CLIMATE CAPITAL FORUM

GETTING CAPITAL MOVING

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

November 2025

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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.

DELEGATES

Climate Capital Forum
4-5 November 2025

Climate Capital Forum Members

	**Blair Palese, Climate Capital Forum Founder** Blair Palese is Founder of Climate Capital Forum, Director of Philanthropy at Ethinvest, Australia's oldest impact investment advisor, and managing editor at Climate & Capital Media, focused on the trends and investment opportunities of the emerging climate economy.
	**Tim Buckley, Climate Energy Finance** Tim Buckley has over 30 years of financial market experience covering the Australian, Asian and global equity markets and is a highly influential energy finance commentator. He has written more than 100 reports on the global energy transition, and the roles of finance and policy in accelerating critical decarbonisation trends.
	**Kirk McDonald, New Energy Nexus** Kirk McDonald leads Supercharge Australia, an international NFP partnership initiative between New Energy Nexus and EnergyLab, supporting Australian startups in the lithium battery value chain.
	**Satya Tanner, LAUTEC Australia** Satya Tanner is an executive with more than 20 years experience in delivering global energy projects, leadership and project management Offshore Wind, Defence, Aerospace, Oil and Gas industries in Australia, the US, Denmark and Taiwan.
	**Mark Richards, Energy Estate** Mark Richards leads on energy projects addressing commercial opportunities, risk, strategic development and implementation across infrastructure types including solar, battery, transmission, pumped hydro, hydrogen and offshore wind.

	**Izzy Jensen, Transition Accelerator** Izzy Jensen is the Managing Partner of the Transition Accelerator and the Chief Investment Officer of Kakariki Capital, where she leads efforts to unlock private capital for climate and nature solutions. Izzy also serves as a non-executive director of Verity Nature. With over a decade of experience in carbon and environmental markets, Izzy previously spent seven years at Morrison & Co, where she established a $100 million carbon development platform and led research and origination in decarbonisation and broader environmental markets.
	**Richie Merzian, Clean Energy Investor Group** Richie Merzian leads the peak industry body for large-scale renewable investors in Australia, the Clean Energy Investor Group.
	**Linda Romanovska, Melomys Advisory** Linda Romanovska is a co-author of several sustainable finance and corporate sustainability reporting frameworks and standards internationally.
	**Amy Boersma, JUM-BO Consulting Group** Amy Boersma is a Lawyer and Director of a consultancy with over 20 years working within the energy sector. She has a keen focus in offshore wind having spent time working in the following markets UK, Europe, USA and Australia.
	**Toby Philips, Centre for Policy Development** Toby Phillips leads the Centre for Policy Development's Just Transition Australia focus area, working on policy ideas and partnerships to build a more environmentally and socially sustainable economy. This work encompasses climate policy, wellbeing governance, and structural challenges to Australia's economy.
	**Mara Hammerle, Centre for Policy Development** Mara Hammerle is an economist and public policy analyst who specialises in energy and climate economics. She holds a PhD from the Crawford School of Public Policy at ANU where she worked with government and industry assessing the impacts of ACT energy policy on households.
	**Wayne Smith, Clean Economy Services** Wayne Smith was for the last 13 years Smart Energy Council's Chief Advocacy Officer. He now works as an independent consultant for Clean Economy Services.

	**George Knight, UEG Energy** George Knight leads a network battery developer startup, UEG Energy. UEG Energy is a pure-play owner of grid-scale urban batteries that unlock the most value for networks, markets and communities. UEG is deploying more than 3GWhs of battery storage into urban environments globally.
	**Larissa Brown, Climate Capital Forum** Larissa Brown a strategist and coalition-builder who specialises in generating public support for clean energy using evidence-based tactics.

Climate Capital Forum is also joined on this delegation by Climateworks Centre.

	**Cassandra Williams, Climateworks** Cassandra Williams is a member of Climateworks Centre's Executive Leadership Team, and leads their enterprise programs on Sustainable Finance, Sustainable Corporates, Sector Decarbonisation Pathways (data and modelling), Net Zero Academy (professional development and capacity-building).

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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**$4.3 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 historical indexes and **high-emitting assets**, without the ability to consider climate risk. This discourages investment in low-carbon, future-fit industries and Australia's needs and strategic priorities relating to #FMIA and Green Energy Statecraft in our international trade.

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 firms 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

Lived Experience of Our Delegates

What this policy would mean on the ground, from the lived experience of our members.

Mark Richards, Energy Estate

Developers are facing compounding headwinds—tight regulatory frameworks, slow planning processes, sovereign risk, and a significant lack of incentive for the deployment of available early-stage capital, inhibiting the ability for developers to accelerate the development of additional renewable and energy transition projects.

One potential solution to unlock additional market liquidity is to encourage infrastructure funds to allocate a portion of their assets to development capital for investment in clean energy projects. While super funds are inherently risk averse, encouraging a portion of their funding allocation towards development capital may further stimulate additional liquidity within the “missing middle”, being the segment of the renewable development market between developers (taking all the upfront development risk) and the super and pension funds at the start of construction or commercial operation (who prefer the operational steady state annuity payment).

This “missing middle” is typically serviced by current developers recycling capital, venture capital and family offices who are prepared to take more upfront early stage development risk, given renewable projects take up to five years to reach the start of construction. At the time construction commences, there is ample liquidity from super funds and like investors seeking long term stable cashflows. We saw this play out in the Public-Private Partnership (PPP) markets.

Mechanisms - such as Early Stage Innovation Company (ESIC) status – should also be applied to renewable project development to further encourage a greater allocation to the development stage of infrastructure projects. Complementary participation from entities such as the National Reconstruction Fund (NRF) and Clean Energy Finance Corporation (CEFC) would deepen liquidity in this part of the market.

Izzy Jensen, Transition Accelerator

I’m Izzy Jensen, and in my day job I work to unlock private capital for climate and nature solutions, both through early-stage project support at the Transition Accelerator and private commercial capital at Kakariki Capital. I’ve spent more than a decade working across carbon markets and environmental investment, including seven years at Morrison & Co where I built a $100 million carbon development platform. I know the appetite for impact-aligned investment is there. What’s missing is the capital architecture to make it happen.

Right now, too many high-quality carbon and natural capital projects in Australia are stuck. These aren’t fringe ideas, they offer real commercial returns and measurable environmental outcomes, but they’re unable to secure investment because our superannuation settings simply don’t allow it. Ironically, I see global pension funds investing in these same projects in Australia, while local super funds are effectively locked out.

If we opened the door for super funds to invest in nature and climate infrastructure, we’d unleash long-term, large-scale capital into projects that regenerate ecosystems, boost agricultural resilience, and support rural economies. The pipeline is there. The impact is there. But the investment pathway isn’t.

This policy reform would send a strong market signal: that natural capital is economic infrastructure — and that Australia backs its own future.

Kirk McDonald, New Energy Nexus

I'm Kirk McDonald, Project Manager - Supercharge Australia at New Energy Nexus, working with Australian early-stage clean-energy startups, specifically in the lithium battery sector. Increasingly I hear the same story: a founder wins a government grant but then stalls because there's no matching capital. This could be anything from proving a new materials coating technology needing a $250K match from the IGP for early validation, through to listed opportunities like the $30 million ARENA grant for a new battery cathode materials plant, but no investor yet stepping in with the $30 million match.

We run workshops where entrepreneurs are gobsmacked by the hoops they must jump through for each grant program, and then find they'll need the match - "Where do we get that?!"

It is great that the programs are there, but "capital is cowardly" and matching is hard. Many Australian VCs still chase 100×-style returns based on software and now AI opportunity models, which rarely fit long-term deep tech ventures. Meanwhile, more than half of early-stage funding we're seeing for Australia now comes from overseas because local funds won't take the risk. We're creating innovations here but exporting the value.

We could flip this. Aligning superannuation rules with climate risk would open the floodgates. Our $4+ trillion super funds should be backing these companies, not just the usual suspects. If the "Your Future, Your Super" test allowed climate-aligned benchmarks, funds would chase stable, long-term returns in clean energy instead of fossil assets. I've seen it work eg in California: once policy follows climate science, money starts flowing in. This shift would drive Australian innovation, keeping jobs and prosperity here as we build a post-carbon future.

Richie Merzian, Clean Energy Investor Group

I'm Richie Merzian, CEO of the Clean Energy Investor Group, which represents the largest renewable energy investors in Australia. Our members are ready to build, but what we're seeing is a growing gap between ambition and investment — not because the capital isn't there, but because our policy settings don't direct it where it's needed most.

Right now, over 70% of clean energy investment in Australia comes from overseas. That makes us more vulnerable to global shifts and creates a structural weakness in our own economy. Local superannuation funds are better invested in renewables overseas than they are here at home, and that's largely because the current performance test ties their hands. By benchmarking funds against high-emitting assets, it penalises those who want to invest in low-carbon industries and local energy projects.

The result is a less competitive investment market, which means a higher cost of capital, higher power prices, and lost opportunities for green exports. You can see the consequences already — projects being delayed or cancelled because they can't secure affordable financing, and companies like Rio Tinto warning they may close operations due to electricity costs. Reforming the super performance test to include climate benchmarks would help turn that around. It's about aligning our financial system with our national goals — giving our funds the flexibility and confidence to invest in Australia's clean energy future.

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 ($600m)** and **Rio Tinto ($400m)** 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 15 mining sector companies) and allowing any rebate above that cap to be returned to the corporate if it is **reinvested in mining electrification and decarbonisation infrastructure**.

This would:

- Limit the scheme to ~15 major mining companies.
- Incentivise reinvestment in clean energy, heavy vehicle electrification, and charging infrastructure, mobilising some of the largest corporate balance sheets in Australia.
- Be **budget-neutral** — public taxes raised are all 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 - CCA chairman
- **The Australia Institute**
- **Climate Capital Forum**
- **CANA**
- **Climate Energy Finance**
- **Labor Environmental Action Network (LEAN)**
- **Investor Group on Climate Change (IGCC)**
- **Australian Council of Superannuation Investors (ACSI)**

Why It Matters

- **Fiscal responsibility:** This subsidy 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.
- **National Security:** Australia had oil stores equivalent to just 49 days' worth of net imports as at July 2025, according to figures from the Department of Climate Change, Energy, the Environment and Water (DCCEEW).
- **Trade balance**: Phasing out this subsidy could reduce our trade deficit by $50bn pa.

What We're Asking Policymakers To Do

1. **Introduce a $50m 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.

Lived Experience of Our Delegates

What this policy would mean on the ground, from the lived experience of our members.

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<td>  </td>
<td>Tim Buckley, Climate Energy Finance

I'm Tim Buckley, director of Climate Energy Finance, and I've spent years tracking where every public dollar goes in the energy sector. One glaring inefficiency I've uncovered is the off-road diesel fuel tax credit – essentially a huge subsidy for polluting heavy industry. In fact, Australia's biggest miners have already banked about $60 billion in diesel fuel tax rebates over the past two decades, with another $11 billion a year still at stake. This scheme is literally one of the largest fossil-fuel subsidies on the books and it actively encourages mining companies to stay on diesel and ignore clean alternatives. We propose turning it on its head: cap the rebate and reinvest the excess into electrification.

For example, impose a $50 million annual cap per company – any credits beyond that could only be kept if spent on mining clean technology (like electric haul trucks or renewable power). In practice, this "cap-and-reinvest" model means miners would only get subsidised fuel for a base amount of diesel, and any extra rebate must go into decarbonisation (electric vehicles, chargers, renewables, grid etc.). Policymakers in Canberra have responded well to this idea, seeing it as a way to turn a fossil subsidy into a clean-tech investment.

From my perspective, redirecting that budget this way would drive the greening of the mining industry – it gives real financial incentive for companies to electrify rather than cling to diesel (which currently accounts for roughly 17% of our national emissions). In short, reallocating fuel tax credits accelerates decarbonisation by funding the clean infrastructure that companies need.</td>
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<td>Kirk McDonald, New Energy Nexus

Through our work with startups in heavy vehicle and mining supply chains, we see every day how the diesel fuel tax credit holds Australia back. It rewards the status quo and penalises innovation. The rebate makes it cheaper to keep burning diesel than to invest in electrification, even when Australian companies are ready to retrofit existing fleets and create local jobs doing it.

We ran an innovation challenge on converting internal combustion engine vehicles to electric, and the ingenuity was incredible. Australia already has the capability to retrofit haul trucks and mining equipment right here at home.

For example, there are literally hundreds of diesel haul trucks sitting idle or relegated to water and light-duty service at mines across the country. These $multi-million machines often get retired early to avoid breakdowns, even though their frames and chassis are still solid. Each idle truck is a wasted resource; instead of buying all-new vehicles, we could reuse these by swapping out their powertrains for electric ones. Local firms are already</td>
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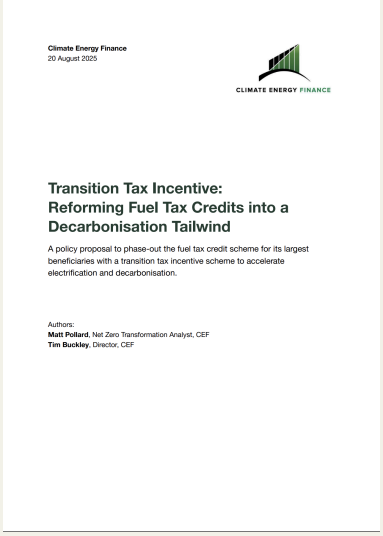
	doing it. Perth-based Electric Power Conversions Australia (EPCA) has proven they can retrofit 100-tonne haul trucks with battery-electric drivetrains. And there's 5,000 relevant vehicles here and 50K+ overseas. What's missing is a financial signal to make those projects stack up. At the moment, the fuel tax credit distorts the market by subsidising the very technology we're trying to phase out. Reforming the scheme by capping rebates and tying them to reinvestment in electrification would finally flip the incentive. It would make clean technology the competitive option, grow a domestic retrofit industry, and keep more of the value and jobs in Australia instead of paying companies to burn diesel.

Further Reading

	**Climate Energy Finance, *Transition Tax Incentive Report*** **Author:** Climate Energy Finance (lead author Tim Buckley) **Length:** 52 pages **Date:** August 2025 **Summary:** This report sets out a proposal for a national *Transition Tax Incentive* 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. Inflation Reduction Act, and recommends reforms to redirect tax credits—particularly diesel fuel tax credits—toward electrification, renewable energy, and value-added manufacturing projects that drive productivity and emissions reduction. **AVAILABLE HERE**
	**Mass EV retrofit startup Veepower wins second Supercharge Australia Innovation Challenge** Sydney, Australia, 8 November 2024 – Plug-and-play EV software control system provider, Veepower has won the second Supercharge Australia Innovation Challenge with its unique technology that unlocks mass EV retrofits across thousands of potential installers and designers in Australia and overseas. **AVAILABLE HERE.**

ACCELERATE THE RELEASE OF COMMITTED PUBLIC FUNDS

3. Get Committed Funds Out the Door

The Problem

Our Federal government has now committed more than **$76 billion** in public funding for decarbonisation, clean energy, and *Future Made in Australia* initiatives since 2023, along with another $6bn from our State Governments — 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, EFA 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 **$8.4m per year** in concessional finance discounts, despite an allowed cap of **$300m**, 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 **$14.4bn** 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. A new special mandate of $20bn could be allocated to the **Future Fund** to leverage their deep financial expertise and track record in successfully deploying massive capital rapidly, particularly in Equity and Infrastructure sectors that are largely outside the expertise of the CEFC, NAIF, EFA and NRF.
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
6. **Non matched funding** for early stage 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 $550m allocated in FY2025 and another $500m expected in FY2026 (plus $1bn of proposed bond issuance). 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 – $500m (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. **Green iron investment fund - $1bn allocated (5% allocated)**
7. **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 Federal climate and clean-energy budget and balance sheet 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.

Lived Experience of Our Delegates

What this policy would mean on the ground, from the lived experience of our members.

Mark Richards, Energy Estate

Creative destruction—the dynamic cycle through which innovation disrupts incumbents, driving productivity and long-term prosperity—was recognised with this year's Nobel Prize in Economics. It reminds us that enduring growth rarely arises from stability or incremental change, but from the continual renewal brought by innovation and competition.

Together with our development and offtake partners, we pursued a Hydrogen Headstart funding application. With only four weeks to prepare, our team devoted its full resources - at significant time and cost - to develop a robust proposal. Our submission presented a strong case supported by Japanese offtakers as strategic development partners.

Perhaps ironically—or by design—many of the awardees of the funding have since walked back their hydrogen ambitions, while we continue to advance the development of the HyNQ Project. This dynamic highlights the structural imbalance in Australia's energy funding ecosystem: rigid rules and low risk tolerance systematically penalise smaller innovators, delaying the projects most needed to achieve national decarbonisation goals.

If Australia is serious about building a competitive hydrogen economy, it must rethink risk and reward in its funding programs. Simplifying processes, broadening risk appetite, and ensuring funding flows to proven yet capital-constrained innovators will ensure that public investment accelerates—not frustrates—the energy transition.

Harnessing the forces of creative destruction in clean energy means backing innovation, not incumbency.

Kirk McDonald, New Energy Nexus

I work with early-stage startups across Australia's clean energy sector, and what I see every day is the cost of our system's risk aversion. Governments have done the hard work of announcing big funds — tens of billions through the NRF, ARENA, CEFC and others — but the money isn't flowing fast enough, and it's not reaching the innovators who need it most.

In my experience, early-stage founders face a structural "valley of death." They win grants but then can't find the required match funding to unlock them. Others are slowed by programs that are too complex, too slow, or designed for late-stage corporates rather than emerging innovators. One founder I know has several million dollars in grant commitments but can't claim them because he doesn't have the cash to spend upfront and reclaim later. The result is projects sitting idle and opportunities moving offshore.

If public investment vehicles took on a bigger risk appetite — offering non-matched, early-stage funding and faster approvals — we'd unleash a new generation of Australian clean-tech companies. Right now, it's taking years to get money out the door. The pipeline of investable projects is too small because we're starving it at the start. Loosening risk settings and funding the early stage properly would mean a stronger pipeline, faster innovation, and more Australian ownership of the industries that will define our future.

Satya Tanner, LAUTEC Australia

I'm Satya Tanner, and I've worked in global energy project delivery for more than a decade. I've been working in the offshore wind sector in Victoria — and I can tell you that while the developers hear the big ambition from Govt, the capital isn't moving.

At the moment, investors are losing confidence in renewable energy. They're looking at the U.S. where incentives for fossil fuel projects are stronger, returns are clearer, and finance flows more predictably.

Here, we face offshore wind auction designs with constitutional constraints (inability to run a CFD), making many projects unbankable even if it has a low LCoE.

Without clear funding from Government, and better auction design it's hard to see contracts being executed.

CEFC and ARENA — who might otherwise be able to alleviate some of the capital investment challenges — often can't help. Offshore wind is seen as "too established" to qualify, but in Australia it's still frontier infrastructure. Projects sit in limbo, too risky for private capital, and too mature for concessional funding.

If we want to move beyond headlines and get steel in the water, we need both a solid Auction and public funding vehicles to change their mindset. Faster approvals. More concessional finance. And a genuine appetite for risk in nationally significant projects like offshore wind to deliver the final GW of energy security that hybrid solar-battery can't.

Until then, we're watching Australia's energy opportunity stall — not for lack of ambition, but because the capital we've already committed isn't getting out the door and our policy levers aren't creating the right environment for bankable projects.

Richie Merzian, Clean Energy Investor Group

I'm Richie Merzian, CEO of the Clean Energy Investor Group. Our members represent the major investors behind Australia's large-scale renewable projects, and what we're seeing now is an alarming slowdown in the rollout. Billions of dollars in public funding have been announced through the NRF, CEFC, ARENA, and other special investment vehicles — but very little of it is actually moving.

At the same time, investors are losing confidence. The government talks up its ambition for a "Future Made in Australia," yet the pace and risk appetite of our public investment agencies don't match that ambition. We've got US companies, pre-approved for Inflation Reduction Act funding, actively looking for a home for their capital — but the signals from Australia aren't clear enough. We're not fast, we're not flexible, and we're not showing that we're serious about hosting that investment.

The consequence is that projects stall, the rollout slows, and Australia loses its competitive edge. My message is simple: we don't need new funds — we need to get the ones we already have out the door, with more flexibility, concessional finance, and faster processes. If we want to be a renewable energy superpower, our funding institutions have to start acting like it.

Further Reading

	**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** **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.

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.