CHINA IS KEY, ON OUR TERMS

Australia can still be part of the broader economic dynamic

DAVID OLSSON

The first shipment of high-grade iron ore from Guinea's Simandou mine left port last month. In Conakry and Beijing it was celebrated as a milestone. For Australia, it should be read as a sign of how rapidly global energy and industrial supply chains are shifting.

Simandou is the world's largest untapped high-grade ore deposit. After decades of delay, it has come online because Chinese and African partners financed the 650km rail and port network needed to make it viable.

Once fully operational, its output will rival parts of the Pilbara in the premium ore segment required for green steel. Australia has ambitions here, yet Simandou shows how quickly new competitors can emerge.

The project reflects a broader dynamic. As China decarbonises its steel industry and expands investment in technologies that support electrification, it is deepening economic partnerships across multiple regions.

Outbound Chinese capital is now central to the formation of new energy and manufacturing supply chains. These developments will shape Australia's competitiveness for decades.

This shift is happening alongside wider geopolitical change.

Climate, energy and trade settings are being reshaped by intensifying US-China competition.

While the US has adjusted parts of its climate agenda and placed new emphasis on energy security, China continues to integrate its climate, industrial and investment strategies into a unified national program.

Last year China invested more in energy-transition technologies than the US, EU and UK combined.

New data shows how quickly this shift is unfolding. A report by think-tank Climate Energy Finance shows that, since 2023, Chinese firms have announced more than $US180bn ($270bn) in outbound clean energy investment, an 80 per cent increase in a year.

These partnerships now span EVs, solar, batteries, wind and green hydrogen across Indonesia, Turkey, Brazil, Hungary, Spain, Azerbaijan, Zambia and Saudi Arabia.

For many countries, they are becoming central to national decarbonisation strategies.

Australia's position in this landscape is more mixed. While trade with China remains strong, our level of investment and technology collaboration is modest when compared to developments elsewhere.

Chinese direct investment into Australia in 2024 fell to $US882m, one of the lowest levels in almost two decades and far below its 2008 peak.

China now accounts for only 1.5 per cent of all foreign direct investment into Australia. In a world competing for capital, technology and supply-chain access, Australia risks under-utilising avenues that could strengthen our competitiveness.

This gap matters because the Future Made in Australia agenda depends on unprecedented levels of capital and technological depth. Around 70 per cent of financing for Australian clean-energy projects already comes from overseas.

> China's role ... is influencing the industries that will define future prosperity

The government's newly released NDC Investment Blueprint outlines the investment opportunities tied to Australia's net-zero plan, but scale will require international partners. Australia cannot build a competitive green-industry base without access to the technologies and supply chains driving the transition.

China is at the centre of those supply chains. Its firms lead in solar, batteries, electric vehicles, transmission, critical-minerals processing and green steel. Yet large-scale partnerships with China's cleantech innovators remain limited.

Australia has an opportunity to align its economic ambition with the realities of a more contested strategic environment.

Maintaining a strong security partnership with the US is essential, but it does not prevent Australia from pursuing selective, well-governed co-operation with China in areas where our economic and climate interests align.

Many of our key partners – including Japan, South Korea, Germany and the US itself – already adopt this dual approach, using clear safeguards and targeted screening.

A disciplined framework of engagement, backed by robust national-security settings, would allow Australia to attract the capital and technology needed to rebuild industrial capability while managing risk on our terms. Long-term economic strength is not separate from national security; it is one of its foundations.

The CEF report proposes an Australia–China Green Transition Co-operation Framework to support co-investment in renewable-energy supply chains, infrastructure and innovation, alongside refinements to foreign-investment processes and a clearer Invest Australia interface aligned with FMIA priorities.

The world is moving quickly. China's role in the global green economy is influencing the industries that will define future prosperity. Australia can choose to engage on terms that reflect our interests or watch as others secure the partnerships that anchor the next generation of industry.

The opportunity remains within reach.

It requires confidence, clarity and a strategy that strengthens both Australia's economic capability and long-term resilience.

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Power issues mean AI dream faces nightmare

ROBERT GOTTLIEBSEN

In the next four years Australian enterprises plan massive use of local artificial intelligence, which will require data centres that will explode the demand for electricity.

All the assumptions that federal and state governments have made on energy supply strategies covering coal, renewables, gas, and perhaps nuclear technologies must now be changed or we will not be able to supply reliable power to the data centres.

We can't provide that power unless politicians are prepared to agree to dramatic changes in direction. The projected power demand increases in the major markets, NSW and Victoria, are massive

In NSW, the grid operator Transgrid, as a result of power requests from proposed data centres, estimates data centre power demand will grow from 4 per cent of the state's electrical use to 11 per cent by 2030.

In Victoria, the Australian Energy Market Operator estimates data centre power usage will rise from the current 2 per cent of Melbourne's power usage to 8 per cent by 2030.

Until last month the accepted strategy was to use renewables (solar and wind) as a base load.

Renewable power is extremely expensive when the cost of backup facilities, limited life of generators and agricultural damage is included.

But, a data-led discovery by AEMO showed renewables cannot provide reliable base load power without huge backup, and diesel is the only backup available.

This discovery was concealed until it was revealed first by my colleague Chris Uhlmann, followed by my commentary

data centres. NSW and Victoria have clear land strategies to house the data centres but need a power strategy.

At some point both NSW and Victoria, plus Energy Minister Chris Bowen, will have to explain to the nation that our current power strategies are not able to provide sufficient base load power for these data centres.

Many years before the US, China realised it would need vast amounts of energy to be an AI superpower and installed generation capacity using every means available – coal, gas, nuclear, hydro, renewables and so on.

From day one, President Donald Trump realised the US would have to substantially increase its energy production if it was to take advantage of its AI technology. Trump declared, like China, the US would use every means available. Currently, gas-driven power has been embraced by many US data centres.

Last week, Australia's largest gas pipeline group APA announced a substantial upgrade in the capacity to supply Sydney and Melbourne. In theory, the extra gas could be available in about two years but given Australia's energy policy chaos, buyers, including proposed data centres, are nervous.

Worse still, global demand for gas-driven turbines has exploded so it may be many years before gas driven turbines are available for Australia to drive data centres.

Nuclear will return to the agenda. The US is now rapidly developing smaller nuclear plants dedicated to one or two data centres.

At present the only economic way to provide reliable power is to extend the life of the coal power stations well into the 2030s. It will be costly and will make short-term emissions targets impossible.

But, on the basis of current technology, to achieve long-term emission targets, those coal-fired power stations will need to be replaced either by small nuclear stations or, on the basis of

An enforcement record to envy is top of APRA's Xmas list

DAVID ROSS

When Kenneth Hayne ruminated on Australia's prudential regulator, he said it was there to both supervise and enforce.

But a review of the Australian Prudential Regulation Authority's track record in the wake of the Hayne inquiry reveals APRA has not secured any enforceable undertakings against any individual in 12 years, and only a handful of enforcement results.

APRA, which supervises the banking, insurance and superan-

qualify First Super co-chair Michael O'Conner, alleging breaches of his director's duties, which he denies. That case continues.

APRA's approach has earned the ire of the union movement, which was incensed by proposals to put 10-year term limits on directors. Australian Council of Trade Unions assistant secretary Joseph Mitchell said APRA had failed to articulate how it had responded to Shield and First Guardian.

"Sending letters after the fact is not enough," Mr Mitchell said.

"I haven't seen enough from APRA to suggest they have a plan to deal with this going forward."

Mr Mitchell, who sits on the boards of Industry Super Australia and TelstraSuper, said APRA's enforcement record was lacking. "The onus is on APRA to tell us