Changes to limit Chinese investment in Australia could undermine Labor’s green energy goals as the country struggles to maintain even half the pace of spending required to meet the 2030 target of 82% of energy production from renewable sources, experts said.

Treasurer Jim Chalmers unveiled a major overhaul of foreign investment rules, saying the changes were designed to help attract private capital and better manage national security risks.

Climate Energy Finance director Tim Buckley said Chinese investors had made important contributions to Australia’s renewable industry, and the more competitive investors able to bid, the better for the energy transition. “We need to collaborate with them because they have got the world’s best technology in solar panels, polysilicon, batteries, wind turbines and electric vehicles,” Mr Buckley said. “Getting them to collaborate and invest in Australia in partnership with us will be critically important”.

Veteran miner and Minerals Council boss Andrew Michelmore said he did not expect problems for Chinese investment. “It’s the people who try to play the system and manipulate it who face trouble,” he said, adding the proposed changes struck a nuanced tone.

The AFR understands that between 70 and 80% of overseas investors will receive accelerated assessments under the new rules, which will limit the national security burden on noncontroversial investments.

‘Frequent Flyer’ Benefits

Fast-tracked treatment will be given to so-called “frequent flyer” investors who are regularly before the Foreign Investment Review Board, as well as investments in non-sensitive areas such as professional services, mining of non-critical minerals, commercial real estate and new housing.

Investments in areas such as critical infrastructure, sensitive technology and data assets and those close to military facilities will face more scrutiny under the changes.
Asked whether there was tension between using cheap technology from China to decarbonise the economy as quickly as possible and possibly giving China more leverage over the Australian economy, Dr Chalmers indicated it was possible to balance objectives. “We can recognise that we can be the beneficiaries of cheaper technology produced in other parts of the world. At the same time, we recognise we have a role to play in making those supply chains more robust.”

The treasurer also rejected suggestions the new rules were aimed at curtailing Chinese investment. He said closer scrutiny would also be applied to investments that raised competition concerns and those that are structured through no or low-tax jurisdictions. His rejection that the changes are aimed at China was met with some scepticism, however.

Lawyers working on deals said things could not get any worse for Chinese investors, and they hoped the changes would provide more clarity on where there was no point trying. They said more resources for controversial or complex proposals would also allow for closer engagement between the regulator and investors on how deals could be structured to mitigate potential risks.

Mr Buckley of Climate Energy Finance said Chinese firms wanted to invest in Australia and any “positive government indication would encourage them to do so”. But he said they kept a low profile because they hadn’t felt welcomed.

Chinese-owned State Power Investment Corp paid $3 billion to buy Pacific Hydro from IFM Investors and AustralianSuper in 2016, while wind turbine manufacturer Goldwind has 1.5GW of renewable energy projects in operation.

Goldwind has another 500 MW under development, which could cost about $1 billion to realise. Pacific Hydro has 600MW of renewable energy across Australia and aims to double its clean energy production in 5 years. Just last year it lined up a $1.5 billion line of credit from Bank of China and three other Chinese banks.

**FIRB Changes ‘Nuanced’**

Mr Michelmore of the Minerals Council said the FIRB changes struck a more nuanced tone than other Western nations, including the United States, had adopted recently. He is a former chief executive of MMG, a Chinese state-owned miner operating in Australia. “The US can take a much stronger position,” he said.

“Australia has to be more balanced. China’s our biggest trading partner, and you don’t want to cause unnecessary friction. “But on the other hand, with a nuanced approach, you can be clear about what things are important, and then make your decisions if you don’t believe they’re meeting them.”

Ashurst head of M&A Neil Pathak said wait times and delays were a frustration that hurt Australia’s reputation. “The wait times have been causing frustration in a range of transactions. In particular, proposed acquisitions perceived as straightforward including those by private companies and [private equity] firms/pension funds from western countries aligned to Australia”. 

On the issue of Chinese investment being under strict scrutiny since the Port of Darwin decision, he said it was a balancing act and needed to be carefully handled so that it didn’t “infect” the whole market.

King and Wood Mallesons partner Intan Eow said an approval stream dedicated to national security was a welcome change, and would hopefully reduce the time it takes to get a transaction through the system. “There has been a lot of timing issues for applications, especially in relation to the sensitive applications. We’ve seen, timeframes blow out up to six to 12 months for some of those sensitive transactions,” Ms Eow said.

Per Mejnert Kristensen, CEO of Region Asia Pacific at Orsted, a big winner in the Gippsland offshore wind licence process, said streamlining approvals for familiar, trusted foreign investors was “obviously something we welcome”.