

## Greg Combet AO outlines the scope of Australia's energy transition challenge and the role of institutional investors

Australia's transformation from a fossil fuel-dependent economy will require more government assistance to encourage higher levels of institutional investment, according to new Future Fund Chair, Greg Combet.

The former Minister for Climate Change and Energy Efficiency pointed to the Government's Clean Energy Finance Corporation, which has provided loans to finance decarbonisation opportunities.

"Facilities like that can help tip the balance with some projects," he said. "But it's not radical to suggest that governments might need to be equity investors in projects to get them going, bear a lot of risk, particularly new projects with construction risk."

Clean energy projects rarely make compelling investment cases without such support – something he saw in his recent role as Chair of the Government's Net Zero Economy Agency, which coordinates policy and supports workers affected by the net zero transition.

"Of all the projects I was exposed to in my role that was recently concluded, all of them – to decarbonise or to build new industrial facilities utilising new technologies that lower emissions – I could barely find one that would make a commercial investor say 'yes'."

He said Australia needs to find new forms of wealth as it undertakes a massive transformation to replace fossil fuels, and abundant renewable resources represented a comparative advantage for Australia.

Just one aluminium smelter can consume 5-10 per cent of an entire state's electricity consumption he said and would require about 10,000 hectares of solar panels (combined with batteries and possibly gas-fired peaking plants) to replace.

"That must mobilise billions of dollars of private capital and governments will be thinking about how to catalyse that, perhaps with equity and cheaper debt to get things off the ground. That's the scope of the challenge. But it's actually a really wonderful opportunity to think about too – that we have to think about as investors and figure out a way through."

He was sceptical of the Federal Opposition's recent push for nuclear energy given Australia has no nuclear industry, as well as the time and cost of rolling out such a strategy.

"Looking at it as an investor, it's going to create a lot more uncertainty now about how you can invest in the energy transition and that's not good. But if we can have this debate in a reasonably informed manner, and the community make a judgement about it, we can get on with it."

Businesses and institutional investors continue to back the energy transition to renewables – a stark contrast to Combet's own time as climate change minister from 2010-2013.

"When I was climate change minister during that carbon pricing scheme... I needed protective armour. There were not too many friends in business or in the investment community at that time – it was pretty hard going – very hard reform. But fast forward to now, it's completely different."

Meanwhile, he said many of the issues currently facing the world were being driven by a breakdown in shared values across society.

"A lot of the geopolitical risks the world faces are at least in part driven by inequality, and that inequality exists because there's no community settlement about values – a bipartisan commitment if you like, that here are the basic things we adhere to."

"We've got social security benefits, a progressive taxation system, Medicare, universal superannuation – a whole host of measures that try to mitigate inequality in this country and ensure greater fairness. And it gives you a more stable investment environment as well as societal benefits. That's one of the big problems we face as investors in various jurisdictions globally right now."

**Greg Combet's recent address to the National Press Club can be viewed at:**

[https://www.youtube.com/watch?v=sGQrn1u\\_IGk](https://www.youtube.com/watch?v=sGQrn1u_IGk)