

Australia needs to pull out its green finger

Australia's hopes are not dashed yet, but the Federal Government must begin pulling policy levers and deploying "green energy statecraft" to ensure the country is not left behind in the global critical minerals and clean energy race, according to a new comprehensive report from the Climate Energy Finance thinktank.

Australia has enjoyed a rarified position in the global energy transition thanks to its world-class reserves of key critical minerals. However, that position is under threat as China increases investment in upstream, midstream and downstream projects across the world.

"Three years ago, Australia had more than 50% of the world's lithium production, but not anymore," Climate Energy Finance (CEF) director and former Citigroup managing director Tim Buckley told **Paydirt**. "This globally dominant position has been eroded significantly. By the start of 2026, domestic mines in China produce more than Australia and I tracked 15 other countries where China has invested in spodumene mines."

The CEF report found China's investment in clean energy technology and its associated value chain has been pronounced, spending more than \$US120 billion on upstream mining and processing projects since 2023 and more than \$US220 billion on midstream and downstream cleantech manufacturing and renewables infrastructure in the same period. In the same period, Chinese investment into Australia has collapsed by 85%.

The overall result is China's acceleration away as the most dominant critical minerals and cleantech economy in the world and Australia is no longer benefitting to the same extent.

Buckley believes Australia can regain its footing in the space but is faced with a time-critical opportunity which will require international collaboration and partnerships.

"Australia is not a world power, we have a small domestic economy but that under-sells the nation because we are the world's largest iron ore producer and largest lithium producer and we have strong and positive relationships with our key North Asian trading partners, including China," he said.

"We need to adopt a 'green energy statecraft' approach to maximise the value of government policy and public finance support and encourage cooperation and onshore investments in Australian value-add-

ing capacities to our resources pre-export."

Among CEF's recommendations to the Australian Government was policy support for foreign investment with targeted anti-dumping tariffs, local content mandates and onshore processing as a condition of new partnerships, as well as accelerating public capital deployment, prioritising carbon pricing and progress foreign investment regime reforms.

Buckley said it would be through green energy statecraft that Australia could secure its place in the energy transition, working with trading partners to ensure it can maintain its standing in the global critical minerals space.



Tim Buckley

He praised the recent offtake agreement between Lynas Rare Earths Ltd and Japan Australia Rare Earths (see page 11) as an example of green energy statecraft in action.

"I think the Lynas deal is the best illustration of it," he said. "The Japanese have done a deal with Australia's world-leading rare earths player which allows Lynas to make money and Japan to secure rare earths."

While US President Donald Trump's bellicose trade policies have set a US-versus-China narrative, Buckley believes there is enough evidence around the world that Australia does not have to pick

definitive sides.

In the upstream space, Indonesia has grown into the world's dominant integrated nickel player in less than a decade thanks to its restriction on the export of raw material, while similar policies in Zimbabwe have elicited a multibillion-dollar response from the Southern African country's Chinese lithium investors. Further downstream, Buckley points to the recent Stellantis-CATL partnership which will see the two companies build a €4 billion battery factory in Spain.

"We should learn from Zimbabwe and Indonesia and work with China, Korea, Japan, India and our other ASEAN neighbours but work within our national interest," he said. "Let's bring Chinese technology to Australia but ensure we rebuild our skills base and say we want more value-add in our country."

Other policy levers will also provide assistance, according to Buckley. As home to one of the world's largest sovereign wealth funds, the Future Fund, and soon-to-be second largest pension pool, Australia has ample public and private capital to deploy.

"We need to far better leverage the \$4.5 trillion Australian superannuation pool, which is currently preoccupied with investing offshore, aligning carbon pollution pricing and policies to provide the market signal required," Buckley said in the report. "Strategic public capital deployment is particularly important in protecting and modernising key manufacturing sectors like aluminium."

Leveraging Australian superannuation and the Future Fund could be enough to catalyse entire new industries capable of providing an alternative to Chinese competitors.

"With our abundance of resources and nascent clean energy capacity we have a generational opportunity to strategically reposition as a key player in global green industrial supply chains," Buckley said. "I would love to see Treasurer Jim Chalmers mandate \$20 billion from the Future Fund for long-term strategic infrastructure and energy investment in national interest projects. That could be battery projects, wind, solar, or resource value-add such as green steel. It doesn't need a big stick, but it needs to be encouraged."

– Dominic Piper