



CLIMATE ENERGY FINANCE

LANDMARK AUS-US CLIMATE, CRITICAL MINERALS AND CLEAN ENERGY TRANSFORMATION COMPACT

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Statement by Tim Buckley, director, [Climate Energy Finance](#) (CEF)

The new [US-Australia Climate, Critical Minerals and Clean Energy Transformation Compact](#) agreed overnight Australian time by US President Biden and Australian Prime Minister Albanese provides **a landmark policy statement of strategic intent.**

Effectively tackling climate change is a key joint priority. This declaration formalises collaboration and coordination of policies and investments to expand and diversify the clean energy and critical minerals supply chains that underpin global decarbonisation.

The Compact is a critically-important development in the context of the [Inflation Reduction Act](#) (IRA), which is [turbocharging the energy transformation in the US](#) with upwards of **\$800bn of federal investment in clean energy initiatives** and attracting a massive influx of global capital to the US. Short of a meaningful policy and investment response by Australia, the IRA had the potential to pull capital away from Australia at a critical inflection point in the global energy transformation.

The commitment to release a new action plan by end 2023 provides the impetus and the speed of response warranted, and, importantly, **embodies the Compact in a concrete form for implementation.**

The Compact proposes that Australia be treated as a domestic US supplier under the IRA, opening up new investment and export possibilities for Australian critical minerals, clean tech, energy transition materials and renewables supply chain. This massively boosts our reindustrialisation potential as a global renewable energy superpower and zero-emissions trade and investment leader as the world rapidly decarbonises.

The emphasis on building the workforce and skill base required is a clear prerequisite to delivering on these policy and investment objectives.

Climate Energy Finance has strongly advocated for a strategic prioritisation of expanding and [value-adding our world leading critical minerals resources](#) to position Australia as a key beneficiary of the pivotal global shift to zero-emissions industries of the future, and leverage our world leading renewable energy resources to power refining and new industry.

The **emphasis on critical mineral, battery and hydrogen derivative technologies in the Compact plays to Australia's unique opportunity as the nation holding some of the world's largest reserves of these materials.** And it will **unlock our global competitive advantage – near unlimited renewable energy capacity at low cost**, driving our economy away from its dependence on hyperinflated fossil fuel energy supply to zero emissions, deflationary renewable energy.

We are in a unique position to leverage **our world-scale, low-cost renewable energy potential to process, refine and manufacture critical minerals and energy transition materials onshore, thereby 'embodying decarbonisation' in our exports.** This will assist the Asia-Pacific and the world more broadly to transition to net zero at a pace dictated by the climate science.

The recent commitment by US chemicals giant Albemarle to double its [Kemerton WA lithium hydroxide refinery](#) to a world-leading 100,000tpa capacity perfectly illustrates the strategic opportunity for value-adding Australian resources pre-export, working in partnership with US and foreign investors. WA Energy Minister Bill Johnson's brilliant [WA Government Demand Assessment](#) plans a tenfold expansion of electricity capacity via the construction of 50GW of wind, solar and batteries, meaning this refinery will soon be zero emissions energy-powered. A strategic win-win!

Climate Energy Finance (CEF) entirely agrees with the **emphasis in the Compact on the roles of [export credit agencies \(ECAs\)](#) and our joint stakes in key multinational development banks (MDB), newly leveraging the financial power of the U.S. Export-Import Bank and Export Finance Australia (EFA)** as well as the Asian Development Bank and World Bank to de-risk and scale-up new zero-emissions investments.

This will accelerate clean technology deployments, enhancing the financial capacities of our Pacific and ASEAN neighbours to reduce their crippling dependence on expensive, inflationary, high-emissions imported diesel fuels.

The joint US-Australia release also announces the formation of the [Quad Investors Network](#), to be made up of public and private stakeholders from the group's four nations of India, the United States, Japan and Australia.

This should enhance other cross-border investments, technology and domestic supply chain developments, particularly **Australia's bilateral strategic focus on building financial and political bridges with India** that go beyond the export of yet more fossil fuels.

As one of the largest EV markets in the world, **the opportunities for Australian critical mineral alliances with Indian corporate decarbonisation** leaders like Mukesh Ambani's [Reliance Industries](#), Gurdeep Singh's [NTPC](#) and Dr. Praveer Sinha's [Tata Power](#) are enormous with the right political support.

Critically, the new **US-Australia Compact will help 'crowd-in' an influx of private capital, potentially leveraging and mobilising Australia's massive A\$3.4 trillion of superannuation assets to accelerate investment into cleantech and renewables here.** This will complement the new emphasis in Australia on credible green financing frameworks (such as that being developed now by the [Australian Sustainable Finance Institute \(ASFI\)](#) and the [Smart Energy Council's \(SEC\) Zero Carbon Certification](#)).

The federal government has a key role to play to maximise the impetus of the Compact. It should deploy patient, national strategic-interest public capital at scale, and de-risk projects to crowd-in private capital.

Together with the [Climate Capital Forum](#), **we advocate the government invest A\$100bn of public national interest capital** – via EFA, the Australian Renewable Energy Agency (ARENA), Clean Energy Finance Corporation (CEFC), and Northern Australia Infrastructure Facility (NAIF), complemented by a new national interest mandate for the Future Fund – **to crowd >\$200-300bn of private superannuation capital into energy transition opportunities.**

We also advocate that the ARENA, CEFC and the Department of Foreign Affairs and Trade's (DFAT) roles to be expanded – both in terms of geographic and technological remits – to realise much broader decarbonisation objectives and opportunities.

The establishment of a **ministerial-level Australia-United States Taskforce on Critical Minerals will accelerate investment, employment and exports in the world's needs of the future**, providing the key cushion for Australia's economy as the inevitable pivot away from its history as the world's third largest petrostate exporter takes shape at unprecedented speed. This Taskforce will provide greater strategic clarity on the benefits of establishing

new domestic supply chains, driving and enabling investments and reducing political and regulatory risks even as it creates the demand pull investors need.

It is clear that **we are in a global technology and investment race. China is a decade ahead of the West in its investment, manufacturing supply chains and technology deployment**, with its electric vehicle deployments up another 117% year-on-year to 609,000 EVs in the month of April 2023 alone, a record 34% market share.

And **South Korea is moving super-fast in response to the US IRA**, announcing multiple new billion dollar battery factory investments both in its domestic market and the US. This also raises a huge opportunity for a second bilateral agreement for Australia with South Korea, to accelerate joint developments and strategic co-operation, particularly in the critical minerals sector.

On the climate front, the new US-Australia Compact also acknowledges that the implications of climate change warrant preparation and investment in resilience and adaptation via the new **National Emergency Management Agency, working in collaboration with the U.S. Federal Emergency Management Agency**.

Further, the Compact **endorses Australia's bid to host the United Nations Climate Change Conference of the Parties in 2026 (COP31) in Partnership with the Pacific islands**, but acknowledges global leadership is a pre-requisite to Australia's COP31 success.

Australia's lost decade under the previous government, which was working in lock-step with the fossil fuel industry, effectively delayed climate action.

Major progress has been made since the change of government. Now, finally, Australia is rapidly moving away from its dubious status as one of the world's leading climate science denying luddite nations and petrostates, but we have some way to go.

Fossil fuel multinationals operating here are still banking their tax and royalty-free war profits offshore. Australians bear the energy poverty and environmental costs. CEF reiterates it is overdue that Treasurer Jim Chalmers ensure these multinationals pay some corporate tax in Australia, **lift the PRRT to ensure a fair share of the royalties are able to be reinvested in our nation – including in clean energy and industry initiatives that complement the Compact** – and cap the diesel fuel rebate to \$50m p.a. per corporation. This would reduce the disincentive to electrify heavy vehicle fleets in industry while also reducing rebate beneficiaries' dependence on high emissions and inflationary imported diesel fuel.

In terms of our climate targets, there is considerable room for greater ambition. **CEF endorses [Zali Steggall's 75 by 35](#) campaign.**

This policy clarity of the landmark new Compact will accelerate capital flows and **position Australia to seize its [once in a century decarbonisation opportunity](#), deliver its climate targets, and elevate our status as a constructive global citizen** in the most important transformation since the industrial revolution.