

Clean energy precincts:

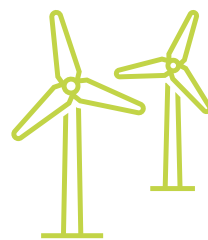
How to seize the green export opportunity

Governments should apply a consistent framework and clearly state their objectives when backing clean energy projects, to ensure support goes to those with the best chance of success.



What are precincts?

“Innovation precincts” cluster businesses, industrial facilities, education providers and manufacturers together. They have been shown to help catalyse investment, job creation, collaboration, exports and innovation.



Establishing “**clean energy precincts**” that bring together businesses, institutions and organisations working towards a low-or-no emissions future can help seize our clean energy **export opportunities**.

Federal and state governments are already planning to spend

\$8.3bn

in funding for hydrogen development alone, much of which will support precincts.

The large amount of money involved means it is critical that resources are used effectively.



This report proposes a simple framework to prioritise government support for clean energy precincts. We classify this support into three categories:



1. Policies that **enable** the conditions for private investment in precincts;



2. Those that **guide** towards specific technological or economic outcomes; and



3. Those where governments **invest** directly in precincts.



EXECUTIVE SUMMARY

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*“Innovation precincts” cluster **businesses, industrial facilities, education providers and manufacturers** together. They have been shown to help catalyse **investment, job creation, collaboration, exports and innovation.***

Australia has many natural advantages in the transition to net-zero emissions. We have harnessed sun and wind to reduce emissions domestically. But we can make a much bigger contribution to the global transition by using these advantages, as well as our abundant land and critical minerals, to export clean energy and green hydrogen, iron, aluminium or ammonia.

As countries around the world pour billions of dollars into their own transitions, we must seize these export opportunities.

Establishing “clean energy precincts” that bring together businesses, institutions and organisations working towards a low-or-no emissions future can help.

“Innovation precincts” cluster businesses, industrial facilities, education providers and manufacturers together. They have been shown to help catalyse investment, job creation, collaboration, exports and innovation.

In Australia, clean energy shares many of the key characteristics of successful innovation precincts in a range of industries overseas, including strong local comparative advantages.

Shared use of energy infrastructure, pooling of skilled workers and access to low-cost renewable energy offer substantial advantages to developing clean energy opportunities in precincts. There is also potential to leverage existing infrastructure and skills to support communities and jobs in regions that are transitioning away from fossil-fuel-related industries.

Australia has opportunities for several large, industrial-scale clean energy hubs across all states and the Northern Territory. Federal and state governments are already on board, with \$8.3 billion in funding for hydrogen development alone, much of which will support precincts.

This funding is fragmented, however, with more than 30 federal and 50 state and territory programs providing hydrogen-specific support. The large amount of money involved means it is critical that resources are used effectively and precincts are set up for success. Governments cannot support every project proposal, with discipline needed to ensure support does not go to proposals that are unlikely to stack up economically.

At the same time, complex, fragmented and in some cases outdated planning and permitting processes are delaying progress, creating a barrier to development without delivering better environmental or community outcomes. The need to engage with many different agencies on complex precinct developments slows progress and makes it hard for proponents to know what each agency is responsible for.

Early, deep and active consultation will be essential not just to ensure the community is on board, but also to avoid developments that do not align with local strengths. Rather than supporting social licence, however, current planning and permitting systems can undermine it through fragmented requirements and repetitive consultation over minor changes.

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All levels of government have important roles to play to *enable* and *guide* clean energy precincts. While private businesses may in some cases be able to seize commercial opportunities and take the lead in precinct development, governments are better placed to provide coordination, reforms to planning and shared infrastructure.

But governments are already going further and *investing* in specific precincts.

Government investment transfers or shares risk rather than removing it. The public needs to share in the benefits as well as the costs of support, so that the upsides of successful projects can offset the downsides of inevitable failures.

In such cases, clear objectives are necessary to underpin good governance and provide the best chance of success via:

- Deeper independent analysis of market opportunities by a body such as the Net Zero Economy Agency or Australian Renewable Energy Agency, to ensure the local area has a sustainable comparative advantage;
- A focus on innovation and emerging technologies, where social benefits and risks for private businesses are likely to be largest;
- Consolidation of the large number of funding programs available, to better coordinate support and make sure it flows to the best projects; and
- Regular evaluation and updating of policies, allowing for the possibility of failure.

Around the world, governments have announced more than \$US1.3 trillion worth of clean energy subsidies since 2020. The Federal Government rightly points out that “we don’t have to go dollar-for-dollar in our spending” compared with other nations, “but we can go toe-to-toe on the quality and impact of our policies.”

The scale of support for clean energy internationally creates opportunities for Australian clean energy precincts, but also increases the risk that we will not be able to compete if we choose the wrong projects or technologies. We need to remove barriers to development, engage communities and enable the best projects.

This requires an overarching framework to better target how and where governments support precincts.

RECOMMENDATIONS

1

IMPLEMENT FRAMEWORK FOR GOVERNMENT SUPPORT

Apply a consistent framework to government support for clean energy precincts, recognising that public *investment* in commercial projects requires deeper independent analysis of market opportunities than *enabling* or *guiding* development through coordination, provision of shared infrastructure, better planning and community engagement.

2

CLEAR PURPOSE FOR CLEAN ENERGY PRECINCTS

Ensure all clean energy precinct proposals have a clearly articulated purpose, with time-bound, measurable objectives that enable transparency, monitoring and evaluation. Ongoing financial support should be explicitly linked to meeting these objectives.

3

APPOINT COORDINATION BODY

Precinct proponents should appoint a coordination body. Coordination needs to be based on a shared understanding of precinct purpose, collaboration, alignment of interests and clear allocation of responsibilities.

4

ENGAGE WITH LOCAL COMMUNITIES

Government and industry should engage deeply and early with local communities to assess local barriers and opportunities and build social licence.

5

REFORM PLANNING AND PERMITTING

Cooperation across levels and departments of government is needed to update and simplify planning for clean energy precincts, while maintaining environmental and community protection.

- i. Governments should create single points of contact or lead agencies for permitting of precincts.
- ii. Governments may need to take a more active role in supporting approvals, particularly in areas where they have greater expertise and multiple parties are looking to develop a precinct.