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Climate control

Labor's budget delivers ambitious support for Australia's decarbonising future but the Future Gas Strategy looms large



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Federal Treasurer Jim Chalmers is applauded after handing down the 2024-25 Budget in the House of Representatives at Parliament House in Canberra, Tuesday, May 14, 2024. (AAP Image/Mick Tsikas)

After last Thursday's shock announcement of Labor's Future Gas Strategy, which locked in the use of gas until 2025 and beyond, all eyes in the climate community were on Treasurer Jim Chalmers yesterday as he delivered what we hoped would be better news for renewables. Though great strides still need to be made if we are to hit our emissions reductions target and avert a global disaster with 2.5°C warming, we were given indications of a government coming to the table.

A standout from Chalmers' 2024-25 Budget is the government's clear recognition of Australia's potential to gain in the fast-emerging global decarbonising economy. The real budget news, beyond the tax cuts, energy bill rebates, rent assistance and surplus headline grabbers, is the highly ambitious funding to deliver its [Future Made in Australia](#) plan. Responding to the calls of investors, businesses and climate finance experts, Labor appears to be zoning in on the need for Australia to respond strongly to the US [Inflation Reduction Act \(IRA\)](#) – or Climate Bill – with a clear vision to ensure our innovators and innovations don't move offshore.

That future includes significant and much needed expansion of government investment and policy to support Australian critical minerals reserves and move our resource-based economy from dig-and-ship to make-and-bake here at home. It comprises important initiatives covering [critical minerals development](#), support for [solar manufacturing](#) and [hydrogen industries](#) as well as expanded funding and investment for the [Australian Renewable Energy Authority \(ARENA\)](#).

Last night, in presenting what Chalmers had called a "[uniquely Australian version of the IRA](#)", he announced \$7.1 billion over 11 years from 2023–24 to support refining and processing of critical minerals, which are vital to securing our place in the renewable energy and battery supply chain, although it won't be implemented until 2027. There is also new funding of \$549 million over eight years from 2023–24 for the Australian battery sector.

There are hefty investments in a hydrogen-driven future; the hydrogen production tax credit is estimated at \$6.7 billion over ten years from 2024–25, as well as \$8 billion over ten years to support the production of renewable hydrogen and an expanded Hydrogen Headstart program.

Supporting the skills transition of our workforce is also included with programs for regional skills development and women's engagement in the transition workforce.

These new measures from the 2024-25 Budget are welcome, and come in response to consistent calls from groups like the [Climate Capital Forum](#) and investment, industry, union, First Nations, community and social justice groups for government investment to crowd-in private international funding as it has in US, Europe and Asia. With [China's distortion of global markets](#) leading to dominance in all aspects of decarbonising, Australia must support the sectors where we not only add value globally but that help us build domestic sectors that can support a stable economy. After [ten years of inaction](#) by the previous government, we are playing catchup and

must earn credibility with countries already establishing carbon border taxes that will either help or harm us depending on how solidly we move.

But the big disappointment of last week remains – the Future Gas Strategy. No one is arguing that gas can be phased out immediately, but to truly plan for the fossil fuel transition that Australia must make domestically and, more importantly, through our exports, [it's beyond time](#) to pick a side.

While many of the budget announcements are excellent steps, real government vision and leadership seems lacking. We can't be distracted by fossil fuel lobbying to divert and distort the reality of the current trajectory of passing 2.5°C degrees of warming that scientists are now predicting, which will have a devastating impact not only on our country and people, but on our economy.

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