FINANCIAL REVIEW

Keating attack on Origin bid ties big super to petrostate of old

A better focus for the former prime minister would be the short-term performance test benchmarks that penalise the superannuation industry for investments in future facing, low carbon industries.

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With the past week's share price weakness signalling clearly that Origin Energy shareholder approval for the Brookfield / EIG bid will fail on Monday, and the Origin Board already rejecting the conditional Plan B offer, Brookfield might just walk away. What is not at all clear is the alternative proposal AustralianSuper has in mind for Origin.

Offering an alternative path to accelerate investments into the decarbonisation of Origin would be a logical start.

What is surprising is the warm-lettuce critique of takeover and proposed infrastructure investment of ex-Prime Minister Paul Keating.

But AusSuper, which has vociferously opposed this acquisition – despite Brookfield's $20 to $30 billion investment commitment to firmed renewables – seems content to hide behind the superannuation "sole purpose" test, apparently looking to maximise near-term profits whilst undermining our national interest by blocking a landmark capital injection to accelerate renewables deployment to help solve the energy, cost of living and climate crisis trilemma hammering Australians.

What is surprising is the warm-lettuce critique of takeover and proposed infrastructure investment of ex-Prime Minister Paul Keating.

Keating points out that "roughly $25 billion has been spent on Australian renewables" in recent years and acknowledges that Brookfield pledges $20 to $30 billion in renewables investment.

This is a bad thing, apparently, because it will be done quickly and be very profitable. Keating goes on to call on the government to use its power to block foreign investment. A key architect of Australia's free capital markets now wants foreign controls?!

A far better focus for Paul Keating might be using his position advising Lazard, AusSuper and the Labor government to fix the 'unintended consequences' inflicted on the superannuation system in 2021 with the Morrison Government's introduction of the Your Future, Your Super (YFYS) Performance Test.

This locks our superannuation industry, and its $3.5 trillion of capital, into index benchmarks aligned to the Australian petrostate economy of old.

| A key architect of Australia's free capital markets now wants foreign controls

The current list of market indices favours incumbent firms by taking a backward look at aggregate market performance. It has been heavily skewed in the past year or two to fossil fuel commodity windfall profits, on the back of Russia's war on Ukraine.

Given the long-term nature of superannuation investment, and the need for funds to be able to provide for members over decades, the Government should adjust the benchmarks to prioritise future-facing industries and low-carbon investments. At very least, the benchmarks should not penalise such investments.

Reforming the benchmark could enable superfunds, including AustralianSuper, to move from decarbonisation investment blockers into global leaders, like Canada's Brookfield and Singapore's Temasek and GIC.

We need investment in renewable energy infrastructure at speed and scale to decarbonise our economy and seize Australia's opportunity to shift from a rip-it-and-ship-it economy to a global clean energy superpower.

We can do this on the strength of our critical minerals, with onshore value-added refineries and manufacturing powered by our abundant renewables, incorporating First Nations' involvement to equitably share the sustainable upside in use of their lands.

Key Industry funds, including AustralianSuper, have just released a new paper, 'Super-powering the energy transition in Australia', which highlights key barriers to capital deployment and warns funds will continue to find more compelling opportunities overseas if Australia doesn't get the policy settings right, as it identifies major opportunities for superfund investment in transmission, storage and value-added export industries of the future.

Climate Energy Finance estimates Australia will need to invest upwards of $400 billion in grid transmission, plus new zero-emissions capacity and firming, and that a $100 billion public capital investment by the federal government in future-facing industries would crowd-in $200 to $300 billion in private capital – including, potentially, from super.

For a decade, superfunds were stymied from participating in the massive Australian energy transformation by the climate and energy policy paralysis of the previous government.

But even with a Federal government that now grasps our transformative economic opportunity, YFYS benchmarks are keeping the third-largest superannuation asset pool in the world on the sidelines, hamstrung by the regulatory requirement that dictates fossil-heavy index benchmark hugging.

Stakeholders to the recent Treasury benchmark review pointed out that they ‘encourage short-term decision making; discourage investments that are not well represented by the benchmarks; reduce choice, diversification, active management, and innovation; and increase systemic risk, including the creation of bubbles.

There are some positive steps. October 2023 saw Rest Super and Hostplus invest in Octopus Investments’ proposed $800 million in a new mega-battery for Queensland and Aware Super made a $300 million downpayment on a proposed $2 billion investment in distributed energy via Birdwood Energy.

November saw Rest fund $1 billion in renewables projects and green data centres via Quinbrook Investment Partners. QIC and the Future Fund partnered with AGL Energy in a $1.7 billion investment in Tilt Renewables back in 2021, but have been passive since then. But with the phenomenally successful Australian superannuation system growing by hundreds of billions each year, this equates to a few days inflow.

Energy Minister Chris Bowen’s 32 gigawatt Capacity Investment Scheme announcement is a huge step forward in providing the financial framework to deliver on the Albanese Government's ambitious 82 per cent renewables by 2030 target.

This will go a long way to derisking infrastructure investments, helping facilitate private capital inflows from superannuation – if we have the right regulatory settings.

Paul Keating's introduction of super was world-leading, enabling Australians to enjoy a better future.

As the architect of super, he leaves a legacy of which he should be immensely proud. His brilliance, foresight and influence would be better spent on working to enable superfunds to invest in Australia's zero-emissions future than in blocking capital that seeks to do so in our domestic funds' collective absence.

https://www.afr.com/companies/energy/keating-s-attack-on-origin-bid-ties-big-super-to-australia-s-petrostate-of-old-20231203-p5eoko