

FINANCIAL REVIEW

Brookfield's positive Origin Energy transition

Brookfield Asset Management's deal to buy Origin Energy and turbocharge its decarbonisation is part of a global investment race, but the Albanese government may need to implement more policy to hit its goals.



[Ben Potter](#) Apr 11, 2023 – AFR Opinion

Energy transition investment (\$USb)

AUSTRALIA	2018	2019	2020	2021	2022
Renewable energy	8.87	6.06	5.96	5.79	9.17
Electrified transport	0.19	0.23	0.39	0.44	2.21
Energy storage	0.19	0.16	0.22	0.60	0.80
CCS	-	-	-	0.21	0.34
Sustainable materials	-	-	0.08	-	0.22
Total	9.25	6.45	6.64	7.04	12.73

GLOBAL	2018	2019	2020	2021	2022
Renewable energy	285.22	319.07	363.02	422.74	495.42
Electrified transport	122.56	122.95	166.49	303.44	466.10
Electrified heat	40.74	43.68	47.49	58.72	64.33
Nuclear	27.51	28.94	31.88	30.83	31.16
Sustainable materials	-	2.79	7.97	19.85	30.23
Energy storage	4.61	3.88	6.09	10.70	15.75
CCS	0.77	0.95	2.97	2.34	6.36
Hydrogen	0.14	0.18	0.22	0.34	1.11
Total	481.56	522.44	626.13	848.97	1110.47

CCS = Carbon Capture and Storage

SOURCE: BLOOMBERG

Canadian investment giant [Brookfield Asset Management's deal to buy Origin Energy for \\$18.7bn](#) is a big bet on Australia's energy transition, which has been a frustrating, stop-start journey for decades. Should Brookfield and its bid partner EIG steer the bid successfully through the regulatory minefield, it will raise the stakes in the race between a privately owned Origin and a publicly owned [AGL Energy](#) – Brookfield's former target – to transform two of Australia's largest domestic carbon emitters into model clean energy giants.

That race is part of a global clean energy investment race. The United States and Europe have announced competing plans – [the US Inflation Reduction Act and the EU's Net Zero Industry Act](#) – to plough hundreds of billions of dollars into clean energy investments.

And China's 14th five-year plan could bolster solar and wind capacity to an astonishing 866GW and 598GW, respectively, by 2025, according to BloombergNEF's head of Australian research Leonard Quong. China's largest solar manufacturers are also mulling big investments in the US as a result of the IRA, and India and other Asian countries are looking to expand their manufacturing as well.

Australia, with its abundant clean energy resources and cheap land, stands to be a massive beneficiary of the global decarbonisation race – if it gets the policy and investments right, says Tim Buckley, director of Climate Energy Finance, a Sydney-based think tank. "It's real and it's going to happen faster than we think," he says.

Alternatively, should we get it wrong as we did for much of the past two decades, we could be left behind.

The good news, says Buckley, is that domestic government policy – while still important – is becoming less important in the scheme of things as global giants set the terms.

Brookfield's buyout of Origin is but one example. As Mark Carney, the former central banker who heads Brookfield's \$US15 billion Global Transition Fund, told *The Australian Financial Review*, every CEO the investor talks to around the world wants to know ['Where am I? What are my scope 2 emissions going to be?'](#)

Scope 2 emissions are emissions generated by a company's suppliers, including energy providers; reducing them can sharply reduce the emissions of energy-intensive industries.

That means every company of any significance is going to look for clean energy and low carbon inputs – materials, equipment and services. That's the argument for Australia to exploit its natural advantages to become a [clean energy superpower](#), advanced by policy guru and energy entrepreneur Ross Garnaut and others. And it doesn't really matter whether hydrogen exports prove feasible – the idea was memorably [assailed by "electrify everything" advocate and technologist](#) Saul Griffiths at The AFR Energy & Climate summit last October.

If not, "embodied energy" will be able to be exported in green iron or green aluminium made from renewable energy.

Brookfield pivoted to Origin after being rebuffed by AGL because Origin had a clearer path to decarbonising its energy supplies.

Origin already has 700MW of wind and 680MW of solar power under PPA, and its own plans to develop more than a gigawatt of solar farms and a gigawatt and a half of big batteries, including a giant 700MW battery with up to four hours of storage at the site of its 2880MW Eraring coal-fired power station, which it plans to close in 2025.

Ering's closure comes two years after AGL's Liddell coal-fired power plant is due to close this month and has grid planners and policymakers on edge. The new NSW premier Chris Minns hasn't ruled out buying it, but Brookfield's local boss, Stewart Upson, told the *Financial Review* last month that any revised plans discussed with the state government [must still involve early closure as the end game](#).



Australia could exploit its natural advantages to become a clean energy superpower

Brookfield plans to turbocharge Origin's clean energy build to \$20 billion or 14GW by 2030, bringing its global capital and expertise to bear. With such ambitious plans to invest in replacement generation, it's not hard to see why Brookfield wants to stick to its guns on Eraring's closure.

Stop-start, flip-flopping policy has handicapped Australia's renewable energy investment boom since the former Coalition government won office in 2013, abolished the carbon tax, attacked renewable energy and – from 2017 – started proposing its own competing plans to invest in pumped hydro and gas generation to deal with occasional blackouts.

As the table from BloombergNEF shows, Australia's clean energy investments slid from a record \$US9.25bn in 2018 to \$US6-7bn in each of the next three years, and only recovered to hit a record \$US12.73 billion last year.

That was the year in which Labor was re-elected on pledges to ramp up the national carbon reduction target and the coalition's Safeguard Mechanism to introduce an effective carbon price, setting a clear policy direction.

Wholesale electricity prices for the eastern states grid soared with rallying gas and coal prices, increasing the incentive to seek lower cost alternative supplies such as wind and solar power.

By contrast, global clean energy investment climbed steadily at a compound 23% clip from 2018 to 2022 to a record \$US1.11 trillion, undisturbed by the rush to secure energy supplies after Russia's invasion of Ukraine. It almost looks as if Russia did clean energy investment a favour by sharpening the imperative to move away from fossil fuels.

For Australia to hit Labor's targets for 43% emissions reduction by 2030, with about 80% clean energy on its east coast, much larger investment levels will have to be hit, says BloombergNEF's Quong.



Mark Carney, who heads Brookfield's \$US15bn Global Transition Fund, and Stewart Upson.

However, beating or even repeating 2022's record this year is no certainty. National Electricity Market prices have plummeted, and are frequently negative on sunny afternoons again, which is great for energy users in the short term but undermines the case for clean energy investment in the medium to long term.

And the patchwork of state incentives that blossomed like geraniums during the coalition years – reverse auctions, renewable energy zones and even state agencies proposed in Queensland and Victoria – needs to be pulled into some sort of coherent national shape.

The government has not indicated how – or even if – it will solve this problem, says Quong. It has energetically pursued its energy and climate policies, legislating the 43% target and safeguard mechanism with Greens support and despite activists' arguments that both policies fall short of the ambition required to limit the global industrial age temperature increase to 1.5 degrees.

Even so, some kind of mechanism may also be needed to give renewable energy investors the revenue certainty they need to keep the capital flowing.

Of course, it is far from ideal to have government playing such a large role in managing the market signals of the energy transition. But after decades of policy uncertainty, denial and second-guessing this is where we – and many other countries – are. It is just what's necessary to achieve net-zero emissions goals and keep dangerous climate change to the minimum achievable.

<https://www.afr.com/companies/energy/brookfield-s-positive-origin-energy-transition-20230411-p5czix>