CLIMATE ENERGY FINANCE

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2035 TARGET: DELIVERABLE, YES; AMBITIOUS & SCIENCE-ALIGNED, NOT SO MUCH – YET

The federal government today released its new 2035 emissions reduction target of 62-70% on 2005 levels by 2035. This does require a more than doubling of the annual progress achieved since 2005 to 3.4-4.2% pa emissions reduction over the coming decade to 2035.

Tim Buckley, director of independent public interest think tank Climate Energy Finance and a former MD of Citigroup, released the following statement.
Tim is available for comment – contact details below.

"The target range for Australia's 2035 emissions reduction target has today been set at 62-70%. Clearly the government has gone more for practical deliverability than ambition and alignment with the climate science.

Australia's 43% emissions reduction by 2030 target requires an annual 1.7% cut nationally since 2005, but the step up required is better benchmarked against the 1.5% annual reduction of 29% delivered so far over 2005-2025.

Our new 62-70% by 2035 target range is at the bottom end of the 65-75% range advocated for by the Climate Change Authority (CCA) but does move us closer to climate science alignment in requiring a more than doubling of our run rate to 3.4-4.2% annually for the next decade.

To support this new significantly higher target, this week we saw an additional $1.1billion of funding allocated in the Cleaner Fuels Program to incentivise renewable diesel and sustainable aviation fuel (SAF), and today another $2bn funding for the Clean Energy Finance Corporation (CEFC) to accelerate renewables deployments and $5bn extra for a Net Zero Fund within the National Reconstruction Fund (NRF), as well as $40m more kerbside changing facilities, $85m for frameworks to help households and businesses improve their energy performance and $50m for sports clubs to decarbonise. These strategic national interest investments are key enablers of an accelerated transition, underpinning the new, higher target range.

The government is 100% correct in confirming that Australia's future economic prosperity depends on an orderly transition, and emphasising the catastrophic costs of a failure to act with speed. Under a 65% scenario, new Treasury modelling forecasts our economy will be $2.2 trillion larger by 2050, with 80% more investment and an additional 5 million jobs as a result.

Meanwhile the 'Opposition' is daily tearing itself apart over climate science denialism and our net zero by 2050 commitment. This creates sovereign risk from policy backsliding for investors, should the LNP ever get back into government, fortunately an increasingly remote prospect.

As we wrote earlier this week, the National Climate Risk Assessment sets the scene, highlighting the economic cost Australia faces as climate hazards increase in frequency and severity, and the associated cascading defence and national security risks, in addition to the health and trade threats. Annual disaster costs could average A$40 billion by 2050, with compounding impacts on infrastructure, agriculture, and energy. Heat-related losses could cut labour productivity 0.2-0.8% annually by 2050.

Under existing policy settings, Australia is projected to reach emissions cuts of just over 50% by 2035, meaning this additional emissions reduction target requires deeper cuts nationally across all sectors.

As such, Australia will need significantly enhanced policies, leveraging the CCA's six sector decarbonisation plans released today to put us on a path to a whole of economy decarbonisation effort, moving beyond the current focus on electricity decarbonisation and heavy industry.

The good news is that much of the enabling infrastructure and authorities have been developed to lead this effort, with the Net Zero Economic Agency (NZEA), Single Investor Front Door and National Reconstruction Fund (NRF) central to this, as have state organisations like the NSW Net Zero Commission. The first term of the Albanese Government has also seen a move toward an important whole of government approach to transition.

An accelerated transition will also require significantly more upfront capital investment, much of which must be led by Government to catalyse an influx of private capital.

We estimate that since the start of 2023, $75bn of Federal Government funding and capital allocations have been made towards decarbonisation, electrification and the associated Future Made in Australia (FMIA) program, with another $6bn of State allocations.

CEF sees a top priority on getting these fund allocations 'off the table' and out the door. To this extent, CEF has tracked over $16bn of new deployments since December 2024. While this is a significant step up in pace, it needs to be at least maintained and built on to deliver on target, with more funding added.

Minister Bowen's stunningly successful $3.5bn two-phase national Cheaper Home Battery Rebate shows the speed and scale that can be delivered with the right enabling policies.

Ultimately to drive whole-of-economy change at the speed required, Australia is going to have to overcome the climate wars and implement a systemic price on carbon pollution in Australia.

Australia has long talked about becoming a renewable energy export superpower. With the clear silent majority's mandate of their May 2025 election supermajority locked in, the Albanese Government needs to embrace 'China Speed, China Scale' thinking, accelerating approval processes so we can deploy capital at speed and scale to seize the massive employment, investment and net export opportunities in zero-emissions growth industries of the future, in direct collaboration with our key trade partners. This is a race Australia can and must win."

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Further background – Tim Buckley may also be quoted on the below:

Constructively, CEF sees good progress on a price on carbon, key to driving the necessary rapid emissions reductions. We expect the Government to use its 2026 Safeguard Mechanism Review to mandate the progressive expansion of the scheme – a price on carbon in all but name– by phasing in a lowering of the 100,000tpa threshold towards 25,000tpa. Further, adding in the Scope 2 emissions of the electricity sector to the Safeguard Mechanism from 2030 would provide a clear financial signal to underpin certainty around the coal-power plant phase out which Australia is still undertaking.

As CEF has long argued, we also need diesel fuel tax reform, given imported diesel and oil represents 17% of our national emissions profile. A $50m annual cap on diesel fuel subsidies would only impact 15 globally significant Australian mining firms, but would pivot $2-3bn annually of imported diesel subsidies to underpinning investment in mine electrification and decarbonisation, massively improving Australia's trade deficit and national energy security profile in the process.

We also need to understand that our exported emissions (Scope 3) dwarf our domestic emissions, so we need international collaboration, starting with bilateral agreements to raise ambition and drive joint decarbonisation investments. Australia needs to work with aligned countries to cooperate on carbon pricing and trade — starting with heavy industries like steel, cement, aluminum, and fertilizers, which together account for more than 20% of global emissions.

On the export front, the Albanese government continues to walk both sides of the street, talking about the massive export opportunities ahead for Australia as a Green Exports Superpower whilst also enabling even more scarce capital and labour resources to be subverted into enabling methane gas exports for many decades to come, even as dire predictions of excess global LNG supply and reduced demand from decarbonisation leaders like China become increasingly clear.

In this light, it is brilliant to see the memorandum of understanding by Thyssenkrupp for long term offtake of 100% of Progressive Green Solutions (PGS)'s proposed renewable energy and green hydrogen powered Green Iron development in Midwest WA, leveraging the 8Mtpa magnetite iron ore exports of China's Karara Mining. Great to see West Australian Premier Roger Cook overseeing the official signing; State and Federal Governments' support to match the German Government Export Credit Agency support will be key, as the EU ETS and Carbon Border Adjustment CBAM to put an explicit price on embodied decarbonisation in our exports.

It is time for DFAT to work on Green Energy Statecraft and now to land a Korea-Japan-Australia trilateral and a China-Australia bilateral agreement and leverage a new Clean Commodity Trading Initiative so hopefully as President of COP31Minister Bowen can announce Final Investment Decisions (FID) on the three largest green steel supply chain decarbonisation projects in the Southern Hemisphere.