

Why start-ups cannot get their hands on green subsidies

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Green technology start-ups are struggling to attract financing from multibillion-dollar government investment funds that are unwilling to take on high levels of risk, which the agency responsible for managing the economic transition says will slow Australia's transition to net zero.

The Net Zero Economy Authority, an agency created by Labor to manage the [move to a lower emissions economy](#), said the mandates of the government's clean-tech related specialist investment vehicles are not properly targeted at supporting net zero goals.



Clean tech start-ups are finding it hard to access financing from risk-averse government funds

The funds identified by the [NZEA – the Clean Energy Finance Corporation](#), the Australian Renewable Energy Agency, the [National Reconstruction Fund](#) and the Northern Australia Infrastructure Facility – have been collectively allocated more than \$50bn by successive governments.

According to the NZEA, many early-stage projects are unable to qualify for the government funding needed to turbocharge their growth and “crowd in” private capital because the SIVs have a low risk tolerance that favours more mature companies.

NZEA CEO David Shankey said that legitimate clean technology start-ups had been approaching his agency for investment support after being rejected by the SIVs. “We hear a lot from proponents that they could be eligible for all of the SIVs, and then some proponents who aren’t eligible for any of them. It’s smaller projects that are slightly higher risk that can’t get help.” “We’ve got a certain amount of time to get this [transition] done. It’s a huge amount of capital that needs to be mobilised.” “We don’t want [all the SIVs] looking for the same successful projects. We need to adjust the risk profile, adjust the rate of return, and adjust the minimum and maximum transaction sizes.”

SIVs are often described as “off-budget” vehicles because their funding does not come out of the government’s main account, but is instead borrowed and classified as an investment with a targeted rate of return.

The NRF, for example, has a mandate to invest in renewables, low emissions technologies, defence, medical science and agriculture, and has a required medium to long-term rate of return of between 2 and 3% above the government’s five-year borrowing rate.

Many of the funds were set up as part of the Albanese government’s “future made in Australia” industrial policy agenda, which is designed to support new green industries that will benefit from the global push to net zero carbon emissions.

In a submission to the federal government’s productivity roundtable in August, the NZEA said the SIVs should be required to direct a portion of their funding to priority areas and have their mandates revised to “embed differentiation”.

The proposal was raised at the roundtable by the **Investor Group on Climate Change**, an industry group that pushes for ambitious climate policy on behalf of Australia’s superannuation sector. An IGCC spokesman said changes to the mandates would help major domestic and international investors deploy capital into riskier early-stage projects. “The SIVs can help nurture climate solutions so they are ready for big investors’ capital. They can also anchor projects, so institutional investors can come in on projects that would provide them a good return,” he said. “When you look across all these investment vehicles, the experience has been a bit fragmented. We’ve got a chance to take a strategic approach here to meet Australia’s national priorities.”

Government ministers were briefed by the IGCC on more detailed proposals to overhaul the SIVs in Canberra last week.

Finance Minister Katy Gallagher said the government was “progressing outcomes of the economic reform roundtable as it pertains to SIVs”.

In 2024, the government’s key climate advisory agency, the Climate Change Authority, recommended that it set up a “one-stop shop” within the NZEA to facilitate access to funding programs, including at the state level.

According to an analysis by think tank **Clean Energy Finance** in August, the federal government has committed an estimated \$76 billion of taxpayer money to climate and green energy spending over the past three years, but only [a fraction of the funding has been deployed](#).

Industry Minister Tim Ayres and Climate Change and Energy Minister Chris Bowen are this week hosting a delegation of [US clean technology investors](#) in the hopes of driving new foreign capital into Australia’s energy transition.

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