

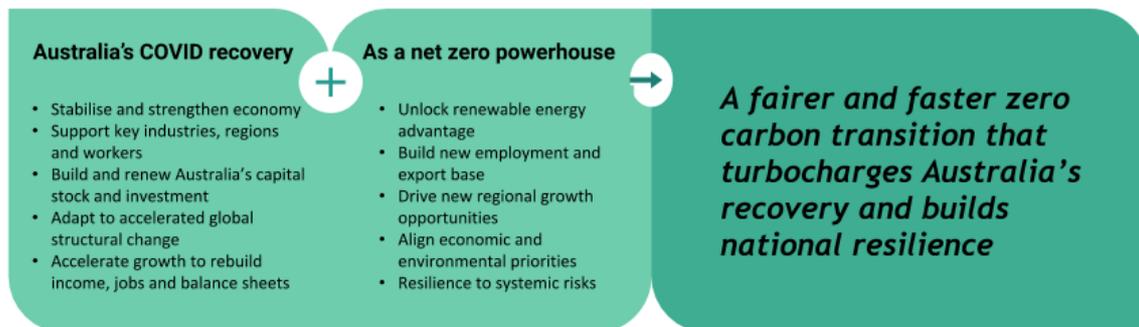
Climate & Recovery Initiative

Roundtable 1 - Framing Paper

About CRI

The **Climate & Recovery Initiative (CRI)** seeks to identify the best ideas for aligning Australia's economic recovery with climate and transition priorities, and to get them into the right hands. It is coordinated by the Centre for Policy Development (CPD) and ClimateWorks Australia, with a steering group that includes the Australian Industry Group, the Australian Council of Trade Unions, and Pollination. Our objective is to encourage a COVID recovery better aligned with a net zero emissions trajectory, one which can boost jobs, growth and national resilience. We are interested not only in stimulus measures but broader policy levers and structures that sustain national collaboration on systemic risks like climate change. Our first roundtable on 25 June will bring together trusted leaders, experts and advisers from business, regulation and policy. This paper has been drafted to frame that discussion and includes some initial ideas and proposals for aligning the recovery and transition agendas. We want the roundtable, to be held under the Chatham House Rule, to consider the state of play on climate and the recovery, discuss and refine these ideas, draw out others, and build a platform for working together to tackle critical priorities and opportunities in the months ahead.

Climate & Recovery Initiative



A high-carbon lock-in will mean a riskier recovery, slower income growth and less secure future.

Introduction

Australia faces two generation-defining challenges – recovering from the coronavirus pandemic and responding to climate change. Despite their serious, deep and global impacts, both present large opportunities. They are also closely entwined. If we can enable an economic recovery that aligns with a transition to lower carbon emissions, we have the chance to capture a 'triple dividend' of economic, social and environmental benefits. Indeed, a zero-carbon economy transition strategy has the potential to create significant economic and employment opportunities across all regions of Australia. To succeed, this strategy will need to be well planned, well implemented, and appropriately resourced. The additional stimulus, rebuilding and recovery measures that will be introduced by Australian governments as the COVID-19 policy response continues are a perfect opportunity to build the foundations for such a strategy.

The scale of the recovery challenge is daunting. At the end of May 2020, 1.5 million Australians were receiving the JobSeeker unemployment benefit, with a further 2.9 million employees and 910,000 businesses enrolled for the JobKeeper wage subsidy scheme. Unemployment and disconnection from the labour market have risen sharply during the pandemic. As well as creating an immediate social and economic crisis, this threatens to exacerbate pre-crisis challenges from long-term unemployment, inequality and entrenched disadvantage. Regions with high pre-crisis long-term unemployment have higher pandemic-related unemployment than the national average. Women are overrepresented in the sectors and jobs most heavily affected by the recession, especially in casual and insecure work. We cannot afford a slow or disjointed recovery that exacerbates existing inequalities and leaves a permanent scar through elevated long term unemployment.

A decarbonisation agenda will be critical to climbing the jobs mountain the country faces and to making local economies more resilient. An initiative linking recovery and transition isn't limited to the 'climate sector', but is firmly focussed on jobs, investment and productivity. Many of Australia's comparator, competitor and partner countries are looking to rebuild their economies with a carbon transition in mind, and this approach has been strongly supported by business, government and civil society groups around the world.¹ For example, Pascal Lamy, former head of the World Trade Organisation and President emeritus of the Jacques Delors Institute, has described the green dimension as a backbone of the EU's €750 billion recovery package, which includes green criteria for project funding and a commitment to devote a quarter of the fund to climate change mitigation.² Earlier this month the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) said that addressing climate change and environment issues is "as urgent and vital as ever", describing the disruption caused by COVID-19 as "a real-life stress test of what we could potentially experience in an increasingly unstable climate or disorderly transition shock".³

Investments in climate resilience and net zero ambition today can turbocharge our recovery and position Australia for stronger and more sustainable growth in the years ahead. Australia needs to establish a 'national modernisation agenda' that renews our existing, carbon-intensive capital stock, updates institutions for managing contemporary and future risks such as climate, makes sure we are physically and economically resilient to emerging risks, and takes a realistic view of the interdependencies between economic growth and social and environmental issues in light of clear trends in global governance and business. This agenda will create jobs and economic opportunities, capitalise on our natural energy advantages, and make us more resilient and adaptable to global economic, ecological and environmental change. It's a 'strength' Australia can bring to the multilateral table as we nurture safety, livelihoods and prosperity alongside the international community.⁴ Missing the boat on climate-aligned recovery will not just cost jobs now — it will deepen the global disadvantage that Australia will face in the years ahead as our global competitors and counterparts continue to pull ahead on decarbonisation and transition.

¹ Notable examples include international organisations such as the UN, IMF, World Bank and IEA, multinational companies such as BP, Shell and Total, and governments in Germany, the UK, Canada, the UEA, South Korea and the EU.

² https://ec.europa.eu/commission/presscorner/detail/en/ip_20_940 and <https://euobserver.com/green-deal/148662>

³ https://www.ngfs.net/sites/default/files/medias/documents/green_recovery_statement_-_june_2020.pdf

⁴ <https://www.foreignminister.gov.au/minister/marise-payne/speech/australia-and-world-time-covid-19>

Principles and priorities for action

Numerous organisations and individuals have proposed frameworks and principles to guide a recovery aligned with carbon transition. Many highlight how climate-aligned policies are stand-out candidates for providing economic stimulus. For example, Cameron Hepburn and colleagues at the **Oxford Smith School of Enterprise and the Environment** surveyed experts to assess different fiscal support measures against implementation speed, economic multiplier, climate impact potential, and overall desirability.⁵ They conclude five types of stimulus measures especially well-placed to achieve economic and climate goals are:

- clean physical infrastructure investment;
- building efficiency retrofits;
- investment in education and training to address immediate unemployment from COVID-19 and structural unemployment from decarbonisation;
- natural capital investment for ecosystem resilience and regeneration; and
- clean R&D investment.

In Australia, Frank Jotzo and ANU colleagues have developed a framework that assesses potential stimulus measures against employment, economic activity, timeliness, reduced implementation risk, compatibility with low carbon objectives, environmental benefits, social benefits, resilience, and governance.⁶ Against these criteria, they find the most promising options are:

- large scale renewable energy supply including through Renewable Energy Zones and expansion of power transmission;
- energy efficiency programs especially for public housing and public buildings;
- land management programs;
- afforestation and the improvement of ecosystems especially in areas impacted by bushfires; and
- specific types of transport infrastructure and public transport projects.

The examples above are by no means exhaustive. Other useful frameworks and principles have been developed or summarised in Australia and overseas, including by the **World Bank**,⁷ **ACTU**,⁸ **ClimateWorks Australia**,⁹ the **Academy of the Social Sciences in Australia**,¹⁰ and the **International Energy Agency**.¹¹ Coalitions have been formed to call for many of the measures highlighted above to feature in the next phase of Australia's fiscal response. For example, business, social, environmental and energy groups (including **Ai Group** and the **ACTU**) have called jointly for transition-aligned recovery efforts that focus on better energy efficiency and energy management, encompassing public and low-income housing, private housing, and commercial and industrial energy efficiency (see below).¹² While less likely, breakthroughs on long-standing policy impasses around electricity market design, climate policy and carbon pricing could also have a major positive impact on investment and recovery.

It is critical we make the most of this strong potential alignment between economic stimulus and climate related goals. But this agenda can be, and must be, about much more than just stimulus and crisis response.

⁵ [Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?](#)

⁶ [Fiscal stimulus for low-carbon compatible COVID-19 recovery: criteria for infrastructure investment;](#)

⁷ [Proposed Sustainability Checklist for Assessing Economic Recovery Interventions April 2020](#)

⁸ [Rebuilding jobs and our economy beyond the COVID-19 health crisis.](#)

⁹ [Green stimulus: an opportunity for economic and climate recovery](#)

¹⁰ [Efficient, Effective and Fair - Discussion Paper](#)

¹¹ [Sustainable Recovery: World Energy Outlook Special Report](#)

¹² [Building a stronger and cleaner post-pandemic Australia](#)

Australia's responses and strategies for recovery can also address key weaknesses we carried into the downturn and build a stronger foundation for long-term prosperity and sustainability. Climate and transition is not the whole story for stimulus or for the medium agenda. As Ai Group CEO Innes Willox recently put it, "recovery and transition are overlapping subjects, not identical."¹³ However, we have a unique opportunity to embed climate resilience and net zero transition into policy making in a way that strengthens the near term recovery, addresses challenges that pre-dated COVID-19, and sets us up for the long term. We need to ensure that the opportunities are made clear, the best ideas and proposals are sharpened, and that the wide cross section of stakeholders who want a transition-aligned recovery work together to make it happen. This is where the *Climate & Recovery Initiative* wants to make a contribution

Policy proposals

Through participating organisations and networks, we have collected a number of initial ideas, priorities and proposals for aligning the recovery and transition agendas. A selection of these are summarised below, as a prompt for discussion at the 25 June stakeholder roundtable (Figure 2). Some of these are ideas that are already on the agenda. Others are new strategic priorities that we think can be a crucial part of the discussion in the months ahead.

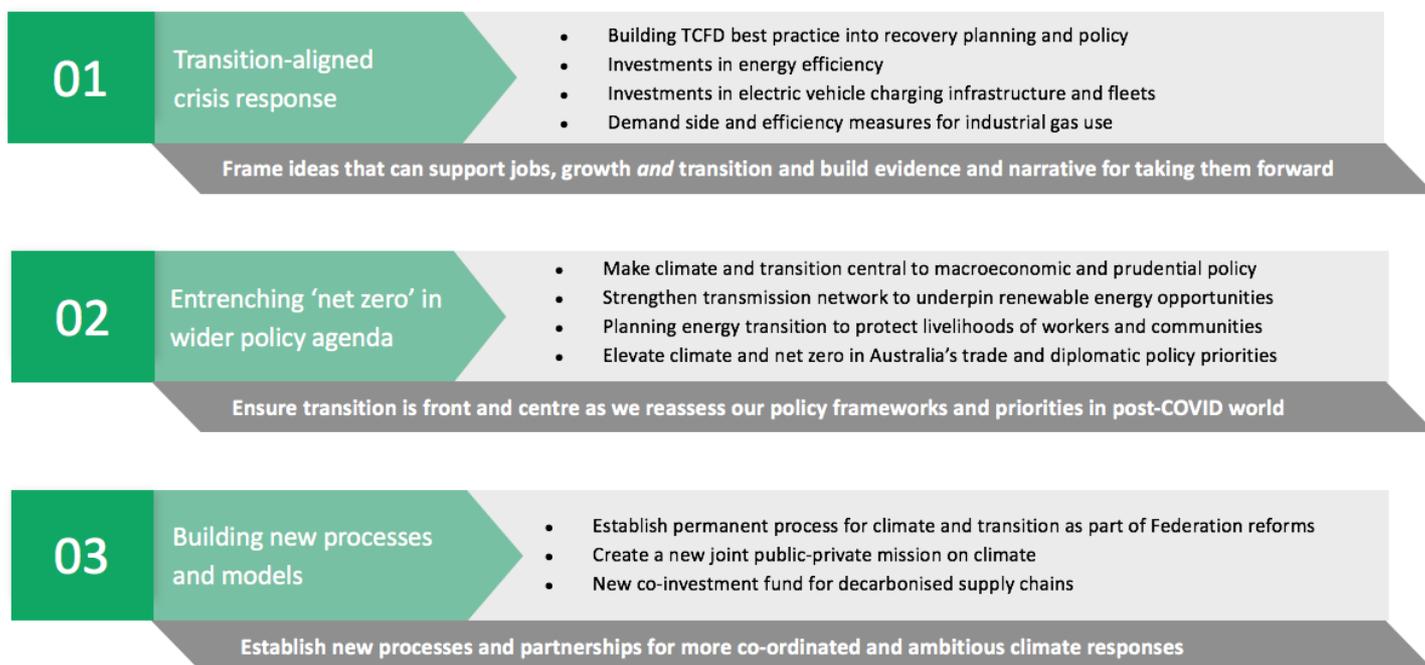
The ideas below fall into three key policy themes that we have identified for our work:

- (1) Identifying **transition-aligned crisis response measures** that can support jobs, growth and climate priorities now, taking advantage of the opportunity to align stimulus, recovery and transition goals
- (2) Highlighting priorities for **entrenching 'net zero' in the wider policy agenda**, making transition front and centre as we reassess our policy frameworks and priorities in a post COVID-19 world
- (3) Building **new processes, models and architecture** for more coordinated and ambitious climate responses, ensuring a positive long-term legacy from this moment of crisis.

In this way, the ideas below have an eye to the near, medium and long-term, but all include concrete steps that can be taken now and in coming months.

¹³ [Address to Clean Energy Council on Economic Recovery and Energy Transition, May 2020.](#)

Figure 2: Policy priorities and examples for discussion



1. Near term crisis response measures

Building TCFD best practice into recovery planning and policy. The international Task Force on Climate-related Financial Disclosures (TCFD) has developed a comprehensive framework for companies to publicly disclose climate-related risks.¹⁴ The TCFD framework has direct relevance for public sector institutions and policy making. Last week, the Bank of England (BoE) published its own climate-related financial disclosure report, with new BoE Governor Andrew Bailey saying “it is important we hold ourselves to the same high standards as the firms we regulate.”¹⁵ Australian institutions could take key steps to incorporate the private sector best practice exemplified by the TCFD into recovery and rebuilding processes, with a particular focus on using climate scenario planning to guide policy decisions and investments. This could include: (i) incorporating TCFD-style assessment and scenario analysis into formal or informal recovery planning processes; (ii) ensuring new investment vehicles or funds adopt TCFD best practice in their mandates; (iii) adopting TCFD in financial stability assessments conducted by financial regulators; and (iii) building TCFD frameworks into key economic publications like this year’s Intergenerational Report. Groups outside government could also support a TCFD-style assessment of Australia’s initial stimulus and recovery packages to highlight gaps and opportunities for any further measures.

¹⁴ Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)

¹⁵ The Bank of England’s climate-related financial disclosure 2020

Investment in energy efficiency. Recent estimates by the Energy Efficiency Council, Energy Savings Industry Association and Green Energy Markets suggest that an ambitious energy efficiency strategy could create up to 120,000 job-years of employment in Australia, as well as substantial energy bill savings and emissions reductions.¹⁶ Proposed projects include efficiency upgrades in public and social housing, including appliances, insulation, heating and cooling (especially through the use of heat pumps) and smart metering.¹⁷ Similar upgrades could also be applied to the private residential, commercial and government building sectors. Employment benefits from such programs would particularly flow to the construction and trades sectors, which have been a recent focus for government recovery efforts.¹⁸ Industrial efficiency programs, including a focus on electrification and fuel switching and upgrades to industrial heat generators, also have major potential. The previous Energy Efficiency Opportunities Program may provide a useful model or framework for encouraging co-investment by government and industry in this area.¹⁹

Transport electrification – Electric vehicle charging infrastructure and government EV fleets. The transport sector contributes almost 20 per cent of Australia’s emissions.²⁰ Heavy reliance on liquid fossil fuels makes transport a prime target for emissions reduction, primarily through electrification and fuel switching.²¹ Pursuing a high uptake of electric vehicles in Australia could lead to an estimated additional 13,400 jobs and \$2.9 billion in GDP by 2030.²² The uptake of EVs is linked to the availability of charging infrastructure, and conversely the investment case for infrastructure is affected by the number of EVs on the road, creating an opportunity for public investment in both to drive uptake. The Commonwealth Government is developing a National Electric Vehicle Strategy to facilitate EV adoption,²³ and this strategy could be used to catalyse an aggressive rollout of charging infrastructure and boost the number of EVs in government fleets, helping to provide critical mass in both domains. The Electric Vehicle Council and ClimateWorks Australia have advocated for investment in this area,²⁴ while the Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC) have existing programs on charging infrastructure and EV adoption.

Reframing the gas supply conversation to increase focus on demand side and efficiency measures. Access to cheap and reliable energy has been identified by numerous groups, most notably the National COVID-19 Coordination Commission (NCCC),²⁵ as a critical factor in driving a robust economic recovery. Much of the recovery-related public debate has centred on the need for increased gas supply and transportation to reduce prices, especially to the Australian east coast market. However, there is arguably more to be gained by focussing on demand side and efficiency measures to reduce cost pressures from supply gaps. Investment in gas efficiency, fuel shifting and electrification, and newer technologies such as hydrogen and biogas, could help to reduce gas demand significantly and achieve price and emissions reductions. ClimateWorks have conducted analysis in this area, highlighting opportunities for large reductions in gas demand and the east coast supply gap, coupled with reduced emissions.²⁶

¹⁶ [Energy efficiency employment in Australia - February 2019](#)

¹⁷ [Building a stronger and cleaner post-pandemic Australia](#)

¹⁸ <https://treasury.gov.au/coronavirus/homebuilder>

¹⁹ [Energy Efficiency Opportunities - Assessment Handbook](#)

²⁰ [National Greenhouse Gas Inventory: December 2019](#)

²¹ [Technology Investment Roadmap Discussion Paper](#)

²² [Recharging the economy](#)

²³ [A National Strategy for Electric Vehicles](#)

²⁴ [The Path Forward for Electric Vehicles in Australia](#)

²⁵ [Statement by the Chair to the Senate Select Committee, COVID-19](#)

²⁶ [ClimateWorks Australia \(2017\) 'Solving the gas crisis: A big problem deserves a big solution'](#)

2. Entrenching net zero emissions in the wider policy agenda

Making climate and transition central to macroeconomic and prudential policy. Australia's financial regulators could support a transition-aligned recovery by accelerating work to entrench climate in their mandates. The NGFS, which counts the Reserve Bank of Australia (RBA) among more than 60 central bank and supervisor members, has this month reaffirmed the urgent imperative of addressing climate risk.²⁷ The RBA, APRA and ASIC have recognised climate risk is directly relevant to economic growth, financial stability and corporate governance.²⁸ The pandemic has accentuated that connection due to heightened risks of a high-carbon investment and recovery pathway. In response, regulators could reinforce legal duties to consider climate risk in all investments, start to account for climate risk in collateral frameworks and asset purchases, accelerate mandatory climate risk reporting, and build foundations for prudential measures to actively support transition-aligned activities.²⁹ These responses would help to manage risks and build momentum for a job-creating sustainable finance agenda. These could be augmented by government initiatives to bolster sustainable finance. For example, a climate or sustainability-linked Commonwealth Government bond, replicating those issued by Australian states, could reinforce commitments to emissions reduction and fund new initiatives or investment vehicles targeting climate and sustainability outcomes (e.g. a CEFC-style fund for natural capital and landscapes proposed by The Nature Conservancy).

Strengthening electricity transmission networks. The Australian Energy Market Operator (AEMO) Integrated System Plan (2018, and currently being revised for 2020)³⁰ identifies a number of 'no regret' actions to strengthen the National Electricity Market, providing market and consumer benefits while integrating higher levels of variable renewable energy. AEMO has also identified a number of potential Renewable Energy Zones (REZ) which would require strengthened grid connections. Fast-tracking transmission projects and REZs, through accelerated approvals, planning and commercial processes, would stimulate rapid investment in these initiatives. NSW has initiated work in this area through the identification of three REZs and a Transmission Infrastructure Strategy,³¹ which could be used as a model for national expansion. Beyond Zero Emissions estimates that fast-tracking priority transmission projects could create up to 35,000 job-years in construction and catalyse over 100,000 jobs from expanded renewable energy opportunities.³²

Planning the energy transition to protect the livelihoods of workers and communities. Although low emissions technologies and the transition to a low carbon economy have major employment and economic development potential, there will be significant social costs to specific workers and communities if the exit of existing fossil fuel energy generators and supply is not managed carefully. Australia should join the almost 50 other countries who have committed to ensuring a 'just transition', such that affected workers and communities will be supported to redeploy, retrain and diversify their economies as part of the decommissioning of legacy operations.³³ Successful introduction of technologies identified through the Low

²⁷ [Network for Greening the Financial System Chair Frank Elderson, May 2020](#)

²⁸ See for e.g. [Climate change and the economy](#), speech by RBA Deputy Governor Guy Debelle at CPD public forum in March 2019

²⁹ For a full discussion of issues and options see LSE Grantham Institute, [Toolbox for Sustainable Crisis Response Measures for Central Banks and Supervisors, June 2020](#)

³⁰ [Integrated System Plan \(ISP\)](#)

³¹ <https://energy.nsw.gov.au/renewables/renewable-energy-zones>; [Transmission Infrastructure Strategy](#)

³² [Million Jobs Plan Briefing Paper 1](#)

³³ [Just Transition Pledge UN Climate Action Summit 2019](#)

Emissions Technology Roadmap will require social licence and community support, and a clear transition plan for forthcoming closures will help achieve this. The ACTU has been leading work in this area.³⁴

Elevating climate and net zero emission in Australia's trade and diplomatic agenda. Trade deals with the United Kingdom and EU can help to recalibrate Australia's international outlook on climate as accelerating global momentum on decarbonisation reshapes our interests. Australia faces major risks if it lags global leaders on zero-carbon economic activity and ambition. The EU and UK have ambitious net zero commitments, detailed green finance agendas, and high sustainability-related standards, while the EU is considering a carbon adjustment mechanism.³⁵ New bilateral deals are key opportunities to deepen our strategic trade, investment and institutional links in markets that are shaping global best practice in sustainable finance, trade and economic activity. The UK's hosting of the delayed COP26 in 2021 is another key pressure point and opportunity, given Australia will be expected to make stronger commitments across the four key COP26 priorities (including credible national net zero strategies).³⁶ Key investor, business and policy voices can help to shape and elevate this agenda. Engaging more constructively to lift global climate ambition and governance will protect Australia's longer-term trade and economic interests given major potential in renewables and energy-intensive exports and industries. It will also deliver on Australia's pledge to preserve fundamental aspects of the multilateral system.³⁷

3. New models, institutions and architecture to outlive the crisis

Establishing a permanent process for transition as part of Federation reforms and National Cabinet process. The National Cabinet has facilitated policy responses to the pandemic based on evidence and expert advice. Streamlined cooperation combined with rapid information sharing has enabled relatively strong coordination of Commonwealth, state and territory actions. The Prime Minister has indicated the National Cabinet will become a permanent structure, replacing COAG. Although there are clear differences between the pandemic response and a carbon transition (one being a rapidly developing health emergency with declining magnitude over time, the other a cumulative, long-term emergency), elements of this approach can be applied to the goals of a transition-led economic recovery. Enshrining climate and transition in new governance arrangements will be critical. Former ACT Deputy Chief Minister Simon Corbell has proposed one approach based on resilience and regeneration, building on earlier work such as the national Disaster Risk Reduction Framework.³⁸ There is scope to extend this to include the economic and social dimensions of carbon transition, using existing state-based net zero and renewable energy ambitions to support a coordinated national approach, together with the climate vulnerability assessment announced in February to inform understanding of system-level risk.³⁹

Creating a new joint public-private mission on climate. Intergovernmental and interagency coordination on climate is a necessary condition to respond to climate risk and opportunity in the post COVID-19 context. But it will be insufficient without much deeper collaboration between the public and private sector. Financial regulators and industry have shown the power of collaboration through the Council of Financial Regulators and the Australian Sustainable Finance Initiative. Commonwealth and state governments have an array of initiatives. The CSIRO's upcoming Navigating Climate Change Mission seeks to highlight public and private collaboration, build new climate risk capabilities, and redefine Australia's

³⁴ [Sharing the challenges and opportunities of a clean energy economy](#)

³⁵ <https://institutdelors.eu/en/publications/verdir-la-politique-commerciale-de-lue/>

³⁶ <https://sdg.iisd.org/news/un-secretary-general-uk-italy-outline-priorities-for-cop-26/>

³⁷ <https://www.foreignminister.gov.au/minister/marise-payne/speech/australia-and-world-time-covid-19>

³⁸ <https://www.energyestate.com/ingenuityplus/from-repair-to-regeneration-how-the-national-cabinet-could-decarbonise-australia>

³⁹ <https://www.apra.gov.au/understanding-and-managing-financial-risks-of-climate-change>

zero carbon potential. It provides an opportunity to connect existing efforts and recovery-oriented initiatives as part of a new national mission on climate and transition. A mission approach would provide a permanent mechanism for governments, investors, business and civil society to work together to accelerate climate-aligned recovery and rebuilding from the pandemic. Separately, or as part of this process, an Australian carbon transition commission or authority could build the vision of a thriving zero carbon Australian economy and support policies for an accelerated, just transition in regions where challenges and opportunities are greatest.

Co-investment fund for decarbonised supply chains. Using the successful CEFC financing model, there is scope for a large-scale fund to invest strategically in decarbonised supply chains. Ideally, such a fund would include investment by both Commonwealth and state governments, via grants and debt, underpinning a national investment source in the order of \$20-\$100 billion. The fund would facilitate large scale asset and infrastructure investments to develop supply chains in key opportunity areas such as hydrogen (including production and use, transport and green certification), batteries (including lithium and other raw material components), transmission infrastructure, transport projects, and other key technologies identified via the Low Emissions Technology Roadmap process. A related business investment stream could be created to support businesses to develop decarbonisation strategies consistent with TCFD recommendations and ASIC and APRA guidance. The fund could be jointly managed for Australian governments by the CEFC and ARENA, who have a track record of effectively supporting clean energy investments over nearly a decade.

Questions for discussion

- What evidence is needed to build the case for a transition-aligned recovery strategy?
- What is the most strategic and compelling way of framing the challenge and opportunity?
- Which ideas that are already on the agenda need to be encouraged and prioritised?
- What new ideas and strategic priorities require more attention and support?
- What are the key opportunities to influence policy over the next 3, 6 and 12 months?
- How will we know if success has been achieved? How can we elongate the window for influence if early opportunities are missed?