



CLIMATE ENERGY FINANCE

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NSW BUDGET:

HOUSEHOLD CLEAN ENERGY UPGRADES THE CENTREPIECE OF COST OF LIVING RELIEF, AS GOV'T POSITIONS RENEWABLES TRANSITION AS KEY ECONOMIC DRIVER

TOMAGO BAILOUT CONFIRMED, DETAILS STILL SKETCHY

Fiscal overview

New South Wales Treasurer Daniel Mookhey delivered the state budget for 2026-27 today.

NSW' operating position continues to improve under the Minns Labor Government since it was elected in 2023. From the \$10.6bn deficit in 2022-23, the 2026-27 budget forecasts a \$2.3bn deficit, returning to a \$1.1bn surplus by 2027-28 and continuing in surplus through 2029-30.

The continued reduction in deficits through 2026-27 has driven improvements in gross debt management. Under the previous Coalition Government, gross debt by June 2026 was projected to reach \$188.2bn. The improved and continued fiscal management has reduced gross debt projects by \$9.7bn to 2026 since coming into governance in 2023, saving NSW approximately \$400m annually in interest expenses.

On energy, renewables and low-emissions manufacturing measures, Matt Pollard, Net Zero Transformation Analyst for Climate Energy Finance said:

"The state budget was unequivocal on the central role of energy transition in economic growth and prosperity. Treasure Mookhey emphasised that the renewables transition is a top driver of investment into the state, with renewable energy infrastructure a significant contributor to the 20% surge in investment over the year to the March quarter 2026. He noted that clean energy transformation is 'not merely an environmental cause, but an economic strategy', and that to campaign against renewables, as his counterparts elsewhere and in previous governments have done, is to campaign against investment and jobs."

"Delivering the massive benefits to rural and regional Australia is a vital pillar of ensuring a just and equitable energy transition. Backing in the development of clean energy and delivering to regional NSW, the NSW Government has allocated \$291.4 million in 2026-27 towards upgrades to regional roads to support the transportation of equipment to renewable energy zones, strengthening regional agriculture and industrial sectors with energy security and stability."

Home Energy Saver program

"The 2026-27 NSW Budget has allocated \$557m (previously announced) under the Home Energy Saver program to provide households with interest-free loans of up to \$15,000 over ten years to install

energy-saving and cost-cutting upgrades, including rooftop solar, household batteries, insulation, reverse-cycle air conditioning, switchboard upgrades, and draught-proofing. The NSW Home Energy Saver program is expected to benefit more than 32,000 households across the state.

“This is a significant boost for NSW consumers that further turbocharges the massively successful Cheaper Home Batteries program of the Federal Government, providing a 30% discount to the upfront cost of installing home battery systems. More than 400,000 homes have now deployed batteries under the scheme in less than a year, adding 11.2GWh of distributed, dispatchable energy to the grid.

“The NSW Home Energy Saver program provides the critical financing support for low- to middle-income earners and households to take advantage of the massive cost savings that are realised through renewable energies, safeguarding families from inflationary and volatile fossil fuel markets that have been one of the largest drivers of the cost-of-living crisis that has thrashed Australians.”

Coal royalties

“The 2026-27 budget revised royalties up by \$84m in 2025-26 and \$186m in 2026-27 reflecting higher thermal coal prices in response to major disruptions to the flow of oil and gas resulting from the conflict in the Middle East, lifting global commodity prices across fossil fuel energy sources. While the people of NSW see some short-term improvement to the budget, the latest energy crisis rams home the opportunity cost and lost prosperity from failure to implement a progressive royalty structure that equitably delivers higher returns to the people in times of crises, where fossil fuel prices are inflated.

“Fossil fuel demand is inevitably in terminal decline, and the rate of displacement of coal with renewables ratchets up with each global energy crisis, and accelerates with the continued massive export of renewable energy technologies from China. There is a narrowing window of opportunity for NSW to replicate the leadership shown by the former Labor Government of QLD to introduce a progressive royalty regime.

Support for low-emissions manufacturing to accelerate the energy transition

“The NSW Government has launched the \$480m Net Zero Manufacturing Initiative to fast-track emissions reduction and build enabling technologies of the energy transition. Building on the \$52m provided to 4 projects across agriculture, transport and electricity decarbonisation streams, it announced this month, and confirmed in the Budget, \$225m across 3 grant streams to support the development of low-emissions technologies, support local manufacturing capacity of low-carbon products, and stimulate local manufacturing of renewable generation, storage and transmission components.”

“CEF applauds these measures which are vital to realising a vision that places NSW at the centre of a prosperous domestic zero-emissions future.”

Tomago aluminium smelter

“As part of its Budget announcements, the NSW Government maintains it is ready to support local workers of the Tomago aluminium smelter, which is threatened with closure, while seeking to ensure value for taxpayers. It is continuing to work closely with the Australian Government, currently undertaking direct negotiations with the smelter on a new power purchase arrangement. Tomago is Australia’s biggest single energy user, supports more than 3000 direct and indirect high value jobs and is a key export industry. It is majority owner Rio Tinto’s view that they cannot procure electricity for the period after December 2028 at a market price low enough to guarantee continued operations.

“The 2026-27 Budget includes a provision for NSW to contribute to ensuring Tomago’s ongoing operation, pending the Australian Government finalising its negotiations with the smelter, however details remain sketchy.”

“The policy problem here is of national significance if Australia is to realise its Future Made in Australia vision. A number of structural [solutions](#) have been put forth to leverage the balance sheets of the NSW and Federal Governments. This could include a government backed [scheme finance vehicle](#) (SFV) to finance a renewables buildout surge which would ensure clean energy supply to Tomago and other major industrial facilities at stable, long-term, commercially viable prices.

“What is clear is that the clock is ticking and the merry-go-round of taxpayer-slugging subsidies without a permanent solution – such as the forthcoming bailout – needs to stop. The NSW and Federal Government must act with urgency to secure the future of green manufacturing, and Tomago is key to that.”

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