

Rāpopoto - Summary

- Since being sworn in on 1 June, Australian Minister for Climate Change and Energy Chris Bowen's focus has been on responding to the energy crisis that has gripped Australia, and shaping how Labor will deliver on their climate agenda.
- Bowen's Press Club [speech](#) on 29 June outlined next steps for implementing the government's agenda. When Parliament resumes in late-July two pieces of legislation will be introduced:
 - an electric vehicle tax cut; and
 - enshrining in law the recently updated Nationally Determined Contribution (NDC) of 43 per cent emissions reduction by 2030 and net zero emissions by 2050.

Pūrongo - Report

Chris Bowen was sworn in as the Minister for Change Climate and Energy on 1 June alongside Jenny McAllister as the Assistant Minister with particular responsibility for climate adaptation. Minister Bowen utilised his Press Club address last week to outline how, 29 days into the role, the government will deliver on its commitments and achieve its climate change objectives.

Codifying the updated NDC in legislation

On 16 June, the Prime Minister and Minister Bowen submitted Australia's updated Nationally Determined Contribution (NDC) under the Paris Agreement to the Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC). This formalised Labor's pledge to reduce greenhouse gas emissions by 43 per cent below 2005 levels by 2030, and confirms Australia's commitment to achieve net zero emissions by 2050. As part of the 16 June announcement, the Prime Minister and Minister affirmed the Government's goal of trying to enshrine these targets in legislation.

The Minister has outlined the scope of this legislation as being in four parts:

- codify the NDC commitment of 43 per cent emissions reduction by 2030 and net zero emissions by 2050 in legislation;
- assign the Climate Change Authority with the task of annually assessing and publishing progress against these targets and to provide advice on future targets;
- require the Minister for Climate Change to report annually to Parliament on progress towards climate change targets; and
- in consequential legislation, insert the climate change targets in the objectives and functions of responsible government agencies including: Australian Renewable Energy Agency (ARENA), Clean Energy Finance Corporation (CEFC), Infrastructure Australia and the Northern Australia Infrastructure Facility (NAIF).

Legislation to implement tax cuts for affordable EVs

The government's second piece of legislation will implement the electric vehicle tax cut it campaigned on at the election. Under the legislation as of 1 July certain vehicles (below the luxury car tax) would be exempt from:

- the 5 per cent tariff on some imported electric cars; and
- the 47 per cent fringe benefit tax on electric cars that are provided through work for private use.

The legislation would retrospectively provide for these cuts to be applied. The tax cuts are a component of the, still to be developed, National Electric Vehicle Strategy. This policy seeks to encourage car manufacturers to import and supply affordable electric models. The Strategy will also provide direction on:

- additional measures to increase electric car sales and infrastructure, such as EV chargers every 150 kilometres on the nation's highway;
- conversion of the Commonwealth fleet to 75 per cent no-emissions vehicles;
- policy settings to encourage Australian manufacturing of electric car components (especially batteries) and possibly cars themselves; and
- ways to address the policy implications of declining fuel excise.

Responding to the energy crisis

Minister Bowen taking on the climate change and energy portfolio has coincided with "perfect storm" on the energy front – with spot electricity prices 80 times normal levels (at almost \$1,000 per megawatt hour) in the Minister's first week in the job. A confluence of an early and harsh winter; elevated gas prices driven by high global demand (as countries sought alternative supplies to Russia); a lack of wind and sun in Australia this year, and unanticipated temporary shutdowns of coal-fired reactors created this perfect storm driving up the price of Australia's natural gas.

As demand for energy increased through early June, so did the price. The cost exceeded the amount allowed by the Australian Energy Market Operator's (AEMO) and as such triggered AEMOs 'administered price cap' (set at \$300/MWh). Generators were then observed to be withdrawing their supply from the market as their margins were heavily squeezed – this further contributed to a depletion of reserves and a forecasted shortfall.

To avert blackouts and load shedding in Queensland, NSW and Victoria pleas went out to limit energy use. The real saving grace was AEMO issuing daily directions to the industry to release their available supply into the market (through Lack of Reserve Notices). The AEMO CEO said it had "become impossible to continue operating the spot market while ensuring a secure and reliable supply of electricity for consumers." As such, from 17 to 24 June, AEMO temporarily suspended the electricity spot market across Australia – an unprecedented move. Power companies were required to generate enough supply to meet demand. AEMO expects conditions will remain dynamic but are currently seeing the market act in its normal manner and beneath the price cap. The suspension was only ever presented as a short-term solution to skirt a crisis.

Rewiring the Nation: IPS report

A key element of the Government's long-term energy strategy, the AUD\$20 billion Rewiring the Nation strategy, needs the full support of the states and territories as well as buy-in from regulators and industry players to modernise the grid, transition to renewable energy and maintain sufficient energy capacity in the meantime. The Government's plan was received positively at the initial meeting of State/Territory Energy Ministers in mid-June.

Minister Bowen's Press Club speech foreshadowed the, now released, 2022 Integrated System Plan (ISP) by AEMO as the key piece of advice to inform how Australia's energy sector would transform (link to [published ISP report](#)). The IPS has outlined a 30-year roadmap for the delivery of major transmission infrastructure projects to replace aging fossil-fuelled generators with new technology.

During the peak of the energy crisis, Bowen was quoted as saying “Yes, you can say the wind doesn’t always blow, and the sun doesn’t always shine. The rain doesn’t always fall either, but we can store the water, and we can store renewable energy if we have the investment.” The IPS report indicates the scale and cost of what the federal and state governments are about to tackle.

It estimates at least 10,000 kilometres of new transmission is required to connect a nine-fold expansion of wind and solar farm capacity and a near five-fold increase in distributed solar by 2050 and to treble the firming capacity from alternative sources to coal, including utility-scale batteries, hydro storage, gas-fired generation, and smart behind-the-meter virtual power plants (VPPs). There are five critical transmission projects under way that the IPS has pointed to as urgent priorities underpinning the transformation:

- HumeLink and Sydney Ring, two transmission line projects connecting NSW;
- VNI West, expanding connection capability between Victoria and NSW;
- Marinus Link, a second undersea cable that will connect Tasmanian produced hydro to the mainland; and
- New England REZ Transmission Link, a transmission line connecting NSW.

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