

Submission
No 78

INQUIRY INTO 2024 ANNUAL REPORT OF THE NET ZERO COMMISSION

Organisation: Investor Group on Climate Change

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To the Joint Standing Committee of Net Zero Future, Parliament of New South Wales,

Response to the 2024 Annual Report of the Net Zero Commission

The Investor Group on Climate Change (IGCC) welcomes the opportunity to provide a submission on the findings of the first Annual Report of the Net Zero Commission¹ (henceforth, “the Report”). IGCC commends the NSW Government on its ambitious and collaborative approach to climate policy, typified by the *Climate Change (Net Zero Future) Act 2023*² (henceforth, “the Act”).

Institutional investors require a coherent policy approach across all sectors of the economy – and all levels of government – to confidently allocate capital towards the net zero transition. As such, IGCC has been an active collaborator in the development of the federal government’s climate policy agenda.

This collaboration includes the reformed Safeguard Mechanism³, Climate Related Financial Disclosures⁴, the National Adaptation Plan⁵ and National Climate Risk Assessment⁶, the sector plans⁷ and the Capacity Investment Scheme⁸.

Here, IGCC points to principles for investible policy developed at the federal level and applies them to key issues raised in the Report.

¹ NSW Government 2024, *2024 Annual Report* [\[link\]](#).

² NSW Government, *Climate Change (Net Zero Future) Act 2023* [\[link\]](#).

³ IGCC 2022, *Submission – Safeguard Mechanism Reforms: Consultation paper* [\[link\]](#).

⁴ IGCC 2024, *Submission – Treasury Laws Amendment Bill 2024: Climate-related financial disclosure* [\[link\]](#).

⁵ IGCC 2024, *Submission: National Adaptation Plan Issues Paper* [\[link\]](#).

⁶ IGCC 2023, *Investor Expectations: National Climate Risk Assessment* [\[link\]](#).

⁷ IGCC 2023, *Decarbonisation investment decisions for sectors: A discussion paper on Sector Transition Plans and their importance to investors* [\[link\]](#).

⁸ IGCC 2023, *Submission: capacity investment scheme* [\[link\]](#).

About IGCC

IGCC is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. IGCC represents investors with total funds under management of over \$5 trillion in Australia and New Zealand and \$30 trillion around the world. IGCC members are the custodians of the retirement savings of around 15 million Australians.

Climate damages and risks jeopardise the ability of investors to provide returns to their beneficiaries. Unless climate change is addressed in an orderly and just way, the long-term retirement savings of millions of Australians are under threat.

IGCC members collectively represent all asset classes across the entire Australian economy. IGCC members understand that climate change is a systems problem and that a well-planned transition to a decarbonised economy will help protect investments against the worst climate damages, and present new investment opportunities in budding green industries.

IGCC's work is funded by members' fees, philanthropy, partnerships, and sponsorship from supporters who understand the power of capital to support climate action.

Response

Overview

IGCC welcomes the level of ambition within the Act and broadly supports the findings of the Report. This response provides direction as to which of its priority areas are most critical to address for investors.

Priority areas include:

- establishing a coherent whole-of-government approach to decarbonisation policy,
- addressing emissions from fossil fuel use and exploration,
- remedying challenges within planning processes,
- land use concerns in a climate-changed world, and;
- adaptation and resilience.

Whole of government approach to climate policy

IGCC urges for the timely implementation of the Act's guiding principles across all predated state policy, where there are implications for clean industry development. One such document is the *Strategic Statement on Coal Exploration and Mining in NSW*, which does not align with the Act's guiding principles.

Policy options exist to better align emissions reductions targets with real economy policy. For example, IGCC has recommended that the federal government set fossil fuel phaseout dates to better operationalise its emissions reductions targets.⁹

“Policy clarity, backed by clear demand signals and by public-private financing strategies, can de-risk new technologies and markets for investors, so that they can invest at the pace and scale required to meet government decarbonisation targets. Investors rely on governments to set phaseout dates for fossil fuels and policies to drive clean energy replacements, so that they have clarity around where to allocate funds. An uncoordinated transition will increase economic costs and lead to ongoing capital flight to markets with well-planned transition policy in place.”¹⁰

Fossil fuel phaseout dates are a critical component of net zero target-setting for investors, as they provide clarity on the timeframes and scale for which renewable energy sources must replace emissions-intensive supply.

“Non-grid connected industry will need coordination to decarbonise, particularly in the case where facilities share infrastructure. A coordinated retreat from fossil fuels will provide certainty to suppliers and consumers on costs. Investors will not invest without a clear market for companies to supply to; a fossil fuel reduction timeline will provide a strong business case for investing in renewable fuels like green hydrogen.”¹¹

The NSW Productivity and Equality Commission's recent analysis¹² describes the urgency with which decisions on coalmining must be made for the state to meet its emissions reductions targets. Not meeting these targets will lead to a disorganised transition with significant implications for investors, companies and communities.

⁹ IGCC 2024, *Submission: energy and electricity sector plan to shape clean economy* [\[link\]](#).

¹⁰ *ibid.*

¹¹ *ibid.*

¹² NSW Productivity and Equality Commission 2024, *Ensuring a cost-effective transition* [\[link\]](#).

“Many decisions that will determine the level of 2050 emissions involve long-lived capital items. Current policy settings are blocking that investment. So, to shape 2050 outcomes, Australian governments must make decisions as soon as possible.

Decisions needed include:

- *new incentives for private investment in near-zero-emissions manufacturing processes, heavy freight, and passenger transport*
- *clear signals about how we use natural gas*
- *decisions about the future of coal mining.*

The longer we wait, the more it will cost us to fix the emissions shortfall. The easy decisions have already been made.”¹³

Improper planning for when mines will close places jobs at risk in the Hunter and Illawarra, and detracts skilled workers from budding clean industries. As outlined in IGCC’s *Investing in Australia’s Vital Regions* report¹⁴, it is critical that workforces and communities are appropriately prepared, now, for the transition to a decarbonised economy, so that these regions remain investible.

“The report...sets out recommendations for both investors and for policy-makers on how to support investment in:

- *new green export industries,*
- *multi-user infrastructure to support new industry growth,*
- *decarbonisation of ongoing industries, like manufacturing and agriculture*
- *regional emissions-neutral sectors, like tourism, education and healthcare, and*
- *the necessary social infrastructure and services to support a thriving community around major industries.*

Selected actions for policy-makers:

- *Develop investment-grade transition plans for emissions-intensive regions and priority industries. These must be co-designed with affected communities and workers.*

¹³ *ibid.*

¹⁴ IGCC 2024, *Investing in Australia’s vital regions* [[link](#)].

- *Support key foundations for business growth in the regions, including workforce planning, liveable regional communities, access to growth markets, and multi-user infrastructure*
- *Provide targeted financial support from public institutions...that includes taking on higher risk, earlier stage investments in priority regions and industries.*¹⁴

IGCC understands that legislation is being developed to establish Future Jobs and Investment Authorities¹⁵ which will address workforce issues, and urges that the government consider the points above. Given that the *NSW Net Zero Plan*¹⁶ also predates the Act, there is now the opportunity to better align it with the guiding principles of the Act.

Addressing coalmine emissions

IGCC engages with companies in emissions-intensive sectors, advocating for on-site emissions reductions. IGCC notes that the newly released *Guide for Large Emitters*¹⁷ will require emissions reductions targets from companies and fulsome methane reporting for any greenfield coalmines (and extensions) above 25,000 tonnes of scope 1 and 2 carbon emissions.

The prioritisation of reducing emissions from mining aligns with the objectives of many IGCC members, and recent work by the NSW Government in this space is a step in the right direction.

The credence lent to abating methane emissions in the Report is welcome, particularly the government's consideration of the Ventilation Air Methane Abatement (VAM) Demonstration Project for underground mines.¹⁸ Pre-draining technologies are readily available for open-cut mines but are not experiencing uptake. The importance of expediting on-site emissions reductions warrants further engagement with companies to identify roadblocks.

IGCC notes that the redesign of the *Net Zero Industry and Innovation Program* is upcoming, which could be an opportunity to undertake this work.

¹⁵ NSW Government 2025, *Future jobs and investment authorities* [\[link\]](#).

¹⁶ NSW Government 2022, *Net zero plan stage 1: 2020-2030* [\[link\]](#).

¹⁷ NSW Environmental Protection Authority 2025, *Guide for large emitters* [\[link\]](#).

¹⁸ VAM has been recognised as best practice by IIGCC: IIGCC 2024, *Addressing methane emissions from fossil fuel operations* [\[link\]](#).

Approach to planning processes

Some IGCC members describe planning processes as convoluted, with shifting expectations, timeframes and frequent turnover in staffing. While federal government incentives have greatly improved in recent years, these challenges between federal and state agencies are delaying final investment decision.¹⁹ Institutional investors have international portfolios, and such roadblocks create push factors for capital to move into jurisdictions with more clarity on timeframes and expectations of proponents.

The Clean Energy Investor Group has conducted extensive research on identifying challenges with the EBPC Act and planning authorities, across numerous projects. CEIG poses several recommendations for remedying these challenges.²⁰ Addressing bottlenecks in planning processes will expedite new capacity coming online.

The Commission's Report reveals the urgent need for projects to come online at orders of magnitude higher than the current pace to reach the state's renewable energy target. Given that the average wait time for wind projects to reach a decision is nine years²¹, the government's commitment to a 100-day decision timeframe, as made in the recent *Renewable Energy Planning Framework*²², is a welcome one.

Streamlined processes must not come at the cost of appropriate engagement with communities, particularly Aboriginal and Torres Strait Islander communities, with respect to free, prior and informed consent; both early on and throughout the project.

Recommendations for this have recently been published in the *First Nations Clean Energy Strategy*²³. From an investor perspective, this will ensure there is benefit sharing for these projects, and that renewable energy developers will avoid legal, social, and reputational risks

¹⁹ IGCC prepared a fulsome submission on these issues in the Investor Front Door consultation for FMiA, see; IGCC 2024, *Submission: coordinating investment for Australia's climate goals* [[link](#)].

²⁰ HSF & CEIG 2025, *Delivering major clean energy projects: Review of the EPBC act for renewable energy projects in Queensland, New South Wales and Victoria* [[link](#)].

²¹ Climate Change Authority 2024, *2024 annual progress report* [[link](#)].

²² NSW Government 2024, *Renewable energy planning framework* [[link](#)].

²³ Commonwealth of Australia 2024, *First Nations clean energy strategy* [[Error! Hyperlink reference not valid.](#)].

for their infrastructure projects.

Land use emissions

The Climate Change Authority projects -133mt of drawdown in 2050, for Australia to be net zero, with -119 of which being “land-sink”²⁴. The Report describes a significant reliance on the land sector for emissions reductions in NSW to date, with 18% of the 27% reduction on 2005 levels being attributable to land sector drawdown.

The Commission acknowledges that an unstable climate undermines land-sinks being a long-term solution. Given that new drawdown technologies are at a very early stage of development and have their own land-use requirements, this remains a significant challenge that has not been appropriately addressed at any level of government.

Some IGCC members express difficulty in allocating finance towards new carbon drawdown technologies. The Australian Sustainable Finance Institute is developing a taxonomy²⁵ based on the technology readiness and decarbonisation potentials of climate solutions, to enable investors to more confidently allocate capital. Carbon drawdown is considered too nascent of a technology to be considered.

Actual emissions reductions must be prioritised in all instances, with carbon removals a last resort. They will, though, play a key role in a net-zero economy. Work to develop a considered approach to land use planning, including removals and new tech solutions, should be a priority.

Adaptation

IGCC has been a longstanding advocate for adaptation and resilience preparedness, to manage systemic risks to member assets, the economy, and the financial system. IGCC has provided advice on the *National Adaptation Plan* and the design of the *National Climate Risk Assessment*, and has recently authored a report on stimulating private investment in

²⁴ Climate Change Authority 2024, *Sector Pathways Review* [[link](#)].

²⁵ ASFI 2025, *About the Australian taxonomy* [[link](#)].

adaptation²⁶. This may be a useful document to consider, in meeting the financing objectives of the *NSW Climate Change Adaptation Action Plan 2025-2029*.

IGCC supports the prioritisation of the NSW Government undertaking a state-wide risk assessment. The NSW risk assessment should be designed in a comparable way to the national risk assessment. Part of climate risk assessment in NSW should include competing land uses in a climate-changed future, including how to derisk drawdown with alternative solutions, should HIR become challenging.

Based on IGCC research, the NSW Government could consider:

1. That the mandates of all state-based financial supports expressly include adaptation and resilience preparedness in their application criteria.
2. Investing in bolstering the scientific capability and resources of state institutions to collect robust, high-resolution climate and hazard datasets, to support to development of five-yearly reviewed adaptation plans²⁷.

IGCC looks forward to continued engagement with the NSW Government on decarbonisation and adaptation policy.

Kind regards,

Bethany Richards, Policy Manager.

ⁱ *ibid.*

²⁶ IGCC 2024, *Activating private investment in adaptation: turning capital flight risk into the next multibillion opportunity* [[link](#)].

²⁷ Recommendations drawn from: IGCC 2024, *Activating private investment in adaptation: turning capital flight risk into the next multibillion opportunity* [[link](#)].