

6 June 2025

Productivity Commission

Submitted online



Pillar 5: Investing in cheaper, cleaner energy and the net zero transformation

The Australian Financial Markets Association (AFMA) is responding to Pillar 5: Investing in cheaper, cleaner energy and the net zero transformation.

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, and other specialist markets such as gas, carbon, electricity and environmental products. We have more than 130 members, from Australian and international banks, leading brokers, securities companies, and state government treasury corporations to fund managers, energy firms, and industry service providers. AFMA energy members include most of the major participants in the east coast energy market.

Key Points

- **The NEM Wholesale Market Settings Review, combined with the Safeguard Mechanism, should provide policy certainty to manage the energy market transition**
 - **Clearer, more consistent policy to support the role of gas through the transition is required**
 - **Environmental certificates can play an important role in driving energy efficiency investments**
 - **Environmental reporting obligations should be streamlined**
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AFMA welcomes the Productivity Commission's focus on reforms that will support investment in cheaper, cleaner energy and the net zero transformation. But, as noted in your consultation paper, there are currently a number of policy initiatives looking at the challenge of the energy market transition. AFMA particularly notes the work of the NEM Wholesale Market Settings Review whose recommendations we think are likely to support the investment needed to manage the energy market transition and encourage the Commission to avoid duplicating their work.

1. Reduce the cost of meeting carbon targets

1.1. Role of certificate schemes

Two of the key challenges that AFMA has identified for the energy market transitions are:

- a. The need for consistent long-term policy to guide investment in new generation
- b. A clear plan for the role of gas in the transition

Replacing coal fired generation with lower emissions sources of energy is the main challenge of the energy market transition. The NEM Wholesale Market Settings Review is currently wrestling with this challenge, AFMA is encouraged by the Panel's work to date and is confident they will develop recommendations that can support the investment needed to manage the energy market transition.

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We encourage the Commission to coordinate its work with the panel to ensure that it does not duplicate this important work.

An area that we think may be worth the Commission considering is the role of gas in the energy market transition. The Commonwealth's Future Gas Strategy¹ Government and AEMO's 2024 Integrated System Plan² both identifies that gas will play an important firming role in the energy market transition; but as we expressed in our submission to the Future Gas Strategy consultation, we consider that a lack of consistent policy about the role of gas is blunting market signals and complicating investment decisions.

1.2. Climate reporting

Duplicative climate reporting obligations have increased the regulatory burden for firms that have to manage the data challenges and complexity presented by multiple emissions reporting schemes, this duplication increases the cost of emissions reductions. The government has made efforts to align the Safeguard Mechanism and National Greenhouse and Energy Reporting Scheme, but we think more work could be done to ensure that the new climate-related financial disclosure regime is consistent with existing reporting. AFMA would encourage the Productivity Commission to align and consolidate emissions reporting obligations.

2. Encourage adaptation by addressing barriers to private investment

Your paper notes that there can be barriers to households making investments to increase their climate resilience. We consider that households have experienced similar issues making investments to improve the energy efficiency of their homes or adopt new technologies such as solar and batteries. Environmental certificate schemes have played a key role in encouraging adaptation. In both Victoria and New South Wales, their environmental based certificate schemes have been successful in driving adoption of energy efficiency measures, while the Commonwealth's Small-scale Renewable Energy Scheme has encouraged the adoption of solar and batteries. AFMA therefore encourages the Commission to consider if similar certificate schemes could play a role in supporting energy efficiency related investments that promote climate resilience.

While supportive of the current schemes we note that having multiple schemes addressing similar issues may not be the most efficient approach and encourage the Productivity Commission to consider the potential to streamline them. Similarly, duplication and overlap in schemes is being seen in renewable gas. Victoria and Tasmania are consulting on the creation of certificate schemes, this is in addition to the NSW scheme and the Commonwealth's Product Guarantee of Origin certificate schemes. The need for multiple schemes and certificate markets covering similar products is unclear. AFMA therefore encourages the Commission to consider if similar certificate schemes, or alignment and consolidation of existing schemes, could play a role in improving climate resilience.

AFMA Recommendations

- i. Prioritise developing consistent policy for the role of gas in the transition to repair blunted market signals
- ii. Consider greater emissions reporting alignment to reduce industry costs

¹ <https://www.industry.gov.au/publications/future-gas-strategy>

² <https://aemo.com.au/-/media/files/major-publications/isp/2024/2024-integrated-system-plan-isp.pdf?la=en>

- iii. Consider if environmental certificate schemes could play a role in supporting energy efficiency related investments that promote climate resilience.
- iv. Climate reporting obligations should be streamlined

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact Monica Young via myoung@afma.com.au or 02 9776 7917.

Yours sincerely,



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