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April 8th, 2025

To the State of Victoria Department of Energy, Environment and Climate Action,

**Re: Victoria's 2026–30 Climate Change Strategy**

The Investor Group on Climate Change (IGCC) welcomes the opportunity to provide a submission on Victoria’s 2026-30 Climate Change Strategy[[1]](#footnote-2) (henceforth, “the Strategy”). IGCC commends the Victorian Government on its leading approach to climate policy, which promotes an orderly transition to net zero. Victoria’s adaptation policy will support a stable operating environment for investments that will benefit the long-term returns of millions of Australian super fund holders.

Phaseout of fossil fuels requires accelerated deployment of renewable energy and storage, improved integration of behind-the-metre resources and more dynamic management of demand. The State Electricity Commission can play a role in this, supporting private investors to deploy the bulk of capital required to deliver the transition.[[2]](#footnote-3)

Institutional investors require a coherent policy approach across all sectors of the economy – and all levels of government – to confidently allocate capital towards the net zero transition. As such, IGCC has been an active collaborator in the development of the federal government’s climate policy agenda.

This collaboration includes the reformed Safeguard Mechanism3, Climate Related Financial Disclosures4, the National Adaptation Plan5 and National Climate Risk Assessment6, the sector plans7 and the Capacity Investment Scheme8.

Here, IGCC points to principles for investible policy developed at the federal level, and applies them to key issues raised in the Strategy.

# About IGCC

IGCC is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. IGCC represents investors with total funds under management of over $5 trillion in Australia and New Zealand and $30 trillion around the world. IGCC members are the custodians of the retirement savings of around 15 million Australians.

Climate damages and risks jeopardise the ability of investors to provide returns to their beneficiaries. Unless climate change is addressed in an orderly and just way, the long-term retirement savings of millions of Australians are under threat.

IGCC members collectively represent all asset classes across the entire Australian economy. IGCC members understand that climate change is a systemic problem and that a well-planned transition to a decarbonised economy will help protect investments against the worst climate damages, and present new investment opportunities in budding green industries.

IGCC’s work is funded by members’ fees, philanthropy, partnerships, and sponsorship from supporters who understand the power of capital to support climate action.

# Response

## Overview

IGCC welcomes the level of ambition and focus areas within the Strategy. This response provides direction as to which of its priority areas are most critical to address for investors.

**Priority areas include:**

* establishing a coherent lowest cost whole-of-government approach to decarbonisation policy,
* addressing emissions from fossil fuel use,
* workforce planning and just transition,
* remedying challenges within planning processes,
* land use concerns in a climate-changed world, and;
* adaptation and resilience.

## Whole of government approach to climate policy

IGCC urges for the Strategy to assess all established policies that may be counter to the guiding principles of the Climate Action Act (2017).

Policy options exist to better align emissions reductions targets with real economy policy. For example, IGCC has recommended that the federal government set fossil fuel phaseout dates to better operationalise its emissions reductions targets.[[3]](#footnote-4)

*“Policy clarity, backed by clear demand signals and by public-private financing strategies, can de-risk new technologies and markets for investors, so that they can invest at the pace and scale required to meet government decarbonisation targets. Investors rely on governments to set phaseout dates for fossil fuels and policies to drive clean energy replacements, so that they have clarity around where to allocate funds. An uncoordinated transition will increase economic costs and lead to ongoing capital flight to markets with well-planned transition policy in place.”*[[4]](#footnote-5)

Fossil fuel phaseout dates are a critical component of net zero target-setting for investors, as they provide clarity on the timeframes and scale for which renewable energy sources must replace emissions-intensive supply.

*“Non-grid connected industry will need coordination to decarbonise, particularly in the case where facilities share infrastructure. A coordinated retreat from fossil fuels will provide certainty to suppliers and consumers on costs. Investors will not invest without a clear market for companies to supply to; a fossil fuel reduction timeline will provide a strong business case for investing in renewable fuels like green hydrogen.”*[[5]](#footnote-6)

### **Managing a highly variable and decentralised electricity system**

Phaseout of fossil fuels requires accelerated deployment of renewable energy and storage, improved integration of behind-the-metre resources and more dynamic management of demand. The re-establishment of the SEC can accelerate work towards these priorities, so long as it focuses on technologies that have high transition risks.[[6]](#footnote-7) The NEM Review will also provide guidance about how to better operate a highly variable and distributed electricity system.

The demand-side (both resources and consumer behaviour) is complex, and no single market or regulatory body – federally or at the state-level – is currently managing this part of the transition appropriately. Remit over the demand side does not sit fully in any body’s purview; better data, modelling, rules and information for consumers is required.

### **Stimulating markets of demand for green commodities**

IGCC members consider markets of demand as being a critical gap in the investment case for green commodities. Without consumers willing to pay a premium for low-carbon product, or without subsidy to remove the green premium, industry will remain unwilling to invest in the supply of low-carbon products (barring significant carbon pricing). This limits the ability of investors to direct capital to decarbonisation solutions.

Governments can support investment by crowding-in markets of demand, in the early stages of green industry development. In the same way that public capital should be used to derisk private investment, public procurement should be willing to pay a green premium to stimulate these markets. Rule changes for public procurement should be considered, to ensure that “lowest cost” does not rule out green alternatives.

## Workforce Planning and Just Transition

Improper planning for when mines will close places jobs at risk in the La Trobe Valley, and detracts skilled workers from budding clean industries. IGCC understands that there is the Clean Economy Workforce Development Strategy 2023–2033[[7]](#footnote-8), and encourages the Victorian Government to consider how fossil fuel phaseout dates may improve the clarity of this workforce strategy. Specific attention should be given to coalmine workers, to ensure communities have transition pathways available.

As outlined in IGCC’s *Investing in Australia’s Vital Regions* report[[8]](#footnote-9), it is critical that workforces and communities are appropriately prepared, now, for the transition to a decarbonised economy, so that these regions remain investible.

*“The report...sets out recommendations for both investors and for policy-makers on how to support investment in:*

* *new green export industries,*
* *multi-user infrastructure to support new industry growth,*
* *decarbonisation of ongoing industries, like manufacturing and agriculture*
* *regional emissions-neutral sectors, like tourism, education and healthcare, and*
* *the necessary social infrastructure and services to support a thriving community around major industries.*

***Selected actions for policy-makers:***

* *Develop investment-grade transition plans for emissions-intensive regions and priority industries. These must be co-designed with affected communities and workers.*
* *Support key foundations for business growth in the regions, including workforce planning, liveable regional communities, access to growth markets, and multi-user infrastructure*
* *Provide targeted financial support from public institutions...that includes taking on higher risk, earlier stage investments in priority regions and industries.”*[[9]](#footnote-10)

## Approach to planning processes

Institutional investors have international portfolios, and roadblocks generated by unclear planning processes create push factors for capital to move into jurisdictions with more clarity on timeframes and expectations of proponents. Most institutional capital from Australia is not invested in domestic, but international renewable energy projects.

The Clean Energy Investor Group has conducted extensive research on identifying challenges within planning process.[[10]](#footnote-11) They have also developed principles for an investible decarbonisation strategy for the electricity sector.[[11]](#footnote-12)

Streamlined processes must not come at the cost of appropriate engagement with communities, particularly Aboriginal and Torres Strait Islander communities, with respect to free, prior and informed consent; both early on and throughout the project.

Recommendations for this have recently been published in the *First Nations Clean Energy Strategy*23. From an investor perspective, this will ensure there is benefit sharing for these projects, and that renewable energy developers will avoid legal, social, and reputational risks for their infrastructure projects.

## Land use emissions

The Climate Change Authority projects -133mt of drawdown in 2050, for Australia to be net zero, with -119 of which being “land-sink”24. The consultation notes that land-based sequestration is -18% of total emissions in 2022, or about 15Mt CO2-e. IGCC understands that land-based sequestration will continue to be a significant part of the Strategy.

While land-based sequestration is needed, and has benefits for nature restoration, it is a fragile means of carbon removal in a climate-changing environment. New and potentially more durable drawdown methodologies are at a very early stage of development and have their own land-use requirements. Managing the land sector and residual emissions is going to be a significant challenge that has not been appropriately addressed at any level of government.

Institutional investors invest at a scale that is not compatible with very nascent technologies. Direct Air Capture and other geoengineering technology is so nascent that it will be excluded from the Sustainable Finance Taxonomy[[12]](#footnote-13). Some IGCC members have expressed interest in investing in these technologies, and public sector support will be required for them to move up the Technology Readiness Levels.

Actual emissions reductions must be prioritised in all instances, with carbon removals a last resort. They will, though, play a key role in a net-zero economy. Work to develop a considered approach to land use planning, including removals and new tech solutions, should be a priority.

## Adaptation

There is currently a global adaptation financing gap of between $US194 and $US266 billion annually. This gap will widen as the physical impacts of climate change increase. As governments cannot fund this alone, private investors will have an important role to play. Investors will fund adaptation and resilience by protecting their own assets (including critical infrastructure) and other investments, as well as investing in adaptation solutions. However, there are currently significant barriers to private investment in adaptation and resilience.

These include:

* Challenges in quantifying the financial implications of physical risks and adaptation
* Lack of market recognition for resilience in valuations
* Difficulties in cost-sharing when adaptation benefits are spread across stakeholders
* Asset-level resilience is normally insufficient to protect value if whole-of-system resilience is lacking.

More information on these barriers, and actions required to remove them, is included in IGCC’s report Activating Private Investment in Adaptation[[13]](#footnote-14). If these barriers are not addressed, and effective adaptation implemented, then there is significant risk of capital flight from private investors in regions of high physical risk.

IGCC looks forward to continued engagement with the Victorian Government on decarbonisation and adaptation policy.

Kind regards,

Bethany Richards, Policy Manager ([bethany.richards@igcc.org.au](mailto:bethany.richards@igcc.org.au)).

1. State Government of Victoria 2025, Victoria’s climate change strategy, [[link](https://engage.vic.gov.au/climate-change-strategy)]. [↑](#footnote-ref-2)
2. A report by CEIG and IGCC provides some guidance on how public-owned entities can better fill gaps that private finance cannot; CEIG & IGCC 2023, Collaboration to support transition, [[link](https://www.ceig.org.au/wp-content/uploads/2023/04/CEIG_IGCC_Public_Investment_April2023_final.pdf)], p.14. [↑](#footnote-ref-3)
3. IGCC 2024, *Submission: energy and electricity sector plan to shape clean economy* [[link](https://igcc.org.au/submission-energy-and-electricity-sector-plan-to-shape-clean-economy/)]. [↑](#footnote-ref-4)
4. ibid. [↑](#footnote-ref-5)
5. bid. [↑](#footnote-ref-6)
6. CEIG & IGCC 2023, Collaboration to support transition, [[link](https://www.ceig.org.au/wp-content/uploads/2023/04/CEIG_IGCC_Public_Investment_April2023_final.pdf)]. [↑](#footnote-ref-7)
7. State Government of Victoria, Workforce and development strategy 2023-2033, [[link](https://djsir.vic.gov.au/__data/assets/pdf_file/0012/2179677/Clean-Economy-Workforce-Development-Strategy-2023-2033.pdf)]. [↑](#footnote-ref-8)
8. IGCC 2024, Investing in Australia’s vital regions, [[link](https://igcc.org.au/new-research-investing-in-australias-vital-regions/)]. [↑](#footnote-ref-9)
9. ibid. [↑](#footnote-ref-10)
10. HSF & CEIG 2024, EPBC ACT report, [[link](https://www.ceig.org.au/wp-content/uploads/2024/12/HSF-x-CEIG-EPBC-Act-Report.pdf)]. [↑](#footnote-ref-11)
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12. ASFI 2025, About the Australian taxonomy [[link](https://www.asfi.org.au/taxonomy)]. [↑](#footnote-ref-13)
13. IGCC 2024, Activating private capital for adaptation, [[link](https://igcc.org.au/activating-private-capital-for-climate-adaptation/)]. [↑](#footnote-ref-14)