



CLIMATE
CAPITAL
FORUM

GETTING CAPITAL MOVING

**Three Big Ideas to Align
Finance for Australia's
Net Zero Economy**

November 2025



Three Big Ideas to Align Finance for Australia's Net Zero Economy

The Business Council of Australia said last month that a McKinsey report found a 2035 climate target above 60 per cent **would require more than \$400 billion in new capital investment from government and industry.**

Mobilising that capital demands government leadership to remove bottlenecks and create clear market signals. Our delegation is focused on three practical proposals to get capital moving:

1. Enable Super Funds to Invest in the Net Zero Economy

Add optional climate-aligned benchmarks to the APRA performance test (as per the Climateworks Centre model) so super funds can invest in future-focused industries without being penalised, directing Australia's more than \$4 trillion super pool toward the net zero transition.

2. Reform Fuel Tax Credits to Support Electrification

Cap credits at \$50 million annually per corporation and reimburse affected firms up to the level of additional tax paid—conditional on investment into electrification and decarbonisation infrastructure such as charging networks and clean industrial equipment.

3. Accelerate the Release of Committed Public Funds

Speed up deployment from the NRF, ARENA, CEFC and Rewiring the Nation by streamlining processes, increasing risk appetite, and crowding in private investment to unlock Australia's clean-industry pipeline.



CLIMATE
CAPITAL
FORUM

Investment for
Australia's Post
Carbon Economy

Climate Capital Forum

The Climate Capital Forum (CCF) is a network of investors, climate finance experts, decarbonising companies and philanthropists who came together to provide policy advice on how Australia can lead the world in decarbonising, renewable energy and cleantech innovation.

Established in December 2020, the CCF offers support to all levels of government on how to build a strong future economy and long-term job opportunities that will benefit Australia and uphold our commitments to our region and internationally as the world decarbonises.

Our members manage billions in assets and have firsthand experience navigating the barriers slowing down clean tech investment. We are here to share our lived experience of those barriers and propose practical, specific reforms that will unlock private capital, lift national capacity, and increase Australia's productivity.

CONTENTS

DOCUMENT CONTENTS

1. Superannuation Reform: Align Performance Tests with Climate Risk	5
2. Reforming Australia's Fuel Tax Credit Scheme for Electrification	9
3. Get Committed Funds Out the Door	12

ENABLE SUPER FUNDS TO INVEST IN THE NET ZERO ECONOMY

1. Superannuation Reform: Align Performance Tests with Climate Risk

What's the Idea

Australia's superannuation system now holds over AUD\$4 trillion in retirement savings — projected to reach **\$34 trillion by 2061**, equivalent to 244 per cent of GDP. Yet the indices in the **Your Future, Your Super (YFYS)** performance test are benchmarked against funds against **high-emitting assets**, without the ability to consider climate risk. This discourages investment in low-carbon, future-fit industries.

We are calling for the Government to modernise the YFYS performance test to reflect climate risk and opportunity by:

- **Adding optional “climate transition indices”** to the APRA performance test for Australian and international equities and fixed-income asset classes.
- **Where no index exists build a new index and in the interim use CPI + a margin** (e.g. for unlisted clean energy infrastructure). This provides transparency and accountability while recognising different appetites for returns and their profiles.
- Allowing super funds to **benchmark voluntarily** against these indices to meet the performance test framework and assessment criteria..
- Use **APRA's MySuper heatmap** to highlight funds exposed to high transition and physical risks.

This small, technical reform will empower funds to invest confidently in climate-aligned companies and infrastructure, supporting long-term value for members and national productivity.

This reform could either be adopted after a specific consultation or considered as part of a broader consultation on changes to the performance test.

Why It Matters

1. A win for members

Australians expect their retirement savings to be invested responsibly:

- **68 %** believe their investments can impact climate change.
- **79 %** want funds to commit to reducing emissions.
- **88 %** expect their super to be invested ethically. (*RIAA 2024*)

Including climate benchmarks helps trustees meet their legal duty to act in members' best financial interests by reducing exposure to climate risks.

2. A win for funds

Half of Australia's largest funds have **net-zero commitments**, and soon all will report under **mandatory climate-related risk disclosures**. Optional climate indices provide a credible framework to track and demonstrate decarbonisation progress, strengthening accountability and member confidence. They support asset allocation at a pace and scale aligned with each fund's ambition.

3. A win for companies

Climate indices reward ASX-listed companies already decarbonising and provide a clear roadmap for those beginning their transition. They incentivise better disclosure, transition plans and emissions reductions — accelerating Australia's pathway to a competitive net-zero economy.

4. A win for the economy

Redirecting even a fraction of Australia's \$4 trillion super pool toward climate-aligned investments can:

- Create **tens of thousands of new, climate-resilient jobs** in renewable energy, critical minerals and clean manufacturing.
- **Support domestic and regional investment.**
- Provides incentives for companies in a climate index to transition.
- Aligns with global best practice, building on the reforms through the Sustainable Finance Roadmap.
- Signal globally that Australia is a **future-ready investment destination**.

Why It Increases Productivity

Aligning the super system with climate risk supports all five pillars of the Treasurer's productivity agenda:

- **Dynamic economy:** directs capital into fast-growing sectors such as renewables, clean tech and green manufacturing.
- **Net-zero transformation:** lowers systemic risk and stabilises long-term returns.
- **Digital and regulatory reform:** modernises outdated benchmarks and improves capital-market efficiency.
- **Skills and inclusion:** drives new employment in transition industries.

- **Sustainable finance:** ensures the super system funds growth rather than declining sectors.

Proof Points

- **Climate indices outperform traditional ones:** over three, five and seven-year periods, climate-aligned indices delivered consistently higher returns and stronger risk-adjusted returns (in terms of Sharpe ratios) than the standard ASX300.¹
- **Lower carbon intensity than current indices:** the ASX 300 index has a carbon intensity **1.79 times higher** than comparable climate indices; global benchmarks show a similar gap of **1.75 times**.
- **Global precedent:** major UK and US pension funds already benchmark **1–18 % of AUM** (equivalent to AU\$58 billion) to climate indices, demonstrating strong performance and risk management. Use of equivalent indices is being implemented successfully.
- **Market-ready:** multiple indices exist for Australian equities, global equities and fixed income (S&P, FTSE, MSCI, Bloomberg). They are feasible and scalable.
- Aligns with the Government's **Sustainable Finance Taxonomy (2025)** and the **Future Made in Australia agenda**.

What We're Asking Policymakers to Do

Signal this reform as a low-cost, high-impact step to align Australia's \$4 trillion super system with national climate and productivity goals

1. **Add optional climate transition indices** to the YFYS performance test for equities and fixed income.
2. **Where no index exists build a new index and in the interim use CPI + a margin** (e.g. for unlisted clean energy infrastructure).
3. **Develop a framework** defining minimum standards for "climate" classification, including forward- and backward-looking metrics.
4. **Periodically review** nominated climate benchmarks to keep pace with science and market data.

¹ Read more at

<https://www.monash.edu/business/mcfs/our-research/all-projects/retirement-and-superannuation/performance-of-super-funds-in-australia>

Further Reading



Climateworks Centre, *Your Future, Your Super Performance Test Can Be Future-Proofed with Climate Benchmarking*

Author: Climateworks Centre

Length: 13 pages

Date: July 2025

Summary: This briefing paper argues that Australia's \$4 trillion superannuation system should modernise its *Your Future, Your Super* performance test by adding optional climate transition benchmarks. It presents evidence that climate-aligned indices outperform current benchmarks and carry significantly lower carbon risk, drawing on examples from leading UK and US pension funds. The report outlines a practical policy reform to allow super funds to adopt these indices voluntarily, aligning Australia's retirement savings with a net zero economy while maintaining strong returns for members.

[AVAILABLE HERE](#)

REFORM FUEL TAX CREDITS TO SUPPORT ELECTRIFICATION

2. Reforming Australia's Fuel Tax Credit Scheme for Electrification

The Problem

- **\$60 billion in subsidies:** Australia's largest mining companies have received almost **\$60 billion in diesel fuel tax credits** over the past two decades, and the government is projected to hand back **\$84 billion by 2030**.
- **Unequal benefit:** The rebate overwhelmingly benefits major miners — **BHP (\$600 m)** and **Rio Tinto (\$400 m)** were the largest claimants last year.
- **Policy misalignment:** The fuel tax credit is about **five times larger than the carbon penalty** miners would face under the Safeguard Mechanism, undermining climate and productivity goals.
- **Productivity distortion:** Designed to offset road-use taxes, the rebate now acts as a **fossil fuel subsidy for off-road mining**, discouraging electrification and locking in imported diesel dependence.

The Proposal

Reform the Fuel Tax Credit Scheme by introducing a **\$50 million annual cap per corporate group** (resulting in it only applying to a small number mining companies) and requiring any rebate above that cap to be **reinvested in electrification and decarbonisation infrastructure**.

This would:

- Limit the scheme to around 10–15 major mining companies.
- Incentivise reinvestment in clean energy, heavy vehicle electrification, and charging infrastructure.
- Be **budget-neutral** — public funds saved are redirected into industrial decarbonisation.

The policy aligns with recommendations from **Climate Energy Finance (CEF)**, whose analysis shows the reform would **cut emissions, boost productivity, and support economic resilience**

Supporters

An unusually broad coalition now supports reform:

- One of the top five users of the existing diesel fuel tax rebate. **Fortescue Metals Group**: CEO **Dino Otranto** has led public calls to tie the rebate to emissions reduction, saying *“the current system subsidises burning diesel... The fuel tax credit encourages fossil fuel use – so it’s no surprise companies keep burning it.”* **Andrew Forrest**, Fortescue’s Executive Chairman, has **“campaigned fiercely for the government to overhaul the fuel tax subsidy.**
- **The Australian Council of Trade Unions (ACTU)** *“Ending the rorting of the Fuel Tax Credit Scheme is also critical and some of the proceeds should be diverted to support truck owners transitioning to electric trucks, renewable diesel or hydrogen-fuelled vehicles.”*- ACTU President, Michele O’Neil
- **Climateworks Centre** *“Reforming the scheme, as it relates to mining, presents an economic opportunity by flipping the incentive to accelerate electrification and low-emissions fuels.”* Erwin Jackson - Head of Australian Programs
- **Climate Change Authority**: *“The idea of continuing to provide the diesel fuel rebate to big mining companies and whatnot at the expense of helping Australian consumers benefit from electrification is insane”* - [Matt Kean](#) - chairman
- **The Australia Institute**
- **Climate Capital Forum**
- **CANA**
- **Climate Energy Finance**
- **Labor Environmental Action Network (LEAN)**
- **Investor Group on Climate Change (IGCC)**

Why It Matters

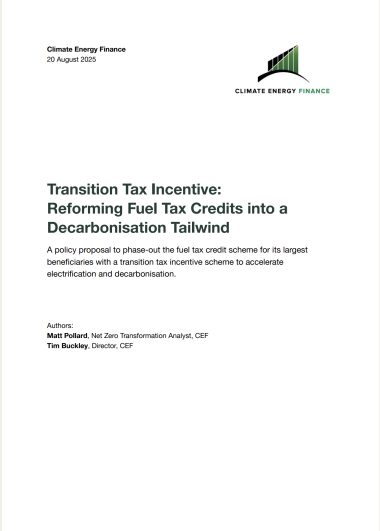
- **Fiscal responsibility**: The scheme costs taxpayers **\$11–13 billion annually**, rivalling the cost of major social programs.
- **Climate credibility**: The rebate undermines the Safeguard Mechanism and Australia’s international commitments to phase out fossil fuel subsidies.
- **Economic reform**: Redirecting even a portion of the subsidy could unlock **billions in private investment** in low-emissions mining and regional clean industries.
- **Public fairness**: Reform affects only a handful of major mining companies; farmers and small businesses remain exempt.

What We’re Asking Policymakers To Do

1. **Introduce a \$50 million annual cap per corporate group** on FTC claims.
2. **Mandate reinvestment of any credits beyond the cap** into electrification or decarbonisation projects.

3. **Phase in the change** with industry consultation and clear criteria for eligible clean investments.
4. **Signal reform in the next Federal Budget** to demonstrate fiscal discipline and climate leadership.

Further Reading

	Climate Energy Finance, <i>Transition Tax Incentive Report</i> Author: Climate Energy Finance (lead author Tim Buckley) Length: 52 pages Date: August 2025 Summary: This report sets out a proposal for a national <i>Transition Tax Incentive</i> to accelerate clean industrial investment and crowd in private capital. It analyses existing fossil fuel subsidies and tax concessions, compares international models such as the U.S.
---	--

ACCELERATE THE RELEASE OF COMMITTED PUBLIC FUNDS

3. Get Committed Funds Out the Door

The Problem

Federal and state governments have now committed more than **\$76 billion** in public funding for decarbonisation, clean energy, and *Future Made in Australia* initiatives since 2023 — yet only around **\$16 billion (20%)** has actually been deployed. Public capital is sitting idle while global competitors move faster.

As the Net Zero Economy Authority has noted, Australia's specialist investment vehicles (NRF, CEFC, ARENA, NAIF and others) still “*apply risk settings and rates of return that make many proposals unattractive to all government funds.*” In effect, the system rewards low-risk, near-commercial projects that could attract private capital anyway, while leaving genuinely catalytic investments stranded.

This problem is not just bureaucratic delay; it is structural. As the Centre for Policy Development's recent *Better Bang for Buck from Industry Policy* paper shows, government financing has become overly cautious and skewed toward projects already close to commercial viability. Over its first 12 years, the CEFC provided an average of **\$8.4 million per year** in concessional finance discounts, despite an allowed cap of **\$300 million**, highlighting how risk-averse design has limited catalytic impact.

If Australia wants to seize its *Future Made in Australia* opportunity, it must deploy capital faster and smarter by changing both the pace and purpose of investment.

The Proposal

We propose reforms that accelerate deployment and make public money work harder from the NRF, CEFC, ARENA, EFA, NAIF and other specialist investment vehicles (SIVs):

1. **Deploy existing commitments now**
Fast-track the remaining **\$14.4 billion** of the National Reconstruction Fund within this term of government, sending a clear signal that capital deployment is a national priority.
2. **Increase risk appetite and flexibility**

- Lower expected returns for high-impact projects to **0–3% above the cost of capital** (instead of 2–3%).
 - **Introduce a two-year grace period on return requirements** for greenfield, value-add manufacturing and infrastructure projects (e.g. green iron, DRI steel, copper, nickel, and battery manufacturing).
 - Encourage concessional and equity investments as the norm, not the exception.
 - Manage financial exposure through concessionality caps and capital adequacy requirements, rather than dollar-value lending limits.
3. **Take equity stakes where national interest demands it**
In exchange for new public subsidies, take equity positions in strategically vital but commercially stressed industries such as green aluminium, steel, lithium, and critical minerals refining. This ensures taxpayer participation in long-term value creation and anchors Australia’s clean industrial base.
 4. **Use the Treasury’s National Interest Framework as the decision test**
Apply this framework consistently across agencies to align all public investment with long-term national productivity, industrial transformation, and regional development goals.
 5. **Introduce profit-sharing mechanisms**
Implement equity or income-contingent repayment models so the public can share in the upside of successful ventures and recycle gains into future innovation

Why We Need a Bigger Risk Appetite

According to the **Net Zero Economy Authority (2025)**, the Commonwealth’s eight specialist investment vehicles “were all established before Future Made in Australia” and “share similar risk settings and return expectations,” resulting in “some projects being attractive to all, and others to none.” The Authority recommends revising mandates to:

- **Lower the rate of return** for projects in priority regions or sectors.
- **Differentiate risk profiles** between agencies to cover early-stage, higher-risk proposals.
- **Direct SIVs to actively identify and co-develop projects**, rather than passively assess applications.

As the Authority makes clear, achieving the net zero transformation “will require government to rethink its processes” and actively support the **systems change** needed for regional and industrial transition — not just individual project financing.

Examples of Under-deployed National Funds

1. **National Reconstruction Fund – \$15 billion (4% allocated)**
Announced across seven streams in 2023, with \$550 million allocated in FY 2025 and another \$500 million expected in FY 2026. Despite over a year since launch, only **4% of funds have been deployed**, leaving most capital idle (announced 2023).
2. **Future Made in Australia – Clean Energy Tech Manufacturing Fund – \$500 million (0% allocated)**

Announced **May 2024** as part of the \$1.5 billion Innovation Fund but with no reported allocations 17 months later. [ARENA funding page](#)

3. **Future Made in Australia – Low-Carbon Liquid Fuels Fund – \$250 million (13% allocated)**

Announced **May 2024**; just \$34 million (13%) has been deployed to date. Seventeen months later most of the fund remains unspent. [Minister for Infrastructure release](#)

4. **Hydrogen Headstart Round 2 – \$2 billion (0% allocated)**

Announced **May 2024**, with applications open but no projects funded 17 months later. [ARENA round 2 page](#)

5. **Safeguard Transformation Stream – \$600 million (0% allocated)**

Announced **July 2023**, to help heavy emitters adjust to Safeguard Mechanism changes. Two years later, no disclosed allocations. [DCCEEW announcement](#)

6. **Social Housing Energy Performance Initiative – \$1.3 billion (15% allocated)**

Announced **March 2024**, with only \$198 million spent by mid-2025, covering 9 500 of the target 100 000 homes after 19 months. [DCCEEW update](#)

Proof Points

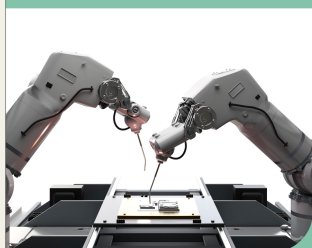
- **\$76 billion** in climate and clean-energy commitments since 2023, but only **20% deployed** (AFR, Sept 2025).
- **CEFC concessional finance under-used**: \$8.4 million average per year against a \$300 million allowance (CPD, *Better Bang for Buck*).
- **NRF deployment at 4%**; several funds — Hydrogen Headstart Round 2, Safeguard Transformation Stream — still at 0% allocation.
- **180 programs across 19 entities** complicate access and delay funding (Net Zero Economy Authority, 2025).
- **Global comparators** such as the US DOE Loan Programs Office and Canada's Infrastructure Bank actively take equity stakes and operate at lower expected returns, crowding in billions of private capital.

Further Reading

 Net Zero Fund: Submission to proposed design consultation process The Net Zero Fund should act as the Commonwealth's catalytic capital provider for industrial and manufacturing decarbonisation. It should take higher risk, take patient, longer term public equity positions and/or accept lower rates of return where markets will not, ... read our full submission for more.	Climate Capital Forum Submission, Net Zero Fund: Design Consultation Authors: Blair Palese, Tim Buckley, Kirk McDonald, Mark Richards, Monica Richter, Linda Romanovska, and Larissa Brown Length: 13 pages Date: October 2025 Summary: This submission outlines the Climate Capital Forum's recommendations for the design of the Net Zero Fund, proposing that it act as the Commonwealth's catalytic capital provider for industrial and manufacturing. AVAILABLE HERE.
---	--

Ideas to industries

How to get the most out of public money for industrial development



Mara Hammerle, Toby Phillips & Arjuna Dibley



Ideas to Industries: How to Get the Most out of Public Money for Industrial Development

Authors: Mara Hammerle, Toby Phillips, and Arjuna Dibley

Length: 31 pages

Date: 2024

Summary: This Centre for Policy Development report argues that Australia's public investment is too heavily weighted toward commercial-stage industries rather than early-stage innovation. It recommends rebalancing government funding to support pre-commercial technology development, reforming investment mandates for agencies like the CEFC and NRF to take on greater risk and concessional lending, and introducing profit-sharing mechanisms to return value to the public. The report outlines five recommendations to make public money more catalytic in building new industries.

[AVAILABLE HERE.](#)



CLIMATE
CAPITAL
FORUM

Investment for
Australia's Post
Carbon Economy

Climate Capital Forum

The Climate Capital Forum (CCF) is a network of investors, climate finance experts, decarbonising companies and philanthropists who came together to provide policy advice on how Australia can lead the world in decarbonising, renewable energy and cleantech innovation.

Established in December 2020, the CCF offers support to all levels of government on how to build a strong future economy and long-term job opportunities that will benefit Australia and uphold our commitments to our region and internationally as the world decarbonises.

Our members manage billions in assets and have firsthand experience navigating the barriers slowing down clean tech investment. We are here to share our lived experience of those barriers and propose practical, specific reforms that will unlock private capital, lift national capacity, and increase Australia's productivity.