

FINANCIAL REVIEW

Opinion



China's cleantech leadership is Australia's decarbonisation opportunity

Our path to a green future can thrive by strengthening climate partnership with China.

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Australia is at a crossroads in the global energy transition. As nations race to [secure critical minerals](#) – the lifeblood of clean energy technologies – alliances are forming and supply chains are shifting. For Australia to lead in this decarbonising world, it's not just about joining new coalitions; it's about partnering with the global cleantech powerhouse, China.

China's dominance in decarbonisation isn't just a reality, it's an opportunity. With its unmatched leadership in clean energy, Australia's path to a green future can thrive by strengthening its climate partnership with China.



During his recent trip to Beijing, Australian Treasurer Jim Chalmers acknowledged a mutual interest in green steel production.

China leads the world in almost every aspect of decarbonisation – in R&D, investment, innovation, manufacturing, installation and exports of key clean energy technologies spanning solar, wind, batteries, new energy vehicles (NEVs), critical minerals refining, grids, hydro and green hydrogen. Its domestic cleantech investment is double that of the EU and the US.

A new report by Climate Energy Finance (CEF), an Australian think tank, highlights how China is also increasing its outbound foreign direct investment (ODI) into cleantech globally. This capital is flowing into Europe, Asia, Africa, and the Americas, leveraging China's financial strength and technical expertise in energy transition materials supply chain, clean energy manufacturing and generation and NEVs. CEF identifies that since 2023, Chinese outbound cleantech ODI has reached an astounding \$US100 billion.

This growing investment offers Australia a chance to partner with the world's cleantech giant while boosting its sovereign capabilities in moving

up the supply chain and capturing more value onshore. But to unlock this potential, we need investment capital.

Despite the global surge, Chinese ODI into Australia was at a multi-decade low at only \$US613 million in 2023. While 2024 has seen a rise in proposed and underway Chinese corporate investments in greenfield renewable energy and battery projects in Australia, there is much more potential waiting to be unlocked.

The report also calls for the establishment of an Asian Carbon Border Adjustment Mechanism.

Australia's relationship with China is key here. Encouragingly, during his trip last week to Beijing, Australian Treasurer Jim Chalmers [acknowledged](#) this mutual interest in green steel production – a sector with significant mutual benefit. As the world's top iron ore exporter, Australia could use its abundant renewable energy to produce green iron before exporting it to China, the world's top steel producer. This would secure long-term revenue for Australia while helping China decarbonise its steel supply chain.

In addition to iron and steel, there is also great potential for co-investment in clean energy infrastructure, onshore value-adding of energy transition materials such as critical minerals, and cleantech supply chain manufacture, with appropriate safeguards such as foreign ownership limits to mitigate risks.

China's leadership in cleantech offers Australia a chance not only to secure investment but to work together to address the climate challenge, benefitting both nations and the world.

The time to act is now. Australia has the resources and capability, but without the right environment to attract these technologies and solutions, those investments will go elsewhere.

The CEF report makes several recommendations key to incentivising Chinese private investment in partnership with Australian firms here, while protecting and securing our national strategic interests.

It suggests that, as a strategic national-interest priority, Australia clarify the rules of engagement with the Foreign Investment Review Board, so Chinese firms looking to co-invest have transparent, stable, welcoming investment policy frameworks and guidelines to work with; and that the federal government task federal and state investment bodies to communicate FIRB rules to prospective Chinese investors, assisting them with market entry strategies.

In addition, it calls for establishing a strategic critical minerals reserve trading fund to underwrite new investment in mining and extraction onshore. This would complement Australia's participation in international alliances focused on securing critical minerals supply chains, while ensuring Australia captures greater value domestically.

The report also calls for the establishment of an Asian Carbon Border Adjustment Mechanism (CBAM), which would incentivise renewable-powered production processes, such as making green iron. A “green premium” pricing mechanism could accelerate investment into decarbonising industries and, fostering collaboration with China, speed up Australia’s pivot from its historic “dig-and-ship” economic model towards future-facing industries.

Australia cannot afford the opportunity cost of standing on the sidelines. We must shape our future relationship with China by engaging strategically and understanding the evolving decarbonisation investment landscape.

China’s cleantech leadership offers Australia an unparalleled opportunity – not just to attract investment, but to work together to address the shared climate challenge. By aligning our strengths in cleantech and renewable energy, we can confront the climate crisis and unlock vast opportunities, securing Australia’s prosperity in a decarbonising world.

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<https://www.afr.com/policy/energy-and-climate/china-s-cleantech-leadership-is-australia-s-decarbonisation-opportunity-20240930-p5kehk>