

Australia's National Reconstruction Fund to help renewables, hydrogen

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HIGHLIGHTS

A\$15 bil to boost local industries

A\$3 bil for renewables, electrolyzers

Renewable H2 policy revision on cards

Australia's newly passed A\$15 billion (\$10 billion) National Reconstruction Fund will help develop domestic manufacturing, the government said March 30, with the landmark policy set to boost investment in transitioning industry to net zero emissions and promoting green technology, including hydrogen.

The Australian parliament passed the National Reconstruction Fund March 29 giving the governing Labor Party a major boost for its strategy to drive investment into promoting greater self-reliance in manufacturing.

"The bill establishes the National Reconstruction Fund Corporation as a corporate Commonwealth entity modeled on the Clean Energy Finance Corporation," Australia's Department of Industry Science and Resources said.

It will provide finance in the form of debt and equity for projects in priority areas to diversify and transform Australia's industry and economy, it said.

The fund will play a role in transitioning existing industries to net zero emissions and by making it easier to commercialize innovation and technology, according to the Labor Party's website.

Under the plan, A\$3 billion from Labor's National Reconstruction Fund would be directed to investment in green metals (steel, alumina and aluminum), clean energy component manufacturing, hydrogen electrolyzers and fuel switching, along with agricultural methane reduction and waste reduction, the Labor Party said.

The Australian parliament also passed the Safeguard Mechanism scheme March 30 that will force the country's biggest emitters to significantly cut their emissions, following an agreement on the law's draft between the ruling Labor party and the Greens earlier in the week.

The Safeguard Mechanism would combine with the National Reconstruction Fund to play a major role in diverting funds into the clean energy sector, Tim Buckley, Director, Climate Energy Finance, told S&P Global Commodity Insights.

"We hope that investment into new energy technologies will see the development of a range of innovative technologies, including in hydrogen and its derivatives," the Australian Hydrogen Council said.

Hydrogen projects

The fund may be channeled into hydrogen projects that have shown some progress, Buckley said.

"Relative to the Inflation Reduction Act this is a modest amount, but it may help two or three projects reach financial close," he added.

The government may also use the funds for projects that make renewable ammonia domestically so that imports of conventional ammonia are reduced.

S&P Global's Hydrogen Production Assets database shows Australia has around 133 renewable or low carbon hydrogen projects, with a projected capacity of 10 million mt.

However, large long-term purchase agreements that would help the projects reach commercial stage by around 2030, are still elusive as financial closure has not yet materialized for most of the projects.

Australia is to revise its 2019 National Hydrogen Strategy in light of introduction of the US' Inflation Reduction Act, Climate Change and Energy Minister Chris Bowen said in February after meeting energy and climate ministers from Australian states and territories.

Platts, part of S&P Global Commodity Insights, assessed Western Australia hydrogen produced via alkaline electrolysis at \$2.53/kg March 29, down 5.24% month on month.

It assessed Japan hydrogen produced via alkaline electrolysis at \$4.3/kg March 29, down 17% month on month.

