Energy Intelligence

LOW-CARBON POLICY

Australia's Clean Energy Advances Mitigate Supply Shock

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Author
Yinxing Zhang, Singapore

Editor
Simon Martelli

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The energy crisis unleashed by the Mideast conflict has rippled worldwide, but some countries are better protected than others. Like China, Australia is in a fortunate position, thanks largely to years of renewables and battery build-out. Record solar and wind generation, booming home batteries and rooftop panels have mitigated the impact of the energy price and supply shocks seen elsewhere. The country's one acute vulnerability — imported fuel, oil for the most part — is driving a tipping point in adoptions of electric vehicles (EVs).

- **Australia is exposed to fuel price shocks given its reliance on imported oil.**

Australia's exposure to the war-inflicted energy shock lies for the most part in imported oil. "We don't have much crude left in Australia, even though there are some possibilities of new discoveries," says Tony Wood, energy and climate change senior fellow at the Grattan Institute, a Melbourne-based think tank. "At the current rate of consumption, all of our crude will be depleted in five or six years' time," he told Energy Intelligence.

The government is "looking to increase the amount of onshore oil storage," Wood said. "We had maybe about 25 to 30 days' worth of consumption, and we've now got well over 30 days." Canberra has also flagged a feasibility study into a new Western Australia refinery — a move Wood sees as "very unlikely to be commercially viable" given that Australia shut most of its refineries "because they were very expensive."

"As a major importer, Australia remains critically exposed to the global fuel product market," says Josh Runciman, lead analyst for Australian gas at the Institute for Energy Economics and Financial Analysis (Ieefa). "The Australian government has strategically leveraged its status as a major LNG supplier to secure refined fuel products," he told Energy Intelligence.

Gas exposure is milder for Australia as an exporter, yet price spikes remain a risk, with cartels “gouging the market,” even at home in Australia, an industry source noted. The government is introducing a gas reservation scheme that requires exporters to set aside 20% of volumes for the domestic market — a move officials say will shield industry from global price volatility and ensure Australia's energy security by avoiding gas shortfalls. Wood said there are still "a lot of very tense discussions going on" about the measure, which is due to start in July 2027, and strikes some as too heavy an intervention.

Others see the government’s response as too short-termist, focused on dealing with the current crisis while waiting for the war’s end to tackle long-term solutions. But, “I think they've now realized that this war is going to be elongated," says Tim Buckley, director of Sydney-based think tank Climate Energy Finance. Australian Prime Minister Anthony Albanese had warned that the economy “will literally stop within 30 days if we don't get the fuel we need," Buckley added. Yet, "four months of dealing with that and ... we're still just as exposed."

- **Renewables are helping cushion the blow, and EVs are the newest front.**

But the impact of the latest energy crisis has been far more muted than during the Ukraine war, Buckley told Energy Intelligence. Despite the Albanese government placing limited emphasis on renewables since the Gulf crisis began, Australia is reaping the benefits of a build-out already underway, supported by policies like the federal Capacity Investment Scheme that has shielded the power sector from gas price fluctuations.

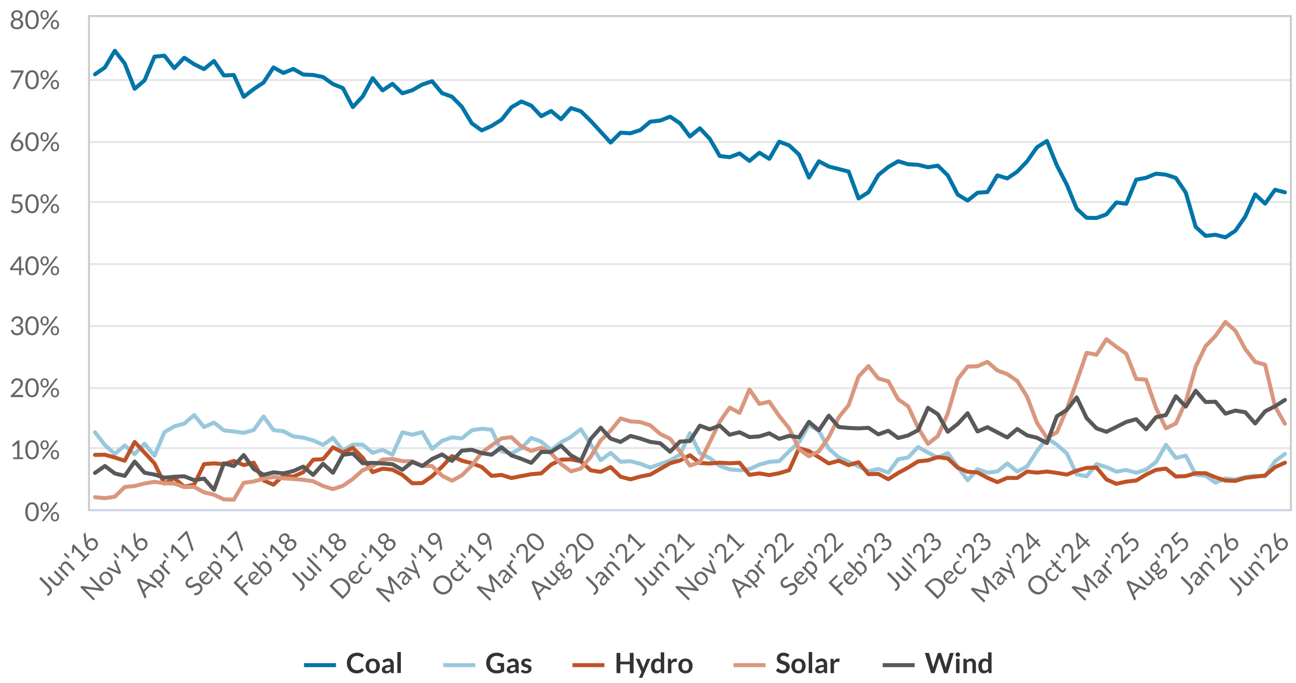
Average wholesale prices in the National Electricity Market fell 47% year on year to A$74 (US$52) per megawatt hour in the second quarter of 2026 — the lowest for that quarter since 2020, according to the Australian Energy Market Operator (AEMO), citing higher renewable output, peak-time battery discharge and softer evening demand.

Renewables supplied a record 42.1% of generation in the quarter, up from 37.1% a year earlier. Gas-fired generation fell 30% to its lowest quarterly average since 2003, while coal dropped 5% to a new low for any second quarter, AEMO data shows.

"While more effort will be needed to meet the government's target of 82% renewable energy by 2030, there are positive signs that the current rollout is helping pull down energy costs," says Jay Gordon, energy finance analyst at Ieefa.

Policy has also backed rooftop solar with "some very generous subsidies," Wood said, adding that more than one-third of households in Australia have panels on the roof. Home battery installations also soared on federal rebates, according to local reports.

AUSTRALIA'S POWER MIX



Source: Energy Intelligence, Ember

EVs are the newest front in cutting imported oil, helped by the federal Electric Car Discount — launched in 2022 — and volatile fuel prices, analysts say. "Uptake of electric vehicles in Australia is soaring," says Gordon. "EVs already offer far lower running costs than combustion engine vehicles, and rising petrol prices as a result of the Gulf conflict only make the financial case to electrify even more compelling."

The Electric Vehicle Council (EVC), an industry body, puts the running cost of a battery electric vehicle (BEV) at A$22.20 per 100 kilometers, with fuel at A$2 per liter — close to the average gasoline price on Aug. 3 — against A$5.90 for a battery EV charged at the 6 p.m. peak and A$1.20 at midday.

BEVs and plug-in hybrids took 36% of new vehicle sales in June, up from 13% a year earlier, the council says. "BEV sales rose to 23.3% of the new-vehicle market in June 2026, accounting for almost one in every four sales," EVC spokesperson Todd Hayward noted.

- **Australia repositions itself in big-power rivalry amid China's cleantech leadership.**

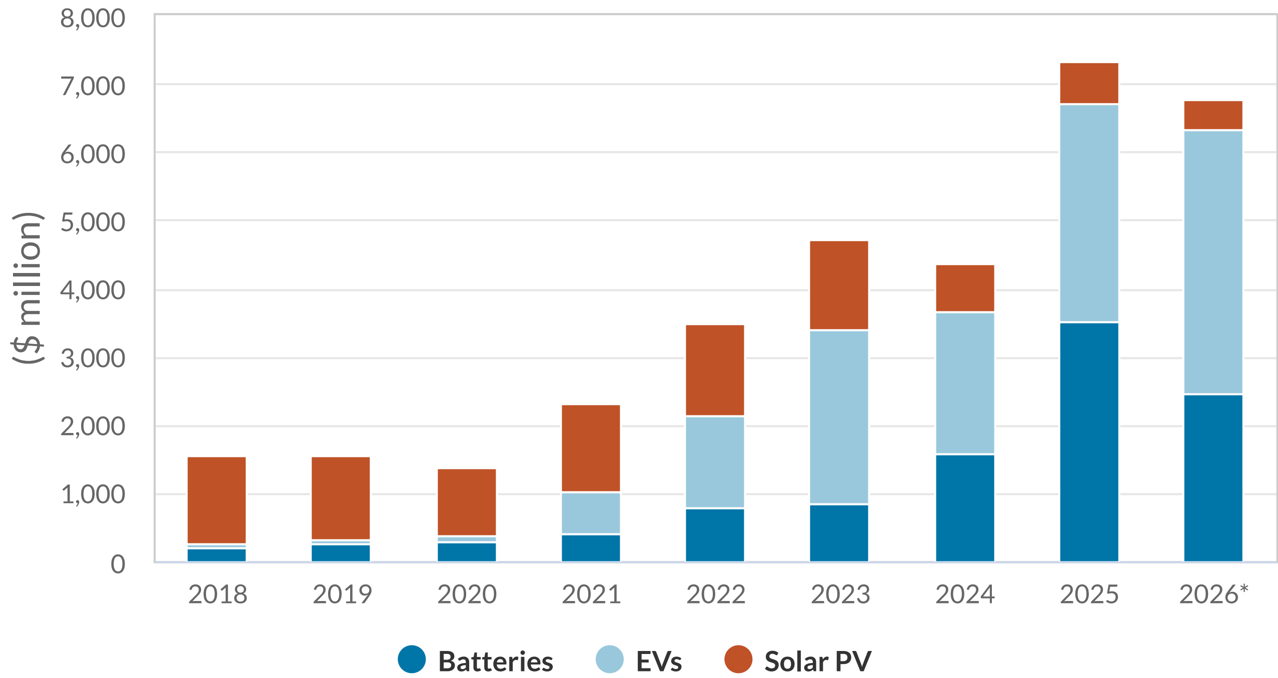
With clean technology now key to energy security, ties with China have moved center stage for Australia — and they are warming as the US steps back from alliances and climate action, sources say. Cooperation on clean energy was a focus of discussions during Albanese's six-day visit last month. "We are the beneficiary of China's multi-decades investment in technology capacity scaling up," Buckley said. "We import all the EVs from China, we import solar modules from China, we import all the [grid-scale] batteries from China, and we import all home batteries from China."

Diplomatic relations between the two countries have recovered, too. "I think we've got two governments that understand each other, respect each other [and] trust each other," says the Grattan Institute's Wood.

A middle power caught between the two giants, Australia is better served by closer ties with Beijing, Buckley argues. He describes as “inspiring” how China is “just doubling down and going China-speed and China-scale” on the energy transition while the US walks back its climate ambitions. “As Trump effectively alienated his allies and enemies alike, Australia is willing to consider a realignment and a rethinking of our geopolitical standing,” Buckley says.

But the fall in Chinese inbound investment into Australia, to its current 20-year low, is a cause for concern. And some Australians also worry about overreliance on Chinese green tech, or its integrity, Wood acknowledged — even though it is "so much cheaper, and the quality is fantastic."

CHINA'S 'NEW 3' EXPORTS TO AUSTRALIA



*Jan-Jun. Source: Energy Intelligence, General Administration of Customs of China

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