation of the Safeguard Mechanism and whether covered emissions are declining consistently with the requirements of the *National Greenhouse and Energy Reporting Act 2007*. The Government welcomes the advice that 'over the first 2 years of the reformed Safeguard Mechanism, emissions have declined consistently with legislated outcomes' (CCA 2025b:98). The Government also notes the Climate Change Authority (CCA) will continue to monitor outcomes, particularly in relation to the use of offsets and in reviewing opportunities to accelerate cuts in fossil methane emissions.

The APR reflects that global commitment to climate action remains. Its findings around escalating climate risks align with the Australian Government's *National Climate Risk Assessment* and underscore the importance of effective climate adaptation. The Government welcomes the APR's advice regarding priorities for climate change adaptation policy.

The CCA's advice has been provided as the Government implements the Net Zero Plan and the 6 sector emissions reduction plans, along with existing key policies and programs. The Australian Government agrees, agrees in principle, or notes all of the CCA's recommendations. Detailed responses, alongside information regarding the actions being taken in response to the 2024 APR can be found from page 81 of this document.

Chapter 2: Key developments across sectors

This chapter considers the current emissions profile and key developments in the 6 sectors aligned with the sector plans.

The sectors outlined in this chapter reflect the definitions used in the Net Zero Plan and associated modelling activities. There are minor variations between these definitions and those applied in the inventories and projections content at Chapter 1. Where inventories emissions data is provided in support of sector profiles below, it has been adjusted to reflect the Net Zero Plan sector definitions.

Future annual climate change statements will continue to be organised around these sectors to measure progress and the impact of government policies on Australia's decarbonisation pathway.

States and territories continue to hold many of the key levers shaping our decarbonisation pathway, including through their own emissions reduction and renewable energy targets, and planning approval decisions. Along with local governments, they are vital partners in achieving our collective net zero ambition.



Key developments across sectors



↓3% from 2023-24

Electricity and energy

- **Emissions:** 146 Mt CO₂-e
- **Renewables share:** over 40% across Australia's two major electricity grids
- **Capacity Investment Scheme:** In 2025, the target expanded to 40 GW (up from 32 GW)
- **CIS-backed renewable energy projects:** 65 projects supported (as of October 2025) for:
 - 13 GW of renewable generation
 - 5.4 GW (4 hour equivalent) of new battery storage
 - Additional 15 GWh of battery storage through hybrid generation projects.
- **Home Batteries:** 135,000 installed between July and November 2025 as part of the Cheaper Home Batteries Program (representing 3 GWh of storage capacity)



→ holding steady from 2023-24

Transport

- **Emissions:** 100 Mt CO₂-e
- **New Vehicle Efficiency Standard:** introduced January 2025, effective from 1 July 2025
- **Electric vehicle sales:** 12.7% of light passenger vehicles (January-September 2025), up from 9.5% in 2024
- **Electric vehicle availability:** 153 model variants available, up from 104 in June 2025

34%
of total national emissions

22%
of total national emissions

22%
of total national emissions

14%
of total national emissions

5%
of total national emissions

20%
of total national emissions

-17%
of total national emissions



↓3%



↓2% from 2023-24

Industry and Resources

- **Industrial sector emissions:** 60 Mt CO₂-e
- **Resource sector emissions:** 97 Mt CO₂-e
- **Safeguard credits:** 62 facilities earned 8.3M SMCs for staying below baselines (2023-24)
- **\$5B Net Zero Fund:** for industrial decarbonisation, renewables, and low-emissions manufacturing through the National Reconstruction Fund.



↓3% from 2023-24

Built environment

- **Emissions:** 21 Mt CO₂-e
- **Household Energy Upgrade Fund:** 2,784 households accessed \$120M in upgrades (by 30 September 2025)
- **Social housing energy performance:** over 12,500 properties upgraded, improving energy bills and thermal comfort



↓1% from 2023-24

Agriculture

- **Emissions:** 88 Mt CO₂-e
- **Carbon Farming Outreach Program:** 6000 farmers and land managers participated in workshops to manage on-farm emissions



→ holding steady from 2023-24

Land

- **Emissions:** -74 Mt CO₂-e

Electricity and energy

At a glance

- In September and October 2025, renewables were the largest source of electricity in Australia's largest grid – the National Electricity Market (NEM) – surpassing coal for the first time.
- The Capacity Investment Scheme has been expanded to support 26 GW of new renewable capacity and 14 GW of storage capacity. 26 GW of renewables is enough to power around 13 million households.
- Over 135,000 batteries have already been installed in Australian homes and businesses since July 2025 under the Cheaper Home Batteries Program, with around 3 GW hours of new storage capacity.
- The First Nations Clean Energy Strategy 2024–2030 is a national framework endorsed by all governments to ensure the benefits of the clean energy transformation are realised by First Nations peoples.

Emissions trends

The electricity and energy sector covers how we produce and use power, from coal and gas to renewables.

The electricity and energy sector made up 33.3% of Australia's emissions in 2024-25. It includes:

- generation of electricity
- manufacture of petroleum products
- supply of gas
- other related services.

Emissions from this sector have declined 29.1% since 2005 and are down by 3.2% (4.8 Mt CO₂-e) between 2023-24 and 2024-25, reflecting decreased reliance on fossil fuels as the renewable electricity rollout gains pace.

As the Electricity and Energy Sector Plan states, harnessing Australia's renewable energy resources – firmed by gas, hydro and batteries – is the cheapest way to replace ageing coal-fired power stations and meet growing electricity demand.

Consumers and households are playing a key role. The record uptake of distributed solar and batteries is reducing reliance on utility-scale generation and expansion of the electricity network, helping to reduce costs and emissions.

Australia's ageing coal plants

With an average age of 38 years the Australian Energy Regulator's (AER) *State of the Energy Market 2025* report states that Australia's coal plants are ageing and increasingly costly to operate. Many require high levels of maintenance and refurbishment to keep them running. They are also prone to unplanned outages, sometimes for prolonged periods, which impacts electricity reliability and prices.

In Quarter 2 2025, coal plant outages saw a 28% year on year increase, with unavailable volumes rising by more than 700 MW. The AER also notes that coal outages were one of the contributing factors to the high-price events observed in June 2025, which saw some of the highest prices in the NEM since the 2022 energy crisis.

The CSIRO's latest GenCost report released in July 2025 confirms that renewables remain the least cost form of new low-emissions generation capacity on a levelised cost of electricity basis (Graham, Hayward and Foster 2025). There are currently no credible investment plans to build new coal-fired generation in Australia. To minimise the reliability and price impacts from coal plant outages, as well as avoid prolonging our susceptibility to these outages, we need to continue to build renewables, storage, and firming capacity to ensure replacement capacity is in place to allow for coal plant exits.

Exposure to climate hazards

The National Climate Risk Assessment (NCRA) identifies the energy sector as highly exposed to multiple climate hazards – particularly bushfires, extreme heat, flooding and coastal inundation – which can disrupt generation and transmission infrastructure and increase costs for resilience measures (ACS 2025).

To address the energy sector's exposure to climate hazards, the Australian Government is:

- integrating climate risk into infrastructure planning, design, and maintenance processes
- protecting critical infrastructure through legislative frameworks such as the *Security of Critical Infrastructure Act 2018*.

Investments like Rewiring the Nation are also strengthening energy system resilience by improving grid integration and resource sharing across jurisdictions.

Key developments

Progress to 82% on-grid renewable electricity by 2030

The Australian Government is committed to reaching 82% renewable electricity on-grid by 2030 as a crucial measure to decarbonise the electricity and energy sector as ageing and unreliable coal-fired power stations exit. We have made substantial progress towards this target to date, but there is still more work to do.

Currently, over 40% of Australia's 2 major grids are renewable, compared to just over 13% a decade ago in 2015. In the past 12 months, Australia produced over 100 terawatt hours of renewable energy.

That's enough to power all the homes in Australia one and a half times. It is an increase of 40% since 2021.

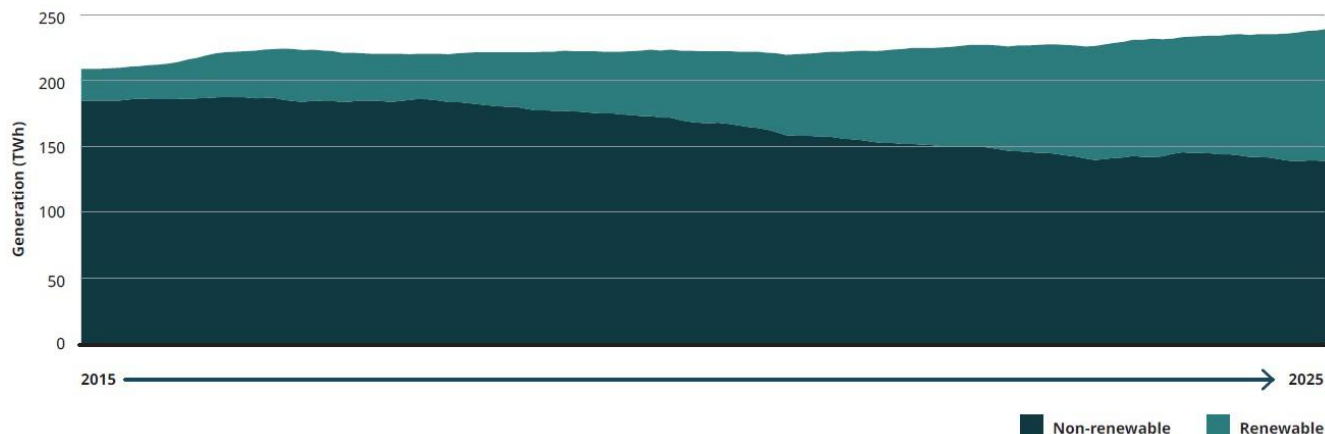
In the National Electricity Market (NEM), Australia's largest electricity grid supplying electricity to around 9 million households and businesses, the capacity of Australia's wind and solar assets is now over 51% greater than it was before May 2022. Renewable penetration in the NEM achieved a record of 78.26% at 12:00pm on 11 October 2025, with the Western Australian grid reaching a new high of 88.97% on 3 November. The first time the NEM got over 70% renewables in any 30-minute period was September 2023. Since the start of September this year, renewables have been 70% or more for at least 30 minutes in a day on 65 days, or 81% of days.

A record 4.3 GW of large-scale wind and solar was approved by the Clean Energy Regulator (CER) in 2024, with an additional 3.2 GW of rooftop solar installations. Rooftop solar now equates to 27 GW of installed capacity in Australia – more than black and brown coal combined. 2024 also saw a record \$12.7 billion of investment made into clean energy (CEC 2025b).

The CER projects that approved large-scale renewable electricity capacity in 2025 will reach between 3.8 to 4.0 GW (CER 2025b). In total, the CER estimates that close to 7 GW of renewable capacity will be added to the grid in 2025, when including additional small-scale capacity. Looking forward, there is a strong development pipeline with up to 5.9 GW of committed capacity that may be submitted for accreditation under the Large-scale Renewable Energy Target in 2026 and beyond (CER 2025b).

Figure 6 – Electricity generation by source

Electricity generation by source (NEM & SWIS) 2015-2025



Across both solar and wind, the Australian Government expects that deployment rates – particularly from Capacity Investment Scheme (CIS) projects – will accelerate rapidly towards the latter part of the decade, supporting delivery of our target of 82% on-grid renewable electricity by 2030.

Supporting renewables investment through the Capacity Investment Scheme

The CIS is the cornerstone policy to bring new supply into electricity markets, putting downward pressure on prices and working to achieve 82% renewable electricity generation on-grid by 2030. The CIS decreases financial risk for investors by providing long-term revenue certainty for new renewable generation projects (such as wind and solar), and dispatchable capacity (including batteries).

In July 2025, the Australian Government expanded the CIS to support 26 GW of new renewable capacity and 14 GW of storage capacity. 26 GW of renewables is enough to power around 13 million

households. The CIS is on track to deliver this increased amount, supporting delivery of the 82% renewable electricity target.

As of October 2025, the Government has announced CIS support for 65 successful renewable generation and storage projects worth 13 GW of generation and 5.4 GW 4-hour equivalent of storage capacity. An additional 3.8 GW 4-hour equivalent of storage capacity will be delivered through hybrid generation projects. 20 CIS agreements have been executed to date, with all projects in early development and currently on track to meet their agreed milestones.

Meeting our renewable electricity target will require close collaboration with the states and territories, including through streamlining approvals for clean energy projects. The Australian Government has agreed Renewable Energy Transformation Agreements (RETAs) with WA, SA, NSW, Victoria, Tasmania and the ACT to support the energy transformation. RETAs define the minimum capacity a state or territory will receive under the CIS and include key commitments to support projects to be built, such as improving community engagement and planning and approvals processes.

Streamlining approvals for renewables

The Australian Government notes the Climate Change Authority's (CCA) advice that environmental approval processes at the national, state and territory levels are hindering progress towards achieving the 82% renewable electricity target.

Following widespread support at this year's economic reform roundtable, the Australian Government committed to fast-track assessments for renewable energy projects under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). This will be achieved through:

- the National Renewable Energy Priority List
- expanding access to the existing rapid assessment pathway for new applications
- piloting artificial intelligence tools to speed-up assessments and approvals.

Legislation introduced to parliament in October 2025 will deliver stronger environmental protection and restoration, more efficient and robust project assessments and greater accountability and transparency in decision-making.

These reforms will incentivise developers to provide required information upfront to maintain strong environmental protections. They will lead to faster decision-making and provide certainty for industry and applicants. The Australian Government will continue to work to maintain community support for projects, protect agricultural production, and preserve First Nations heritage. Further detail regarding this is provided in the Government's response to the CCA's 2025 Annual Progress Report.

The National Renewable Energy Priority List, published in March 2025, identifies 56 priority renewable energy projects for coordinated support through planning and environmental approval processes. Projects identified in the list could deliver an additional 16 GW of generation capacity and 6 GW of storage, if approved and fully developed. This year, the Australian Government allocated funding for the accelerated assessment of these priority projects under the EPBC Act. As at 11 November 2025, 14 priority projects have received approval under the EPBC Act.

First Nations Clean Energy Strategy

The First Nations Clean Energy Strategy (2024–2030), released in December 2024, was developed by the Australian Government in partnership with First Nations communities and the Minister’s First Nations Clean Energy and Climate Change Advisory Committee.

The strategy is a framework for action for all governments and industry partners. It advances the Australian Government’s commitment to Closing the Gap, placing First Nations peoples, Country and Culture at the heart of the clean energy transformation. It aims to reduce energy disadvantage in First Nations communities and ensure First Nations peoples can participate in, and benefit from, the transition to clean energy. The strategy is built around 3 objectives:

- improve clean energy access for First Nations communities
- form equitable partnerships with First Nations peoples
- promote economic empowerment.

The strategy is supported by \$74.6 million, including targeted pilot funding to support First Nations proponents to progress clean energy projects and grants for accessing independent expertise to seize clean energy opportunities. The strategy’s first Commonwealth Implementation Plan will identify further actions the Government can take to ensure First Nations peoples lead and benefit from the energy transition.

Enhancing developer accountability

The Australian Government is improving the way clean energy project developers engage with host communities. The Renewable Energy Developer Rating Scheme pilot, launched in August 2025, will assess companies that are seeking to develop renewable energy projects. Assessments will focus on developer performance, track record and capability, particularly regarding community engagement. Sixty developers have signed up to pilot the scheme prior to its anticipated full-scale launch in March 2026. Companies will be reassessed annually, and those who receive a positive assessment outcome can consent to be listed on a free public register. The scheme is being developed with input from state and territory and local governments, landholders, community organisations, industry bodies, and developers.

Establishing Australia’s offshore wind industry

The Australian Government has finalised the declaration of 6 priority offshore wind zones. The Government is making it easier for developers to invest in offshore wind by temporarily reducing fees and levies for the next 2 years. This will support developers to invest in feasibility activities to progress projects and will reduce the risk of developers exiting the market at a critical stage for offshore wind development in Australia.

Alongside this work, the Government continues to develop the regulatory regime for an Australian offshore wind industry and grant feasibility licences to developers.

The Government intends to open applications for research and demonstration licences. Developers, researchers, scientists and other interested parties will be able to apply for these licences in declared zones, to trial and test offshore renewable energy technologies.

Consumers leading with Cheaper Home Batteries

In July 2025, the Government's Cheaper Home Batteries program commenced, providing a discount of around 30% of a typical home battery connected to solar PV. Uptake by households, business and community groups has exceeded expectations with support for over 135,000 battery installations to date. That represents around 3 gigawatt hours of additional storage capacity.

The program not only provides savings to households and small businesses who install batteries to shift their solar from the middle of the day to use when the sun goes down. The reduction in overall demand at peak times helps put downward pressure on prices for everyone.

As the program continues, the Government is working carefully with an Industry Advisory Implementation Committee on how to deliver on our objectives and keep the program sustainable for years to come. This includes consideration of how the scheme has incentivised the different sizes of batteries being taken up by consumers and maintains the strongest consumer protections.

Enhancing energy performance

Energy performance is about how to use energy better and manage the demand put on the energy system. Reducing energy use, planning for peak demand periods in the energy system, or swapping to greener fuels are ways to improve energy performance. Energy performance upgrades are often the quickest and cheapest way to reduce emissions, while contributing to a more reliable grid and lowering energy bills.

The Community Solar Banks program continues to extend the benefits of solar to renters, apartment dwellers, and low-income households. To date, the Australian Government has signed 6 agreements with state and territory governments, including for programs targeting regional and First Nations communities. Over 2,800 households have benefited from the program to date.

In addition, the \$200 million Community Batteries for Household Solar program is supporting over 400 community batteries around Australia to store excess solar energy for households to use during peak times, lowering their bills.

Accompanying the release of the Electricity and Energy Sector Plan, the Australian Government committed an additional \$85 million to expand existing energy performance initiatives by:

- modernising the *Greenhouse and Energy Minimum Standards (GEMS) Act*
- investing in the National Australian Built Environment Rating System (NABERS) for non-residential buildings
- expanding the Commercial Building Disclosure (CBD) program to more commercial building types beyond office buildings
- expanding the Nationwide House Energy Rating Scheme (NatHERS) to cover existing homes
- establishing a Demand-side Statement of Opportunities to complement existing system planning by the Australian Energy Market Operator (AEMO).

Throughout 2025, the Industrial Transformation Stream of the Powering the Regions Fund also continued to support key energy efficiency improvements for industrial facilities across Australia (see Chapter 4). Several of the Australian Government's other energy performance initiatives are discussed in greater detail in the built environment section of this chapter.

Enhancing energy affordability

The Australian Government is providing relief to help Australians facing cost-of-living pressures. In the 2024–25 Budget, the Energy Bill Relief Fund was expanded to deliver \$3.5 billion of relief for over 10 million Australian households and around one million eligible small businesses. This was extended by \$1.8 billion over 6 months in the 2025–26 Budget, providing energy bill relief to households and eligible small businesses to the end of 2025.

The Australian Competition and Consumer Commission (ACCC) Inquiry into the NEM published in July 2025 found that median bills for residential customers in Quarter 3 of 2024 were 21% lower than in Quarter 3 2023. The ACCC states this was largely due to the expansion of the Energy Bill Relief Fund and state rebates.

In 2025, the Australian Government announced significant reforms to the Default Market Offer (DMO) to strengthen the DMO framework and improve protections for small customers. The Government also announced it is introducing and consulting on the Solar Sharer Offer – an initiative aimed at providing households with 3 hours of free electricity daily during peak solar generation periods for them to switch their energy consumption. Initially available to households in DMO-jurisdictions, the Solar Sharer Offer initiative is designed to share the benefits of Australia's world-leading deployment of rooftop solar to ensure equitable access to renewable energy and improve grid efficiency.

Building the transmission infrastructure to reach net zero

The renewable energy transformation requires the expansion and modernisation of Australia's electricity transmission infrastructure. Around 630 km of new transmission lines are in operation, with a further 3,235 km reaching final investment decision since May 2022.

The Government's Rewiring the Nation initiative is speeding up the delivery of transmission infrastructure while enhancing electricity affordability. As at 30 September 2025, the total value of Clean Energy Finance Corporation (CEFC) commitments under the program exceeds \$7 billion across 7 key projects.

The Australian Government continues to work with the Victorian and Tasmanian governments to deliver the nation-building Marinus Link project. This year, the project reached financial close for Stage 1, following a funding commitment from the CEFC, along with equity commitments from the Commonwealth, Tasmanian and Victorian governments. With financial close secured, the project can now proceed towards construction. This project will enhance energy security in both states – with capacity equal to the power supply for 1.5 million homes. Stage 1 construction is expected to commence in 2026 for completion in 2030.

Enabling the Clean Energy Finance Corporation to reduce electricity prices

The Australian Government has strengthened the CEFC with up to an additional \$4 billion into its General Portfolio, bringing the total funds under management to \$13.5 billion. The government is also updating the CEFC's Investment Mandate to include a new focus on the rapid rollout of renewable projects.

NEM wholesale market settings review

As the mix of energy resources in the NEM continues to evolve and electricity demand increases, wholesale market settings must provide effective signals to incentivise investment. In 2024, the Australian Government announced a review of the NEM wholesale market settings led by an independent expert panel.

The panel will provide recommendations to Government on how to best shape the future of the NEM to ensure it promotes investment in firmed, renewable generation and storage capacity following the conclusion of CIS tenders in 2027. The expert panel is expected to present its final report to the Energy and Climate Change Ministerial Council at the end of 2025.

Industry and resources

At a glance

- Australia's highest emitters are steadily reducing their emissions in line with national targets under the Safeguard Mechanism.
 - Net emissions from covered facilities decreased by 7% in 2023-24, the first year following the Safeguard Mechanism reforms. Preliminary data indicates that net emissions from facilities decreased a further 6.2% in 2024-25.
- In 2025 the Australian Government has:
 - Reallocated \$5 billion to a Net Zero Fund from the National Reconstruction Fund to drive industrial decarbonisation and expand renewable and low-emissions manufacturing.
 - Committed \$1.1 billion to the Cleaner Fuels Program, which will stimulate private investment in Australian production of low carbon liquid fuels.

Emissions trends

The industry sector covers manufacturing and processing of goods, refining and waste processes across a range of sub sectors including the manufacture of metals, cement and plastics. The resources sector covers the exploration and production of minerals, oil and gas, and coal resources.

While considered separately for the purposes of the sector plans, these sectors are considered together in this report. This reflects that they are both critical drivers of economic growth and include the majority of Safeguard Mechanism facilities.

In 2024-25, the industry and resources sector made up 35.8% of Australia's total emissions, resulting primarily from:

- the burning of fossil fuels to generate heat and power
- gas leaks, venting, and flaring (fugitive emissions) from the coal, oil, and gas supply chain
- processing of raw materials to support production of cement, steel and ammonia waste and resource recovery.

Emissions from the industry sector, which accounted for 13.7% of national emissions in 2024–25, decreased by 2.9% (1.8 Mt CO₂-e) from 2023-24, reflecting the impact of the Safeguard Mechanism. Emissions from the resources sector accounted for 22.1% of Australia's total emissions in 2024–25, a decrease of 2.5% (2.4 Mt CO₂-e) from 2023–24, mostly reflecting reductions in natural gas venting emissions from new carbon capture and storage activities and a decline in production from underground coal mining.

For these sectors, the transition to net zero will be driven by improvements in energy efficiency, electrification, adoption of alternative fuels, deployment of abatement technologies, and a gradual decline in domestic and global demand for fossil fuels.

Exposure to climate hazards

The National Climate Risk Assessment (NCRA) identifies that the industrial and resource sectors face compounding risks from extreme heat, flooding and bushfires, which can disrupt operations, damage assets and affect supply chains, particularly in regions with limited infrastructure redundancy (ACS 2025).

The Australian Government is strengthening supply chain resilience through:

- investments in critical rail infrastructure
- a nationally coordinated Freight and Supply Chain Strategy
- and climate-resilience transport planning.

It is also supporting broader economic and community resilience in vulnerable regions, through initiatives like the Disaster Ready Fund, the Northern Australia Action Plan, and the Regional Investment Framework.

Key developments

The Safeguard Mechanism

The reformed Safeguard Mechanism is Australia's main policy lever for reducing emissions from the industrial and resources sectors. It requires Australia's highest emitting facilities in these sectors to reduce their net emissions by 4.9% each year to 2030. Net emissions reductions can be achieved by taking on-site action to reduce emissions at the source, or by surrendering Safeguard Mechanism Credits (SMCs) or Australian Carbon Credit Units (ACCUs).

The Safeguard Mechanism covers approximately 87% of resources sector scope 1 emissions (that is, emissions released on site from a facility and as a result of its activities) and 56% of industry sector scope 1 emissions (DCCEEW 2025a).

Resources sector facilities accounted for roughly 65% of all emissions covered by the Safeguard Mechanism in 2023–24, and industrial sector facilities accounted for around a quarter of covered emissions.

2023–24 outcomes

2023–24 data from the Clean Energy Regulator (CER) indicate that the Safeguard Mechanism is working as intended. Total emissions (covered emissions⁴) produced by Safeguard facilities were 135.9 Mt CO₂-e and fell within the baseline for that year.

Once facilities surrendered ACCUs and SMCs, net emissions⁵ for Safeguard facilities in 2023–24 came to 127.5 Mt CO₂-e (CER 2025b).

⁴ 'Covered emissions' are generally the scope 1 emissions from a facility covered by the Safeguard Mechanism as defined under the Safeguard Rule

⁵ 'Net Safeguard emissions' are the total number of covered emissions minus (-) the number of surrendered carbon units (ACCUs and SMCs), plus (+) any ACCUs issued in relation to the reduction of covered emissions at a Safeguard facility during the year.

Both covered and net emissions in 2023–24 declined from the year before, reflecting that Safeguard facilities are increasing investment in emissions reduction projects and applying offset strategies.

2024–25 outcomes

Preliminary CER data⁶ analysed by the CCA in their 2025 Annual Progress Report shows emissions continued to decline in 2024–25, where:

- covered emissions (before offsets) fell by 2.4% to 132.7 Mt CO₂-e, which is 6 Mt and 4.3% less than 2022–23 (equivalent to around two-thirds of the annual emissions from domestic aviation)
- net Safeguard emissions fell by 6.2% to 119.6 Mt CO₂-e which is consistent with the 4.9% decline rate in the second year of the reformed scheme, and is 13% down on 2022–23.

Overall, the CCA determined that ‘over the first 2 years of the reformed Safeguard Mechanism emissions have declined consistently with legislated outcomes’ set out in the *National Greenhouse and Energy Reporting Act 2007* (CCA 2025a:98).

The CCA acknowledges that meeting longer-term outcomes will depend on the adjustment of Safeguard policy settings over time.

Ensuring the Safeguard Mechanism is fit for purpose

The Australian Government will review Safeguard Mechanism policy settings in 2026–27 to ensure that emissions reductions are delivered in line with Australia’s targets. The CCA will have a role in advising on the extent to which abatement is being effectively driven by the Safeguard Mechanism and whether any additional incentives are required.

The Government is mindful of the matters for ongoing observation raised by the CCA in the 2025 Annual Progress Report, such as the use of offsets and application of trade-exposed-baseline-adjustments, and will continue to consider their advice to ensure the Safeguard Mechanism is appropriately calibrated to support the achievement of the 2030 and 2035 targets.

Support for industrial decarbonisation and low-emissions technologies

In releasing Australia’s Net Zero Plan, the Australian Government committed \$5 billion to establish a Net Zero Fund within the National Reconstruction Fund, drawing from and refocusing existing capital, to support industrial decarbonisation and scale up renewables and low-emissions manufacturing.

The Net Zero Fund is complemented by Australia’s wider support for industrial decarbonisation and low-emissions technologies, including measures under the Future Made in Australia agenda. Further detail is at Chapter 3.

⁶ Preliminary data are subject to change through the CER data quality assurance process. Final outcomes from the 2024–25 financial year will be published by the CER in April 2026.

Australia's Carbon Leakage Review

Carbon leakage occurs when businesses based in countries with higher levels of emissions reduction ambition shift their production to countries with lower levels of ambition to circumvent domestic obligations (DCCEEW 2024).⁷ Australia's Carbon Leakage Review was led by Professor Frank Jotzo and undertaken between July 2023 and March 2025. It involved extensive engagement with industry, researchers, businesses and governments, and 2 rounds of public consultation.

The review assessed carbon leakage risks and found existing policy measures – such as access to concessional safeguard baseline decline rates and public co-investment – mitigate leakage risks in the short- to medium-term. However, for some sectors, the review considered settings may need to be augmented with additional measures over time.

The review examined whether more policy measures in the medium- to long-term would further level the playing field. That is, to help create an Australian market where domestic goods are not disadvantaged by emission reduction obligations relative to imported goods. It recommended that a border carbon adjustment be introduced for a select group of commodities that are at particular risk of carbon leakage from imports. It recommended this could initially cover cement and clinker, and other commodities could be included subject to further assessment. The review also noted consequential changes to the Safeguard Mechanism should be considered in any decision to implement a border carbon adjustment.

The review also recommended that the Australian Government continues to actively engage in multilateral and plurilateral initiatives that could support the implementation of border carbon adjustments. These could include the development of interoperable standards and approaches to default emissions intensities or measurement of embedded emissions.

The Australian Government will give further consideration to the issues and whether to implement a border carbon adjustment in the 2026–27 review of the Safeguard Mechanism.

Reducing emissions from gas

The role of gas will change as Australia decarbonises. Across net zero scenarios, Australian and global demand for gas is projected to continue, but decline. As the Future Gas Strategy, released in May 2024, sets out, gas will remain an important contributor to our energy system. It will also be needed in industrial and resources applications where no alternatives exist, or electrification is currently unviable. In addition, Australia will retain an important role as a reliable exporter of gas to support regional energy security.

To avoid gas shortfalls during the transition to net zero, additional gas supply, transport capacity and storage will be needed. Demand dynamics in the gas market remain complex and uncertain as industrial users and households switch from gas to electricity, and gas plays a different role in the utility-scale electricity generation mix (AEMO 2025). This can make supply side investment decisions more challenging. The Australian Government's Gas Market Review is considering how gas market regulation could help ensure enough gas is being delivered domestically.

⁷ Carbon leakage is the movement of emissions-intensive commodities from countries with ambitious emissions reduction policies to those with weaker emissions reduction policies,

Electrification and the uptake of low carbon alternative fuels are also critical to the decarbonisation of the industrial and resources sectors. The Australian Government is unlocking investment at scale in renewable hydrogen and low carbon liquid fuels (LCLFs) under Future Made in Australia, including \$250 million to drive LCLF adoption under the Innovation Fund (Chapter 3).

Alongside release of the Net Zero Plan, the Australian Government announced a \$1.1 billion Cleaner Fuels Program to stimulate private investment in, and build a supply chain for, Australian production of LCLF, such as renewable diesel and sustainable aviation fuel. The Government has also committed to explore ways to incentivise take-up of LCLF in support of building domestic production.

Carbon management technologies

Analysis indicates most sectors will continue to emit in 2050. In this context, achieving net zero emissions relies on removing CO₂ from the atmosphere and storing it durably. Land-based methods such as reforestation are currently the most cost-effective way to deliver carbon removals in Australia to 2050. However, there are uncertainties about the amount of land-based sequestration that can be achieved over time. The development and use of carbon management technologies like engineered or novel carbon dioxide removal (CDR) can help to expand the range of net zero pathways to address residual emissions. The development of novel CDR technologies is gaining momentum globally, but information on scalable novel CDR technologies in Australia remains limited. To support this, in November 2025, CSIRO released a national CDR Roadmap assessing the potential of CDR in Australia and how Australia can position itself internationally.

Other carbon management technologies like carbon capture and storage (CCS) and carbon capture and use (CCU) will also play a role to address emissions. The Moomba CCS project in South Australia commenced in 2024-25 and contributed to emissions reductions in the quarterly inventory and reported data from Safeguard facilities.

Transport

At a glance

- Transport emissions have stabilised over the past year as momentum continues to build behind cleaner options.
- The National Electric Vehicle Strategy sets out measures to boost EV supply and demand, and establish the systems and infrastructure to enable accelerated EV uptake, including charging infrastructure.
- The New Vehicle Efficiency Standard commenced on 1 July 2025, bringing cleaner cars to Australia and giving consumers more choice on new efficient vehicles
- EVs are becoming an increasingly popular choice for consumers with more models available at affordable prices. From January to September 2025, EVs represented 12.7% of new light vehicle sales, up from 9.5% over the same period in 2024.
- Charging infrastructure is also expanding rapidly, with 1,422 EV fast charging stations now available nationally (as at September 2025), up from 1,000 in June 2024.
- The Australian Government is working with industry to decrease emissions from trucks and buses and invest in cleaner fuels for planes.

Emissions trends

In 2024-25, emissions from the transport sector accounted for 22.9% of Australia's emissions, resulting primarily from:

- passenger cars and light commercial vehicles
- trucks and buses, aviation, rail and maritime.

Transport emissions in 2024-25 were steady on 2023-24 levels. Light vehicles, including passenger and light commercial vehicles and motorcycles, made up 72.8% of road transport emissions; heavy-duty trucks and buses made up 27.2%.

Emissions reductions for this sector will be driven by investment in low and zero emissions transport infrastructure, electric vehicle uptake, use of low carbon alternatives where electrification isn't possible, innovation to expand cost competitive options and reducing the embodied emissions in transport infrastructure.

The \$1.1 billion Cleaner Fuels Program, discussed in the resources and industry section of this chapter, is a critical pathway for decarbonisation of activities like aviation, freight, shipping and construction.

Exposure to climate hazards

The National Climate Risk Assessment (NCRA) highlights that transport networks are moderately exposed to climate hazards, with flooding and bushfires posing the greatest risks to major roads and rail corridors, potentially causing cascading impacts on supply chains and regional connectivity (ACS 2025).

The Australian Government is:

- investing around \$1.3 billion to strengthen key rail lines through the Australian Rail Track Corporation
- leading a national approach to improve supply chain resilience
- providing national guidance to help transport agencies assess and adapt to climate and natural hazard risks
- working with states/territories under the recently revised Federation Funding Agreement Schedule for Land Transport Infrastructure Projects to ensure major investments support resilience to climate and disaster risks.

The National Freight and Supply Chain Strategy and new National Action Plan will consider actions specifically in response to the findings of the Road and Rail Supply Chain Resilience Review, incorporating resilience as one of 4 key priority areas.

Key developments

Boosting uptake of lower emissions vehicles

Since its introduction in 2023, the Australian Government has been implementing the National Electric Vehicle Strategy, which sets out measures to increase EV supply, encourage demand, and establish supporting infrastructure. From January to September 2025, EVs represented 12.7% of new light vehicle sales, up from 9.5% over the same period in 2024 (DCCEEW 2024; EVC 2024; EVC 2025; FCAI 2024; FCAI 2025).

The Government is investing in the rollout of charging infrastructure to support growing EV uptake. With over 415,000 EVs now on Australian roads (as of September 2025), this rollout continues in partnership with state and territory governments and industry (EVC 2025; FCAI 2025). As of 30 September 2025, there are 1,422 EV fast charging stations operational across Australia, with 4,568 charging plugs – an increase from 1,000 stations and 3,500 plugs reported as of June 2024 (DCCEEW 2025b). In September 2025, the government committed an additional \$40 million to accelerate the rollout of EV kerbside and fast-charging around Australia.

Introduction of the New Vehicle Efficiency Standard (NVES) brings cleaner cars to Australia and gives consumers more choice on new efficient vehicles. The standard mandates average CO₂ emissions targets for new passenger and light commercial vehicles sold in Australia, encouraging industry to supply more fuel-efficient, low or zero emission-vehicles. The legislation for the standard took effect on 1 January 2025, and the first reporting period for the standard commenced on 1 July 2025. The 2025 Annual Progress Report considers that ‘early signs suggest the NVES is starting to work as intended. Importers and manufacturers have been preparing and adjusting their fleets well in advance, with more BEVs and PHEVs becoming available to consumers’ (DCCEEW 2025c).

EVs are also becoming an increasingly popular choice for consumers. In 2025, the number of EV models available in Australia increased significantly, from 104 in 2023–24 to 153 by June 2025. Of these models, 55 were priced below \$60,000 and 7 were priced below \$40,000 (DCCEEW 2025c).

In 2024, new light vehicles produced an average of 159 g of CO₂/km, which is 4.2% less than the 166 g of CO₂/km in 2023 (DCCEEW 2025c). The NVES will reduce emissions intensity by around 60% for new passenger vehicles and around 50% for new light commercial vehicles by 2029, reducing light vehicle emissions by 80 million tonnes by 2035. A statutory review of the NVES is required to commence in 2026, which will focus on the operation of the NVES Act and will identify opportunities to improve its effectiveness and administrative efficiency. It will also provide an opportunity to ensure settings are appropriately calibrated to meet the 2035 target.

Decarbonising heavy vehicles

The current focus areas of the Driving the Nation Program are funding for the demonstration and deployment of heavy battery electric vehicles (BEV), heavy BEV charging solutions, as well as vehicle-to-grid (or 'V2G') and innovation.

The Australian Government is implementing the Euro VI noxious emissions standard for trucks and buses to help reduce air pollution. It is estimated to deliver \$7.4 billion in health benefits, \$1.5 billion in fuel savings and reduced noxious gas emissions over the period to 2050. Looking ahead, the decarbonisation pathway for heavy vehicles will likely require a range of different technologies, including electrification for buses and rigid trucks, and LCLF.

Investing in cleaner aviation fuel

To help reduce aviation emissions, the Australian Government is investing in sustainable aviation fuels (SAFs). ARENA's Sustainable Aviation Fuel Funding Initiative has provided over \$30 million in grants to support the development of SAFs to date. Additionally, the Government is providing \$250 million in grants for LCLF, which will be available through the FMA Innovation Fund administered by ARENA.



Agriculture and land

At a glance

- Emissions from agriculture in 2024-25 showed a slight decline from 2023-24. Emissions from the land sector represented a net sink of -74 Mt CO₂-e, meaning the land sector removes more CO₂ from the atmosphere than it releases.
- The Australian Government has partnered with the Zero Net Emissions Agriculture Cooperative Research Centre (ZNE-Ag CRC) to help ensure there is a strong connection between national climate policy and cutting-edge research and science.
- Farmers and land managers are receiving information and training on emissions management, through the Carbon Farming Outreach Program (CFOP), and discounted loans for low-emissions activities, through the Clean Energy Finance Corporation.
- Projects that cut emissions or store carbon, such as by planting trees and improving soil health, can be rewarded through the Australian Carbon Credit Unit Scheme (ACCU).
- Projects under new ACCU methods for savanna fire management are expected to deliver more jobs and income for First Nations peoples on Country.

Emissions trends

The agriculture and land sectors involve biological systems that have unique emissions reduction challenges and opportunities. In 2024-25, agriculture and land sector emissions were primarily comprised of:

- emissions associated with farming activities, including livestock and crop production (20% of national emissions)
- a significant net carbon sink (that is, carbon is sequestered rather than emitted) associated with land management, including expansion of forest cover and reduced conversion of forest to agricultural land (equivalent to -16.8% of national emissions).

Emissions from agriculture were showed a slight decline from 2023-24, with increased crop production largely offsetting lower livestock numbers. In 2024-25, emissions from the land sector represented a net sink of -74 Mt CO₂-e.

Moving forward, the Agriculture and Land Sector Plan will help ensure Australian producers remain leaders in low-emissions food and fibre as we transition to net zero. Action will deliver benefits for regional communities, with opportunities to increase agricultural productivity, carbon storage and nature repair.

Exposure to climate hazards

The National Climate Risk Assessment (NCRA) finds that climate change poses significant risks to agricultural productivity, with impacts projected to intensify as global warming levels rise. Increased extreme heat, more variable rainfall, and higher vapour pressure deficits are expected to reduce crop yields, pasture growth, and water availability, while also increasing biosecurity pressures. These changes will likely exacerbate feed gaps, reduce livestock productivity, and heighten vulnerability to pests and diseases, particularly in already marginal environments (ACS 2025b).

The Australian Government is:

- investing in climate-smart agriculture, through programs like the \$302.1 million Climate Smart Agriculture Program and the Future Drought Fund
- enhancing biosecurity through the National Biosecurity Strategy
- supporting innovation via rural research and development corporations
- expanding concessional loans through the Regional Investment Corporation to help farm businesses build resilience and adapt to a changing climate.

Key developments

Supporting agricultural innovation

In February 2025, the Department of Agriculture, Fisheries and Forestry became a formal partner to the ZNE-Ag CRC. This is an important partnership bringing industry, government and research partners together to accelerate the development of on-farm emissions solutions. The partnership builds on the \$87 million of government funding announced in 2023 to establish the ZNE-Ag CRC and will help ensure there is a strong connection between national climate policy and cutting-edge research and science (DAFF 2025).

Understanding emissions at the enterprise level

Understanding farm emissions is a fundamental first step for managing them. In response to demand for more robust and consistent approaches for estimating farm emissions, the Australian Government is developing voluntary emissions estimation and reporting guidelines. In August 2025, the Government announced \$6.4 million to Agricultural Innovation Australia Ltd, in partnership with the ZNE-Ag CRC, to support the guidelines being incorporated into greenhouse gas calculators and accounting tools (DAFF 2024). These initiatives will help farmers estimate and report emissions, and support actions to reduce emissions.

Strengthening on ground action

With the goal of upskilling producers and land managers across Australia, the Carbon Farming Outreach Program (CFOP) is supporting farmers to make informed decisions about managing emissions and increasing carbon storage. In 2025, around 6,000 farmers and land managers received training under CFOP. The Australian Government has engaged the ZNE-Ag CRC and the Indigenous Carbon Industry Network to develop new training materials and upskill advisers. Development of a CFOP Knowledge Hub is also underway.

The Clean Energy Finance Corporation (CEFC) is working with National Australia Bank to enable farmers to invest in emissions reduction through the NAB Agribusiness – Emissions Reduction Incentive program (CEFC 2025). The CEFC has committed \$100 million through this program to support interest rate discounts. It has also developed an online tool to guide investment towards technologies and practices that yield financial and environmental returns.

In August 2025, the Australian Government announced an additional \$1 billion in new loan funding for the Regional Investment Corporation (RIC) to support the resilience and sustainability of Australia's agriculture sector. This funding will also support the broadening of the RIC's scope to include assistance for improving climate resilience, boosting sector productivity, and supporting agriculture to be part of Australia's net zero transition.

ACCU scheme market and methods

The Australian Carbon Credit Unit (ACCU) Scheme continues to be an important component in the Australian Government's suite of climate policies. There are over 2,400 registered ACCU projects across Australia. Over 2,100 of these use agriculture, savanna fire management or vegetation methods. Between 19–24 million ACCUs, each representing a tonne of carbon abatement, are expected to be issued in 2025. As of 10 November 2025, their market value is approximately \$920 million.

The scheme is delivering carbon and non-carbon benefits, including opportunities for First Nations peoples to work on Country. The alignment of the ACCU Scheme with the new Nature Repair Market will help more projects deliver both carbon and biodiversity outcomes.

Two new savanna fire management methods, which use cultural burning practices, are being developed to reflect the most recent science and knowledge and include new sources of carbon abatement. Between August and September 2025, the Australian Government released the exposure drafts of the proposed new savanna fire management methods. Projects under these new methods are expected to deliver:

- more jobs for First Nations peoples on Country
- increased capacity to care for Country, culture and communities
- more income for First Nations communities from the sale of ACCUs.



Built environment

At a glance

- Built environment emissions fell by 0.7 Mt CO₂-e or 3.1% between 2023-24 and 2024-25.
- Energy upgrades to local government facilities and social housing are helping cut bills and reduce emissions under the Community Energy Upgrades Fund (CEUF) and Social Housing Energy Performance Initiative (SHEPI).
- Australian households have accessed 2,784 Household Energy Upgrades Fund (HEUF) loans, amounting to approximately \$120 million (as of 30 September 2025).
- To help households understand and improve their energy performance, the Nationwide House Energy Rating Scheme is being expanded to include existing homes as well as new homes.
- The Commercial Buildings Disclosure (CBD) program, which improves the energy efficiency of Australia's large office buildings, will be expanded to consider most commercial building types by 2035.

Emissions trends

The sector contributed to 4.8% of Australia's emissions in 2024-25, mainly through combustion of fuels for space and water heating, cooking and construction, and hydrofluorocarbon (HFC) emissions connected to air conditioning and refrigeration equipment (Department of the Treasury 2025b:6). Built environment emissions fell by 0.7 Mt CO₂-e or 3.1% between 2023-24 and 2024-25.

Exposure to climate hazards

The National Climate Risk Assessment (NCRA) identifies the built environment as increasingly exposed to extreme heat, flooding and bushfires, particularly in urban growth areas and coastal zones, with implications for housing, infrastructure and essential services (ACS 2025).

The Australian Government is improving planning, design, and infrastructure resilience through initiatives such as:

- expanding the Nationwide House Energy Rating Scheme (NatHERS) to existing homes
- implementing the Trajectory for Low Energy Buildings
- investing in green and blue infrastructure via the \$200 million Urban Rivers and Catchments Program
- supporting climate adapted upgrades to social housing and community facilities.

It is also continuing work with states and territories to consider climate risk in regard to planning, building standards and energy performance frameworks.

Key developments

Energy performance upgrades

The Australian Government is implementing programs to reduce built environment emissions and enhance energy performance, putting downward pressure on energy bills for households, businesses and community organisations.

In 2025, the Government continued to deliver the Community Energy Upgrades Fund (CEUF), a \$100 million grant program helping local governments make cost-saving and clean energy upgrades to their facilities. Round 2 of the CEUF closed in June 2025.

The Government also announced ‘Game On: Teaming Up for Climate Action’ – a \$50 million investment over 5 years to support up to 500 community sports clubs in taking climate action and reducing energy bills (Energy 2025). The program will deliver better shade and drainage, batteries and energy upgrades to lower bills and climate proof their facilities, which will help redirect energy bill savings into equipment and programs for grassroots sports.

In addition, the CEFC’s Household Energy Upgrades Fund (HEUF) provides discounted green finance products to help households upgrade their homes with energy performance improvements. These include insulation, hot water heat pumps, EV chargers, and rooftop solar and batteries. Since the HEUF’s first investment in 2024, the CEFC has committed up to \$405 million, leveraging up to \$415 million in co-investment from participating lenders. As of 30 September 2025, Australian households accessed 2,784 loans under the program.

The Australian Government is committed to ensuring all Australians can benefit from energy upgrades to ensure the built environment transition is fair and equitable. Social housing properties are some of the most energy inefficient in Australia. The Social Housing Energy Performance Initiative (SHEPI) is providing \$1.1 billion (including \$800 million from the Australian Government) to support energy performance upgrades to over 100,000 social housing properties by 2028–29. As of October 2025, SHEPI partnerships with states and territories had delivered energy performance upgrades to over 14,000 households.

Keeping consumers informed

The Australian Government is working collaboratively with states and territories to give consumers the information they need to make informed choices. Through measures announced alongside the Net Zero Plan, the Government is increasing transparency around built environment emissions and energy performance through a series of disclosure and ratings tools. This includes investing in the National Australian Built Environment Rating System (NABERS) for non-residential buildings and expanding the Commercial Building Disclosure (CBD) program to more commercial building types beyond office buildings in accordance with the Commercial Building Disclosure Roadmap.

Case study: Expanding home energy ratings to existing homes

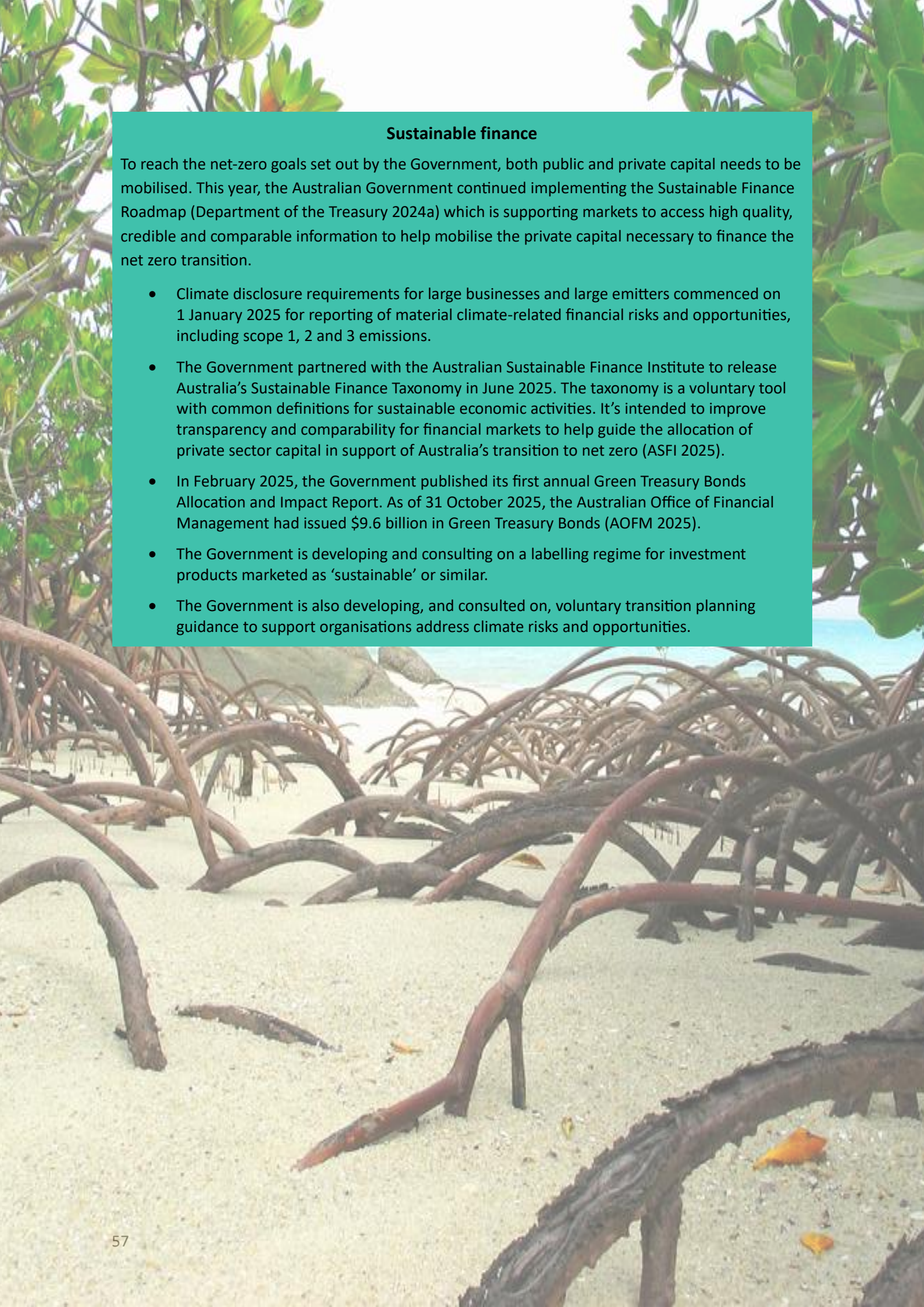
On 8 July 2025, the Australian Government released the first stage of the expansion of the Nationwide House Energy Rating Scheme (NatHERS) to existing homes, marking a significant step in Australia's efforts to improve residential energy performance.

The expansion of home energy ratings to existing housing stock (not just new builds) allows householders to better understand their home's energy performance and identify areas for improvement through access to trusted, comparable information about their home's energy use.

Research shows an average home could save over 2 tCO₂-e annually by electrifying and upgrading its energy performance (Climateworks Centre 2023). With over 7 million homes built before the introduction of minimum energy performance standards, the expansion of home energy ratings to older existing homes is crucial for decarbonising the built environment.

The Australian Government is partnering with the NSW Government to trial the disclosure of home energy ratings at the point of sale or lease of a property. This will test the national Home Energy Ratings Disclosure Framework, released by the Energy and Climate Change Ministerial Council (ECMC) in December 2024. Under the trial, sellers and landlords can disclose their Home Energy Rating, providing transparency for buyers and renters. Research suggests that more energy-efficient homes can attract higher sale prices, incentivising upgrades (Daly 2020).



The background of the page is a photograph of a mangrove forest. In the foreground, there are numerous dark, gnarled mangrove roots (prop roots) extending from the water and sand. The water is a light, milky turquoise color. In the upper corners, there are green mangrove leaves. A semi-transparent teal rectangular box is positioned in the upper half of the page, containing white text and a bulleted list.

Sustainable finance

To reach the net-zero goals set out by the Government, both public and private capital needs to be mobilised. This year, the Australian Government continued implementing the Sustainable Finance Roadmap (Department of the Treasury 2024a) which is supporting markets to access high quality, credible and comparable information to help mobilise the private capital necessary to finance the net zero transition.

- Climate disclosure requirements for large businesses and large emitters commenced on 1 January 2025 for reporting of material climate-related financial risks and opportunities, including scope 1, 2 and 3 emissions.
- The Government partnered with the Australian Sustainable Finance Institute to release Australia's Sustainable Finance Taxonomy in June 2025. The taxonomy is a voluntary tool with common definitions for sustainable economic activities. It's intended to improve transparency and comparability for financial markets to help guide the allocation of private sector capital in support of Australia's transition to net zero (ASFI 2025).
- In February 2025, the Government published its first annual Green Treasury Bonds Allocation and Impact Report. As of 31 October 2025, the Australian Office of Financial Management had issued \$9.6 billion in Green Treasury Bonds (AOFM 2025).
- The Government is developing and consulting on a labelling regime for investment products marketed as 'sustainable' or similar.
- The Government is also developing, and consulted on, voluntary transition planning guidance to support organisations address climate risks and opportunities.

Chapter 3: A Future Made in Australia

At a glance

- In 2025, we continued our work to support priority sectors under the Future Made in Australia (FMA) agenda, including:
 - awarding up to \$814 million to the Murchison Green Hydrogen Project and up to \$432 million for the Hunter Valley Hydrogen Hub, under Hydrogen Headstart
 - launching the \$1 billion Green Iron Investment Fund
 - allocating \$150 million under round 2 of the Solar Sunshot program to support the growth of Australia’s solar manufacturing capability
 - passing legislation for a Critical Minerals Production Tax Incentive and Hydrogen Production Tax Incentive
 - agreeing the United States–Australia Framework for Securing of Supply in the Mining and Processing of Critical Minerals and Rare Earths to diversify critical minerals supply chains.
- We are building the clean-energy workforce needed to meet our net zero goals through the Clean Energy Capital Investment Fund and New Energy Apprenticeships.

Creating a Future Made in Australia

As Australia’s trading partners decarbonise, Australia’s export profile is expected to change. Demand for Australia’s fossil fuel exports will fall in line with other countries’ action to reduce emissions. At the same time, global demand for the commodities and manufactured goods needed for the net zero transition, such as critical minerals like lithium and nickel, is expected to grow.

The Australian Government’s Future Made in Australia (FMA) agenda will ensure that Australia makes the most of these economic opportunities. It will attract and enable investment in net zero industries to build a more diversified and resilient Australian economy, creating more secure and well-paid jobs.

The Australian Government’s *Future Made in Australia Act 2024* (FMA Act) establishes a National Interest Framework, sector assessments process, and Community Benefit Principles to support the consideration of, and decision-making in relation to, significant public investment to unlock private investment at scale in the national interest.

Community Benefit Principles

The Future Made in Australia Community Benefit Principles aim to ensure projects receiving Future Made in Australia support deliver genuine benefits to local workers, industries and communities. The principles include:

- promoting safe and secure jobs that are well paid and have good conditions
- developing more skilled and inclusive workforces, including by investing in training and skills development and broadening opportunities for workforce participation
- 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
- supporting First Nations communities and Traditional Owners to participate in, and share in the benefits of, the transition to net zero
- strengthening domestic industrial capabilities, including through local supply chains
- demonstrating transparency and compliance in relation to the management of tax affairs, including benefits received under Future Made in Australia supports.

Australian Government consultation on the implementation of the Community Benefit Principles is expected to open in 2025.

Supporting priority sectors in the national interest

The Australian Government has commenced work to support priority sectors identified under the National Interest Framework, including:

- renewable hydrogen
- green metals
- low carbon liquid fuels
- clean energy manufacturing
- critical minerals processing (Department of the Treasury 2024b).

Fostering an enabling environment for a Future Made in Australia

The Australian Government is working to ensure the enabling environment is right to deliver on its FMIA commitments. This includes supports to build a skilled and diverse workforce for priority industries.

Driving innovation and deploying new technologies

The Future Made in Australia Innovation Fund, delivered by ARENA, will provide support for pre-commercial innovation and the demonstration and deployment of technologies to scale up priority sectors. The fund will provide:

- \$250 million for low carbon liquid fuels, including sustainable aviation fuels and renewable diesel
- \$500 million for clean energy technology manufacturing to enable development of technologies seeking to alleviate critical supply chain challenges facing the clean energy transition

- \$750 million for green metals, including iron, steel, alumina and aluminium.

Guarantee of Origin (GO) certification scheme

The GO scheme enables businesses to verify emissions associated with their low-emissions products to attract investment. The scheme commenced on 3 November 2025 for hydrogen and renewable electricity and is intended to expand to additional products over time. The scheme also enables the identification of attributes to support greater transparency of First Nations participation and benefit sharing.

Attracting and facilitating investment

The Government's Investor Front Door pilot commenced in September 2025. The pilot phase will support a select number of projects of national significance to navigate regulatory approvals and identify suitable government financing opportunities to make investment easier.

Building Australia's renewable hydrogen industry

Hydrogen will play an essential complementary role to electrification in both the domestic and global net zero transition. For Australia, hydrogen is among the most prospective decarbonisation pathways for a number of sectors, including as a fuel or feedstock for industry and long-haul transport. Hydrogen also represents a long-term economic opportunity for Australia, given its potential to underpin new manufacturing opportunities like green metals and chemicals, as well as energy exports to our international partners.

Globally, the International Energy Agency (IEA) and other experts have acknowledged that, while the hydrogen sector has progressed significantly in recent years, its growth has been slower than was expected at the start of the decade. This reflects the challenges and uncertainties in growing new industries and implementing innovative technologies. Despite these headwinds, the IEA expects that hydrogen will still play an important part over the long-term in addressing climate change, energy security and industrial competitiveness (IEA 2025a).

Around 15% of globally announced hydrogen projects are in Australia, where 50 companies are progressing around 80 projects. These are encouraging signs that Australia remains well positioned to capture the decarbonisation and economic benefits of hydrogen as global demand continues to emerge over the years ahead.

The Australian Government is implementing measures to grow our hydrogen production industry. The flagship Hydrogen Headstart program provides revenue support to a large-scale early-mover projects. In March 2025, the Government awarded up to \$814 million to the Murchison Green Hydrogen Project in mid-west Western Australia. In July, the Government announced up to \$432 million of support for the Hunter Valley Hydrogen Hub, building on its previous commitment of \$70 million to support the establishment of the hub, and a \$100 million investment in the Port of Newcastle Clean Energy Precinct. Together, these projects will unlock new export opportunities.

In February 2025, the Australian Government legislated the Hydrogen Production Tax Incentive to accelerate the deployment of large-scale renewable hydrogen production. The incentive will provide a refundable tax offset of \$2 per kilogram of eligible hydrogen produced between 2027–28 and 2039–40 for up to 10 years per project. This will support low-emissions hydrogen production pathways that meet the eligibility criteria, including an emissions intensity threshold. Hydrogen produced with fossil fuels is not eligible.

To ensure that First Nations peoples share in the benefits of Australia's growing hydrogen industry, in 2025, grant agreements were finalised with several community organisations through the inaugural round of the First Nations Renewable Hydrogen Engagement Fund. The fund builds the capacity of Traditional Owners to engage with hydrogen developments.

Supercharging green metals

Building an Australian green metals industry will help strengthen and diversify our economy, expand our skilled workforce, and bolster our relationships with key trading partners.

The \$500 million National Development Stream of the Australian Government's \$1 billion Green Iron Investment Fund was launched in September 2025 and applications opened in late October. The program will provide initial capital support to encourage commercial-scale early mover green iron projects to help crowd-in private investment. It will build on the \$750 million of support available for green metals through the Future Made in Australia Innovation Fund. The Australian Government has also consulted on the design of the \$2 billion Green Aluminium Production Credit to support aluminium smelters to transition to renewable electricity.

Unlocking Low Carbon Liquid Fuels

The Australian Government's \$1.1 billion Cleaner Fuel Program builds on the \$250 million existing support for low carbon liquid fuels (LCLF), through the Future Made in Australia Innovation Fund and Sustainable Aviation Fuel Funding Initiative. The Australian Government is also supporting the growth of LCLF by establishing a fuel quality standard for renewable diesel and expanding the Guarantee of Origin (GO) scheme to include certifications for LCLF.

Boosting Australia's clean energy manufacturing capability

The Australian Government is focused on developing Australia's clean energy innovation and manufacturing capacity to take advantage of opportunities that are emerging in the transition to net zero.

The Government's new \$5 billion Net Zero Fund, a reallocation from the National Reconstruction Fund, will help industrial facilities to decarbonise and adopt low-emissions technologies. It will support the decarbonisation activities of some of Australia's most economically and strategically important industrial facilities.

The \$1 billion Solar Sunshot program aims to support the commercialisation of Australian solar PV technologies to strengthen the solar supply chain and enhance Australia's energy security. ARENA has awarded \$91.6 million in funding to support 5 projects to date with additional projects expected to be announced soon. \$150 million was allocated under round 2 of the program to support the advancement of innovative systems for deploying solar PV modules, which opened in September 2025 (ARENA 2025).

ARENA is also delivering the Battery Breakthrough Initiative, a \$500 million program to enhance the development of battery manufacturing capabilities in Australia and commercialise battery manufacturing processes and technologies. The program opened in August 2025. A further \$500 million of funding is available for clean energy manufacturing through the Future Made in Australia Innovation Fund.

Supply of critical minerals

A stable and diversified supply of critical minerals is essential for the net zero transformation. Critical minerals are used in solar panels, wind turbines and batteries. The Australian Government is working to make Australia a world-leading producer of raw and processed critical minerals.

In February 2025, legislation passed to implement a Critical Minerals Production Tax Incentive. The incentive provides a refundable tax credit on 10% of eligible costs associated with the production of critical minerals and rare earths. The Australian Government has also committed to establish a Critical Minerals Strategic Reserve to maximise the strategic value of Australia's critical minerals, and continues to invest in critical minerals projects under the Critical Minerals Facility, Northern Australia Infrastructure Facility and National Reconstruction Fund.

In October 2025, Australia and the US signed the United States–Australia Framework for Securing of Supply in the Mining and Processing of Critical Minerals and Rare Earths. The framework aims to diversify mineral supply chains essential for a range of advanced manufacturing activities in both countries. It focuses our bilateral efforts on overcoming barriers to the development of diversified, liquid and free markets for critical minerals. It will strengthen investment in Australia's critical minerals sector, providing an architecture for Australian producers to access US financing and vice versa. The framework will also encourage greater investor confidence through enhanced market transparency and openness. Our efforts to strengthen supply chain resilience will help ensure stability, transparency, and long-term sustainability in a rapidly evolving global market.

Building Australia's clean energy workforce

A highly skilled and diverse workforce will be needed to underpin an orderly transition to net zero. Ongoing upskilling, training and investment in our workers will be essential to meet growing demand for clean energy trades, engineers and other professionals over the next decade.

The Australian Government is investing in a range of measures to address capacity issues facing the clean energy workforce. These include the Clean Energy Capital Investment Fund which will assist with facility upgrades to expand clean energy training capacity across wind, solar, pumped hydro, grid battery storage, electricity networks and hydrogen, as well as key electrical and construction trades. It also includes funding to turbocharge the teacher, trainer and assessor workforce for clean energy, manufacturing and construction.

Apprenticeships remain vital in creating the pipeline of skills needed for Australia's clean energy future. The Key Apprenticeships Program (KAP) commenced on 1 July 2025. It builds on the success of the New Energy Apprenticeship Program (NEAP), creating 2 streams: the New Energy Apprenticeship (NEA) stream and the Housing Construction Apprenticeship (HCA) stream. As of 30 September 2025, there are 14,685 New Energy Apprenticeships across Australia, including approximately 670 First Nations apprentices.

The Government is also partnering to promote opportunities for First Nations peoples. Ninti One, a First Nations-owned not-for-profit organisation, worked with the Government to develop resources to build awareness and strengthen visibility of opportunities in clean energy for First Nations

peoples. Practical resources were also developed for employers and training providers to make sure workplaces and training environments are culturally safe for First Nations students and workers.



Women in the clean-energy workforce

The Australian Government is taking action to address barriers to women's participation in the industries critical to the net zero transition, in line with commitments in *Working for Women: A Strategy for Gender Equality*. These actions aim to help address skills shortages, reduce the gender pay gap, and help build emerging industries as gender equal from the ground up.

This includes investing \$60.6 million in the Building Women's Careers (BWC) program to drive systemic structural and cultural change in training and work environments. The program will fund both large-scale partnership projects, and smaller, place-based partnerships. It will advance structural and cultural change to improve women's access to flexible, safe and inclusive training and work in the key male-dominated industries and sectors of construction, clean energy, advanced manufacturing and digital and technology. In March 2025, 20 BWC Program partnership projects were announced across Australia.

The BWC program brings together industry, employers, registered unions, training organisations and the community to deliver a suite of projects. These projects range from allyship programs that encourage industry-wide male advocacy for women, to rolling out flexible, national workplace policies benefiting all employees. The BWC Program is funding 9 clean energy projects.

The Government has also:

- included women as a priority cohort for Free-TAFE, which supports Australians to take up opportunities in national priority sectors.
- legislated the Community Benefit Principles to ensure the Future Made in Australia agenda prioritises safe and secure jobs - including for women
- amended the *Sex Discrimination Act 1984* so organisations have a positive duty to eliminate, as far as possible, work-related sexual harassment, sexist conduct and related victimisation.

The Equal by 30 Campaign continued to gain momentum in 2025. Australia had the highest number of signatories join the campaign compared to any other member country over the last year. Signatories make a public commitment to work towards equal pay, leadership and opportunities for women in clean energy by 2030.

Chapter 4: Supporting rural and regional communities

At a glance

- In 2025, the Australian Government continues to help regions decarbonise and build new clean energy industries in a net zero economy.
 - The latest funding round under the Powering the Regions Fund included \$180 million to support regional industries to explore more energy-efficient ways to operate.
 - Funding through the National Reconstruction Fund will support investments in the regions for critical minerals projects.
- Strong community engagement is key to accelerating climate action and ensuring regional communities capture the full opportunity of the net zero transition.
 - The Net Zero Economy Authority is helping workers transition to new clean energy jobs.
 - The Capacity Investment Scheme has seen \$37 billion worth of commitments to First Nations peoples and community benefits, including expenditure on local content and employment, to date.

The net zero transition will affect all Australians but will have a particular impact on Australia's regional and remote communities, bringing both opportunity and challenges.

The Net Zero Economy Authority (NZEA), established in December 2024, works to ensure regions, communities and workers are supported to manage the impacts, and share in the benefits, of the net zero economy. Assistance includes:

- helping workers in coal and gas facilities affected by the transition to prepare for and find new, well-paid, safe and secure jobs
- supporting affected communities to prosper through economic development and investment
- being a trusted and influential voice to build understanding of, and shape policy on, the regional net zero transition.

The NZEA has developed a comprehensive, evidence-based framework to assist the Australian Government to identify the regions most affected by Australia's transition to target support and investment. It is currently prioritising efforts in Collie (WA), Central Queensland, the Hunter Region (NSW) and the Latrobe (Vic), as well as supporting consideration of transformational opportunities in the Pilbara (WA) and Upper Spencer Gulf (SA).

The NZEA works closely with industry, local governments, and international partners to facilitate investment in projects that deliver benefits to communities in the regions most affected by the net zero transition. It joins an existing network of regional officials and Australian Government-funded regional initiatives that are closely connected to their communities, including Regional Workforce Transition Officers, Regional Development Australia committee members and AusIndustry Regional

Managers, to provide valuable linkages between regional communities and the Australian Government.

Exposure to climate hazards

The National Climate Risk Assessment (NCRA) identifies regional and remote communities as increasingly vulnerable to climate change due to their exposure to extreme heat, flooding, bushfires and cascading hazards. These communities face heightened risks from disrupted supply chains, limited access to power and telecommunications, and constrained emergency response capacity. Vulnerabilities are particularly pronounced in northern Australia and outer urban areas, where climate hazards are expected to intensify with global warming, placing additional pressure on infrastructure, health services, and local economies (ACS 2025).

The Australian Government is investing up to \$1 billion in disaster resilience and risk-reduction through the Disaster Ready Fund and supporting regional development through the Northern Australia Action Plan and Regional Investment Framework. Additional measures include improving housing and food security in remote First Nations communities, delivering coastal protection works in the Torres Strait, and implementing the Torres Strait and Northern Peninsula Area Climate Resilience Centre with Traditional Owners to ensure locally appropriate adaptation responses.

Unlocking regional investment

In 2025, the Australian Government continued to support regional workers and businesses in their efforts to decarbonise existing industries and to develop new clean energy industries. Through the Powering the Regions Fund:

- \$24.5 million to help a cement manufacturing facility lower its emissions by installing a modified manufacturing process in Berrima, NSW.
- \$10.8 million for a cement facility in Gladstone, Queensland to increase the use of alternative fuels rather than coal.
- \$10 million to develop, build and demonstrate first-of-a-kind fast-chargers for heavy mine site vehicles in WA.
- \$4.36 million for a study investigating options for partial steam electrification at an aluminium refinery in Worsley, WA.
- \$19.82 million to develop a pilot facility to test new processes for lower carbon emissions steel in Kwinana, WA.
- \$9.06 million to trial a novel dynamic charging technology for heavy EV mining vehicles in Luscombe, Queensland.
- \$7.38 million to McCain Foods to implement heat recovery systems at its potato processing site at Ballarat, Victoria.

The Australia Government is also helping regional Australian businesses lower their energy bills, reduce emissions and stay competitive in a net zero economy. Round 3 of the Powering the Regions Industrial Transformation Stream, opened in September 2025, with \$180 million funding available to

help more regional industries reduce emissions and explore cleaner, more energy-efficient ways to operate.

Funding through the National Reconstruction Fund (NRF) will also support investments in the regions for critical minerals projects, with a total \$250 million committed to 2 projects to date. These include funding for:

- a rare earth minerals project in the Northern Territory that will establish access to strategically important minerals, while creating employment opportunities, including for First Nations peoples
- a lithium operation in Western Australia that will directly employ more than 300 people and create a supply chain linking local regional businesses.

Case study: First Nations Microgrids

The First Nations Community Microgrids stream of ARENA's Regional Microgrids program is providing \$75 million to deliver transformative energy solutions to remote First Nations communities. These communities often depend on diesel generators that are costly, emissions-intensive and vulnerable to supply disruptions. Microgrids powered by renewable energy and battery storage offer a cleaner, more reliable and affordable alternative. This funding stream is designed to strengthen First Nations participation and leadership in electricity supply arrangements. ARENA has committed funding for several projects in 2025:

- ARENA and the South Australian Government will deliver renewable energy microgrids to the remote communities of Yalata, Pipalyatjara, and Oak Valley. These systems will use solar panels and batteries to supply up to 75% of the electricity required by these communities. Residents will benefit from a long-term discounted electricity tariff of 10 cents per kilowatt hour, indexed to inflation for the next 20 years, providing cost-of-living certainty and energy security. The project also delivers community benefits, including land lease agreements, opportunities for local employment, and capacity-building programs.
- In Western Australia, funding has been committed to transition the remote First Nations community of Blackstone (Papulankutja) from high-cost diesel generation to a state-of-the-art renewable energy microgrid.
- In the Northern Territory, Ekistica is being funded to co-design a scalable, culturally-appropriate energy service model tailored for First Nations Homeland Communities.

Regional workforce transition

To ensure that the people who have powered the nation for generations are not left behind, the Australian Government is supporting workers and communities that will be impacted by the closure of emissions-intensive industry and regions that have the greatest potential to benefit from emerging industries.

The Energy Industry Jobs Plan (EIJP), administered by the Net Zero Economy Authority (NZEA), is a framework that ensures workers impacted by power station closures can access supports from their employers to prepare for and transition into their next job. This includes access to training, career advice and financial advice. Under the plan, the NZEA will also help local employers to recruit skilled workers from closing facilities, reducing the impacts of closures on communities.

In 2025, the NZEA consulted with employers, employer organisations, unions, community groups and workers impacted by the planned closures of power stations in Torrens Island (South Australia), and Eraring (NSW). In October 2025, the NZEA made an application to the Fair Work Commission for EIJP supports to be provided by AGL to their employees at Torrens Island Power Station.

The NZEA is continuing to work with local communities on a case-by-case basis to understand the potential impacts of the closures on them and whether the EIJP can support impacted workers.

Community engagement on renewable energy

The Australian Government is committed to fostering strong, transparent, and collaborative relationships with rural and regional communities, particularly those hosting new renewable energy and transmission infrastructure. Recognising the critical role of social licence in delivering the energy transition, the Government has introduced a suite of initiatives designed to enhance community engagement, build trust, and ensure that local communities share in the benefits of these transformative projects.

The Government has provided additional resources to the Australian Energy Infrastructure Commissioner (AEIC), enabling the commissioner to more effectively address community concerns regarding the construction and operation of renewable energy infrastructure. This expanded capacity strengthens the commissioner's ability to provide timely, impartial support and reinforces the Government's commitment to listening and responding to community feedback. This complements the Developer Rating Scheme mentioned in the Electricity and Energy Sector section of Chapter 2.

The National Guidelines for Community Engagement and Benefit Sharing for Electricity Transmission Projects, launched in 2024, set clear expectations for developers regarding meaningful engagement and equitable benefit-sharing. Complementary changes to the National Electricity Rules now mandate improved communication and consultation with communities during the planning and construction of transmission infrastructure, ensuring that engagement is not only best practice but a regulatory requirement.

Ensuring social value and community benefits under the Capacity Investment Scheme

Under the Capacity Investment Scheme (CIS), proponents are assessed against the quality of their community engagement, First Nations shared benefits, employment opportunities and commitments to use local materials, suppliers and supply chains.

As of October 2025, 65 projects have been selected by Minister Bowen, across the SA/VIC pilot and first 4 CIS tenders delivering an estimated \$37 billion worth of commitments to First Nations and community benefits, and expenditure on local content and employment. To date, proponents have committed:

- \$1.1 billion of shared benefits for local communities
- \$894 million towards ensuring First Nations benefits
- \$123.5 million towards local employment
- over \$35.5 billion towards the use of local content in projects.

Chapter 5: Climate risks and adaptation

At a glance

- Climate change brings risk to all aspects of our lives – our economy, health systems, environment, and infrastructure. Implementing well-considered adaptation measures presents our best chance to address climate change hazards.
- Australia's first National Climate Risk Assessment (NCRA) identified our biggest climate challenges, and the National Adaptation Plan (NAP) provides a framework to inform and guide future adaptation action by the Australian Government.
- We are working with states and territories to develop an action agenda for adapting to climate change, including supporting actions developed with and led by First Nations communities.

The changing global climate

Global temperatures continue to increase due to the record levels of greenhouse gases in the atmosphere (WMO 2024).

- 2024 was the hottest year on record globally by a significant margin at 1.55 ± 0.13 °C the pre-industrial baseline and preliminary data shows ocean heat content will reach its highest level on record in 2025.
- The 10 warmest years on record all occurred in the past decade (2015–2024) and 2025 is on track to be the second or third warmest year, behind 2024.
- Global mean sea level reached a record high in 2024 and is now increasing at twice the rate of the period from 1993 to 2002.
- Glacial mass loss from 2021 to 2024 was higher than any 3-year period on record.

Climate change impacts in Australia

Australia's average annual (land surface) temperature has warmed by 1.51 ± 0.23 °C from 1910 to 2023, leading to an increase in extreme heat events (CSIRO 2024).

- Extreme fire weather and the length of the fire season have increased across large parts of the country since the 1950s, especially in southern Australia.
- Oceans around Australia have become more acidic and have warmed by an average of 1.08 °C from 1900 to 2023, contributing to longer and more frequent marine heatwaves. This has significant impacts on ecosystem health, habitats, and species, such as the large algal bloom currently affecting South Australia

- Sea levels are rising around Australia, with the greatest increases to the north and south-east. More frequent extreme high sea level events are occurring, increasing the risk of inundation and damage to coastal infrastructure and communities
- Wet season rainfall has increased in northern Australia (where the wet season is from October to April) and decreased in south-west Australia (where the wet season is from April to October) since the 1970s with the south-east showing decreases since the 1990s.



Adapting to the impacts of climate change

Climate adaptation is the process of adjusting to climate change and its effects. Effective action can reduce or manage exposure and/or vulnerability to risk, with the aim of avoiding significant impacts. It can also identify opportunities. Analysis shows that early action can reduce longer-term impacts, with some estimates showing an economic benefit of up to \$10 for every dollar of climate adaption investment made. Research from the Global Commission on Adaptation estimates that investing \$1.8 trillion globally from 2020 to 2030 could generate \$7.1 trillion in total net benefits (Global Commission on Adaptation 2019). Domestically, an Insurance Council of Australia report calculated that every \$1 invested through resilience initiatives could result in an estimated \$9.60 return on investment (ICA 2022).

National Climate Risk Assessment

The release of Australia's first National Climate Risk Assessment (NCRA) and National Adaptation Plan (NAP) delivers on Australia's commitments under the Paris Agreement. Led by the Australian Climate Service (ACS), the NCRA provides a robust, evidence-based foundation for understanding the climate risks facing Australia. It significantly enhances the nation's capacity to anticipate and respond to climate impacts, empowering governments, business and communities to take informed and targeted adaptation actions.

The NCRA shows that climate hazards are intensifying and increasingly interacting across 'systems' – groupings of interconnected elements that reflect what Australians value. These systems include communities, defence and national security, economy, trade and finance, health and social support, infrastructure and the built environment, the natural environment, and primary industries and food.

Extreme heat can simultaneously impact health, primary industries and the natural environment. By providing a nationally consistent evidence base, the NCRA equips decision-makers with the insights needed to prioritise adaptation and resilience-building efforts across these interconnected systems.

The Climate Risk and Opportunity Management Program works in tandem with the NCRA to help national, state and territory, and local government entities to understand their exposure to climate risks, and to identify and harness opportunities.

Climate risks and the outlook for Australia

The way climate hazards are experienced is changing and past experience is no longer a reliable guide. The National Climate Risk Assessment (NCRA) highlights climate change's potential to cause systemic risks to Australia, where failures or disruptions in one area can cascade across multiple sectors.

- **Human health:** Heat-related deaths are projected to rise sharply, particularly in major cities. Floods, bushfires and poor air quality increase health risks.
- **Environment:** Native species are being pushed outside their climatic ranges. Without strong adaptation action, we face the loss of significant ecosystems by mid-century.
- **Primary industries:** Agriculture is vulnerable to increasing aridity and water scarcity, especially in the Murray–Darling Basin and south-west Western Australia.
- **Infrastructure and supply chains:** Climate extremes are testing ageing infrastructure. Climate change will cause disruptions impacting essential services, goods, and emergency responses.
- **Economic loss:** Household budgets may be strained by rising insurance premiums and underinsurance or non-insurance likely in exposed regions. Communities and cohorts with limited socio-economic resources are most vulnerable
- **National security:** More frequent and severe disasters are placing growing pressure on emergency services and defence capabilities to respond
- **First Nations communities:** First nations peoples face unique risks as climate change threatens the health of Country, cultural continuity, and self-determination. These risks require place-based and community-led responses.

Findings from the NCRA indicate that in the next decade, Australia will experience:

- more time spent in drought – worsening impacts on agriculture, rural communities, and mental health
- more dangerous fire weather – especially in southern and eastern Australia
- escalating heat extremes, particularly in northern Australia – placing strain on health services, critical infrastructure, and emergency response
- continued sea level rise – increasing the number of coastal properties at high or very high risk from 8% now to 18% by 2050.

National Adaptation Plan

The Australian Government released the National Adaptation Plan (NAP) alongside the National Climate Risk Assessment (NCRA), setting out a vision and objectives for a well-adapted Australia. The plan outlines current roles and responsibilities for adaptation, as well as current and future priorities

for the Australian Government's action (DCCEEW 2025d). This includes prioritising actions that support groups that are disproportionately vulnerable to the impacts of climate change, including financially disadvantaged households, the elderly, those with pre-existing health conditions and disability and women and gender-diverse groups.

The NAP highlights the significant adaptation efforts already underway across the Australian Government to address climate risks. Since 2022, the Government has contributed \$3.6 billion to programs that are supporting Australians to adapt and strengthen their resilience in the face of the changing climate (DCCEEW 2025d). More broadly, the Government has committed around \$9 billion between 2022 and 2030 to policies and programs that include a significant focus, alongside other objectives, on improving Australia's resilience to the impacts of climate change (DCCEEW 2025d). The NAP serves as a foundation for further coordinated efforts, leveraging the extensive work already in progress across Australian Government agencies.

Given the breadth of climate risks, the NAP sets out a coordinated approach that embeds adaptation objectives in a broad range of new and existing policies. In particular, adaptation must be considered in parallel to mitigation efforts and linked to disaster risk reduction. Adaptation was considered in development of the Net Zero Plan and informed policy responses delivered under the plan. For example, the 'Game On: Teaming Up for Climate Action', outlined in Chapter 2, demonstrates how the Government is delivering on-ground support for climate adaptation alongside energy upgrades.

Implementing the National Adaptation Plan

The National Adaptation Plan (NAP) lays the foundation for adaptation action, and the Australian Government now needs to prioritise implementation, as noted by the Climate Change Authority (CCA) in the Annual Progress Report (CCA 2025a). Delivering ambitious adaptation action is a shared responsibility. Through the Energy and Climate Change Ministerial Council (ECMC), the Australian Government will work with state, territory, and local governments to create an action agenda for the NAP by the end of 2026.

This action agenda will give effect to priority actions identified for government at all levels of Australian society. It will coordinate work between all levels of government, setting out tangible action to reduce the worst impacts of climate change on Australian communities and businesses. The action agenda is intended to complement rather than duplicate climate adaptation roles, responsibilities and action occurring across other sectors and jurisdictions.

Working in partnership with First Nations peoples to adapt to climate change

The Australian Government is working in partnership with First Nations peoples to support adaptation action, honouring Indigenous knowledge systems, priorities and leadership, reflecting the principles of the 2024 First Peoples Statement on Climate Change.

The development of the National Climate Risk Assessment (NCRA) and the National Adaptation Plan (NAP) included engagement with First Nations peoples through gatherings, First Nations-led

consultancy projects, and the Department of Climate Change, Energy, the Environment and Water (DCCEEW)'s First Nations Climate Change and Clean Energy Advisory Committee. The Government will continue to build and strengthen its partnerships with First Nations peoples when developing adaptation policies and programs through the action agenda.

Case study: Supporting Climate Resilience in the Torres Strait and Northern Peninsula Area

Communities in the Torres Strait and Northern Peninsula Area are experiencing the impacts of climate change first-hand, including sea level rise, coastal erosion, and changing weather patterns.

The Australian Government is working with regional leaders and Traditional Owners to implement the Torres Strait and Northern Peninsula Area Climate Resilience Centre, a \$15.9 million investment over 6 years from 2022–23 to 2027–28. The centre is a First Nations-led initiative, co-designed with regional leaders. It provides a dedicated space for sharing information, building capacity, and supporting culturally informed, place-based decision-making, with an emphasis on integrating First Nations knowledge systems and scientific expertise.

In 2025, \$10.8 million in grants were provided to 3 regional organisations to support the employment of local First Nations Climate Resilience Officers. These officers will lead community education and adaptation projects that reflect the values of their communities.

This project represents the strength of First Nations peoples who continue to guide their communities, the vision of local leaders working towards sustainable futures, and the legacy being built for the next generation.

Disaster risk management

Australia's disaster management system is under growing pressure as a result of climate change. Work on disaster risk reduction and adaptation to acute climate-influenced hazards including bushfires, floods and tropical cyclones, will build resilience. This work includes strengthening our ability to resist, adjust to and recover from the effects of natural hazards.

A key consideration for the Australian Government is reducing reliance on the Australian Defence Force to provide disaster response services, which can detract from its core mission.

The Government is considering recommendations from the Independent Review of National Natural Disaster Governance Arrangements (Glasser Review) and Independent Review of Commonwealth Disaster Funding. Both reviews provide advice aimed at making communities safer, building resilience, and ensuring national emergency management arrangements are optimised to prepare for and deal with future disaster events.

The Disaster Ready Fund (DRF) is providing up to \$1 billion over 5 years from 2023-24 to 2027-28 increase our understanding of natural hazards, build resilience and reduce disaster risk in Australian communities. Round 3 of the DRF has an increased focus on larger infrastructure projects that will deliver long-term risk reduction and resilience benefits. Successful projects were announced on 17 November 2025, with 96 projects to be delivered across Australia. This includes 41 infrastructure projects and 55 projects covering other eligible project types.

In 2022, the Australian Government established the Hazards Insurance Partnership (HIP) to improve insurance affordability and availability over time. The National Resilience Action Library and the Natural Hazards Awareness Modules help homeowners understand options to reduce the impacts of natural disasters on their properties.

Climate change and national security

Australia is acting to mitigate climate-related threats to our national security, including efforts to build our resilience to disasters, enhancing our energy security, and partnering with the Pacific to support decarbonisation and adaptation efforts (see Chapter 6 -International developments).

Risks to national security from climate change

Climate change presents unprecedented challenges to Australia's national security. The NCRA identifies climate change as a critical and escalating national security threat for Australia, with risks projected to rise from 'high' to 'very high–severe' by 2050.

Climate challenges amplify existing stressors across the region by increasing pressure on supply chains, critical infrastructure, defence capability, essential services, personnel health and safety, social cohesion, and migration and displacement. Disruptions to energy, transport, telecommunications, and water services – particularly in regional and remote areas – can impair emergency response, and government coordination, as well as increasing reliance on federal support. Interdependencies between systems, such as water and energy, compound the potential for cascading failures, with implications for strategic autonomy, social cohesion, and national resilience.

Managing the risks to national security from climate change

The risk of multiple concurrent crises can be mitigated by proactively addressing the challenges posed by climate change, by boosting our resilience and embedding regional leadership. Coordinated whole-of-government work is underway to:

- strengthen preparedness and economic security
- integrate climate risk into national security planning
- invest in resilience measures that reduce ongoing reliance on the Australian Defence Force for domestic disaster response.

Strengthening resilience against a range of threats and strategic challenges requires partnerships across levels of government and industry to anticipate, absorb, and recover from natural and human-induced shocks. Australia can reduce its exposure to domestic and regional disruptions by:

- recognising the strategic opportunities of the energy transition to build new partnerships
- diversifying supply chains
- strengthening the resilience of our energy systems to disruptions.

Enhancing Australia's energy security

Reducing Australia's reliance on imported energy through the increased uptake of renewables and storage reduces our exposure to international disruptions. New technologies offer huge potential to improve the efficiency of our grids, provide alternative energy sources and electrify fuel-dependent transport and industries. This will reduce our reliance on legacy infrastructure and conventional fuels.

The Australian Government's efforts to diversify and strengthen clean energy supply chains domestically and with our key partners, including through building Australia's renewable hydrogen and green metals industries (see Chapter 3 – Future Made in Australia). This will help alleviate long-term supply chain dependencies which could disrupt the pace of the energy transition and impact on the security of our energy systems.

The Government is committed to maintaining fuel security through the transformation to net zero. Both the *Fuel Security Act 2021* and the Government's commitment of \$1.1 billion to support the production of low carbon liquid fuels (LCLF) in Australia (see Chapter 2 – industry and resources) will help to strengthen our sovereign fuel security.

The transition to net zero involves strategic dependencies that must be carefully managed. For example, Australia must continue to manage cybersecurity risks for connected devices in our energy system. Work underway to further mitigate cybersecurity risks includes the 2023–2030 Australian Cyber Security Strategy which provides a framework to uplift Australia's data security settings, promote safe technologies and support industry.

In addition, ensuring our critical infrastructure is resilient to extreme weather events, cyber threats and supply chain risks is essential to safeguarding Australia's energy and national security into the future.

Protecting Australia's environment

The protection and restoration of Australia's natural environment provides one of the best defences against climate change. The natural environment provides our water and food supplies, protects our health, and supports our resilience against extreme weather and worsening climatic conditions. A healthy environment can also create better conditions for nature-based carbon sequestration capacity, broadening out Australia's pathways to achieve net zero by 2050.

The Australian Government is committed to strengthening and streamlining Australia's national environmental law, including establishing a national environment protection agency. Legislation was introduced to parliament in October 2025, including a broader suite of reforms than what was introduced in the previous legislation. Aligned with the core principles of the Independent Review of Australia's *Environment Protection and Biodiversity Conservation Act* (EPBC Act), conducted by Professor Graeme Samuel AC and released in 2021, the reforms will deliver:

- stronger environmental protection and restoration
- more efficient and robust project assessments
- greater accountability and transparency in decision-making.

The legislation focuses on removing duplication within the environmental approvals and assessments system and introducing strong new national environmental standards. Fit-for-purpose environmental laws will protect Australia's precious natural environment, while also speeding up assessments for national priorities like renewable energy projects.

Australia has committed to a national target to protect and conserve 30% of Australia's landmass and 30% of marine areas by 2030. The ocean is a vital part of the global climate system and Australia recognises the need to build its health and resilience in the face of climate change. The Australian Government and state and territory governments have established the National Representative System of Marine Protected Areas. Currently 52% of Australian waters are protected in marine parks. The Australian Government has recently committed to protect 30% of Australia's oceans in highly protected zoning by 2030. Marine Protected Areas can provide nature-based solutions that contribute to climate change mitigation and adaptation, including through enhanced biodiversity, carbon sequestration and coastal protection.

Protected areas on land play an important role in Australia's efforts to halt and reverse biodiversity loss. As of November 2025, well over 24% of Australia's landmass is protected. Australia is on track to meet a national target to protect and conserve 30% of Australia's landmass by 2030.

Case study: First Nature Repair Market project – replanting native forest and woodland ecosystems

The Nature Repair Market, launched in early 2025, is a national biodiversity market established under the *Nature Repair Act 2023*. It enables individuals and organisations to undertake projects that improve and protect biodiversity, verify outcomes, receive a tradable certificate and attract investment.

The Nature Repair Market is aligned with the Australian Carbon Credit Unit (ACCU) Scheme, making it easier for land managers to participate in both schemes. The first method – 'Replanting native forest and woodland ecosystems' – aligns with the ACCU's Reforestation by Environmental and Mallee plantings method. These methods both support planting projects on historically cleared land. By restoring native vegetation, projects also create habitat and can lead to healthier soils, cleaner water and a landscape more resilient to extreme weather conditions.

The first project under the Nature Repair Market was registered on 12 August 2025 under the 'Replanting native forest and woodland ecosystems' method.

The project involves planting a mix of local native species on a former cattle-grazing property in north-east NSW. The 438-hectare project area will re-create local forest ecosystems on areas of cleared land that adjoin intact forest. The project has been designed to meet the requirements of the Nature Repair Market and align with an ACCU project being implemented on the same land.

Designing and registering projects under both the Nature Repair Market and ACCU scheme enables the landholder to generate ACCUs, have the biodiversity benefits verified and receive a tradable certificate under the Nature Repair Market and, when the plantings have matured, continue cattle grazing – making the most out of their land.

Chapter 6: International developments

At a glance

- Global momentum to net zero continued in 2025. Global clean energy investment reached record highs and 113 countries have submitted their Nationally Determined Contributions (NDCs) with 2035 targets to the UNFCCC.
- Australia will preside over negotiations for the Conference of Parties (COP) 31 in 2026.
- Australia is partnering with our Pacific neighbours by investing \$50 million to help Pacific nations shift away from fossil fuels and \$75 million to support off-grid and community renewable energy projects in remote areas.

Despite a shifting global environment, countries across the world continue to affirm their commitment to the Paris Agreement and net zero goals. Around 80% of global GDP is covered by national net zero commitments, including Australia's major trading partners such as China, Japan and the Republic of Korea.

Energy security remains a critical issue for many countries, with increasing electrification and the emergence of new load sources, like data centres, driving energy demand growth. Globally, there is now around twice as much investment in clean energy as fossil fuels and renewables generated more electricity than coal for the first time in the first half of 2025 (IEA 2025b; Ember Energy 2025a).

Ember Energy report that the world generated almost a third more solar power in the first half of this year compared to the same period in 2024, meeting 83% of the global increase in electricity demand. In addition, wind power increased by over 7% marking the beginning of a shift, where clean power is keeping pace with global growth (Ember Energy 2025b). Looking forward, under all scenarios considered in the IEA's World Energy Outlook 2025, renewables grow faster than any other major energy source, led by solar PV (IEA 2025c).

Actions across the world to reduce emissions will continue to impact on Australia's export opportunities. For example, South Korea's announcement at COP30 that it will end coal fired generation by 2040 will have implications for Australia's coal exports.

Multilateral engagement

2025 was a milestone year under the Paris Agreement. Countries were required to submit their next Nationally Determined Contributions (NDCs) and 2035 emissions reduction targets. Since 2015, our projected global warming trajectory has improved from 4°C to 2.8°C (UNEP 2025; UNFCCC 2023).

In September 2025, the Australian Government adopted the CCA's recommendation to reduce emissions by 62–70% below 2005 levels by 2035 and communicated this target to the United Nations Framework Convention on Climate Change (UNFCCC) as our second NDC.

At the 30th UNFCCC Conference of Parties (COP30) in Belém, Brazil, countries delivered ambitious outcomes. The key outcome, the Mutirão agreement, highlights the significant progress made in the 10 years since the Paris Agreement commenced, as well as the significant work remaining to keep global temperature rise to safer limits and to drive the cooperation and investment needed to reach net zero.

As an implementation-focused COP, two major initiatives – the Global Implementation Accelerator and the Belém Mission to 1.5°C – were launched to support countries to deliver on their NDCs and adaptation plans. Parties also agreed to efforts to triple adaptation finance by 2035, from an expanded donor base and wide variety of public and private sources as agreed at COP29. In addition, an ambitious Belém Gender Action Plan was adopted, driving forward progress on gender equality in climate action.

Australia engaged actively across the COP30 Action Agenda, supporting Australian businesses to engage and connect with global partners, including by endorsing a pledge to quadruple global sustainable fuel use by 2035 amongst a range of likeminded countries and similar economies, demonstrating strong demand from international partners for sustainable fuels, which the Government is backing in with our \$1.1 billion commitment to support new Australian jobs and industries in the low carbon liquid fuels sector.

In November 2025, Minister Bowen was appointed co-chair of the NDC Partnership, a global coalition of over 250 members, including 140 countries and 110 institutions, for 2026 and 2027, alongside COP30 president Brazil. The NDC Partnership is the world's biggest broker of NDC support, having delivered around US \$18 billion in funding, putting Australia in the driver's seat of one of the world's most significant renewable investment vehicles, in recognition of our ambitious but achievable approach to maximising the economic opportunities of climate action. Through this role Australia will provide practical support to countries to implement their climate commitments and advance their net zero transitions, including support to developing countries to accelerate their decarbonisation and to turn their climate pledges into action.

Australia is supporting Pacific Island nations and countries in South-East Asia to engage with the Paris Agreement's Enhanced Transparency Framework by:

- sharing our expertise in emissions inventories
- organising regional collaboration events
- supporting Pacific regional organisations to coordinate transparency efforts
- supporting partners to make evidence-based policy choices and set targets.

This year, Australia co-organised the 2025 Polynesian Transparency workshop hosted by the Cook Islands.

Australia also contributed to global net zero efforts through a range of other multilateral fora in 2025, including:

- spearheading the \$50 million Quad Clean Energy Supply Chain Diversification Program. Under Round 1, the Australian Government is providing \$24 million in grant funding to 12 successful projects undertaking research and development and feasibility studies targeting solar PV, hydrogen electrolyser and battery supply chains in the Indo-Pacific

- collaborating on carbon leakage and global green standards with the Climate Club, a forum for accelerating climate action with a focus on industrial decarbonisation
- working through forums such as the Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC) to help the energy transition as demand for reliable, secure and cleaner energy in our region grows.

The Paris Agreement 10 years on

Climate change is a global challenge, and all countries must work together to respond to it. The Paris Agreement, which came into force in 2016, is one of the legally binding international frameworks supporting collaboration on climate change. It builds on the United Nations Framework Convention on Climate Change from the Rio Summit in 1992.

Under the Paris Agreement, the global temperature goal is to keep warming to ‘well below’ 2 °C compared with pre-industrial levels, and to ‘pursue efforts to limit the temperature rise to 1.5 °C’. The Paris Agreement aims to strengthen the global response to the threat of climate change by seeking ‘to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases’.

Australia signed the Paris Agreement in 2015 and ratified it in 2016. Under the agreement, Australia has submitted a series of NDCs for economy wide emissions reductions, including:

- an initial target of 26-28% below 2005 levels by 2030 submitted in August 2015
- a net zero by 2050 target submitted in October 2021
- an updated and more ambitious 2030 target of 43% below 2005 levels submitted in June 2022
- a commitment to 62–70% below 2005 levels by 2035, submitted in September 2025, accepting the CCA’s recommendation under the *Climate Change Act 2022*.

The *Climate Change Act 2022* enshrines into domestic law the principle that successive NDCs must represent an enhancement of Australia's level of ambition. This reflects Article 4(3) of the Paris Agreement that requires that ‘Each Party’s successive nationally determined contribution will represent a progression beyond the Party’s then current nationally determined contribution and reflect its highest possible ambition’, as is the case with Australia’s 2035 target.

The *Climate Change Act 2022* helps ensure that the Australian Government meets its obligations under the Paris Agreement and takes into account independent advice when setting and revising NDCs. Other Commonwealth legislation, such as that for the Safeguard Mechanism and the New Vehicle Efficiency Standard, incorporates Australia’s NDC commitments. Targets under our NDCs also inform Australia’s national energy laws, along with a focus on the long-term interests of consumers.

Well over half of the parties to the Paris Agreement have submitted NDCs that include a 2035 target, covering around 75% of global emissions and 60% of the global population. Significant progress has been made to date under the Paris Agreement, including:

- near-universal participation, with over 190 parties to the agreement
- improvements on the temperature trajectory by 2100, which has fallen from around 4°C to around 2.8°C

- mobilisation of climate finance and technology transfer to developing nations, fostering resilience.

In July 2025, the International Court of Justice released an advisory opinion regarding the obligations of states in relation to climate change. The Australian Government welcomes this opinion which makes an important contribution in relation to the obligations of all States to respond to the climate emergency. Australia was proud to join the Pacific in co-sponsoring the Vanuatu-led UN General Assembly resolution requesting this advisory opinion and then to participate in the ICJ advisory proceedings last year.

Partnering with the Pacific

Recognising the significant impacts of climate change on the Pacific, Australia continues to support Pacific nations across a range of climate and energy transition initiatives.

As part of the consensus achieved regarding COP31 hosting and presidency arrangements, Australia will assume the role of President of Negotiations in the lead up to and at COP31. In this role, Australia will have 'exclusive authority in relation to the negotiations', allowing us to shape and guide decision making in support of the multilateral system. This will support Australia in its pursuit of global trading and investment arrangements that support clean energy industries, helping us to benefit from our competitive advantages in these industries. Australia also secured a commitment to the Pacific hosting a special pre-COP meeting for leaders and others to be held in the Pacific.

These outcomes provide Australia and our regional partners with an influential place at the negotiating table, increasing our ability to highlight the threat that climate change poses to the livelihoods, security and wellbeing of the people of the Pacific and to shape constructive international climate change action in response. Notably, COP31 will include a session on climate finance needs of Small Island Developing States, providing a platform for world leaders and others to make commitments to the Pacific Resilience Facility – a Pacific-led fund to support Pacific climate responses.

This builds on Australia's efforts to support our Pacific partners to date. At COP29 in 2024, Australia announced that it will contribute \$50 million to the Fund for Responding to Loss and Damage. The fund assists countries affected by the climate crisis, including in the Pacific. Australia is also contributing at least \$350 million in climate infrastructure for the Pacific. This includes delivering off-grid and community-scale renewable energy in remote and rural parts of the Pacific and Timor-Leste through the \$75 million REnew Pacific program. Since 2024, 25 new off-grid renewable energy projects have been rolled out across 7 Pacific countries, setting to benefit over 100,000 people.

The \$50 million Australia-Pacific Partnership for Energy Transition (APPET) will support Pacific nations to plan for and implement their energy transitions aligned with their NDCs. APPET aims to reduce reliance on fossil fuels imports through targeted support for policy, regulation, technical analysis, and institutional uplift that will support increased renewable energy integration. Since November 2024, Australia has signed partnerships with Tuvalu, Palau.

Supporting regional security through Australia's partnerships with the Pacific

In 2018, the Pacific Islands Forum, including Australia, adopted the Boe Declaration on Regional Security, reaffirming that climate change remains the single greatest threat to the livelihoods, security and wellbeing of the people of the Pacific.

Australia's partnerships with the Pacific are helping to improve regional security, through investments in resilient infrastructure, renewable energy, and early warning systems. These efforts strengthen energy independence, reduce disaster risks, and support climate-resilient livelihoods, contributing to a more stable and secure Pacific region.

Bilateral engagement

Throughout 2025, Australia continued to strengthen our relationships with key international partners.

Australia continued to work closely with Germany to develop the Australia–Germany joint H2Global Tender under the Australia–Germany Energy and Climate Partnership. The tender will support the renewable hydrogen industry through a double-sided auction scheme.

Australia is expanding its climate and energy cooperation with Singapore through an enhanced Comprehensive Strategic Partnership agreed in October 2025 by Prime Minister Albanese and Prime Minister Wong of Singapore. We will establish a Ministerial Dialogue on Energy and as part of new Singapore–Australia Green Economy Agreement initiatives announced by the Prime Ministers we will deepen cooperation on green and digital shipping, cross-border electricity trade, cross-border movement of carbon dioxide for offshore geological sequestration, batteries, and low-carbon hydrogen and ammonia certification schemes.

With India, Australia is delivering the Renewable Energy Partnership and a range of other initiatives under the clean energy pillar as part of 'A New Roadmap for Australia's Economic Engagement with India'. Australia is also working with Indonesia through the Indonesia–Australia Climate, Renewable Energy and Infrastructure Partnership; and with Vietnam through the establishment of a climate and energy counsellor position based at Australia's embassy in Hanoi.

Australia and the Republic of Korea signed the Green Economy Partnership Arrangement on Climate and Energy in December 2024, furthering opportunities for climate and energy cooperation. Under this partnership to date, Australia is implementing a green shipping pre-feasibility study and a hydrogen certification compatibility study and has announced a grant program for clean energy technology and supply chain enhancement.

2025 climate and energy dialogues

41st Japan–Australia Energy and Resources Dialogue

In August 2025, Australia hosted the 41st Japan–Australia Energy and Resources Dialogue in Canberra. Japan and Australia discussed opportunities to deepen our bilateral cooperation on climate and energy, as well as in multilateral fora. Senior government officials discussed initiatives to strengthen and streamline the net zero investment environment for both countries.

Australia–China Ministerial Dialogue on Climate Change

In October 2025, Minister Bowen attended the Australia–China Ministerial Dialogue on Climate Change in Beijing. Ministers agreed to continue technical cooperation on transparency (focused on greenhouse gas inventories and reporting) and to expand cooperation on adaptation. Australia is advancing outcomes from the 2025 Australia–China Annual Leaders’ Meeting to continue climate engagement, including through the new Policy Dialogue on Steel Decarbonisation.

India–Australia Ministerial Dialogues

In October 2025, Minister Bowen attended the 5th India–Australia Energy Dialogue and the inaugural India–Australia Renewable Energy Partnership Ministers meeting in New Delhi. Ministers discussed opportunities to support renewable energy workforce development and technology commercialisation. They also discussed 2-way investment and opportunities to connect technical experts to support each country’s energy transition.



Response to the Climate Change Authority's Annual Progress Report

The Australian Government thanks the Climate Change Authority (CCA) for its fourth Annual Progress Report. The report and its recommendations have informed this annual statement.

The Australian Government has responded individually to each of the CCA's 7 recommendations.

Framework for Government response

Response	Rationale
Agree	The Government agrees with the recommendation's intended outcome and implementation approach - This includes situations where the government is already pursuing action in line with the recommendation.
Agree in principle	The Government agrees with the recommendation's intended outcome, but further consideration is required on the approach to implementation – for example, additional funding or policy authority would be required; or the government would need to seek agreement from others (e.g. states/territories).
Note	Further consideration of all aspects of the recommendation is required.
Do not agree	The Government does not agree with substantive elements of the recommendation.

Recommendation 1

Accelerating project approvals

Streamline approval processes for renewable energy projects to protect the environment from both climate change and development impacts.

Delays to approvals threaten Australia's renewable electricity and decarbonisation ambitions. Rapid deployment of renewable energy is key to decarbonising the rest of the economy, and reducing emissions helps protect the environment from the impacts of climate change. Smarter, faster approvals are the way to rapidly reduce emissions and protect the environment at the same time.

To deliver smarter, faster approvals, the Government should:

- A. amend the EPBC Act to expressly permit the Minister for the Environment to take into account emissions reductions supported by a proposed renewable energy generation, transmission or storage project when making environmental approval decisions, and to prioritise such considerations, except in designated 'no-go' zones
- B. deploy a specialist 'strike team' to expedite planning and development processes for priority projects – broadly as previously proposed by the Productivity Commission
- C. make better use of regional planning, bilateral agreements between the Commonwealth and states and territories, and digital approaches to the administration of environmental approvals.

Note

The Australian Government agrees with the CCA that the combination of state, territory and Commonwealth environmental approvals have been too slow and without reform threaten our ability to replace ageing unreliable coal fired generators with reliable renewables that cut emissions and put downward pressure on electricity prices.

The Government is committed to strengthening and streamlining our national environmental laws, including making site selection easier for proponents with 'go' and 'no go' zones and delivering on the Government's election commitment to establish the National Environmental Protection Agency (NEPA). These reforms are about improving national productivity as well as delivering greater environmental protections.

Legislation introduced to Parliament in October 2025 includes a suite of reforms that will deliver stronger environmental protection and restoration, more efficient and robust project assessments and greater accountability and transparency in decision-making. This aligns with the recommendations of the Samuel Review.

The Government is collaborating with jurisdictions to improve environment and planning outcomes for renewable energy projects. The National Renewable Energy Priority List provides an avenue for coordinated effort across national and state and territory governments to reduce regulatory roadblocks for identified priority projects. Further work is underway to streamline the rollout of renewable energy under the bilateral Renewable Energy Transformation Agreements and related oversight committees, currently in place with most jurisdictions.

Recommendation 2

Capacity Investment Scheme

Maintain momentum of the rollout of renewable electricity by extending the Capacity Investment Scheme until it is no longer needed.

A low-carbon electricity system is the backbone of a decarbonised Australia. Renewables are already generating more of Australia's electricity than ever before, but they need to be deployed faster for Australia to achieve its emissions reduction targets. The share of on-grid renewable electricity needs to roughly double over the next five years to achieve the 82% renewable electricity target that underpins Australia's emissions reduction goals.

The CIS is currently scheduled to conclude in 2027. While the NEM Review panel is expected to recommend a mechanism to replace the CIS by the end of this year, the timing of implementation is uncertain. Without extending the CIS, businesses will lack the policy certainty required to invest in renewable energy projects – the investments necessary for unlocking Australia's huge renewable energy potential.

The Government should refine the program to incorporate insights gained from its implementation, other capacity schemes and the NEM Review. The program should continue until it is no longer needed, rather than ending at an arbitrary point in time.

Note

The Australian Government notes the CCA's recommendation to extend the Capacity Investment Scheme (CIS) to maintain momentum in the energy transition.

The CIS is a highly successful program, which is designed to deliver the necessary energy capacity to meet our 2030 renewable electricity target and lower household energy bills in the process. Tenders to date have attracted strong interest from project proponents across Australia. CIS auctions are highly competitive ensuring taxpayer value for money as we target the amount of generation we need to get to 2030. The targets for the most recent auction were oversubscribed by a factor of 4. The tenders have identified 65 projects to date, with 20 contracts executed. Contracted projects are making good progress against their milestones, noting many are early-stage projects that will not be operating until closer to 2030.

In response to strong market interest and the falling costs of solar and storage, the CIS has recently expanded to underwrite an additional 3 GW of variable renewable energy and 5 GW of 4 hour equivalent dispatchable capacity.

The Government recognises the importance of providing investment certainty during a period of significant transformation in the National Electricity Market (NEM). The NEM review, currently underway, will recommend wholesale market settings to promote investment in firmed, renewable generation and storage capacity in the NEM following the conclusion of the CIS tenders.

At this stage, the final CIS tenders are scheduled to commence in late 2026. Transitional arrangements to a market-based mechanism will be considered later this year as part of the response to the report of the NEM review.

Recommendation 3

Electricity system security

Install the technologies needed to keep the power system secure while more renewable energy is deployed.

As fossil fuel generators retire, new sources of system security services are needed to support the entry of large amounts of wind and solar generation.

Synchronous condensers are a well-proven technology that can support power system security through the transition. Accelerating their deployment will enable more renewable electricity generation to connect to Australia's grids. To support both system security and reliability where required, gas-fired generators fitted with clutches can be deployed for their synchronous condenser functionality. A number of these dual-purpose installations should be deployed, to generate only when zero-emissions options are unavailable, and they should be run on low-carbon fuels in the future.

Agree

The Australian Government recognises that system security is critical to maintaining a stable, reliable and safe power system in the transition. At the August Energy and Climate Change Ministerial Council (ECMC) meeting, Energy Ministers agreed to an action plan exploring opportunities to enhance system security across a range of priority areas including regulatory frameworks, policy, and technological innovation.

Tender 8 of the CIS has been expanded to include strategic storage and system security services in its merit criteria, recognising the additional value that storage in the right locations can provide to network hosting capacity and security.

A range of technology solutions for system security will be needed in the transition. The different technology solutions can deliver multiple and distinct combinations of energy and system security services. Finding the optimal mix of solutions to mitigate risk while managing costs to consumers is complex.

System Strength Service Providers (SSSPs) in the National Electricity Market (NEM) completed assessments this year, as part of the regulatory process, to identify the optimal solutions to deliver system strength services over the next 10 years. A mix of technologies has been identified as needed, including synchronous condensers, grid-forming inverters, as well as, in some cases, retrofitting/fitting gas powered generators with clutches to operate in synchronous condenser mode.

The Australian Government is working with jurisdictions and market bodies, and engaging with SSSPs and other key stakeholders, on how to support more timely, efficient, and cost-effective delivery of technology solutions and system security outcomes.

Recommendation 4

Community acceptance

Ensure regional communities share in the benefits of clean energy projects.

Recent delays and lost investments for clean energy projects reveal developers need guidance and support from government to help them earn community support. Projects that lack support face delays, threatening the pace of the renewables rollout.

The Government should establish a national program to guide community engagement and benefit-sharing for clean energy infrastructure projects. Rather than replacing existing state and territory approaches, this program would complement and strengthen place-based models while promoting greater consistency across jurisdictions. It should:

- adopt a principle-based approach including best practice principles such as Free, Prior and Informed Consent for First Nations communities
- be based on a robust framework for calculating mandatory benefit-sharing contribution amounts for clean energy projects and for distributing funds to align with the needs and goals of the impacted communities
- incorporate monitoring and evaluation of outcomes to improve transparency, hold all parties accountable, and ensure benefits are delivered as intended. Robust monitoring and evaluation should help to deliver better outcomes for communities and strengthen trust in the energy transition.

Agree in principle

The Australian Government recognises the important role community acceptance plays in the energy transformation and wants economic benefit from new renewable projects to be shared across the communities they reside in.

The Government notes that recommendation 4 promotes the implementation of a national approach to guiding community engagement and benefit-sharing for clean energy infrastructure projects, and further notes the Government is taking significant steps to implementing national approaches to both community engagement and benefits-sharing.

In particular, this year, the Government has delivered the first phase of the Developer Rating Scheme which will establish national standards for developers across a range of attributes including their community engagement capability, and make available the outcomes of assessments of developer performance against these standards. The Developer Rating Scheme builds on previous work including the release of *National Guidelines for Community engagement and benefits for electricity transmission projects* in 2024 and the work of states and territories, and third-party organisations.

In addition, the Government is supporting national approaches to benefits-sharing and delivering economic benefits for First Nations peoples and shared community benefits, under the CIS. As at October 2025, the 65 projects selected under the CIS are set to deliver an estimated \$37 billion worth of commitments to First Nations peoples' outcomes and regional community benefits, and expenditure on local content and employment (see further Chapter 4).

The Government is also concerned that misinformation and disinformation against the roll out of renewables has been coordinated alongside these approval processes to impede progress. The Senate Select Committee on Information Integrity on Climate Change and Energy is inquiring into the prevalence and impacts of misinformation and disinformation relating to climate change and energy (Parliament of Australia 2025). The Government looks forward to its findings, expected in early 2026.

The Australian Government remains committed to ensuring regional Australians benefit from the energy transition and to improving how developers engage with communities when developing clean energy projects. The Government has implemented several measures to encourage community engagement and benefit sharing for clean energy infrastructure projects, including:

- Releasing **National guidelines for Community engagement and benefits for electricity transmission projects** in 2024 to provide guidance to transmission project developers regarding Government's expectations for community engagement and benefit sharing for new transmission projects and making changes to the National Electricity Rules.
- Establishing the **Net Zero Economy Authority** in December 2024 to work with industry, local communities, state and local governments, and international partners to facilitate investment in projects that deliver benefits to communities impacted by Australia's transition to a net zero economy.

Community engagement remains a priority area of focus for the Energy and Climate Change Ministerial Council (ECMC) under the National Energy Transformation Partnership. The Australian Government will continue to work with state and territory governments through ECMC on community engagement as a priority area of focus.

The ECMC has also endorsed the principles of the First Nations Clean Energy Strategy 2024-2030, which provides a national framework for benefit sharing and economic participation for First Nations peoples.

Recommendation 5

Fossil methane

Note the Authority will take a deep look at the opportunities to radically reduce fossil methane emissions in Australia.

Methane is 80 times more potent than carbon dioxide when it comes to global warming over a 20-year period and reducing it can help to quickly slow climate change. Fossil methane made up around 7% of Australia's emissions last year and can be abated more readily than biogenic methane from livestock.

In 2026, the Authority will explore the opportunities to rapidly abate fossil methane. This will include a review of the latest developments in technological solutions and policy interventions, such as regulatory or market-based mechanisms and measures to leverage research, development and demonstration (RD&D) opportunities in Australia.

Agree

The Australian Government supports the CCA's intention to explore opportunities to further abate fossil methane in 2026 and await the outcomes of this work. The Government agrees that reducing methane emissions is a significant short-term opportunity to address climate change and are committed to further action along with over 150 countries participating in the Global Methane Pledge. A number of actions to reduce methane emissions are already set out in the Net Zero Plan and 6 sector plans.

Recommendation 6

Climate adaptation

Ensure Australians are not locked into living and working in places exposed to dangerous climate risks.

The National Climate Risk Assessment (NCRA) shows that Australia will continue to experience increasingly severe and frequent climate impacts in the coming decades.

It is critical that the Government work with state, territory and local governments to:

- account for future climate risks in land-use planning and development rules
- provide better information, clear guidance materials and decision-making tools to support communities to actively prepare for and undertake planned relocations.

Agree

The Australian Government is committed to contributing to improving the sustainability and resilience of Australia's built environment, including by working closely with other jurisdictions and providing better information to communities. To this end, the Australian Government is working with state and territory governments through the Planning Ministers' Meeting to implement principles for better climate risk assessment in making planning decisions. In addition, as part of NCRA, the Australian Climate Service has made available new data sets covering priority risks, climate hazards and levels of exposure and vulnerability.

Recommendation 7

Adaptation finance

Partner with investors to help communities and businesses build resilience to a range of climate-related impacts like floods, fires and heatwaves.

Governments can't alone cover all the costs of adapting to climate change, and investors and businesses need help to overcome barriers that stop the private sector from investing in adaptation.

The Government should prioritise developing a national adaptation finance strategy that considers opportunities to finance adaptation such as tax reform, adding adaptation to the Clean Energy Finance Corporation's investment mandate, and leveraging Commonwealth payments to states and territories to drive better adaptation and resilience outcomes.

Agree in principle

As part of the National Adaptation Plan (NAP), the Australian Government identifies priorities to support an uplift in adaptation and resilience investment, building on existing progress, to prepare for acute and chronic climate risk. This work includes considering an adaptation finance strategy co-developed with the Treasury, exploring opportunities to embed climate adaptation into the Sustainable Finance Taxonomy and exploring ways to ensure Special Investment Vehicles are responsive to relevant and emerging priorities.

Progress on 2024 recommendations

The Australian Government has made strong progress in implementing its response to the CCA's recommendations from its 2024 Annual Progress Report. Some highlights include:

- The Government agreed to the CCA's recommendation to speed up connection approval processes for large-scale generators in the National Electricity Market (NEM), while enhancing the transparency of those processes.
 - The Government has provided dedicated investments to speed up grid connection of renewable energy generation and storage projects and support reliability in NEM. These investments include the Streamlined Connections Pilot with \$2.9 million in joint Commonwealth, state and territory funding allocated in mid-2024, and the Accelerated Connections Fund with \$8.9 million in Commonwealth administered funding allocated in the 2024 Mid-Year Economic and Fiscal update.
- The Government agreed in principle to the CCA's recommendation to make full use of the potential contribution of electricity distribution networks, and commercial and industrial customers' premises, to host renewable electricity generation and storage.
 - The National Consumer Energy Resources Roadmap sets out actions to unlock the full benefits of consumer energy resources for consumers and the electricity system. As part of this work, incentive arrangements for network businesses are under review to ensure they remain fit-for-purpose. The Government is supporting deployment of renewable energy and storage in distribution networks through the Large-scale Renewable Energy

Target, the Community Batteries for Household Solar program, and the Small-Scale Renewable Energy Scheme (including the Cheaper Home Batteries Program). The Australian Energy Market Commission (AEMC) introduced a rule change in November 2024 to deliver smart meters to all households in the NEM by 2030.

- The Government agreed in principle to the CCA's recommendation to work collaboratively together across levels and portfolios of government to overcome barriers to the energy transition.
 - The ECMC continues to work together on priority issues of national significance and key reforms in the energy and climate change sectors. In August 2025, the National Energy Transformation Partnership was updated to promote the continued alignment of objectives and priorities across Australian, state and territory governments through the rapidly evolving clean energy transition. The partnership links all Australian, state and territory governments and signifies a common commitment to the same net zero destination. In addition, the Australian Government is negotiating and implementing Renewable Energy Transformation Agreements (RETAs) with states and territories to address the unique needs of each jurisdiction in the transition towards achieving 82% on-grid renewable electricity generation by 2030. RETAs have been agreed with ACT, NSW, SA, Tasmania, Victoria and WA.
- The Government agreed in principle to the CCA's recommendation to uplift national building energy efficiency and drive the acceleration of building retrofits through improved information, regulated standards and further national policy support.
 - The Government has taken significant steps towards meeting this recommendation. On 18 September 2025, the Government released the Built Environment Sector Plan (BESP) as one of 6 sector emissions reduction plans. In parallel, the Government has also announced \$85 million for measures supporting energy performance improvements in the built environment, building on previously announced measures.

Acronyms

ACS	Australian Climate Service
ACCU	Australian Carbon Credit Unit
ADF	Australian Defence Force
AEMO	Australian Energy Market Operator
APR	Annual Progress Report
ARENA	Australian Renewable Energy Agency
CCA	Climate Change Authority
CDR	Carbon dioxide removal
CEFC	Clean Energy Finance Corporation
CIS	Capacity Investment Scheme
COP	Conference of the Parties
CSIRO	Commonwealth Scientific and Industrial Research Organisation
ECMC	Energy and Climate Change Ministerial Council
EV	Electric vehicle
FMA	Future Made in Australia
FNCES	First Nations Clean Energy Strategy
FRLD	Fund for Responding to Loss and Damage
GW	Gigawatt
LCLF	Low carbon liquid fuels
Mt CO₂-e	Million tonnes of carbon dioxide equivalent
NAP	National Adaptation Plan
NABERS	National Australian Built Environment Rating System
NACRA	National Climate Risk Assessment
NatHERS	Nationwide House Energy Rating Scheme
NDC	Nationally Determined Contribution
NEM	National Electricity Market
NRF	National Reconstruction Fund
NVES	New Vehicle Efficiency Standard
NZEA	Net Zero Economy Authority
NZP	Net Zero Plan
PV	(Solar) photovoltaic
RETA	Renewable Energy Transformation Agreement

SME	Small and medium-sized enterprise
UNFCCC	United Nations Framework Convention on Climate Change

Glossary

Term	Definition
Abatement	Reducing greenhouse gases in the atmosphere, including mitigation and sequestration.
Adaptation	In human systems, the process of adjustment to actual or expected climate and its effects, to moderate harm or exploit beneficial opportunities. In natural systems, the process of adjustment to actual climate and its effects; human intervention may facilitate adjustment to expected climate and its effects.
Capacity Investment Scheme	The Capacity Investment Scheme (CIS) is an Australian Government program to accelerate investment in new renewable energy generation, such as wind and solar, and clean dispatchable capacity, such as battery storage. The CIS comprises a series of competitive tenders for underwriting contracts to deliver 40 gigawatts of capacity by 2030.
Carbon credit	A tradeable unit that represents 1 tonne of carbon dioxide equivalent (t CO ₂ -e) stored or avoided by a project.
Carbon farming	The process of changing agricultural practices or land use to increase the amount of carbon stored in the soil and vegetation (sequestration) and to reduce greenhouse gas emissions from livestock, soil or vegetation.
Carbon offset	A type of carbon credit that represents a reduction in emissions – whether prevented from entering the atmosphere or removed from the atmosphere – that is used to compensate for emissions that occur elsewhere.
Circular economy	A way of delivering environmental and social outcomes, lifting economic productivity, and supporting Australia’s net zero commitments – through the sustainable and efficient use of resources in the economy.
Climate Change Authority	An independent body established under the <i>Climate Change Authority Act 2011</i> . The CCA’s function is to provide expert, independent advice to the Government on climate change policy. For the purposes of this document, the Climate Change Authority is referred both as CCA and the Authority.
Mt CO₂-e	Million tonnes of carbon dioxide equivalent, where individual or mixtures of greenhouse gas emissions have been standardised to a comparable unit mass of carbon dioxide. It is used to standardise different

	greenhouse gas emissions impacts on climate change to be reported as a single value.
Conference of the Parties (COP)	The decision-making body of the UNFCCC. All states that are parties to the convention meet every year and review the implementation of the convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the convention, including institutional and administrative arrangements.
Critical mineral	Critical minerals are metallic or non-metallic materials that are essential to our modern technologies, economies, and national security, and whose supply chains are vulnerable to disruption.
Electrification	Switching from energy sources – such as liquid fuels or gas, to electricity.
Emissions budget	A cumulative amount of emissions that can be emitted, e.g. 4,000 Mt CO ₂ -e during a specified time period, e.g. 2021–2030.
Emissions intensity	A measure of the amount of emissions associated with a unit of output – for example, emissions per unit of gross domestic product or electricity production.
Fugitive emissions	Emissions that are released across the coal, oil, and natural gas supply chains during exploration, production, processing, refining, storage, transmission and distribution of fossil fuels.
Green metal	Iron, steel, alumina and aluminium produced with low or zero greenhouse gas emissions.
Greenhouse gas	Any gas (natural or produced by human activities) that absorbs infrared radiation in the atmosphere, leading to warming effects. Greenhouse gases include carbon dioxide, methane and nitrous oxide.
Industrial Processes and Product Use (IPPU)	Includes emissions from chemical feedstocks, reductants, carbonates and HFCs, which are used in refrigerants and air conditioning.
Land Use, Land Use Change and Forestry (LULUCF)	Emissions and sequestration from activities occurring on forest lands, forests converted to other land uses, grasslands, croplands, wetlands, and settlements.
Mitigation	Reducing greenhouse gas emissions in order to stop climate change getting worse.
National Climate Risk Assessment (NCRA)	Australia’s first nationally comprehensive look at how climate change could affect the systems we rely on, such as health, infrastructure, the economy and the environment.

Nationally Determined Contribution (NDC)	A submission by a party to the Paris Agreement that articulates the party's efforts to contribute to the global task of decarbonisation and adapt to the impacts of climate change.
National Electricity Market (NEM)	Australia's largest electricity grid, supplying the nation's east coast including Queensland, NSW (which includes the ACT), Victoria, Tasmania and most of South Australia. Electricity is generated, used in each region and traded across regions. High voltage transmission lines transport electricity from generators to electricity distributors, who deliver it to homes and businesses on lower voltage 'poles and wires'.
National Greenhouse Gas Inventory	Estimates of anthropogenic emissions and removals of greenhouse gases that occur within Australia's jurisdiction, prepared consistent with United Nations Framework Convention on Climate Change and Paris Agreement rules and guidelines.
Net zero emissions	An overall balance between greenhouse gas emissions and removals.
Paris Agreement	An international agreement adopted in 2015. Under the Paris Agreement, the global temperature goal is to keep warming to 'well below' 2 °C compared with preindustrial levels, and to 'pursue efforts to limit the temperature rise to 1.5 °C'.
Safeguard Mechanism	A legislated scheme that requires Australia's largest greenhouse gas emitters, or 'Safeguard facilities', to keep their net emissions below an emissions limit (a baseline).
Sequestration	Carbon sequestration is the process of capturing and storing atmospheric greenhouse gases. Greenhouse gases can be stored in biological ecosystems, underground geological formations or in manufactured products.
United Nations Framework Convention on Climate Change (UNFCCC)	The United Nations convention that supports the global response to climate change, with the ultimate aim of preventing dangerous human interference with the climate system.

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