15th October 2025

To the Department of Industry, Science and Resources,

Response to the consultation on the Net Zero Fund

The Investor Group on Climate Change (IGCC) welcomes the opportunity to provide advice on the design of the Fund.

IGCC members understand the importance of decarbonisation solutions being accessible to industry, both to meet national emissions reductions targets and for Australian exporters to better compete as global markets decarbonise.

## Recommendations

The Net Zero Fund should:

* Provide flexible finance for proven technologies which offer the most emissions reductions (and energy efficiency gains) in each circumstance.
* Coordinate financial support for common user infrastructure decarbonisation at the industrial precinct level.
* Coordinate finance for EV charging stations and electric rail, which many companies rely on to decarbonise, but which are common user infrastructure.
* Accelerate firmed renewable supply to decarbonise critical minerals.
* Ensure that finance is deployed in alignment with industrial decarbonisation goals, as outlined in the sector plans and in accordance with the Climate Change Authority’s sector pathways advice.
* Operate under an explicit net-zero mandate.
* Allow for more flexibility on commercial rates of return for public finance.
* Not provide finance towards Australian manufacturing in sectors that it cannot compete because of global market saturation.

# 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. 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 systems 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.

# Extended response

## What should the Fund finance?

Renewable Energy Industrial Precincts

The Net Zero Fund must play a strategic role in unlocking capital for significant projects that will lead to greater decarbonisation of industry and the electricity sector. Investors would prefer that the Fund focuses on proven technologies, to help industry establish first and second of a kind, large-scale projects. Investors want to see the Fund be strategic, homing in on Renewable Energy Industrial Precincts, shared infrastructure and establishing markets of demand via public procurement.

Aside from finance, the same challenges around planning processes for renewable energy remain– the new Fund should seek not just to deploy finance, but to work closely with planning authorities to ensure that deals happen in a timely fashion.

Government can supply credit-backed offtake commitments which could overcome intercompany risk and allow Australia to approach the world as a Green Metals supplier of choice.

Prioritising electrification and energy efficiency

The Net Zero Fund should provide flexible finance tailored a company's unique circumstances that aim to deliver the greatest on-site emissions reductions practicable. The sector plans and Climate Change Authority's sector pathways advice show that electrification technologies and energy efficiency improvements are essential for industry to reach net-zero; but these are not as accessible as they need to be for companies to make the switch. In particular, facilities that rely on joint infrastructure which is emissions-intensive, would benefit from the coordination and financial support of the Fund, to deliver decarbonised solutions at a precinct-level.

Current uncertainty around the future of baseline decline rates in the Safeguard Mechanism beyond 2030 has implications for company investment. Until baselines to 2035 are decided, companies may delay investing in decarbonisation technologies. If the baseline decline rates are not ambitious enough, companies may instead choose to offset more emissions than they abate. This Fund should be working directly with heavy emitters to identify opportunities where electrification and energy efficiency opportunities can be achieved affordably with financial support, to help overcome some of this uncertainty.

Green hydrogen is expensive to develop and so should be reserved for special use-cases at the precinct level, and if there are proven electrification technologies available, those should be prioritised. First of a kind commercial facilities can be challenging for clima-tech companies to achieve, as there are current gaps in SIV support at this segment of the capital stack.[[1]](#footnote-1)

Energy efficiency is an often-overlooked piece of the net-zero puzzle. From 2026-2035 electrification and efficiency represent signfificant abatement opportunities, with average annual abatement of 33 MtCO2-e (electrification) and 11 MtCO2-e (efficiency). This compares to 3 MtCO2-e per year for other fuel switching (e.g. hydrogen).[[2]](#endnote-1)

Energy efficiency can offset increased demand from electrification of the stationary energy sector by up to 46 TWh (26% of the increase in electricity demand from electrification)[[3]](#footnote-2); this helps reduce risk of unmet demand, particularly given government’s green industry ambitions and the uncertain demand of data centres.

Where policy is lacking

Western Australia in particular needs attention, in its industry and electricity sectors. The NEM Review is considering investment mechanisms for the east-coast states, but WA is not within its remit and grid-connected industry will require almost the same amount of energy. Getting firmed renewable energy online will help decarbonise critical minerals and support Australia’s role in delivering net-zero inputs to the world.

Novel technologies such as electric trucks, are revolutionising heavy transport in industry sectors and the Fund could support Australian companies procuring these first-of-a-kinds for the country.

Financial assistance is also needed to support early equity participation, training, and benefit-sharing structures with Traditional Owners. These are critical to securing social licence and long-term viability.

Where there are positive externalities

The Fund, and the NRF more broadly, should also consider financing projects that are typically otherwise difficult for individual companies to fund – but which many rely upon to decarbonise their scope 2 emissions. Charging and re-fuelling stations for long-haul road transport and electric trains should also be considered. Investors, domestic and foreign, do not just consider whether a project is low-emissions; they consider all the infrastructure that surrounds it – particularly as mandatory climate-related financial disclosures come into effect.

## What shouldn’t the Fund finance?

Domestic manufacturing in saturated markets

Members continue to emphasise that large investors will not finance Australian manufacturing in goods that cannot compete with imports from other markets. Investors understand that the government has national security and energy security priorities within its FMiA agenda, but suggest that the Fund should focus on developing solutions for hard-to-abate sectors.

Government would have to spend significant amounts of public capital to establish its own manufacturing capabilities for already very affordable technologies – the Fund only has $5 billion at its disposal, and this alone would not be enough to establish a new industry and deliver enough subsidy for domestic purchasers to view them as alternatives to cheaper (and established) imports.

Instead, Australian innovations that are commercially successful and have unique value propositions – but which require more capital to scale manufacturing – should be considered.

The Australian Government should also be engaging in more diplomacy to secure large contracts for green energy trade that create strong relationships within the region, as a way of improving its economic security.

Very early-stage technology

Early-stage technologies that are unproven should be left to ARENA, but where capital is required (and in short supply) in between late-stage VC and commercialisation, the Fund should consider support.

## How should the Fund finance?

Financial mechanisms

The Fund should provide flexible concessional and blended financial supports, in tandem with other Special Investment Vehicles and financiers. IGCC members believe that no financial mechanism should be off the table. Such a broad approach will enable the NRF to offer financial support where other federal agencies have historically been unable to. Institutional investors have the patient capital that high cap-ex investments require; government can de-risk these investments by providing the right returns and level of risk, tailored to each project and its proponents.

Alignment with policy goals

The Fund should consider what policy supports are needed to establish markets of demand for green product, fulfil established policy goals, or to create additional motivation for decarbonisation. Institutional investors are looking to governments to design Funds that help facilitate whole-of-economy decarbonisation, communicated via a clear plan.

Investors are looking for governments to be strategic with the capital they allocate to climate solutions and renewable energy – demonstrating how the Fund can align capital with policy is critical.

This alignment will layer incentives and improve the economics of undertaking transition activities. With the release of the sector plans, government is in a prime position to identify which of policy priorities require additional financial support for industry to achieve. Government should be considering whether the right infrastructure and inputs are available to businesses at an affordable price.

Identify financing gaps

Noting one area of uncertainty around the scale of future demand for electricity is the growth of data centres, the government should seriously consider how to manage this uncertainty. Data centres require high, constant load – they must be backed by big batteries and have access to constant power. These sorts of large assets are attractive to institutional investors and could be a focus for the Fund.

The Fund should also consider where the gaps in support are across the capital stack, and fill those gaps. SIV’s like ARENA and CEFC, as well as DISR, have green metals activities, but the key gap is at the first revenue generating projects and early commercial stages. Legislation is already currently in place with significant headline amounts, but limited deployment to date.

Operating too close to commercialisation continues to create challenges for scaling critical technologies. Companies that cannot access concessional finance at the stage they require it may default to a distressed sale, quite often to an overseas hedge fund or turnaround fund. This usually results in loss of what could have been valuable new competition, domestic intellectual property as well as employment for the local workforce.

With good governance

Governance of the Fund is also a consideration. The Fund should ensure that the best possible synergy is achieved between deploying finance and achieving policy priorities from the sector plans. Managers should be accountable with an explicit net-zero mandate and to be flexible on not requiring commercial rates of return on public funds invested.

# For more information

IGCC looks forward to continued engagement with Treasury on economic reform. Please contact Policy Manager, Bethany Richards, for more information: bethany.richards@igcc.org.au

Kind regards,

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1. IGCC 2023, Driving Australian climate innovation [[link](https://igcc.org.au/wp-content/uploads/2023/04/Full-Report-IGCC-Funding-an-Australian-Climate-Tech-Boom.pdf)]. [↑](#footnote-ref-1)
2. EEC 2025, Efficient electrification for Australia’s 2035 target – Policy brief [[link](https://www.eec.org.au/uploads/Projects/EmissionsModelling_PolicyBrief)]. [↑](#endnote-ref-1)
3. EEC 2025, Efficient electrification for Australia’s 2035 target – Policy brief [[link](https://www.eec.org.au/uploads/Projects/EmissionsModelling_PolicyBrief)]. [↑](#footnote-ref-2)