Investor Group on Climate Change

# Submission to the Climate Change Authority

## 2025 Issues Paper

**1 September 2025**

## 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 $4 trillion in Australia and New Zealand. IGCC's members are the custodians of the retirement savings of around 15 million Australians.

## Summary of response

As the long-term custodians of trillions of dollars in retirement funds, investors have a fiduciary duty to deliver long-term returns for their beneficiaries that are commensurate with the level of risk taken. Due to the systemic nature of climate change, unless it is addressed in an orderly and just way, the retirement savings of millions of Australians are under threat.

Below, we have provided point by point responses the questions posed by the enquiry. These can also be read in the context of IGCC's priority policy recommendations, which are:

**Ambitious targets and sector plans that will unlock investment**

- Set a 2035 NDC at the highest possible level of ambition, according to the range provided by the Climate Change Authority.
- Amend the Climate Change Act to include Net Zero sector decarbonisation plans, the National Adaptation Plan, and the National Climate Risk Assessment.
- Elevate the impact and prominence of adaptation by providing funding for actions identified in the National Adaptation Plan. The NAP should be extended to include:
    - national resilience targets
    - adaptation plans for key sectors, mirroring the approach to sector decarbonisation plans,
    - an investment roadmap that includes a clear list of priority adaptation projects, similar to Infrastructure Australia's Infrastructure Priority List.
- Complement sector decarbonisation plans with investment roadmaps and a clear set of policy reforms to stimulate investment.
- Include export addendums to sector decarbonisation plans, particularly electricity and energy, and resources, which consider decarbonising emissions-intensive trade.

**Enhance the National Adaptation Plan with mechanisms to attract private capital**

- Review and update the mandates of specialist investment vehicles (SIVs) to include adaptation and resilience.
- Where gaps exist in current adaptation finance, create dedicated investment vehicles or funds that target adaptation
- Expand the Australian Sustainable Finance Taxonomy to incorporate resilience criteria for eligible investments in systemic adaptation and resilience.
- The government should invest in sovereign scientific capability and resources, including robust, high-resolution climate and hazard datasets and five-year scientific plans.
- Governments should review relevant regulations, including town and land use planning, so they consider resilience over the full expected life of effected assets.

**Faster and cheaper deployment of renewable energy infrastructure**

- Implement an enduring carbon signal in the electricity sector. Expansion of the Safeguard Mechanism to electricity generators should be considered.
- Any policy and regulation settings considered in current Gas Market Review must align with the forthcoming 2035 emission reduction target and sector decarbonisation plans.
- Provide long-term certainty for renewable energy contracts in the electricity market, beyond the Capacity Investment Scheme.
- Avoid disincentivising investment in renewables by reviewing proposed changes to capital gains tax (CGT).
- Streamline and fast track planning processes for the rollout of renewable energy infrastructure, working closely with communities to build social license and maximise benefit sharing.

**Maintain and expand the Safeguard Mechanism beyond 2030**

- Maintain the current ambition of the Safeguard Mechanism and use the 2026-27 review to:
    - expand its scope to cover more of the economy by including facilities with 25,000+ tonnes of emissions (the current threshold is 100,000+ tonnes)
    - include electricity generators, noting scheme design issues must be addressed

  - consider the inclusion of heavy vehicles
  - introduce stronger reporting obligations around reliance on offsets, to increase pressure for on-site emissions reduction,
  - establish a right-to-emit market, with the government using raised funds to accelerate decarbonisation in hard-to-abate sectors.
- Implement a Border Carbon Adjustment to compliment the Safeguard Mechanism and reduce carbon leakage.
- Remove fossil fuel subsidies that distort investment signals and delay investment in decarbonisation on site.

# Extended Response

Please see below for responses to consultation questions.

## Supporting and enabling the transition to a net zero economy

*1. How well is the Australian Government supporting the transition to net zero?*

The Australian Government is in the final stages of determining its 2035 Australian emissions reduction target, or 'Nationally Determined Contribution' (NDC), pursuant to the terms of the Paris Agreement, as well as finalising its National Climate Risk Assessment, National Adaptation Plan, Net Zero Plan and six sector decarbonisation plans.

IGCC commends the government's work to produce these documents and establish a more comprehensive and strategic response to both mitigation and adaptation. These developments are welcome, but there is much still to do.

**Recommendation: Set a 2035 NDC at the highest possible level of ambition, according to the range provided by the Climate Change Authority.**

It is materially important for investors to have an ambitious, Paris-aligned and scientifically backed Australian 2035 NDC, with supporting policy frameworks. NDCs, together with supporting policy frameworks, play an important role in portfolio construction and investment decision-making. IGCC members also support the Future Made in Australia reform package, which aims to provide funding and other supports to sectors undertaking transition activities.

IGCC members would like to emphasise that there will be a cost to meeting carbon targets, but that this will be significantly lower than the cost of inaction. Data released by the Network for Greening the Financial System (NGFS) – a group of 141 central banks and financial supervisors including Bank of England, Bank of Japan, European Central Bank, People's Bank of China, Reserve Bank of Australia, Reserve Bank of India and US Federal Reserve – shows Australia could see GDP cut by roughly one seventh due to the broad effects of climate change, from costs associated with extreme weather and second order effects on labour, capital, land and natural productivity.[1]

[1] IGCC 2024, $6.8 trillion GDP hit if renewable energy transition is delayed [link].

The economic damage will likely be significant for our trading partners as well, with our neighbours across Asia likely to see a 16% hit to GDP by 2050 under current policies.

**Recommendation: Amend the Climate Change Act to include Net Zero sector decarbonisation plans, the National Adaptation Plan, and the National Climate Risk Assessment.**

Cementing a requirement for the regular review and update to these plans and assessment in legislation would provide a durable national framework for decarbonisation, adaptation and climate risk.

This would support policy continuity across governments, build market confidence and encourage capital deployment into Australian mitigation and adaptation from local and international investors.

IGCC supports a more formal role and appropriate resourcing for the CCA to monitor and report on the government's progress the National Adaptation Plan and National Climate Risk Assessment. We note the United Kingdom and New Zealand have legislated their respective independent climate advisory bodies to report on progress on delivering each country's national adaptation plan or program every 2 years.

**Recommendation: Elevate the impact and prominence of adaptation by providing funding for actions identified in the National Adaptation Plan.**

IGCC particularly highlights the need to elevate the prominence of adaptation in the national awareness and discourse. The impacts of climate change are already with us. Australian communities are increasingly exposed to disasters caused by natural hazards that impact infrastructure and essential services, as well as chronic, long-term pressures that can weaken the fabric of a community, reduce Australia's productivity, and erode the tax base.

Efforts to protect people's health and wellbeing, the natural environment and the economy's potential to prosper into the future depends on Australia's ability to adapt to its changing climate.

*2. What changes could the Australian Government make to improve the effectiveness of existing policies or address gaps in supporting Australia's transition to a low-emissions, climate resilient, and prosperous economy?*

As climate damages begin to mount, it is important that the government's policy approach remains consistent but responsive to changes in the real economy and society. Enduring, whole-of-government support for climate policy should be a priority.

**Recommendation: Complement comprehensive and just sector decarbonisation plans with investment roadmaps and a clear set of policy reforms.**

With clear sector and adaptation plans and a suite of stable policies to manage climate risks and promote climate solutions, investors will have greater confidence to deploy capital in Australia. To ensure sector plans are investible, IGCC asks for:

- **clear policy signals and commitment** - plans should include legislative backing, policy certainty, and stable regulatory frameworks to reduce risk. Investors need confidence that governments are committed to long-term decarbonisation
- **credible, science-based pathways** - sector plans must align with net zero by 2050 and Paris Agreement goals and should be based on robust modelling, with transparent assumptions and methodologies
- **sector-specific detail** - investors want granular insights into each sector's decarbonisation trajectory, including:
  - emissions profiles
  - technology options
  - infrastructure needs
  - workforce implications
- **timeframes and milestones** - clear short-, medium-, and long-term targets help investors assess progress and risk. Milestones should be measurable and tied to investment opportunities
- **investment opportunities and risk management -** plans should identify bankable projects, financing mechanisms, and risk-sharing models. This includes public-private partnerships, blended finance, and transition support for affected communities

- **stakeholder engagement and governance** - inclusive development involving industry, investors, unions, and communities builds legitimacy. Governance structures should ensure accountability and adaptability over time
- **consistency across sectors** - investors prefer harmonised approaches across sectors to avoid fragmentation and policy misalignment. This includes identifying policies that work against decarbonisation objectives
- **data transparency and reporting** - reliable data and regular reporting are essential for tracking progress and informing investment decisions.

**Recommendation: Enhance the National Adaptation Plan with a commitment to produce:**

- **national resilience targets**
- **adaptation plans for key sectors, mirroring the approach to sector decarbonisation plans,**
- **an investment roadmap that includes a clear list of priority adaptation projects, similar to Infrastructure Australia's Infrastructure Priority List.**

To keep the economy as vibrant and productive as possible, Australia will need many billions of dollars invested in climate adaptation, including in resilient housing. Federal and state budgets cannot cover the entire cost without significantly cutting other critical public services, increasing borrowing or raising taxes. Therefore, removing barriers to private investment in climate adaptation is essential.

In addition, without large-scale adaptation, climate change may make it financially rational for private capital to become less available in regions and industries with more exposure to climate damage and disruption, which will have significant adverse effects on communities.[2] Banks have already indicated they may withdraw from exposed areas,[3] and insurers are already raising prices, above affordability in some cases.[4]

[2] IGCC 2024, Activating private investment in adaptation [link].
[3] Australian Prudential Regulation Authority (APRA) 2022, Climate Vulnerability Assessment Results [link].
[4] Actuaries Institute 2024, Home Insurance Affordability and Home Loans at Risk [link].

As the Productivity Commission have recently identified[5], specific interventions to improve the resilience of housing stock are critical, to ensure that people are protected against climate harms, however, this aim must be situated within community and infrastructure-level resilience planning. Unless the micro and macro scale are addressed in tandem, people will be left vulnerable.

IGCC emphasises the need to consider four key barriers to adaptation finance being scaled:

- 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.

**Recommendation: Review and update the mandates of specialist investment vehicles (SIVs) to include adaptation and resilience.** Mandates should reflect both financial performance and social benefit and allow for a broad range of adaptation activities and financial structures.

SIVs have historically stimulated private investment alongside public funds. Current SIVs include:

- National Reconstruction Fund Corporation
- Northern Australia Infrastructure Facility
- Regional Investment Corporation
- Clean Energy Finance Corporation,
- Australian Renewable Energy Agency.

[5] Productivity Commission 2025, Investing in cheaper, cleaner energy and the net zero transformation [Link].

**Recommendation: Where gaps exist in current adaptation finance, create dedicated investment vehicles or funds that target adaptation** and offer returns that reflect both financial performance and social impact.

**Recommendation: expand the Australian Sustainable Finance Taxonomy to incorporate resilience criteria for eligible investments in systemic adaptation and resilience.**

These measures will enable better capital flow to resilient developments, or adaptation measures in existing developments.

**Recommendation: The government should invest in sovereign scientific capability and resources**, **including robust, high-resolution climate and hazard datasets and five-year scientific plans**.

All market stakeholders need consistent, accessible data on climate risks. There have been some steps in the right direction, but we do not have consistent, granular climate risk data available across the country to inform policy decisions on land use planning frameworks.

Existing climate-related data is often developed and stored at the council or state level, which leads to methodological differences and challenging accessing and aggregating this data. Compiling this information into a consistent, national database, as recommended in the Productivity Commission's Interim Report, should be a priority.

Flood maps and bushfire risk ratings (which are accurate and accessible) are critical tools to identify climate risks in particular areas. They are necessary for governments to determine what interventions are required to improve the resilience of building stock and community infrastructure, and to prioritise these interventions. High quality data can be used to develop tools that empower households, businesses and investors alike to explore adaptation initiatives.

**Recommendation: Governments should review relevant regulations, including town and land use planning**, so they consider resilience over the full expected life of effected assets.

Ensuring that resilience is considered in planning will help avoid creating future risks, reduce the cost of insurance and the cost of capital. IGCC recommends that:

- planning guidance needs to be developed for buildings, to ensure that the physical impacts of climate change are considered in their design and placement – which can help reduce insurance costs[6]
- alongside insurable impacts, non-insurable (e.g. increased temperatures and sea level rise) must also be considered
- governments may choose to set development targets for housing stock, and resilience should be included as a key criterion,
- all new developments should meet a standard level of resilience for the lifetime of the asset, including the likely impacts of climate change.

IGCC supports the interim recommendations of the Productivity Commission in this area, however caution that community and infrastructure-level resilience planning is necessary to support whole-of-system resilience[7]. Governments, as the owners of critical community infrastructure, will also need to prioritise its own investment in more resilient infrastructure.

**Recommendation: Include export addendums to sectoral decarbonisation plans, particularly energy and resources, which consider decarbonising emissions-intensive trade.**

Lack of demand markets for green commodities, including green hydrogen, have significantly hamstrung investment in the technology. No amount of subsidy will override the need for large offtake agreements and long-term contracts.

IGCC urges a focus on cultivating regional markets for supply and demand of renewable energy and green commodities. This should include consideration of advanced market commitments and other measures aimed at reducing the 'green premium'.

[6] Insurance Council of Australia 2024, Climate Change Roadmap Towards a Net-Zero and Resilient Future: 2024 Update [link].
[7] Investor Group on Climate Change (IGCC) 2024, Activating Private Investment in Adaptation [link]

## Deploying renewable energy infrastructure

*3. What are the main challenges to deploying the renewable energy and related infrastructure needed to reach Australia's targets, including:*

- *the 82% renewable energy target by 2030*
- *the Capacity Investment Scheme targets (at least 26 GW of renewable generation capacity and 14 GW of clean dispatchable capacity by 2030)*
  *net zero by 2050.*

The main challenges to deploying renewable energy, in line with our climate targets are:

- the absence of an enduring carbon signal in the electricity market and no coherent plan for the phaseout of coal and fossil gas in households, and a limited and declining role for of fossil gas in the energy and industry sectors
- no mechanism to reduce technology and revenue risks beyond 2030, to replace the function of the Capacity Investment Scheme
- proposed tax settings that will deter global investment in Australia's renewable energy sector
- building and maintaining community support for the deployment of renewable energy infrastructure, and
- lengthy delays to planning processes that add cost and limit the attractiveness of our market to investors.

*4. What can the Australian Government do to address these challenges?*

**Recommendation: Implement an enduring carbon signal in the electricity sector. Expansion of the Safeguard Mechanism to electricity generators should be considered**, noting scheme design issues would need to be addressed.

IGCC is concerned that without any further policy to succeed the Renewable Energy Target, the electricity sector will not decarbonise quickly enough to be consistent with our 2030 and soon-to-be announced 2035 emissions reduction targets. There is also no policy that guarantees the exit of coal generators, in line with emissions reductions targets. Bringing electricity generators under the Safeguard Mechanism would put additional price pressures

on coal generators that will create phaseout timelines. Further consideration of scheme design to better understand how this could impact the sector should be undertaken as part of the Safeguard Mechanism Review in 2026-2027,

**Recommendation: Any policy and regulation settings considered in current Gas Market Review must align with the forthcoming 2035 emission reduction target and sector decarbonisation plans**. Policy that seeks to lock-in prolonged exploration, consumption and export of fossil gas directly detracts from Australia's capability to become a renewable energy superpower by creating confusing market signals.

IGCC commissioned an analysis of Australian gas demand and found that the industry faces extremely high stranded asset risks, particularly post-2030[8]. More recently, the World Energy Outlook from 2024 projects a significant supply glut for LNG by 2030, which will put downward pressure on spot prices[9].

With many major contracts for Australian LNG expiring in the early to mid 2030's[10], other markets such as Qatar and the US present cheaper alternatives to Australian LNG. Neither the Future Gas Strategy nor the current Gas Market Review have adequately addressed this concern.

Given this market outlook, there is a greater rationale for reducing domestic demand for natural gas where electrification presents a compelling economic case (such as households and low temperature heat applications) and making more supply available where options to decarbonise are limited.

**Recommendation: Provide long-term certainty for renewable energy contracts in the electricity market, beyond the Capacity Investment Scheme.**

IGCC is engaged in the current National Electricity Market (NEM) Review, which seeks to identify the right post-2030 market settings required to stimulate efficient investment in the NEM. The Review comes at a time where the government is underwriting large amounts of

[8] IGCC 2022, Changing pathways for Australian gas, [link].
[9] IEEFA 2025, Australian gas and LNG tracker, [link].
[10] IEEFA 2025, Australian gas and LNG tracker, [link].

generation and storage, and when consumer energy resources are largely invisible to the market operator, distorting supply and demand projections, leading to inefficient prices for buyers and sellers of electricity.

IGCC supports in principle the NEM review panel's draft recommendations, including the introduction of an Electricity Services Entry Mechanism (ESEM). If effective, it would provide the longer-term certainty needed for investors in renewable energy infrastructure with government-backed support for the later years of a project's financed life. Ensuring it would be a permanent feature of the NEM by embedding it in the National Electricity Law is also a high priority for investors.

**Recommendation: Avoid disincentivising investment in renewables by reviewing proposed changes to capital gains tax (CGT).**

Moving ahead with currently proposed changes to CGT paid by foreign investors will incur a 30% tax rate and will chill investment in the sector.

IGCC does not support the proposed changes in their current form and suggests these are paused and reviewed. At the very least, any change should create a level playing field for investment compared to domestic super funds, with grandfathering of current arrangements.

**Recommendation: Streamline and fast track planning processes for the rollout of renewable energy infrastructure, working closely with communities to build social license and maximise benefit sharing.**

IGCC supports the interim recommendations of the Productivity Commission to set up a specialist 'strike team' to ensure efficient assessment for priority projects under relevant environmental laws, as well as the establishment of a Coordinator-General to track processes and resolve delays for priority projects.

IGCC urges a laser-like focus to avoid any duplication of effort across government in this endeavour. If implemented poorly, these measures will only add time and complexity to projects by introducing more touchpoints with government. IGCC specifically notes the

potential for overlap in the mandate of the single Investor Front Door and suggest effort is taken immediately to clarify the roles and responsibilities of different departments.

The Clean Energy Investor Group, which has some overlapping membership with IGCC, has done significant work on planning processes, environmental assessments and their relationship with renewable energy developments. CEIG research has found that "...for the last five years, average approval timeframes in NSW for major clean energy development applications (DAs) include:

- 746 days for State Significant Development Infrastructure projects – 3488 days for wind – 705 days for solar – 530 days for battery
- 492 days for Critical State Significant Infrastructure projects (including hydro and transmission)."[11]

In Victoria, planning applications for renewables took an average of 376 days in 2023, with one wind farm application lodged in 2018 reaching 2,045 days without a decision. In Queensland, seven wind farms took an average of 190 days for planning approval between 2019 and 2021.[12]

Government also has a role in coordinating community engagement with project proponents, not just for renewable energy projects and transmission, but also for renewable energy industrial precincts. Project proponents have varying capacities to engage communities and need connections that governments have in order to make these engagements as productive as possible.

Many IGCC members invest in renewable energy (63%)[13], but most of them invest in foreign jurisdictions, with uncertainty around project timeframes being a key factor in where capital is allocated.

The role of the Net Zero Economy Authority (NZEA) is to transition Australia's vital industrial regions, and over the last 12 months has embedded itself within communities across Australia. It should assist companies in undertaking community consultation engagements and have oversight over the quality and standardisation of these engagements.

[11] CEIG 2022, Delivering major clean energy projects in NSW [link].
[12] CEIG 2024, Delivering major clean energy projects in QLD and VIC [link].
[13] IGCC 2025, The state of net zero investment [link].

Building community understanding of the transition is a critical element of the net zero transition, with real benefit sharing needing to be a priority. The NZEA can support communities that are impacted by the transition away from heavy emitting industries and take advantage of new employment opportunities in clean industries. The work can also help crowd in private sector investors like superannuation funds, which can generate further economic activity and new opportunities in impacted communities.

## The Safeguard Mechanism

*5. How effective is the Safeguard Mechanism in driving onsite emissions reductions at Australia's largest industrial facilities since its 2023 reform?*

Data published by the Clean Energy Regulator on the Safeguard Mechanism's progress in 2023-24[14] shows a significant increase of surrendered ACCUs from 1.2 million in 2023-23 to 7.1 million in 2023–24 is a result of the reformed scheme.

IGCC believes additional data from the scheme that will be collected this year will help inform changes that could be proposed in the safeguard review in 2026-27.

Notwithstanding the above, a significant proportion of entities' emissions reduction is being met through offsets, rather than on-site abatement. We note in 2023-24, 18 facilities surrendered ACCUs equivalent to 30% or more of their baselines.

*6. What changes could the Australian Government make to the mechanism to help achieve Australia's emissions reductions targets, considering for example:*

- *coverage*
- *baseline settings*
- *decline rates*
- *flexibility mechanisms*
- *rules on ACCU use?*

**Recommendation: Maintain the current ambition of the Safeguard Mechanism and use the 2026-27 review to:**

- **expand its scope to cover more of the economy by including facilities with 25,000+ tonnes of emissions (the current threshold is 100,000+ tonnes)**
- **include electricity generators, noting scheme design issues must be addressed**
- **consider the inclusion of heavy vehicles**
- **introduce stronger reporting obligations around reliance on offsets, to increase pressure for on-site emissions reduction,**

[14] Clean Energy Regulator 2025, 2023-24 safeguard data insights [Link].

- **Ensure that baselines rachet in accordance with the 2035 NDC, post-2030,**
- **consider establishing a right-to-emit market, with the government using raised funds to accelerate decarbonisation in hard-to-abate sectors.**

The current 4.9 per cent annual decline rates required for emissions reduction have no certainty beyond 2030. The government's 2035 target will indicate how ambitious the decline rates need to be after 2030.

There was broad support at the Economic Reform Roundtable that the 2026-27 Review should include a substantive review of sectoral coverage, thresholds and requirements for onsite decarbonisation.

**Recommendation: Implement a Border Carbon Adjustment to compliment the Safeguard Mechanism and reduce carbon leakage.** This would level the playing field for Australian low carbon goods and allow phase out of concessions for Trade-exposed baseline-adjusted (TEBA) facilities and raise revenue from import adjustments on cement and other relevant products.

*7. What additional incentives could help drive on-site emissions reductions?*

**Recommendation: Consider constraints or alternatives to surrendering ACCUs to meet Safeguard obligations.** As a start, require more detailed information from Safeguard facilities that offset more than 30% of their obligation with ACCUs., better explaining why they are not undertaking on-site emissions reductions. Some way of verifying these claims would be useful for governments and investors in policy design and stewardship activities, respectively.

**Recommendation: Remove fossil fuel subsidies that distort investment signals and delay investment in decarbonisation on site.** This should include the diesel fuel rebate and prioritise decarbonising the mining sector, while ensuring the sustainability of agriculture

## Further information

IGCC looks forward to continued engagement with the Climate Change Authority. Please contact us for more information.

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