



Submission to the Senate Inquiry into the Net Zero Economy Authority Bill 2024

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Llewelyn Hughes, Frank Jotzo, and Rebecca Colvin
Crawford School of Public Policy
Institute for Climate, Energy and Disaster Solutions
The Australian National University

The Net Zero Economy Authority has the potential to become an important element of Australia's institutional landscape supporting the transition to zero-emissions systems, particularly in the energy and industrial sectors.

This submission draws on a report that we produced for the Net Zero Economy Agency in October 2023, titled "Considerations for the establishment of the Net Zero Authority".

Our recommendations, which could be reflected in amendments to the Bill, are the following.

- 1. That the NZEA draw widely on expert information, including international experiences, in designing new industrial strategies and otherwise fulfilling its mandate.**
- 2. That the NZEA be required to consult across sectors and with communities at the regional scale, and that there be an element of community direction on the NZEA's priorities and actions.**
- 3. That the NZEA establish formalised systems of monitoring, reporting and evaluation of progress with the net zero transition and the impacts of policy interventions.**
- 4: That the NZEA's role in investment facilitation be to identify suitable investment options and recommend public investments in light of agreed principles, not to make public investment decisions itself.**
- 5: That the NZEA's role in transition support not be limited to worker transition and coal fired power station closure, but also extend to supporting regional prosperity broadly and to closures of other fossil fuel related facilities.**

The Net Zero Economy Authority (NZEA) Bill 2024 commits the NZEA to “consulting and cooperating with persons, organisations and governments to support Australia’s transition to a net zero emissions economy; and facilitating participation and investment in net zero transformation initiatives; and supporting workers in emissions-intensive industries to access new employment or improve their employment prospects.” (Article 4 of the draft Act).

Below we address each of these functions in turn.

1. Consultation and Cooperation

The NZEA will operate in a field that is characterized by activities implemented by multiple government departments, agencies and initiatives at the federal, state, and regional levels. In our judgment, the greatest opportunity for the NZEA is to **focus on promoting coordination and consistency** in the design and implementation of Australian government policies, programs and plans (Article 16).

In carrying out its mission, **we recommend the Authority draw on the widest possible range of expert information, and on insights into transition issues including international experiences.** Our work commissioned by the Net Zero Economy Agency in 2023, which this submission draws on, pointed to selected models and experiences from other countries that are relevant to the NZEA’s establishment and ongoing operation.

In the area of new industry development, for example, international experience suggests **industrial strategies are best understood as a process of discovery**, with a focus on collaborative development, updating, and evaluation. Reflecting this, the NZEA should lead in **designing and implementing multi-stakeholder processes in support of developing place-based approaches to developing industry capabilities.**

This can be complemented by **building capacity for identifying Australia’s competitive advantage by systematically assessing promising sectors for investment.** Given the importance of global supply chains for key energy-related technologies, **we recommend the NZEA actively engage internationally.**

Recommendation 1: That the NZEA draw widely on expert information, including international experiences, in designing new industrial strategies and otherwise fulfilling its mandate.

The issues about which the NZEA will engage are contested, and are socially and politically sensitive. It is thus crucial the Authority include a wide range of perspectives when consulting and cooperating in support of the transition to a net zero emissions economy. **We recommend the NZEA should be given the mandate to convene deliberative processes** such as between industry and civil society groups, and participatory processes in the regions.

A key opportunity for the NZEA is to commit to community-led approaches within priority regions, both for the purposes of gaining locally relevant knowledge and insights, and also in pursuit of the social licence. **Inclusive and enabling partnerships outside government** are important functions. The NZEA should facilitate or lead bottom-up strategy-setting by engaging a wide range of stakeholders, including regional communities as well as business and civil society.

Recommendation 2: That the NZEA be required to consult across sectors and with communities at the regional scale, and that there be an element of community direction on the NZEA’s priorities and actions.

1.1. Monitoring and Evaluation

Ongoing monitoring and evaluation of the net-zero transition is a prerequisite for well calibrated interventions, and can help establish common understanding and trust. The transition to net zero emissions encompasses a wide array of changes in different sectors and to different aspects of the economy. We thus support the role of the NZEA to “report regularly to government on the progress, opportunities and challenges of the net zero economic transformation, recommend actions, and...initiate reviews and reports on the progress made” (1.8 of Explanatory Memorandum), and recommend the need for **comprehensive and integrative approaches to defining objectives, monitoring progress towards them, and evaluating needs and options for further action.** Such monitoring can usefully extend to analysis of specific instances of energy transition, for example assessment of instances of plant closures and programs to facilitate smoother transition.

The NZEA should thus **establish a system for monitoring and evaluating national net-zero transition** as a core part of the function of providing reports, advice and recommendations to the Minister (Article 16). Monitoring and evaluation procedures established ex ante should focus on key measures derived from agreed-upon goals.

Monitoring and evaluation would be tailored to include the full remit of the NZEA, thereby covering e.g., trends and progress on energy transition objectives, economic and social developments including in priority regions of interest, and impacts over time of industrial closures and of new investments. The various existing processes of data collection and regular reporting by federal government departments, agencies and bodies (as well as in some instances State/Territory governments) would flow into the integrative monitoring and evaluation provided by the NZEA. Delineation with the Climate Change Authority’s assessment functions would be needed.

For maximum positive effect on the transition process, such systems of monitoring and evaluation need to be public and contestable, be done on an ongoing or repeated basis, and be provided by an institution that has authority and expertise across the full range of issues. Such monitoring and evaluation can help underpin decisions about discontinuing programs that are no longer required or unsuccessful, thus complementing any automatic

sunset clauses that can likewise reduce the difficulties with removing a program once initiated.

We recommend the NZEA be given a mandate to establish formalised systems of monitoring, reporting and evaluation of progress with the net zero transition, and the impacts of policy interventions. Universities and the research sector broadly can and should play an ongoing role in informing the NZEA's work in this and other areas.

Recommendation 3: That the NZEA establish formalised systems of monitoring, reporting and evaluation of progress with the net zero transition, and the impacts of policy interventions.

2. Investment Facilitation

In addition to coordination, the proposed Act gives the NZEA the functions of investment facilitation, and supporting worker transition (Article 13). Our earlier report to the Agency, makes a number of specific points on these aspects. For the purposes of review of the draft legislation, we highlight the following high level points.

There already is a rich landscape of investment support institutions and federal government policy vehicles and funds that support investments, including but not limited to the Clean Energy Finance Corporation (CEFC), Australian Renewable Energy Agency (ARENA), National Reconstruction Fund (NRF), and funding vehicles such as the Powering the Regions fund, Hydrogen Headstart and others.

The Authority can help by providing insights and offer coordination functions. It need not be an additional funding vehicle.

The Authority should establish and be guided by sound principles for its advice on investment, such as: cost effectiveness; prospect of future financial and economic returns to governments and society; and clarity about the relative importance of multiple objectives such as low-emissions systems, supply chain security, jobs, regional development, benefits to Indigenous communities, social equity, and local environmental impacts. The Authority has an opportunity to work through these issues systematically, and to help broker a shared understanding about them across governments, industry and society, based on analysis and participatory processes.

The Authority will be in a prime position to check various government initiatives against such an agreed set of principles.

Recommendation 4: That the NZEA's role in investment facilitation be to identify suitable investment options and recommend public investments in light of agreed principles, not to make public investment decisions itself.

3. Transition Support

In its transition support role, **we recommend the Authority's role not be confined to worker transition alone, nor to the effects of coal fired power closure**, as the draft legislation indicates. The Authority's remit would usefully include a strong focus on regional prosperity in the transition. Beyond the immediate interests of power station and associated coal mine staff, there are **interests of contractors and regional small businesses** to be considered. These comprise people who are often on lower incomes than power station workers, and whose interests are not as visible in the political process as they are not or less unionized.

We recommend the Authority's remit extend to the future closure of coal mines, beyond mines producing solely for power stations; and possibly of other fossil fuel using facilities beyond power stations.

The net zero transition does not end with the completion of coal transition. The NZEA rightly prioritises this important and pressing aspect of Australian and global decarbonisation, and what it means for Australia's regions. However, if the remit of the NZEA is to achieve the transition to a net zero *economy*, then the functions of the Authority would be helpfully expanded beyond coal, whilst maintaining the prioritisation of coal as is inferred by the focus of the Bill.

Taking the 'region' as the entity of interest of the NZEA, rather than power stations and associated mines, will enable a more complete and socially-relevant approach to managing the impacts of the net zero transition. It would also capture the range of carbon exposed economic activities, beyond the immediate priority of coal.

Recommendation 5: That the NZEA's role in transition support not be limited to worker transition and coal fired power station closure, but also extend to supporting regional prosperity broadly and to closures of other fossil fuel related facilities.

Detail on the points raised in this submission, including synthesis of selected international experiences, can be found in a report that the authors produced for the Net Zero Economy Agency:

"Considerations for the establishment of the Net Zero Authority: A rapid research report by ANU". Colvin, B., Jotzo, F. and Hughes, LL., September 2023.