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## ***Community benefits can be captured in renewables projects through local content requirements***

***An opportunity to enable Australian businesses, communities, First Nations people and workers to reap more benefits of the accelerating energy transition***

A coalition including leading union, investor, energy, industry and First Nations peak groups today called on the federal government to embed requirements for locally produced and supplied components into all renewable energy supply chain manufacturing and development to ensure the benefits of the energy transition are returned to local communities, businesses, workers and the Australian domestic economy as a whole.

Last year's landmark boost to the Australian government's [Capacity Investment Scheme \(CIS\)](#) and its 32GW of tenders for new firming renewables electricity supply offers a unique opportunity to enhance government procurement efforts.

A measured, considered local content requirement (LCR) in CIS tenders will support the domestic clean energy and technology supply chains to mature. It will underpin investor confidence both into and by Australian companies. It will also contribute to building jobs and a critical skills base for Australia's energy transition, facilitate social license and prepare Australia for international opportunities as a renewables and cleantech superpower.

A recent [House of Representatives committee report](#) recommended that the Australian government identify how to increase locally manufactured content in renewable energy projects, and Queensland and Victoria already have mechanisms in place. Around the world, governments have increasingly included LCR for firms to use domestically-manufactured goods or domestically-supplied services as part of their operations within an economy. Their goal is to deliver policy objectives that target economic, employment, industrial, First Nations and technological development goals. In the US, Europe, Brazil, India and South Africa also have initiatives that address local content requirements.

### ***EXAMPLES OF POSITIVE IMPACTS FROM LOCAL CONTENT REQUIREMENT***

**Steve Murphy, National Secretary of the Australian Manufacturing Workers Union, said:**

“A successful net zero transformation needs the buy-in of everyday Australians to succeed. This means Australian workers and communities—not just foreign companies and shareholders—need to benefit materially from the transition. An essential element of winning community support for transition is the promise of high quality, secure jobs and benefits to local economies.



“We have a real opportunity to re-industrialize our country and turn Australia into a “renewable superpower”, but that will only happen if local procurement and fair labour requirements are attached to landmark policies like the Capacity Investment Scheme. These requirements will ensure a renewable revolution that is made in Australia, that creates good union jobs, and lifts up Australian communities.”

“Our workers rightly expect the announcement of new renewable energy projects to deliver good local jobs and a thriving local industry. They expect that local projects critical to the Australian transition will be supported by fair employment standards, secure working conditions, opportunities to train apprentices, and certified industrial arrangements..”

**Contact Steve Murphy (via Darren Rodrigo 0414 783 405)**

### ***Welding***

Including welders for example as local content in a project could make a huge difference in communities and economies. It’s a workforce and skill set that has been in decline for years due to decimation of VET and severely limited opportunities to work in the field as industries have moved offshore. Recent estimates are that Australia will be 70,000 welders short by 2030.

**Geoff Crittenden, CEO, Weld Australia, said:**

“The Federal Government must commit to building sovereign manufacturing capability for renewable energy projects by legislating local content policy. Local content legislation must specify that 60% of all fabricated steel used in our renewable energy projects is manufactured in Australia by local welders. This local content legislation must be drafted in conjunction with industry to eliminate the loopholes that so often arise in these types of policies.”

“Local welding and manufacturing companies will then be assured of the security of sufficient orders to enable them to invest in the necessary workforce, plant and equipment to deliver high quality, cost effective renewable energy assets. With long-term demand a reality, local manufacturers—like Oxycut who are world leaders in building wind tower anchors—will have the confidence to improve production efficiencies and global competitiveness.”

“Unless industry and governments come together to formulate a plan now, when the time comes to manufacture the assets needed for our clean energy transition, there will be no fabrication facilities, no skilled workforce, and no regulatory frameworks. There will be no sovereign manufacturing capability. Including local welding companies in the CIS tenders is imperative.”

**Contact Geoff Crittenden, CEO Weld Australia - 0439 944 033**



### ***First Nations***

Local content requirements for energy developments are also welcomed by First Nations leaders who regard the CIS program as an opportunity to embed First Nations communities and people in new project development.

#### **Karrina Nolan, First Nations Clean Energy Network, said:**

“Actively participating in the new CIS project assessment pathways along with other innovative policy and process measures - including through auction and tender processes - is something that First Nations have been pushing in multiple roundtable discussions throughout 2023.

“Experience in other countries, such as Canada for example, has demonstrated that First Nations consent, participation, inclusion, ownership and equity can safeguard projects.”

“The Australian government knows success in First Nations involvement will also lead to better projects, greater certainty, reduced risk and increased shareholder value. Done the right way, driven by First Nations communities and including local content, clean energy can be developed so it sustains Country for generations to come. We welcome for example the inclusion of First Nations outcomes in the merit criterion of CIS bid for SA and Victorian projects released at the end of 2023. These are the kinds of changes we need to see more and more.”

**Contact Karrina Nolan CEO (via Kate Finlayson [kate@firstnationscleanenergy.org.au](mailto:kate@firstnationscleanenergy.org.au))**

#### **John Grimes, CEO, Smart Energy Council said:**

“The Capacity Investment Scheme is the main game in town when it comes to large-scale renewables. It presents huge opportunities for Australia communities, Australian businesses and Australian manufacturing, which can be maximised by providing specific incentives for local procurement.”

### ***Cross government engagement***

**National resilience, preparedness and security expert and Chair of the Institute for Integrated Economic Research - Australia, Air Vice-Marshal John Blackburn AO (Retd) said:**

“Including local content can be a good pathway to establishing sovereign manufacturing capability as well as offering national security benefits.”

“Supporting local content in these tenders is a powerful mechanism that can contribute to building capacity and resilience across all three tiers of government – local government, state



and federal. Engagement across the tiers leads to mature relationships and cross sectoral communication and a shared understanding of what is possible. It can prepare us to face future risks because we know what can be done onshore, how we can pivot, reduce anxiety, and build confidence. It also helps in times of emergency response, where coordination of resources is vital.”

**Tim Buckley, Director, Climate Energy Finance said:**

“The cost of including local content requirements would be negligible. There are zero budget implications. The wholesale price of electricity would maybe rise by a couple of percent, translating to less than 1% delivered cost to retail consumers. But the potential to illustrate a commitment to developing Australian companies and offer opportunities for regional communities is significant. It would ease the pathway to social licence and have benefits for supply chain diversification. Building community acceptance of the transition, particularly in regional areas, is essential, reducing the risks and costs of project approval delays.”

“Uncertain geopolitics, supply chain stress, and the dire state of our vocational skills bank have all resulted in a set of unique circumstances as we face the energy transition challenge. ‘The way it’s always been done, leaving it to the free market’ won’t fly. We must respond in new ways that reflect excessively concentrated global supply chains, today.”

**Contact Tim Buckley: 0408 102 127, [tim@climateenergyfinance.org](mailto:tim@climateenergyfinance.org)**

**Blair Palese, Founder, Climate Capital Forum said:**

“Local content requirements or an advanced manufacturing production credit would provide certainty for investors in new manufacturing facilities.”

“By building in offtake arrangements in the form of power purchase agreements you have the government demonstrating that it will actually procure from those new projects – be it batteries, hydrogen, or ammonia for example ... but also from renewable product developers and suppliers as well.”

“Local content requirements and capacity building grounds a project here in Australia which would help to ensure ongoing factory demand. It gives investors more confidence. That in turn attracts re-investment, and widens the pool of interest.”

**Contact Blair Palese: 0414 659 511**



## Background information for editors

In Australia, the discussion around the degree of LCR for CIS tenders is very much a live conversation. House of Representatives committee report into advanced manufacturing in Australia - [Sovereign, smart, sustainable](#) recommended<sup>1</sup>:

“In partnership with the states and territories, the government should identify further steps it could take to increase locally manufactured content in renewable energy infrastructure and equipment installations, medical and health supplies, and other areas where governments are major customers.”

In Victoria, the Victorian Renewable Energy Target Auction 2 (VRET2) [required up to 67% local content](#) for solar projects and 65% for **onshore** wind projects covering operations and maintenance activities, steel products and components. According to the Victorian [Department of Energy, Environment and Climate Action](#), the local content component of VRET2:

“is expected to support 920 direct jobs and attract \$1.48 billion of investment in new Victorian renewable energy projects, with strong local content requirements resulting in \$1 billion of this being spent in local supply chains during construction. An estimated 200 Australian and New Zealand companies will be involved throughout construction and operations.”

In Queensland, local procurement requirements saw state government investment with Queensland small and medium enterprises increase this year by almost \$1 billion with more than \$23 billion in procurement investment – a benefit to 38,600 Queensland businesses.

In international settings, similar initiatives range from ~60-100% local content requirement depending on the nature of the work and the project location.

The US Inflation Reduction Act (IRA) requires all structural steel in new products to be made in the US. In addition, 40-55% of the cost of manufactured products in solar, battery, and wind installations – including the labour costs required to make them – must relate to US-made products; the “manufactured product” test. A subsidy of up to US\$7,500 / EV is staggered according to domestic US content.

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<sup>1</sup> Sovereign, smart, sustainable report – House of Representatives House Standing Committee on Industry, Science and Resources, 30 Nov 2023 Chapter 3 - point 3.153  
[https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000196/toc\\_pdf/Sovereign.smart.sustainable.pdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000196/toc_pdf/Sovereign.smart.sustainable.pdf)



The European Union cannot raise tax credits for investment in local manufacturing nor does it have the cross-nation structural mechanisms to apply similar support through LCR, limiting its competitive advantage. However, individual European countries have adopted LCR since 2009, including 16 OECD countries despite [research indicating](#) LCRs may have inhibited long-term economic growth. While some countries continue to consider LCR policies due to domestic political agendas, their primary usefulness is in forcing a diversification of global supply chains, opening up market options and reducing the reliance on one supplier.

The European Solar PV Industry Alliance (ESIA) has been reported as identifying two key paths that could shape a European domestic PV manufacturing industry, either by supporting local PV component content or by protecting a segment of the market and making it only available to European manufacturers. The upshot is that the PV modules that have more local content would attract higher bonus payments, providing backing for European companies.

[Brazil, India and South Africa](#) have all introduced LCR varying from 60% - 100% content for different elements in renewable energy projects. The rules have also varied in their goals, either to build local manufacturing capacity and/or job creation to empower local communities. The programs' successes have been mixed, and often affected by fluctuating financial stability in their economies.

For solar modules, India ended up with a 40% import duty (25% for solar cell imports). This effectively raises the total capital cost of new solar projects by 20-25% and is a direct tax on consumers, even as it leads to a build up of local manufacturing and employment opportunities. We would recommend an advanced manufacturing tax credit for domestic supply as preferable, given the zero impact on the market cost of solar products, and hence keeping downward pressure on solar project costs. The taxpayer bears the cost of this strategic supply chain diversification for say 20% of the total Australian demand supplied locally, not the market.

## Ends

Further information: Amanda Caldwell, [amanda@climateenergyfinance.org](mailto:amanda@climateenergyfinance.org)