

THE ALP'S POWERING AUSTRALIA PLAN

On Friday, 3 December 2021, Anthony Albanese, and Chris Bowen launched the Powering Australia Plan. The new medium-term plan introduces a suite of policy measures – including significant investments in new energy economy jobs.

Climate Change Targets

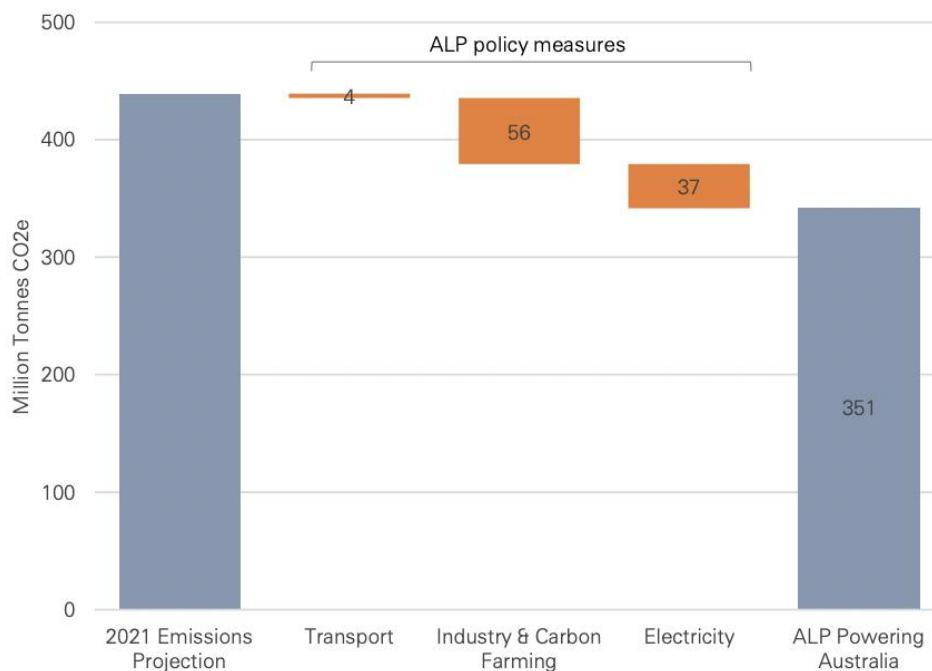
Labor has already committed to make Australia net zero by 2050.

Today's announcement commits the Australian Labor Party to reducing emissions by 43% if they win government at the next election.

The figure is underpinned by [detailed modelling provided by RepuTex](#).

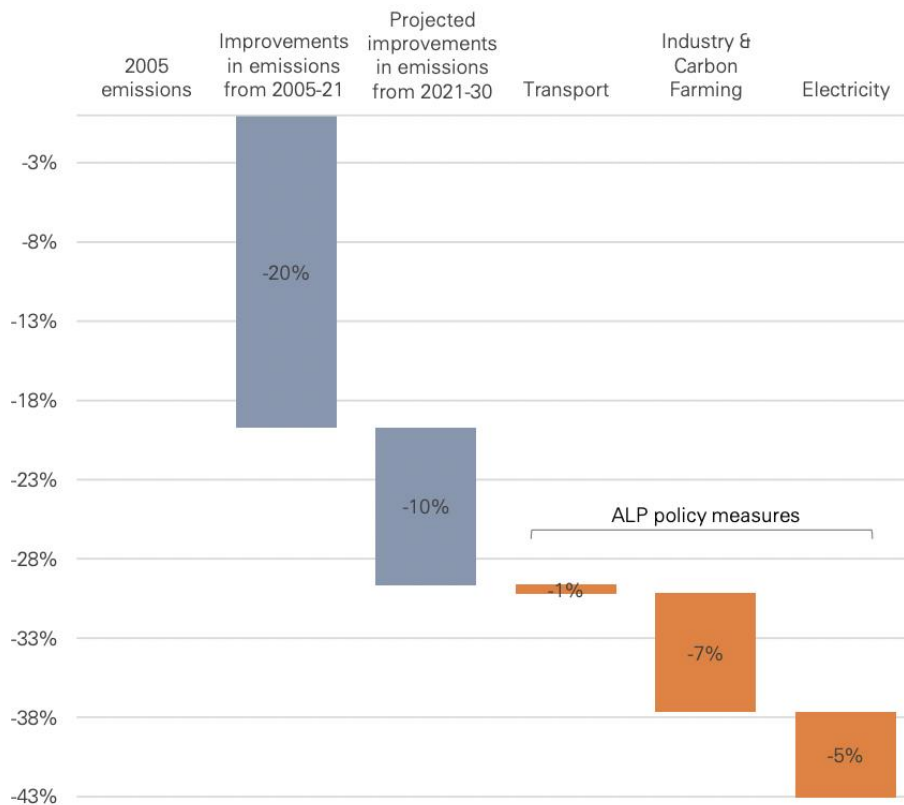
The modelling conservatively draws on the lower bound of the Government's own modelled emission reductions as a baseline: 30% by 2030. It notes the Government has projected a potential higher outcome of 35% by 2030. The modelling then examines the impact of the policies announced by Labor to date and today to reach the higher target of 43% by 2030.

Figure 3: Absolute emissions reductions by sector – in 2030 (point-in-time)



Source: RepuTex Energy, 2021

Figure 4: Percentage emissions reductions from 2005 levels (Paris budget accounting)



Note: Analysis applies the Commonwealth’s 2021 emissions projections as a Reference Case for business-as-usual emissions to 2030 (denoted in grey). Refer to Appendix A for further detail.

Source: RepuTex Energy, 2021

This higher target” is consistent with the Australian Government’s commitment made at COP26 Glasgow to deliver “a higher level of ambition” before the end of 2022. A commitment the current Government immediately abandoned.

The modelling also sets out the economic return on the investments that Labor’s policy delivers. These include:

- 63,994 direct or 604,000 if indirect jobs are also included, relative to the business-as-usual scenario
- \$24 billion in government investment, delivering \$76 billion in total investment
- Annual average retail bills are projected to be \$275 lower by 2025 (-18%) and \$378 by 2030 (-26%).

By 2030, renewable energy will become 82% of the National Electricity Market, significantly higher than 68% forecast in the Government’ plan.

This will deliver an 18% reduction in costs to consumers by 2025 and 26% by 2030.

Figure 8: Forecast penetration of renewable energy in the NEM

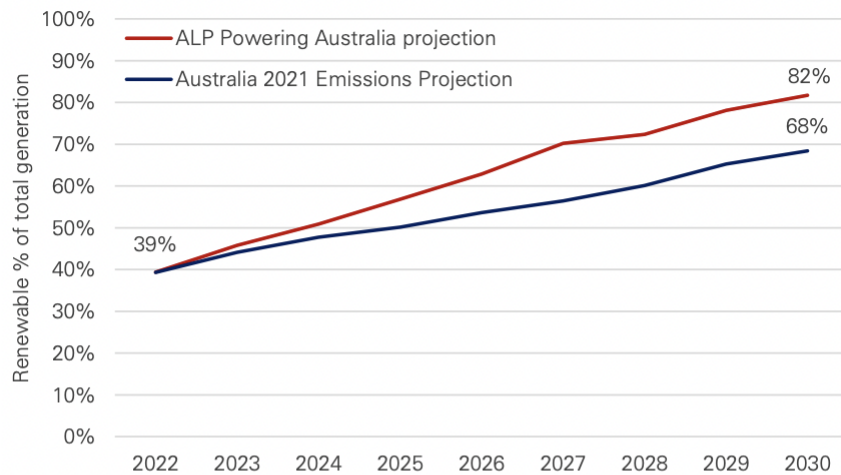


Figure 9: Electricity price savings by customer with Rewiring the Nation

	Price reduction from today (% and \$)	
	in 2025	in 2030
Wholesale price	-18% (\$11/MWh)	-26%(\$16/MWh)
Residential	-18% (\$50/MWh)	-26% (\$69/MWh)
SMEs	-18% (\$46/MWh)	-26% (\$63/MWh)
Industrial	-18% (\$27/MWh)	-26% (\$38/MWh)
Residential bill saving	-18% (\$275)	-26% (\$378)

Source: RepuTex Energy, 2021

The key aspects of the Powering Australia Plan are:

Safeguards Mechanism

Labor is supporting changes to the Safeguards Mechanism as proposed by the Business Council of Australia in September 2021.

The Safeguards Mechanism was established by the current Government in 2016 but rather than capping or reducing emissions as planned, emissions covered buy it have increased by 7% since that time.

Labor will:

- Maintain the current eligibility threshold for the Safeguard Mechanism at 100,000 tCO2 per annum (excluding electricity), with BAU emissions covering 28% of national emissions in 2020-21, growing to 34% by 2030
- From 2023-24, the emissions baselines for covered facilities will be set to decline in line with an aggregate annual emissions baseline reduction of 5 Mt, reaching net-zero by 2050
- Advice from the relevant Department and the Clean Energy Regulator would advise Government on each facility's share of the overall trajectory, based on available and emerging technologies in each sector
- Emissions Intensive Trade Exposed (EITE) industries would be protected to ensure they are not placed at a competitive disadvantage.



- Safeguard “credits” would be issued to facilities that beat the annual targets
- Liable industries could meet their obligations for “above-baseline” emissions by surrendering SMCs and/or by purchasing Australian Carbon Credit Units (ACCUs).

Rewiring the Nation Corporation (RNC)

Substantial transmission investment will be required to accommodate the more than 50 GW of new large-scale renewable energy calculated by the Australian Energy Market Operator to be required in the National Electricity Market by 2042.

The goal of the Rewiring the Nation Corporation will be to bring forward the construction of high voltage infrastructure by lowering financial and planning barriers. It will invest \$20 billion towards the modernisation of the electricity grid.

The RNC is projected to both lower the overall cost of financing for transmission providers and reduce additional costs necessary for private sector investment.

National Reconstruction Fund

The \$15 billion National Reconstruction Fund will act as a financing vehicle to drive investment in projects that boost regional economic development.

- It will provide investment through a combination of loans, equity, co-investment and guarantees; and would be administered on the basis that it will achieve a return to cover its borrowing costs, with an expected positive underlying cash impact.
- Of the \$15 billion NRF, \$3 billion (20%) will be deployed to support the uptake of clean energy and green technologies including but not limited to:
 - Agricultural Methane Reduction
 - The Manufacturing of Clean Energy Components (including battery and wind)
 - The Development of Green Steel Manufacturing Hubs
 - The Development of Hydrogen Electrolysers
 - Battery and Wind Turbine Manufacturing
 - Any critical manufacturing required for energy efficiency, fuel efficiency and renewable generation.

Community Batteries & Shared Solar Banks

A plan includes a commitment of \$200 million to build 400 community batteries across the country. A community battery on average will support up to 250 local households, thus this investment is expected to provide 100,000 houses with renewable energy.

This funding would be delivered through a capped, standalone grants program.

A plan also includes an investment of \$100 million for the development of shared ‘solar banks’.

- Solar banks are most likely to be built in regional areas where there is space for medium solar arrays (2-3 hectares), however may also be owned by community cooperatives, government ownership on behalf of public housing residents, or distributor/retailer/developer ownership.



- Supporting wider access to rooftop solar is expected to allow scale via new business models, unlocking private-sector investment, and providing more vulnerable households with opportunities to reduce their power bills.
- In exchange for their owned/leased solar shares, participants receive discounts on their electricity bills via a retailer.

The community batteries and shared solar banks project is expected to create 2700 jobs.

Public Sector Emissions

- In 2011-12, the most recent Energy Use in the Australian Government's Operations report, Australian Government activities were estimated to generate 2.84 Mt of CO₂e.
- The Powering Australia Plan commits to reducing Australian Public Service emissions to net-zero by 2030.
- The target would be achieved by a combination of demand reduction and offset purchases. Specifically, a Labor Government would:
 - Undertake energy efficiency retrofits for buildings, including consideration of stronger energy intensity targets and overall performance standards (e.g., more than 4.5 NABERS stars);
 - Establish a low-emissions vehicle target for the Commonwealth fleet of 75% of new purchases and leases of passenger vehicles by 2025;
 - Enter into Electricity Power Purchase Agreements (PPAs) for low carbon electricity following the conclusion of current contracts; and
 - Purchase carbon offsets (Australian Carbon Credit Units) to offset residual emissions.

Electric Vehicles

The plan includes a commitment to developing a National Electric Vehicle Strategy, including an investment of \$251 million for an Electric Car Discount.

As part of the Discount, Labor will exempt electric cars from:

- Import tariffs – a 5 per cent tax on some imported electric cars
- Fringe benefits tax – a 47 per cent tax on electric cars that are provided through work for private use.

The ALP proposes to commit \$14 million over four years to establish a real-world emissions testing program in Australia. This will help consumers make more informed whole-of-life decisions around the cost of purchasing a motor vehicle.

To further reduce the upfront cost of EVs (Electric Vehicle), the Federal Government will Review the National Construction Code, work with states and territories to ensure that federally-funded infrastructure projects incorporate EV charging facilities wherever possible and implement an EV target for the Commonwealth fleet.

New Energy Apprenticeships

The Plan includes an investment of \$100 million to support 10,000 New Energy Apprenticeships.

- Apprentices who choose to train in new energy industries will receive up to \$10,000 - \$2,000 on commencement, and \$2,000 a year for up to four years afterwards, including on successful completion.



- Examples of eligible industries include rooftop solar installation and maintenance and large-scale renewable projects.
- New Energy Apprenticeships will be available over four years (2,500 commencements a year from 2022-23).

Policy Framework

A Labor Government will work with large businesses and regulators to provide greater transparency on their climate related risks and opportunities. This will provide greater certainty and help reduce the cost to business and consumers of finance and insurance.

Re-establish leadership by restoring the role of the Climate Change Authority, while keeping decision-making and accountability with Government and introducing new annual Parliamentary reporting by the Minister.

For more information, please contact Simon Banks, Managing Director on +61 419 638 587.