From the desk of Saxon Davidson, Research Fellow
sdavidson@ipa.org.au

29 October 2026

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

Too much investment uncertainty for gas reservation policy to be feasible

The purpose of this submission is to share research and analysis conducted by the Institute of Public Affairs ("the IPA") on the Domestic Gas Reservation Bill 2026 and related bills (the bills).

The primary purpose of the bills is to establish an export licensing regime and impose obligations on licence holders to contribute to domestic gas supply, equivalent to at least 20 per cent of the licence holders' LNG export during the regulated period.

The concept of a gas reservation policy, in a vacuum, may be an idea worth exploring. However, if such a policy was implemented now it would likely reinforce existing problems of declining investment and market distortions caused by Australia's current regulatory and policy conditions.

A major analysis of Australia's private investment environment identified $688 billion in foregone investment over the past decade due to a range of policy factors, from net zero and climate policies, workplace relations laws, red tape, compliance, lawfare, and sovereign risk. The resources sector has been at the forefront of this investment challenge. In this environment, a policy to curtail gas exports would risk compounding gas investment even further.

The sheer amount of gas resources in Australia – approximately 214 trillion cubic feet – should mean that Australia has more than enough gas for us to meet global market demands and service our own domestic needs.[1]

Before any discussion on a gas reservation takes place, the federal government must wind back the excessive regulatory barriers deterring investment in the resources sector and take power away from activists to hold up projects in the courts so that we can extract more gas, and abandon existing emissions and renewable energy generation targets to ensure gas is prioritised for households, families, and industries, rather than backing up an increasingly intermittent electricity grid based on wind and solar.

[1] Total demonstrated (i.e., known) resources according to Geoscience Australia, *Australia's Energy Commodity Resources 2026* (August 2026).

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Environmental lawfare raises investment uncertainty for new projects

Lawfare has delayed many recent gas projects in Australia, such as the Barossa Gas Project and the Narrabri Gas Project.

The most egregious form of lawfare is environmental lawfare, in which activists use often vague environmental concerns to frustrate, delay, and cancel projects under a special legal privilege contained in section 487 of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Presently, a "person aggrieved" can challenge ministerial decisions on major projects under the *Administrative Decisions (Judicial Review) Act 1975* (ADJR Act) providing they are a person "whose interests are adversely affected" by a decision.[2] However, section 487 of the EPBC Act extends the meaning of "person aggrieved" under the ADJR Act to include organisations or associations which are engaged in activities "for [the] protection or conservation of, or research into, the environment".[3]

Previous research by the IPA found that between 2000 and 2020, legal activism by environmental groups in Australia put $65 billion worth of investment at risk by holding major projects up in court for a cumulative total of 10,100 days, equivalent to 28 years. Over the same period, 94 per cent of the legal challenges under Section 487 failed to substantially alter the conditions of a project.[4]

The stated aim of green groups is to use this legal privilege to conduct anti-development political campaigns. These tactics have been effective at frustrating and disincentivising major projects.

On top of this, the federal government is putting its finger on the scale against project proponents by subsiding law firms who take these projects to court and engage in this form of lawfare. A major recipient of this government funding is the Environmental Defenders Office, who was found to have distorted and misrepresented evidence in its failed challenge against the Barossa Gas Project in 2023-24.[5]

This lawfare makes it onerous and expensive for a project to get off the ground, and introducing any form of gas reservation federally without first addressing this barrier to investment is a mistake and would damage our ability to invite project proponents to invest in Australia and extract the gas that the bills are designed to reserve in Australia.

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[2] *Administrative Decisions (Judicial Review) Act 1975* (Cth).
[3] *Environment Protection and Biodiversity Conservation Act 1999* (Cth).
[4] Kurt Wallace, *Section 487: How Activists Use Red Tape to Stop Development and Jobs* (Institute of Public Affairs Research Report, March 2020).
[5] *Munkara v Santos NA Barossa Pty Ltd (No 3)* [2024] FCA 9.

Red tape is a barrier to gas investment

IPA research has established that red tape is currently at a record high, growing at a rate 67 per cent higher than the rate of economic growth since 2005, and has been costing the Australian economy $176 billion per year in lost output.[6]

A significant portion of the red tape growth has been in 'green tape', shorthand for unreasonable environmental laws and regulations. Green tape is typically used to overregulate our primary industries (mining and agriculture), which are the industries that provide the royalty and tax revenue that help pay for our roads, schools, and hospitals.

Gas projects face a labyrinth of green tape, including hurdles in the approvals stage, emission reduction mandates, activism-driven funding constraints, and carbon taxes such as the safeguard mechanism. These obstacles not only affect the gas industry but also our manufacturing and primary sectors, and have contributed to our private investment and net exports as a component of GDP falling from 28 to 20 per cent since 2000.[7]

The gas industry has reported in surveys that the regulatory barriers have grown in recent years. A report by Wood Mackenzie found the following:

> While Australia's resources, access to markets, market certainty, fiscal terms, ability to raise finance and obtain social license are seen as positives that support investment in Australia – energy and climate policies, environmental regulation, permitting and approvals processes and the lack of regulatory and political certainty are driving investment down. Competitiveness is being further eroded by emerging activist "lawfare", with court challenges being lodged to overturn previously granted regulatory approvals and delaying major projects in recent years. Indeed, 95% of respondents to the survey on Australia's competitiveness believe Australia's natural gas exploration, production and LNG sectors have become somewhat or significantly less attractive over the last 5 years.
>
> Additionally, 95% of respondents to the Australian Energy Producers survey have had investments directly impacted by a change in Government policy or regulation. Of these, a fifth did not proceed or were relocated outside of Australia, and almost half were significantly delayed. Since the mid-2010s, some large upstream projects in

[6] Lachlan Clark and Saxon Davidson, *The Growth of Red Tape: Causes and Solutions* (Institute of Public Affairs Research Report, November 2023); Mikayla Novak, *The $176 Billion Tax on Our Prosperity* (Institute of Public Affairs Research Report, May 2016).
[7] Kevin You, *Decline: A snapshot of the Australian economy in the 2020's* (Institute of Public Affairs Research Report, March 2026).

> Australia have taken between 6 and 9 years to gain relevant approvals and progress from proposal to first gas.[8]

Adding a gas reservation policy on new projects on top of these existing regulations and legal risk will only add to investment uncertainty, and would undermine the overarching goal of the bills, which is to provide a larger supply of gas, as a dispatchable source of energy, for the domestic market.

I wish to thank the committee for the opportunity to provide this submission. Please do not hesitate to contact me at sdavidson@ipa.org.au for further consultation or discussion.

Kind regards,

Saxon Davidson
Research Fellow

Enclosed IPA Research

Losing Its Lustre: 11 Reasons Why Investment in the Australian Resources Sector (August 2026)

Five policies to revive Australia's sovereign capability (May 2026)

From Bad Ideas to Bad Laws: The Five Pillars of Net Zero (June 2025)

[8] Wood Mackenzie, *Australia's Natural Gas Investment Competitiveness* (Report prepared for Australian Energy Producers, May 2025)

Institute of Public Affairs

LOSING ITS LUSTRE

11 reasons why investment in the Australian resources sector is in decline

AUGUST 2026

Julian Coleman

Research Fellow



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Foreword

Australians love their sports, and they want their teams to be at or near the top of the ladder.

For the last two decades, however, Australia has been slipping down the international league ladder of countries in which it is attractive to make major investments in the resources sector.

In Section 3 of this report, you will read about a major international comparison conducted by the Fraser Institute, which maps that decline and explains the reasons why.

In the main body of the report, you will find our analysis of the eleven main drivers of the decline in investment in our resources sector, and the lost opportunities this represents for mainstream Australians.

Nothing has changed in terms of our resource endowments, which remain the envy of the world. And while demand ebbs and flows, the current upside potential is being harvested by other countries that are hungrier and more agile.

What has changed is our domestic policy settings, and the appetite of government to remain consistently supportive of major projects over the timeframes necessary for investors to bring them to fruition.

The capricious nature of modern Australian decision making and rule changing is captured in the last of the eleven considerations examined: *sovereign risk*. The report's author, Julian Coleman, neatly explains the linkages between adverse policy settings (the 'Drivers') and considerations of sovereign risk:

> While all the Drivers listed in this paper operate independently, they all tend to eventually express themselves as perceived sovereign risk. Unpredictable Safeguard Mechanism baseline tightening turns net zero compliance into a sovereign risk premium. Reliability gaps addressed only by *ad hoc* ministerial intervention in coal closure dates do the same to energy costs. A federal layer that can override state approval after $300 million of investment is sunk does it to approval times. Royalty regimes altered without consultation after capital has been committed do it to fiscal burden. Cumulatively, the eleven drivers have done what no single driver could. They have made Australia a jurisdiction where capital is committed under one set of rules but must be recovered under another. This moving of the goal posts, including post approval and after a final investment decision, has meant that, in the words of then-Ambassador (from Japan) Yamagami, business leaders now approach Australia "Probably for the first time, [with] this word of sovereign risk".

Julian has extensive private sector experience and in his career in Perth has seen first-hand what the development of the resources sector has meant to Western Australia. In his analysis he also lays out just what it means to the rest of Australia.

He worked with the IPA as a Research Fellow during 2025-26 and we are grateful for the care and attention he paid to the paper you now have in your hand.

It is a curious feature of Australian politics that many of the political entrepreneurs leading the charge to increase tax and royalty revenues from our resources projects in fact have the longer-term objective of ending fossil fuel projects altogether, and greatly constraining, if not eliminating, most mining projects.

Talking down the industry while calling for increased taxes and charges has the double benefit (for them) of scaring off new investment, while allowing the upside scenario of a fiscal regime so burdensome that the economic returns of project being developed would inevitably turn negative.

Again, Julian provides conclusive figures for the contribution Australia's resources sector has made in terms of jobs, taxes, royalties, and household wealth.

It could also be noted that the complaints we hear from political entrepreneurs about the alleged paucity of returns from the Petroleum Resource Rent Tax (PRRT) regime applied to the offshore gas industry conveniently ignore that the back-ended nature of that taxation mechanism, by design, means that federal revenues are about to greatly increase without any need for further action by the Commonwealth parliament. But that is beyond the scope of this paper (though the IPA may return to that point, soon).

More to the point of this paper, Julian also documented the opportunity cost of the investment shortfall that we have seen in the last decade: cumulatively $688 billion. That is, if private business investment had remained at the benchmark levels of the prior decade, Australia would have benefitted from an additional $688 billion of investment.

That, in turn, would have provided an average benefit to each Australian household of $4,944.

The good news in this report is that we have a very fixable problem. The problems were never outside of our control, and neither are the solutions.

If we as a nation commit to addressing net zero compliance costs, red tape, energy costs and lawfare, while making an ethical commitment to stick to the rules then put in place, we can unleash the investment Australia needs to once again climb the ladder of international competitiveness, for the benefit of all Australians.

Is so doing we would need to once again accept that it is only the private sector that can create wealth, increase productivity, and deliver higher living standards for mainstream Australia. Governments have a role to play, but they have in the last decade in particular usurped too much of the economy for their own purposes, adding to debts and deficits, and sending us into a spiral of stagnant or negative economic growth.

From here, the only way is up.

Scott Hargreaves

Executive Director.
Melbourne, August 2026.

Introduction

Australia has traditionally been a highly attractive destination for global capital, and particularly for investment into its natural resources. The strength of Australia's international attractiveness has been attributable to the combination of a significant mineral endowment and stable institutions and policy settings. While Australia's geology has not changed, its institutional reputation has deteriorated significantly in recent years.

This report provides an overview of how Australia has become less attractive for investment, and the impacts this is having on Australian households. Section 1 presents evidence of Australia's declining investment position and the decoupling of commodity prices and mining investment in recent years. Section 2 provides a detailed analysis of the factors driving Australia's declining attractiveness, and an estimate of the household impact of declining investment. Section 3 highlights attractive policies and institutional settings in overseas jurisdictions, highlighting some of the ways that Australia has fallen behind other countries competing for resources investment.

At the end of 2025, private business investment as a share of gross domestic product (GDP) was 11.75 per cent, down from a 2012 peak of 17.6 per cent, and below even the economically-hostile Whitlam government average of 13.7 per cent. This shortfall is imposing significant costs on the Australian economy and on Australian households. As this report shows, the cumulative shortfall in new private business investment between 2015 and 2025 was approximately $688 billion in real 2025 dollars. These costs are felt by every household across Australia.

To try and paper over the cracks which have emerged from this stifled private business activity, under the Albanese government approximately 55 per cent of all measured economic growth has come from government spending, the highest share on record.[1] But economic growth driven by government spending is an oxymoron: that spending can only be funded through taxation or debt, both of which shrink the productive private economy, either now or in the future.

Australia's declining investment attractiveness comes at a time when, around the world, there is significant demand for our natural resources. Under its Stated Policies Scenario, which provides an analysis of currently adopted government policies around the world, the International Energy Agency (IEA) estimates that USD$500 billion in new mining capital is required globally by 2040.[2] Investor appetite for new metals and minerals projects remains strong, but Australia has failed to take advantage of this appetite. In a break from the past, in recent years commodity prices have stayed elevated, but this has failed to spur higher levels of investment in Australian resources projects. As this report sets out, this is because Australia is now supply-constrained by policy and process choices, rather than demand-constrained by prices.

In this report, we identify these policy and process choices as eleven separate drivers. These broadly fit into the categories of energy costs, labour productivity, tax and royalty rates, regulatory approval times, lawfare, compliance burdens, fiscal burdens, and policy uncertainty. Each of these eleven drivers, taken alone, may be surmountable to an individual company regarding an individual project. But taken together, as they are presented to potential investors in Australia, their cumulative burden often imposes costs and uncertainties which are too high to warrant investment.

The household impact is the endpoint of the investment shortfall. When business investment falls, households carry the cost through lower wages, slower wage growth, lower productivity growth, and less economic activity in the private economy (which is required to fund government services and pay down debt). Modelling conducted for this report estimates that the last decade of lost investment has cost each Australian household approximately $4,944 each year on forgone wages and the equivalent of $2,006 per household per year in forgone taxation revenue.

1 Kevin You, *Government Spending the Biggest Contributor to Economic Growth* (Institute of Public Affairs Research Note, December 2024) 5–6.

2 International Energy Agency, *Global Critical Minerals Outlook 2025* (May 2025) 91, 110.

Canada, the United States, Singapore, and Saudi Arabia are competing jurisdictions which have aligned some combination of stable fiscal terms over project life, time-certain approvals with clear accountability, dependable and competitively priced energy, and rules-based incentives bankable into project finance. These are all policy domains in which Australia has fallen behind. Concerningly, the result is a jurisdiction where the rules governing capital can shift between final investment decision and first production.

Australia has chosen to make itself an unattractive destination for investment, and it can choose to change course.

DRIVER	EFFECT ON THE INVESTMENT DECISION	BEST PRACTICE ALTERNATIVE
NET ZERO	Direct compliance cost; uncertainty over future operating envelope	Withdraw from Paris Climate Agreement and repeal net zero policies, such as the Safeguard Mechanism.
ENERGY	Higher operating cost; reliability risk; redundancy capital expenditure	Long-term contracted firm dispatchable power indexed to output price (Québec model); contract from existing coal and gas reserves
LABOUR AND IR	Higher unit cost; dispute risk; reduced flexibility	Enterprise-only bargaining with constrained right-of-entry (pre-Fair Work Act framework, or alternatively pre-Closing Loopholes)
RED TAPE	Longer time-to-cashflow; lower NPV; deters marginals	Single coordinated approval pathway on published statutory timetables (US FAST-41)
LAWFARE	Late-stage injunction risk after sunk costs	Repeal section 487 of the EPBC Act and similar laws
FISCAL BURDEN	Lower after-tax returns; uncompetitive vs peers	Royalties collected on net proceeds rather than gross value (Nevada), and capital expensed in the year spent rather than depreciated over a schedule
CROWDING OUT	Higher WACC; competition for inputs	Restrained government spending at around 15 per cent of GDP (Singapore)
INCENTIVES	Bankability of project finance	Published, dated, multi-year credits financeable into project finance (Canada flow-through shares and the CMETC at 30 per cent)
MIGRATION	Capital widening offsets capital deepening	Designate housing in resources-regions as critical infrastructure in Commonwealth-state agreements, with narrowed migration intake aligned to infrastructure rollout; FBT carve-out for genuine workforce relocation
COMPLIANCE	Fixed cost on scale; concentrates the industry	Single federal interlocutor per project, with NGER, NPI and project conditions consolidated into one register (US single lead agency model)
SOVEREIGN RISK	Synthesis; raises required return across the portfolio	All-of-government commitment to investment and fiscal terms held stable across the life of a project (Saudi Arabia)

1. The decline of Australia's investment environment

Australia's significant mineral endowment has long made it an attractive destination for resources investment. Ever since Edward Hargraves found gold at Ophir in 1851, Australia has been a land of opportunity for both domestic and foreign investors. In recent decades, Australia has attracted significant investments after these natural endowments were combined with strong institutions, a stable policy environment, and the welcoming of significant levels of investment to build mega projects from Gladstone to the Pilbara.

Particularly in the decade between the early 2000s and the early 2010s, Australia was a magnet for global and local capital. In the decade to 2013, mining investment totaled $624 billion, compared to just $152 billion in the decade to 2003.[3] This boom in mining investment brought significant benefits to the Australian economy and to Australian households, creating tens of thousands of jobs and lifting household incomes significantly.[4]

As a result of significant investment in the resources sector, Australia was able to take advantage of rising commodity prices and remained largely insulated from the worst of the Global Financial Crisis (GFC). In recent years, commodity prices have boomed again, but Australia has missed out on another wave of investment because our institutional and policy environment has diminished.

On the 2025 International Institute for Management Development's World Competitiveness Ranking, Australia has suffered one of the sharpest competitiveness declines of any comparable nation, falling 14 places between 2004 and 2025.[5]

Australia still holds the world's largest reserves of iron ore, lead, zinc and uranium, ranks second globally for bauxite and lithium reserves, and is the world's largest producer of iron ore, bauxite and lithium. The resources sector contributes roughly 12 per cent of GDP and around 70 per cent of export earnings. But there remain untapped opportunities for Australia to expand its production of natural resources.

Globally, appetite for large scale mineral investments remains strong. Under the IEA's Stated Policies Scenario, which counts only the policies governments have already adopted, the world must find USD 500 billion in new mining capital by 2040, and copper alone is heading into a 30 per cent supply shortfall by 2035.[6] What that appetite has come up against in Australia is a policy environment hostile to would-be investors in the resources sector. The deterioration can be seen in aggregate investment data, in business investment as a share of GDP, the relationship between mining investment and commodity prices, the level and composition of mining and non-mining capital expenditure, and the components of business investment by asset type. It is evident that a gap has emerged between the opportunities for investment in natural resources and the willingness of business to commit capital.

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3 Australian Bureau of Statistics, *Private New Capital Expenditure and Expected Expenditure, Australia, March 2026* (28 May 2026): https://www.abs.gov.au/statistics/economy/business-indicators/private-new-capital-expenditure-and-expected-expenditure-australia/mar-2026.

4 Peter Downes, Kevin Hanslow, and Peter Tulip, *The Effect of the Mining Boom on the Australian Economy* (Reserve Bank of Australia, August 2014): https://www.rba.gov.au/publications/rdp/2014/pdf/rdp2014-08.pdf.

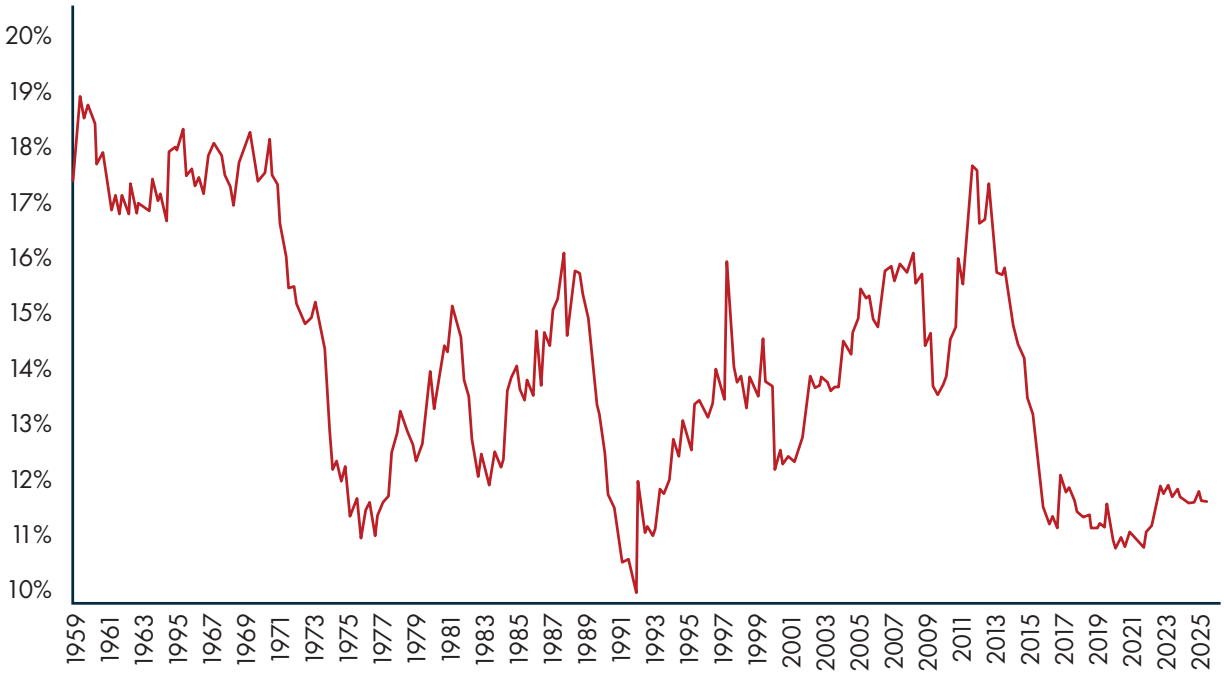
5 International Institute for Management Development, *World Competitiveness Ranking 2024* (2024).

6 International Energy Agency, *Global Critical Minerals Outlook 2025* (2025) 91, 110.

1.1 Business investment as a share of GDP

Private business investment as a share of GDP peaked at 17.7 per cent in 2012 during the construction phase of the LNG and iron ore boom, then fell precipitously over the next five years to around 11 per cent. Since 2020, quarterly private business investment has averaged 11.6 per cent of GDP.

FIGURE 1.1: PRIVATE GROSS FIXED CAPITAL FORMATION AS A SHARE OF GDP, 1959–2025.



Source. ABS Cat. 5206.0: quarterly, seasonally adjusted, current prices

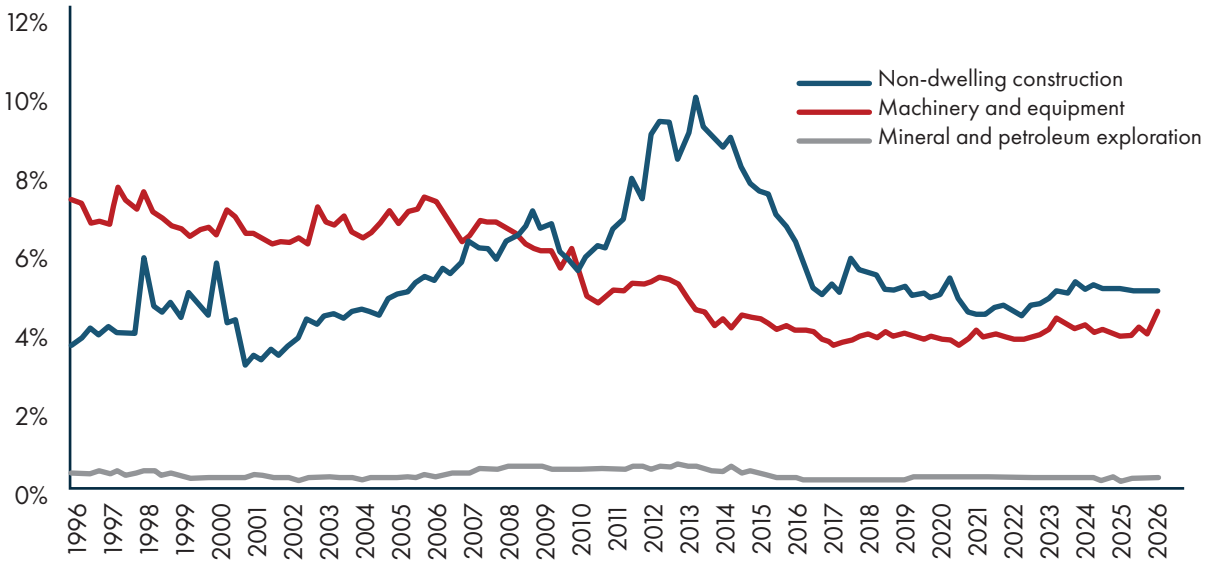
To put the recent numbers into some context, had private investment in 2024-25 been at 2012 levels (say 17.7 per cent of GDP), the value of private business investment would have been approximately $166 billion higher. That is close to four times the total National Disability Insurance Agency budget for 2024-25.6F

Even when adopting a more conservative GDP share – namely the average share between the 2000 and 2014 financial years of 14.79 per cent – the cumulative shortfall between what private business was and what private investment could have been if previous trends were maintained amount to $688 billion of investment over the past decade. This is discussed further in Section 1.5 below.

1.2 Components of business investment

Private business investment can be broken down in several components: non-dwelling construction, machinery and equipment, intellectual property, and cultivated biological resources (livestock and planting). For the purposes of this report, the specific components of interest are non-dwelling construction work, machinery and equipment, and the 'mineral and petroleum exploration' part of intellectual property.

FIGURE 1.2: BUSINESS INVESTMENT BY COMPONENT AS A SHARE OF GDP.



Source. ABS Cat. 5206.0, Table 3, business investment components by type of asset.

Non-dwelling construction has traditionally fluctuated in cycles between around 3-6 per cent of GDP. During the mining boom, it peaked at just over 10 per cent of GDP. In the decade to the end of 2025, it averaged 5.1 per cent of GDP. Non-dwelling construction accounts for major works such as building new infrastructure, pipelines, mine sites, and port and rail facilities. This is where major resource project investments show up in aggregate business investment statistics.

Machinery and equipment investment also tends to fluctuate in cycles, but has been flat since around 2017 after it declined following the last mining boom. Between 2000 and 2006, the last upcycle for this component of business investment, it averaged 6.8 per cent. In the decade to the end of 2025, it averaged just 4 per cent of GDP. Machinery and equipment are the channel most directly linked to productivity growth and the closest thing to a real-time signal of business confidence in productivity-enhancing upgrades. The decline of machinery and equipment investment coincided with the peaking non-dwelling construction investment, but has largely remained subdued since 2017; it has not increased during the more recent commodity price upswing.

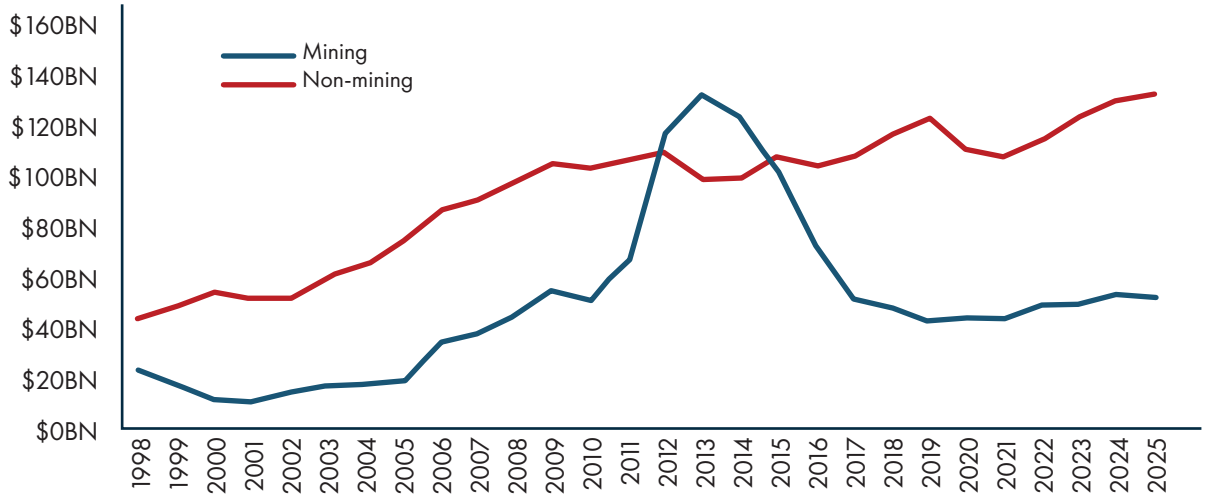
Finally, mineral and petroleum exploration spending is a leading indicator of future resources sector investment more generally. Although this is much smaller in relative terms, it tends to increase during periods where there are either favourable regulatory settings or an increase in commodity prices. During the late 1960s, for example, exploration investment climbed rapidly as the iron ore export embargo was lifted, the global demand for Australian metals and minerals was rising, and state governments sought to develop natural resources, reaching a peak of around 0.6 per cent of GDP in 1971. Then again in the early 1980s following the 1979 oil crisis and rapid climb in prices, exploration expenditure peaked at almost 1 per cent of GDP in the early 1980s. Exploration expenditure climbed from an average of 0.22 per cent of GDP between 2000 and 2005 to an average of 0.43 per cent of GDP between 2006 and 2014 as commodity prices rose and new projects had their resource based firmed up before and during the mining boom. In the decade to the end of 2025, exploration investment has averaged just under 0.2 per cent of GDP, and has not budged despite high commodity prices in recent years.

1.3 Mining and non-mining capital expenditure, the post-boom flat-line

Total private capital expenditure reached $184 billion in the 2024-25 financial year, the highest nominal level on record. But that increase is driven almost entirely by non-mining expenditure, which rose from $98 billion in 2013-14 to $132 billion in 2024-25. Mining capital expenditure, which peaked in 2012-13 at $132 billion during the LNG and iron ore expansion, declined to $42 billion by 2018-19 and has only partially recovered to $51 billion.

This investment, according to successive Commonwealth budgets, however, was "largely expected to maintain current production levels", meaning that even with higher commodity prices, in the aggregate the mining industry was not making investments to increase total production volumes.[7]

FIGURE 1.3: MINING AND NON-MINING CAPITAL EXPENDITURE BY SECTOR



Source. ABS Cat. 5625.0 Table 7, quarterly, chain volume measures, seasonally adjusted.

Under normal circumstances, higher commodity prices induce greater levels of production of and investment into those commodities. Classical economic theory holds that profit maximising firms will rationally seek to increase production to take advantage of higher prices, so long as doing so "offers advantages which in present value at the given rate of interest outweigh the disadvantages".[8] Empirical testing of this theory has shown that higher prices lead to higher levels of investment.[9]

In Australia, this ordinary relationship between commodity prices and mining investment has held through every major cycle up to the last mining boom in the late 2000s and early 2010s. Reserve

Bank of Australia research identifies five major Australian mining booms over the past 200 years, each marked by significant increases in mining investment or mining output, usually both, with the 2000s boom again showing export prices more than tripling while mining investment rose from 2 per cent to 8 per cent of GDP.[10] The boom-phase

7 Treasury, *Budget Strategy and Outlook, Budget Paper No. 1, Budget 2025-26* (25 March 2025) 45: https://archive.budget.gov.au/2025-26/bp1/download/bp1_2025-26.pdf.

8 Irving Fisher, *The Theory of Interest, as determined by Impatience to Spend Income and Opportunity to Invest it* (Macmillan, New York, 1930) 55.

9 See Fan Chen and Scott Linn, "Investment and operating choice: Oil and natural gas futures prices and drilling activity" (2017) Vol. 66 *Energy Economics* 54-68.

10 Ellis Connolly and David Orsmond, *The Mining Industry: From Bust to Boom* (Reserve Bank of Australia Research Discussion Paper No. 2011-08, December 2011); Peter Downes, Kevin Hanslow and Peter Tulip, *The Effect of the Mining Boom on the Australian Economy* (Reserve Bank of Australia Research Discussion Paper No. 2014-08, August 2014).

construction peak of $24.3 billion per quarter came in mid-2012 before mining investment fell sharply as the LNG and iron ore construction cycle wound down. Mining capital expenditure dropped 67 per cent from that peak to $8.1 billion in the March 2019 quarter. Mining capital expenditure averaged $13.6 billion per quarter through 2025, an increase from recent lows but still 42 per cent below its 2012 level in nominal terms.

1.4 What the resources sector delivers

In 2023-24 mining and resources sector paid an estimated $32.5 billion in company tax and $26.9 billion in royalties to federal, state and territory governments. Across the decade to 2023–24 the sector contributed $227.5 billion in company tax and $167.1 billion in royalties.[11] For three consecutive years to 2023–24 mining was the largest single contributor of company tax of any industry.[12] Further taxes, fees, and charges, for example payroll tax and licensing fees, provide further revenue to state governments in particular.

Western Australia is an immense beneficiary of mineral royalties, which totaled $10.8 billion in 2025-26, or 20.6 per cent of the state government's revenue.[13] The Chamber of Minerals and Energy of Western Australia (CME) calculates that the $88 billion in royalties and North West Shelf grants the state has collected since 2018–19 is close to the $92.6 billion cost of employing every public-sector nurse, doctor, teacher and police officer over the same period.[14]

The mining industry currently directly employs 290,000 Australians, and downstream of direct employers, through supply chains and the services sector, mining and resources supports more than 1.25 million jobs across the broader economy.[15] It paid average weekly total earnings of $3,186 per week in November 2025, more than double the $1,562 across all industries.[16]

The resources sector therefore contributes significantly to ordinary Australian households, both directly and indirectly. The resources sector pays the highest average wages of any industry, meaning that households where one or more members are employed can enjoy a higher standard of living than if they were employed in a different industry. These households support their local, state, and federal economies in turn, providing spill-over effects of high wages. On the indirect measure, the resources sector underwrites state and federal budgets, providing revenue which is redistributed to households through taxpayer-funded disbursements or services. When considering the benefits to households in West Australia, for example, the fact that the resources sector underwrites one-fifth of state government spending through royalties alone must be weighed against the counter-factual: if it weren't for the resources sector, an additional $10.8 billion in taxes would have to be extracted from households to pay for the 2025-26 level of taxpayer-funded services.

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11 EY, *Royalty and Company Tax Payments* (20 May 2025) 2-3, 6.

12 Tania Constable, 'Mining pays more tax than all other sectors combined' (Minerals Council of Australia, 2 October 2025): https://minerals.org.au/resources/mining-pays-more-tax-than-all-other-sectors-combined/.

13 Mikaela Henschel, 'Mining windfall powers WA budget surplus' (Australian Mining, 8 May 2026): https://www.australianmining.com.au/mining-windfall-powers-wa-budget-surplus/.

14 Chamber of Minerals and Energy, 'State budget 2026-27: Mining and energy bankroll WA through global volatility' (Media release, 7 May 2026): https://cmewa.com.au/news/state-budget-2026-27-mining-and-energy-bankroll-wa-through-global-volatility/.

15 Minerals Council of Australia, 'The difference Australian mining makes' (Accessed 9 July 2026): https://thatsmining.com.au/.

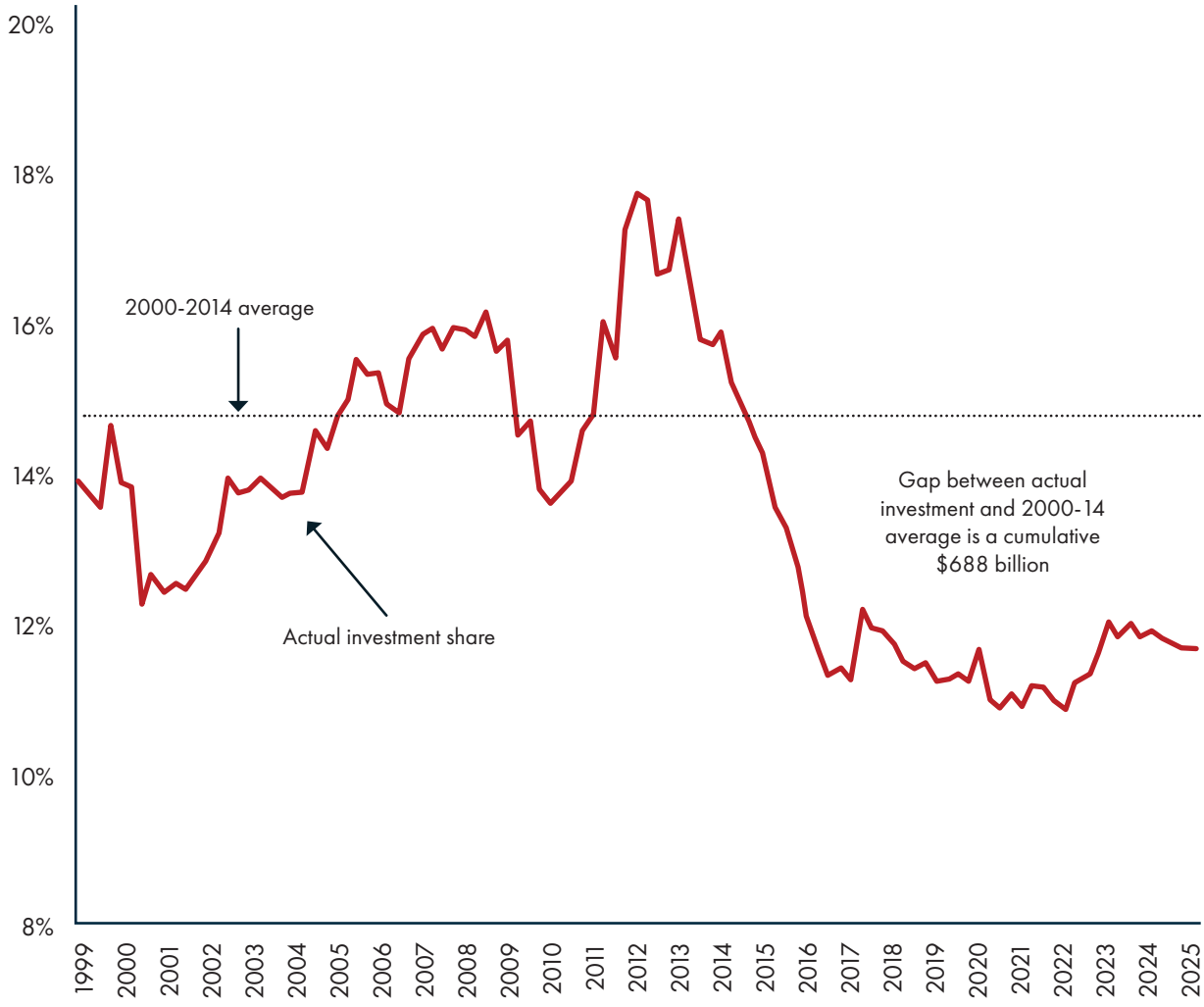
16 Australian Bureau of Statistics, *Average Weekly Earnings, November 2025* (26 February 2026): https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/average-weekly-earnings-australia/latest-release.

1.5 What Australia's declining investment environment means for households

Weaker investment translates into slower capital deepening (or even capital shallowing), slower productivity, slower wages, higher prices for energy-intensive goods, and a narrower tax base to fund services. For Australian households, these impacts manifest as lower living standards, lower wages, a higher cost of living, and both higher taxes and reduced taxpayer-funded services.

The model compares actual private business investment as a share of nominal GDP against a counterfactual share that holds steady at the FY2000–2014 average of 14.79 per cent. That counterfactual sits below the boom peak and reflects what Australia averaged over a 15-year period across cycles. The current 2024-25 share is 11.75 per cent.

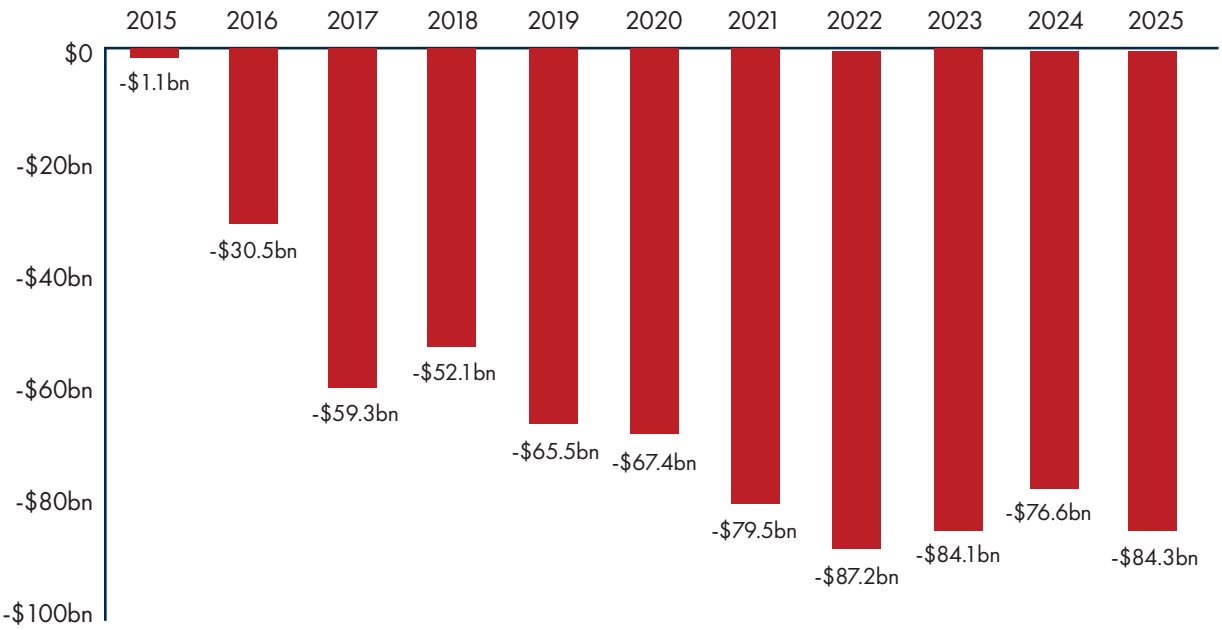
FIGURE 1.5.1: PRIVATE BUSINESS INVESTMENT AS A SHARE OF NOMINAL GDP AGAINST THE FY2000–2014 AVERAGE



Source. ABS Cat. 5206.0, Table 3: financial year, current prices.

The gap between the current rate and the counterfactual is approximately 3 percentage points of GDP. Applied to 2024-25 nominal GDP, that single-year gap is approximately $84 billion in forgone investment. Applying the same methodology across the decade FY2015–2025, the cumulative shortfall is approximately $688 billion. Treasury's 2012–13 MYEFO investment forecast, used as a robustness check, produces a comparable shortfall over the same period.

FIGURE 1.5.2: ANNUAL PRIVATE BUSINESS INVESTMENT SHORTFALL AGAINST THE FY2000–2014 AVERAGE



Source. ABS Cat. 5206.0, Table. Bars are the yearly gap before any multiplier.

The forgone investment is then converted into forgone economic output using a multiplier applied in the year of the shortfall and treated as cumulative GDP forgone. An investment multiplier measures how much aggregate economic output changes as a result of an initial investment. This analysis considers three multipliers: a low Treasury short-run multiplier of 0.55, a mid-range estimate of 1.5, and a high Deloitte mining-sector multiplier of 2.5.

The estimated difference in aggregate output represents the broader economic cost of the lost investment. This analysis considers two different ways this cost falls on households.

The first is forgone wages. IPA research has identified that the long-run labour share of economic output is 55 per cent, but the effect of personal income taxation must be removed. The aggregate remaining figure is then divided by the number of households (10,768,219 in 2024-25) to find the per household impact of $4,944 in 2024-25. Table 1.5 illustrates the calculation step by step:

TABLE 1.5.1 ESTIMATED PER HOUSEHOLD IMPACT OF FORGONE WAGES FROM DECLINING INVESTMENT

CALCULATION STEP	FY2025 FIGURE
Counterfactual investment share (FY2000-2014) less actual share	14.79% minus 11.75%, a 3.04% gap
Gap applied to FY2025 nominal GDP	approximately $84 billion in forgone investment
Forgone investment multiplied by the mid-range multiplier of 1.5	approximately $126 billion in forgone output
Labour share of forgone output (55%)	approximately $69 billion in forgone wages
Less income tax on forgone wages (23.5%)	approximately $16 billion in forgone income tax
Divide by number of households (10,768,219)	Approximately $4,944 in forgone wages per household per year

Note. All figures in AUD, 2025 dollars. Source: IPA modelling

The second household impact is the taxation revenue not generated. The tax revenue that is generated when businesses invest and generate returns either pay for services that households use or puts downwards pressure on taxes and other charges that would be imposed on households. A sustained shortfall in taxation revenue must eventually be closed, and this also falls on households. Government can either keep spending and raise taxes on the remaining activity to fund it; it can cut spending meaning fewer public services available to households; or it can borrow and require households to either pay it back in future taxation or pay through a higher cost of living if the debt fuels inflation (see Driver G).

This analysis estimates the tax revenue that would have been generated at 30 per cent of output, based on Australia's tax-to-GDP ratio. The personal income tax take (see table 1.5.1) is removed – as income tax is a direct burden on households, the failure to collect income tax is not also counted as a burden on households. Table 1.5.2 illustrates the per household impact of forgone tax revenue:

TABLE 1.5.2 ESTIMATED PER HOUSEHOLD IMPACT OF FORGONE TAX REVENUE FROM DECLINING INVESTMENT

CALCULATION STEP	FY2025 FIGURE
Total forgone tax on forgone output (approximately $126 billion) at 30 per cent tax-to-GDP	Approximately $37.96 billion in total forgone taxation revenue
Less the income tax on forgone wages ($16.35 billion)	approximately $21.61 billion in other forgone tax
Total forgone tax divided by the number of households (10,768,219)	approximately $2,006 per household per year

2. The 11 Drivers of Declining Investment

Australian geology does not exist in a vacuum. Globally, another 70 to 90 significant mineral deposits are added each year to the known inventory of roughly 15,000.[17] Australian minerals have growing competition overseas, and in recent years Australia has failed to capitalise on the growing global demand for new metals and minerals supply and higher commodity prices. Australia has been attracting less investment because of its increasingly unattractive regulatory and institutional environment.

This paper identifies eleven 'drivers' affecting investment decisions, from overarching government policies such as net zero emissions targets, tax and regulation, migration, and perceptions of sovereign risk (the eleven drivers are listed A through K in table 2.1). It is important to note that the drivers do not sit independently. Net zero policy impacts energy system reliability. Longer approval timelines leave more opportunity for litigation, and litigation extends the timeline further. Industrial relations change compounds the labour scarcity already in the market. Higher fiscal burden runs through inflation and the cost of capital. For investors, these eleven separate but interrelated problems point towards a single conclusion: that Australia has become a less attractive destination for investment.

TABLE 2.1 HOW EACH DRIVER AFFECTS INVESTMENT DECISIONS

DRIVER	EFFECT ON THE INVESTMENT DECISION	OBSERVABLE INDICATOR
A) Net zero	Direct compliance cost; uncertainty over future operating envelope	Safeguard baseline trajectory; mandatory climate disclosure
B) Energy	Higher operating cost; reliability risk; redundancy capital expenditure	Wholesale price levels and volatility; ESOO reliability gaps
C) Labour and IR	Higher unit cost; dispute risk; reduced flexibility	Productivity stagnation; right-of-entry frequency
D) Red tape	Longer time-to-cashflow; lower NPV; deters marginals	EPBC approval duration; staff growth at federal regulators
E) Lawfare	Late-stage injunction risk after sunk costs	Section 487 challenges; federal court injunctions
F) Fiscal burden	Lower after-tax returns; uncompetitive vs peers	Effective tax rate including royalties; corporate rate
G) Crowding out	Higher WACC; competition for inputs	Government share of GDP and of GDP growth
H) Incentives	Bankability of project finance	Stability and rules-based design of credits
I) Migration	Capital widening offsets capital deepening	Net overseas migration; capital per hour worked
J) Compliance	Fixed cost on scale; concentrates the industry	Number of reporting regimes; compliance staffing ratios
K) Sovereign risk	Synthesis; raises required return across the portfolio	Rule-change frequency

17 Deloitte, *Tracking the Trends 2026* (2026) 62, citing Richard Schodde, "Mineral Deposit Exploration—Discovery Trends: 1900–2023" (2025) Vol 142 *SEG Discovery* 19-35.

Driver A: Compliance costs and uncertainty from net zero policies

The *Climate Change Act 2022* legislated a 43 per cent cut in emissions below 2005 levels by 2030 and net zero emissions by 2050,18 a burden that falls heaviest on the trade-exposed, energy-intensive mining and minerals processing operations this report concerns. Net zero policy affects investment directly through compliance costs, carbon offsets, and abatement and reporting obligations. These impose significant costs which can impact the valuation and expected return of projects. A number of projects which were already operating in Australia have experienced retrospective impacts to their valuations and returns as a result of new and increasingly onerous net zero-related policies, including the Safeguard Mechanism.

The net zero target is enforced through several instruments. *The National Greenhouse and Energy Reporting Act 2007* (NGER) establishes the emissions measurement and reporting framework upon which net zero policies sit.1419 The related Australian Sustainability Reporting Standard - Climate-related disclosures (AASB S2) builds on that reporting base and is addressed at Driver J, and climate considerations enter the approvals process through the litigation documented at Driver E.

The federal government's marquee net zero policy is the Safeguard Mechanism (SGM), established in its current form by the *Safeguard Mechanism (Crediting) Amendment Act 2023*. The SGM imposes a mandate on Australia's largest industrial facilities to reduce their annual emissions, or to surrender Safeguard Mechanism Credits (SMCs) or Australian Carbon Credit Units (ACCUs) where they fail to do so. Research by the IPA has estimated the aggregate annual cost could be up to $1.7 billion per annum on Australia's largest industrial facilities, of which 80 per cent are goods exporters.[20]

The SGM imposes direct costs on projects by requiring them to either make investments they otherwise would not make in less emissions-intensive technologies (such as battery-powered vehicles), reduce production levels to curb emissions, or to purchase carbon credits where it is technologically impossible or economically unfeasible to reduce emissions at the pace required under the law.

The SGM has therefore imposed high costs onto existing and new projects, negatively impacting project economics even after they are well into production. Emissions reductions costs, which may have looked manageable in 2015 before the SGM was first introduced, or even in 2022 before the SGM was strengthened and made mandatory, have become increasingly onerous. It is a feature of the SGM that these costs will escalate through the life of a project as steeper cuts must be made to emissions to meet the gradually declining emissions baseline set in the legislation.

18 *Climate Change Act 2022* (Cth) ss 10, 11.

19 *National Greenhouse and Energy Reporting Act 2007* (Cth).

20 Adam Creighton and Saxon Davidson, *The Safeguard Mechanism: Australia's Self-Imposed 'Trump Tariff'* (Institute of Public Affairs, July 2025) 1–2.

Aside from the direct costs imposed through the NGER and the SGM, net zero policy also raises other direct and indirect costs to resources projects, weighing on Australia's relative investment attractiveness. For example, IPA research has found that an electricity generation system built on variable alternatives such as wind and solar produces a total system cost approaching $200 per megawatt hour, against approximately $50 per megawatt hour for the inherited coal-based system.[21] Australia's increasing (and mandated) shift towards a variable electricity system therefore raises costs throughout the supply chain. The operating-cost consequences for energy-intensive operations are taken up at Driver B.

Climate-related considerations are also increasingly litigated through environment, planning and heritage processes, lifting the probability that approvals become conditional or contested (examined further under Driver E).

State-based constraints, procurement rules and financial disclosure requirements each add a layer of compliance administered by a different agency in a different jurisdiction. The result is that project economics become increasingly sensitive to administrative discretion and costs, even when commodity prices are high enough to warrant investment.

Driver B: Increasing cost of electricity and energy and reduced security of supply

Wholesale electricity prices have almost tripled since 2008 as net zero policies in various iterations have forced the closure of baseload coal-fired power generation. The Australian Energy Market Operator (AEMO) reported that the National Electricity Market's (NEM) wholesale spot prices averaged $87 per megawatt hour in Q3 2025. These wholesale spot prices are a narrower measure than the total system cost discussed at Driver A, which approaches $200 per megawatt hour against approximately $50 for the inherited coal-based system. The spot price is what a buyer pays in the market at a moment in time while the system cost is the all-in cost of building and running the generation mix that produces it. Both have considerably risen for energy-intensive industrial users.[22]

AEMO's 2024 Integrated System Plan models the NEM requiring approximately $122 billion in generation, storage and transmission investment to 2050 under its Step Change scenario.[23] The investment required to replace the existing generation fleet, which is being forced into retirement, is raising the cost of providing energy across Australia. This has required a build-out of two new energy systems: one based on variable electricity generation and one based on gas-fired electricity generation, providing "essentially a hundred per cent back-up".[24] These two new systems, being built at significant cost to replace an already existing system, is competing for the same capital, labour and materials as major resources projects, contributing further, indirect, upward cost pressures on major projects.

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21 Stephen Wilson, The Ruinous Cost of Free Energy: *Why an Electricity System Built on Renewables is the Most Expensive of All Options* (Institute of Public Affairs, July 2024) i–iii, 9, 20.

22 Stephen Wilson, *The Ruinous Cost of Free Energy: Why an Electricity System Built on Renewables is the Most Expensive of All Options* (Institute of Public Affairs, July 2024) 9, 20.

23 Australian Energy Market Operator (AEMO), *2024 Integrated System Plan* (June 2024).

24 Chris Uhlmann, "The astonishing cost of our net-zero delusion" (*The Australian,* 16 November 2024): https://www.theaustralian.com.au/inquirer/the-astonishing-cost-of-our-netzero-delusion/news-story/3fc40d39e4c55ce263ac811255f91bc9.

The large Pilbara operations supply most of their own power. The North West Interconnected System (NWIS) carries less than half the energy used in mining in the Pilbara, and most of what it does carry runs on low-efficiency open-cycle gas turbines.[25] For example, BHP's iron ore operations run on a privately owned, islanded network supplied by its 190MW Yarnima gas-fired station, alongside a diesel fleet burning around 1,500 megalitres a year.[26] The cost of energy for these operations is therefore the cost of building and running that generation, determined by the gas price and the capital outlay, not by a wholesale tariff. Where the wholesale and consumer price does reach these projects is through the supply chain. Contractors, suppliers and the steel and aluminum makers that buy Pilbara ore all pay grid prices, and they pass those costs back up the chain. The direct exposure is the gas price and the self-supply bill. The indirect exposure is everyone else's electricity.

Cost is one thing, then there is reliability. AEMO's 2025 Electricity Statement of Opportunities (ESOO) provides a ten-year supply adequacy outlook, updated periodically as closure dates and project timings continually change. The 2024 ESOO and its subsequent update identified a reliability gap in NSW from 2025–26, addressed only after the decision to delay retirement of the Eraring coal-fired power station. Australia's electricity markets have become increasingly unreliable under successive and increasingly onerous emissions-related legislative and regulatory changes. These reliability gaps are then reactively managed by ministers, extending coal plant closure dates at the last moment. The system increasingly appears to be managed by exception, which does not provide the stability and certainty required for major investment decisions.

The Australian Competition and Consumer Commission's successive gas inquiry reports have documented the structural tightness in east coast supply, and AEMO's own shortfall forecasts for southern states have shifted with each Gas Statement of Opportunities, from 2026 to 2028 to beyond 2029, as ad hoc interventions and demand revisions push the gap further out without resolving the underlying decline in Bass Strait production.[27] Interventions in the gas market have been reactive, and successive governments have failed to fix the source of the problem: restricted supply. Net zero policies have caused this restricted supply, in some cases imposing inhibitive costs, and in others outright prohibitions, on the development of new gas resources.

Liquid fuel vulnerability sits alongside electricity and gas as a third dimension of energy security that bears on the investment environment. Australia holds fewer than 30 days of liquid fuel reserves against the International Energy Agency's 90-day benchmark, one of the lowest cover ratios of any IEA member.[28] Major projects and operators carry their own fuel reserves, which insulates them from these broader liquid reserve vulnerabilities, but they remain exposed through their supply chains of contractors and logistics networks which they depend upon but do not own.

25 Marsden Jacob Associates, *Common User Transmission and Decarbonising Pilbara Energy Demand*, report for the Clean Energy Finance Corporation, September 2025) 15, drawing on Energy Policy WA, Pilbara Industry Roundtable Workstream 1: Pilbara Electricity Modelling (26 July 2023).

26 BHP, *Operational Decarbonisation Investor Briefing* (21 June 2023) 23.

27 AEMO, *2024 Gas Statement of Opportunities* (March 2024); AEMO, 2026 Gas Statement of Opportunities (March 2026); Australian Competition and Consumer Commission, *Gas Inquiry 2017–2030: Interim Report* (December 2024).

28 Department of Climate Change, Energy, the Environment and Water, *Australian Petroleum Statistics* (2025).

The downstream consequences are visible in the facilities that have already closed or are closing. Since 2021, manufacturing closures across eastern Australia's fertiliser, chemicals, plastics and glass industries have cost at least 1,240 jobs, with a further 500 at imminent risk.[29] Incitec Pivot's Gibson Island fertiliser plant in Brisbane closed in December 2022 after operating for more than 50 years because it was unable to secure an affordable long-term gas supply.[30] BOC was forced to shut down its Darwin helium plant, the only helium plant in the southern hemisphere, after the Santos gas field it was reliant upon was depleted, and no new investments were made to provide security of supply.[31] Qenos, Australia's largest petrochemicals manufacturer, entered administration in April 2024 after rising gas costs made both its Botany and Altona plants unviable.[32] Tomago Aluminium, the largest single electricity consumer in NSW, has repeatedly curtailed production during price spikes and now faces permanent closure by 2028 unless an affordable energy contract can be negotiated.[33] Each closure removes a downstream processing link and the skilled workforce attached to it. A jurisdiction that cannot hold its processing and refining base exports raw material and then imports the finished product at a markup.

Where reliability risk persists, firms respond by carrying redundancy. Backup generation, battery storage, contractual hedges and fuel inventories tie up capital on the balance sheet without lifting productive capacity. That capital shows up in the aggregate investment figures at Section 1 but does not contribute to output growth. It is defensive expenditure, the equivalent of paying insurance premiums that would not be necessary in a jurisdiction with firm, competitively priced supply. In a survey carried out by EY of 500 mining and metals executives globally, cost and productivity was ranked as the sector's second most significant risk and opportunity in 2026, up from sixth in 2025, with persistently high energy costs identified as a key source of margin pressure.[34]

Energy-intensive industries require long-term capital commitments, which in turn require stable and secure energy markets. Australia's recent experience of rapidly rising energy costs, and steadily declining security and reliability of supply, have helped undermine the attractiveness of investment in such projects.

29 Kevin Morrison, Josh Runciman, and Amandine Denis-Ryan, *The Hidden Costs of the LNG Boom* (Institute for Energy Economics and Financial Analysis, October 2025).

30 Incitec Pivot Ltd, "Gibson Island Manufacturing Operations to Cease in December 2022" (Media release, 7 November 2021).

31 Daniel Fitzgerald, "Australian helium production ends after Santos's gas supply for Darwin plant runs out" (*ABC News*, 5 December 2023): https://www.abc.net.au/news/rural/2023-12-06/helium-production-ends-in-darwin-santos-gas-supply-exhausted/103186220.

32 Industrial Info Resources. "Australia's Qenos to Close Petrochemical Plant" (10 June 2024); Procurement and Supply Australia, "Supply chains on alert over the closure of major plastics supplier Qenos" (15 April 2024).

33 Matthew Kelly,"Tomago Aluminium to close in 2028 without affordable energy deal" (*Newcastle Herald*, 10 August 2025).

34 EY, *How to recognize opportunity when others see risk: Top 10 business risks and opportunities for mining and metals in 2026* (October 2025) 2, 8.

Driver C: Declining labour productivity and rigid industrial relations policies

Labour productivity growth comes from a greater ability to produce more output for a given level of inputs. It is the basis upon which higher living standards, higher real wages, and meaningful economic growth are built. Where productivity growth stagnates, or worse declines, higher real wages and living standards can only be achieved through a terms-of-trade windfall or as an illusion using greater levels of debt. For project proponents, lower productivity shows up as higher unit labour costs, longer build times, and greater cost overruns. Resources projects are particularly sensitive to declining productivity levels, given their scale and complexity.

From the March 2022 quarter to the March 2026 quarter, labour productivity declined by 5.1 per cent. This is a highly unusual occurrence, indicating serious and structural economic problems, and followed an already-troubling decade of stagnant growth. Between 2023 and 2025, Australia's workforce productivity ranking fell from 46th to 60th in the International Institute for Management Development's World Competitiveness Yearbook.

This declining productivity is no accident. In the period since the March 2022 quarter, the Albanese government has made substantial changes to the industrial relations system: The *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022* reintroduced multi-employer bargaining and restricted the use of fixed-term contracts; and the Closing Loopholes Act 2023 and the *Closing Loopholes No. 2 Act 2024* expanded union right-of-entry powers, imposed "same job, same pay" obligations on labour hire, and narrowed the definition of casual employment.

Dr Mark Mourell, former Head of Griffith University's Department of Employment Relations and Human Resources, described the combined effect as "a legal and bureaucratic nightmare that will affect businesses and workers for decades to come".[35]

The co-operative direct bargaining model the resources sector developed from the mid-1990s enabled the growth of the iron ore workforce from fewer than 9,000 workers in 2000 to more than 65,000 by 2024, delivering some of the highest wages in Australia while sustaining the productivity growth which underpinned them. This co-operative model is being undermined, and industrial action is once again becoming an issue both in the resources sector specifically and across the Australian economy more broadly.

The "same job, same pay" provisions in the Closing Loopholes legislation directly target the labour hire arrangements through which a significant portion of the Pilbara workforce is contracted. The right-of-entry expansion accompanying the same legislation produced 844 union right-of-entry requests at BHP's Western Australian operations in 2025, or roughly 2.4 per day.[36] The Chamber of Minerals and Energy WA (CME) modelled the Electrical Trades Union's log of claims in the Pilbara and found compliance would produce total remuneration packages comparable to the salary of the Premier of Western Australia.[37] The Minerals Council of Australia reports that 663 pages have been added to workplace relations law since 2022, a 45 per cent increase, and its preliminary analysis of same job, same pay orders at Queensland coal surface mines finds a statistically significant negative effect on employment relative to comparable mines not subject to orders.[38]

35 Mark Mourell, "IR Bill a Deal Breaker" (2023) Vol. 75(3) *IPA Review* 40.

36 Fair Work Ombudsman, *Secure Jobs, Better Pay* (updated 23 February 2024); Fair Work Commission, *The Closing Loopholes Acts: What's Changing* (2024); Brad Thompson, "Mining giant BHP clashes with unions over new industrial relations site rules" (*The Australian*, 10 March 2026).

37 Adrian Rauso, "Electricians vote to strike at BHP's Pilbara mines in 'dangerous' move that could ignite mass union onslaught" (*The Nightly*, 25 March 2026).

38 Minerals Council of Australia, *Submission to the Review of the Closing Loopholes Acts* (March 2026) 3, 17.

According to official government data, a total of 166,600 working days were lost to industrial action in 2025: in contrast, ten years earlier a total of 124,500 working days were lost to industrial action.[39]

Investors make their decisions about capital and labour intensive mega projects based on the legislative and regulatory settings as they exist. Australia has become less attractive to such projects which have to contend with a less productive workforce and an economy with more industrial action than Australia has seen in years.

Driver D: Increasing burden of red tape and increasing approvals timeframes

Growing regulatory burdens have caused significant delays to major project approvals over the past 25 years. According to an estimate from Xstrata Coal, between 2002 and 2012 the approval timeline for major projects increased from an average of seven months to between 18 and 36 months.[40] The Productivity Commission has noted that approval times under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) increased from an average of around 750 days in the period 2000 to 2013-14 to an average of over 1,000 days in the period 2014-15 to 2018-19.[41] They have only increased further since then, with the Minerals Council of Australia (MCA) recently noting that average EPBC Act decision times for resources projects have increased from 2.3 years in 2019 to 3.8 years in 2025, "creating uncertainty, costing the Australian economy billions and eroding investor confidence."[42]

Adani's Carmichael coal mine faced seven years in approvals, produced a 22,000-page environmental impact statement, and was subject to more than ten legal challenges before achieving first ore.

Federal red tape has grown two-thirds faster than overall economic growth since 2005, with more than 107,000 federal employees now engaged in regulatory activity at a cost to taxpayers of almost $15 billion per annum. The Department of Climate Change, Energy, the Environment and Water, the department responsible for administering the EPBC Act, added 72 per cent more regulatory staff in the three financial years to 2025–26.[43] Because approval timeframes under the act have expanded so drastically, these additional staff are causing further approval delays, rather than expanding the capability of the department to approve projects in a timely manner.

This significant growth in regulatory staff and approvals timeframes came after two decades of growing environmental 'green tape' under the EPBC Act. The number of regulatory restrictions contained in that Act and its subsidiary legislation increased by 445 per cent between 2000 and 2019, reaching 4,820 individual restrictions. Since then, the Albanese government has further increased green tape through its Nature Positive Plan.

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39 Australian Bureau of Statistics, *Industrial Disputes, Australia, December 2025* (11 March 2026): https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/industrial-disputes-australia/dec-2025.

40 Xstrata Coal, *Submission to Productivity Commission Major project development assessment processes* (April 2013) 3.

41 Productivity Commission, *Resources Sector Regulation Draft Report* (Resources sector regulation inquiry Draft Report, March 2020) 11.

42 Tania Constable, "Minerals Week 2026: using AI to cut delays for mining, housing and energy approvals" (Media release, Minerals Council of Australia, 22 March 2026).

43 Lachlan Clark, *Red Tape Army: 2025–26 Budget Update* (Institute of Public Affairs Research Note, May 2025) 1–2, 4–6.

That plan took legislative form in November 2025, when the Albanese government passed the *National Environmental Protection Agency Act 2025* and companion statutes, establishing a National Environmental Protection Agency (NEPA) that duplicates existing state-level environment regulators.[44] Under the companion *Environment Protection Reform Act 2025*, the agency's chief executive can issue Environment Protection Orders that pause works for up to 28 days, commencing with the agency on 1 July 2026. The package passed 38 days after Australia signed the United States–Australia Framework for Securing of Supply in the Mining and Processing of Critical Minerals and Rare Earths, which committed both governments to accelerate, streamline or deregulate permitting timelines for critical minerals projects.[45]

Growing red and green tape impose significant direct costs on project proponents, requiring them to expend additional resources to comply with the ever-growing regulatory burden. But of even more concern to potential investors is the time delay caused by ever-lengthening approval timeframes. As explained by the Productivity Commission in its *Resources Sector Regulation Draft Report*, project delays "can dwarf the direct costs of regulatory obligations such as assessment documentation and studies, even though these often run into millions of dollars." A one-year delay for a gas project could reduce the net present value of the project by 10 per cent.[46] According to the MCA, for a large greenfields mining project regulatory delays can cost up to $46 million per month. This cost estimate is based on a project worth between $3 billion and $4 billion, where a 10 per cent net present value reduction, based on Productivity Commission estimates, would cost $30 million per month and where the costs of keeping engineering contractors, consultants, internal resources, and procurement in a 'holding pattern' while delays are being addressed costs $16 million per month.[47]

IPA research has estimated the total cost of red tape at $176 billion per annum and identifies regulation growth as a key cause of low and declining business investment.[48] Survey data from resources sector executives confirms that mining companies are acutely aware of these costs, with regulatory compliance delays the most cited operational bottleneck on production, ahead of labour availability, processing plant capacity and transportation constraints, and every other operational variable.[49]

Australia's approvals process for major projects has become increasingly complex and costly. This is not limited to environmental approvals. The Association of Mining and Exploration Companies (AMEC) has noted that cultural heritage compliance absorbs between 12 and 18 months, a period during which companies must pay tenement rental, local government rates and staff costs without generating any prospect of return.

A 2025 survey of AMEC member companies found that the median per-day cost of cultural heritage surveys had risen by 46.6 per cent when comparing activities initiated in 2018–22 with those initiated in 2023–25. For small businesses, the increase was 53.8 per cent.[50]

44 *National Environmental Protection Agency Act 2025* (Cth); Department of Climate Change, Energy, the Environment and Water, Environment Protection Reforms (updated 5 March 2026).

45 United States and Australia, *United States–Australia Framework for Securing of Supply in the Mining and Processing of Critical Minerals and Rare Earths* (signed 20 October 2025).

46 Productivity Commission, *Resources Sector Regulation Draft Report* (Resources sector regulation inquiry Draft Report, March 2020) 11.

47 Minerals Council of Australia, *Submission to Senate Select Committee on Red Tape Inquiry Into Environmental Approvals* (July 2017).

48 Daniel Wild and Cian Hussey, *The Growth of Regulation in Australia* (Institute of Public Affairs, December 2019) 1, 3–5.

49 EY, *How to Recognize Opportunity When Others See Risk: Top 10 Business Risks and Opportunities for Mining and Metals in 2026* (2025) 4. Survey of 500 senior mining and metals leaders at organisations with at least USD 1 billion in revenue, conducted June–July 2025.

50 ACIL Allen, *The Cost of Complying with Aboriginal Cultural Heritage Requirements: AMEC Member Survey Final Report* (prepared for the Association of Mining and Exploration Companies, 2025) 34–35.

MCA research has found that only 20 per cent of major resource projects which debut on the Office of Chief Economist's major projects pipeline make it through to completion. In other words, 80 per cent of major projects which are announced in Australia are abandoned.[51] With lengthening approval timeframes and increased uncertainty, many investors have given up on Australia even after committing some capital. Many more never bother in the first place.

Driver E: Increasing lawfare and reduced certainty of approvals

One of the most significant issues which has emerged in recent years is the use of lawfare by activists to disrupt and delay major resource projects. Section 487 of the EPBC Act gives environmental organisations with no direct stake in a project standing to take approved developments to court, and concerningly the Albanese government has provided funding to the Environmental Defenders Office (EDO) which has in turn used that funding to assist activists to engage in such lawfare.[52]

Between 2000 and 2019, section 487-enabled challenges delayed 28 projects with a combined estimated investment value of more than $65 billion. Those projects spent a cumulative 10,100 days, or 28 years, tied up in court. The outcome is that 94 percent of the projects challenged either proceeded with their original approval intact, or slightly altered, indicating the goal is to cause significant delays.[53] Greenpeace Australia acknowledged this strategy in a 2011 document, *Stopping the Australian Coal Export Boom*, which described lawfare as a tool to increase costs and raise investor uncertainty.[54]

Some recent examples illustrate not only the significant delays and investor uncertainty caused by lawfare, but how it empowers activists to take unfounded claims to the courts to delay and disrupt projects. After a post-approval legal challenge, Santos' Barossa project drilling environment plan was overturned by the Federal Court on 21 September 2022, almost halfway through construction, after the approval provided by the National Offshore Petroleum Safety Authority (NOPSEMA) was found to have been granted without adequate consultation with Tiwi Islander traditional owners. Drilling was halted as a result. In January 2024 the Federal Court dismissed the substantive claim, with Justice Charlesworth finding that the cultural mapping which placed songlines along the pipeline route had been confected and that the supporting expert evidence carried no weight. The Court later ordered the Environmental Defenders Office, which ran the case, to pay all of Santos' costs.[55] Post-approval lawfare ultimately delayed the project by around six months, and increased the project costs by some $456 million (approximately 7 per cent of the previously anticipated project costs).

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51 Tania Constable, "Australia's Investment Pipeline Leaking $68 Billion Every Year" (Minerals Council of Australia, 26 April 2024): https://minerals.org.au/resources/australias-investment-pipeline-leaking-68-billion-every-year/.

52 Patrick Hannaford, "Gross misuse of taxpayer funds': State and federal governments give millions to job-destroying environmental activist group" (*skynews.com.au*, 5 November 2025): https://www.skynews.com.au/australia-news/politics/gross-misuse-of-taxpayer-funds-state-and-federal-governments-give-millions-to-jobdestroying-environmental-activist-group/news-story/220f6747c389dbaca241349b3017abcb.

53 Kurt Wallace, Section 487: *How Activists Use Red Tape to Stop Development and Jobs* (2020 Update), (Institute of Public Affairs, March 2020) 1, 3, 6–7.

54 John Hepburn, Bob Burton and Sam Hardy, *Stopping the Australian Coal Export Boom: Funding Proposal for the Australian Anti-Coal Movement* (Greenpeace Australia Pacific, November 2011).

55 *Munkara v Santos NA Barossa Pty Ltd (No 3)* [2024] FCA 9 [1027] (Charlesworth J); Santos, 'EDO ordered to pay 100 per cent of Santos' legal costs' (Media release, 28 November 2024).

Regis Resources received conditional approval from the NSW Independent Planning Commission in March 2023, followed by EPBC Act clearance in May 2023, having already invested more than $200 million. In August 2024, Environment Minister Tanya Plibersek issued a declaration under section 10 of the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (ATSIHP Act). Section 10 operates independently of both state planning approvals and the EPBC Act process; it carries no time limit, requires no parliamentary trigger, and is exercisable at ministerial discretion at any point after other approvals are in hand. Regis booked a $192 million non-cash impairment and withdrew 1.89 million ounces of ore reserves worth as much as $9 billion.[56] The declaration rested on a Wiradjuri songline concern raised through a section 10 application four years into the approval process, which the Orange Local Aboriginal Land Council, the recognised body for the area, opposed. Senior Wiradjuri adviser Roy Ah-See wrote to the Minister that the claims had been examined and dismissed as carrying no authenticity in the land council's own cultural audit.[57] Regis has applied to the Federal Court to have the declaration set aside, and that challenge remains in train.

In neither matter did the cost to the proponent turn on whether the heritage claim held up. Santos won its case and still carried the six-month halt and the added $456 million cost. Regis booked its writedown against a claim the recognised local land council rejected, with the section 10 declaration still before the Federal Court. The damage occurs when the challenge is lodged, ahead of any finding on merit.

The threat of lawfare does not just hang over the approval process itself; legal exposure remains in the post-approval stage, meaning that a "yes" is no longer a "yes". The McPhillamys mine case, addressed at Driver K, is a prototypical post-approval challenge. Where the approval can be set aside after capital has been committed, the approval itself bears a risk premium that investors must price into the cost of capital.

Driver F: Australia's high relative fiscal (tax) burden

Australia's corporate tax rate sits among the highest in the developed world at 30 per cent for large companies, above the OECD average and well above the United States rate of 21 per cent. The Productivity Commission's December 2025 final report *Creating a More Dynamic and Resilient Economy* found that this rate raises the pre-tax return investors require before they commit capital and lifts the "sticker price" that globally mobile investors weigh first, deterring the foreign investment on which large mining projects depend.[58]

The *Tax Cuts and Jobs Act 2017*, which reduced the United States corporate income tax rate from 35 per cent to 21 per cent and paired the reduction with immediate expensing for capital investment, contributed to new United States private sector business investment above both the 20-year and 40-year averages.[59]

56 Regis Resources, *McPhillamys Gold Project Update* (August 2024); Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth) s.10 declaration, 16 August 2024.

57 David Prestipino, "Plibersek reveals official reason for $1 billion Blayney gold mine decision" (*National Indigenous Times*, 13 October 2024).

58 Productivity Commission, *Creating a More Dynamic and Resilient Economy* (Inquiry Report No. 109, December 2025) 13, 19–20; Recommendation 1.2.

59 Cian Hussey and Daniel Wild, *The Trump Administration's Red Tape Reduction Agenda* (Institute of Public Affairs, October 2019) 3, 15.

Additionally, at the state level, high fiscal burdens have been placed on the resources sector. In the 2022–23 state budget the Queensland state government introduced three new royalty tiers above the existing 15 per cent top rate. A 20 per cent tier would apply to prices above $175 per tonne, a 30 per cent tier above $225 per tonne, and a 40 per cent tier above $300 per tonne.[60] This move immediately made Queensland a fiscally uncompetitive jurisdiction for coal investment, deterring further investment in the sector, with both BHP and Glencore announcing a freeze on new investment.

In the resources sector, Australia has made itself uncompetitive with total effective tax rates often exceeding international sectoral averages. EY reports the average corporate income tax and royalty rate for International Council on Mining and Metals (ICMM) members was 40.6 per cent in 2024.[61] By comparison, Rio Tinto's Australian effective income tax and royalty rate in 2024 was 41.5 per cent, and BHP's adjusted effective tax rate including royalties in 2024–25 was 44.6 per cent.[62]

In addition to direct fiscal burdens placed on resources companies, which makes the Australian investment case less attractive, consideration should also be given to the unequal fiscal relationship between the Commonwealth government and the states. Vertical fiscal imbalance (VFI) arises because the Commonwealth collects about 80 per cent of all taxation revenue, while the states typically raise only about 60 per cent of what they spend from their own-source revenue, and rely on tied-grants from the Commonwealth and redistributions from other states via the Commonwealth to make up the balance.

For comparison, equivalent subnational governments in the United States, Canada, Germany and Switzerland raise between 76 per cent and 112 per cent of their own spending needs.[63]

The gap between the revenue a state is able to raise on its own behalf and the funding it receives from other states via redistribution shapes how each state weighs the political costs of approving major projects, because they do not get to retain all the economic benefits of these projects. The fiscal architecture is not neutral on approvals decisions; it tilts the state-level political calculation against approving new or contentious projects.

This can be seen most clearly under the GST, which is collected by the Commonwealth but allocated to the states in a distributive manner. Generating own-source revenue counts against a state in their GST distribution calculation, meaning that when a state government is weighing the political cost of approving a contested project against the economic benefits it will generate for the state, it has to weigh up the fact that higher revenues from royalty resources will be effectively deducted from its GST distribution.

Australia therefore has both a high direct fiscal burden compared to many other jurisdictions and a distorting fiscal environment when it comes to state-state and state-federal relations. Direct fiscal burdens have explicitly made Australia a less attractive place to invest, while the distortions created by horizontal fiscal equalisation have created an environment in which some states are subsidised for not developing their natural resources and therefore have weak incentives to make themselves more attractive to higher levels of investment.

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60 Queensland Government, *State Budget 2022-23: Budget Paper No. 4 Budget Measures* (June 2022); Queensland Resources Council, Coal Royalty Impact Analysis (various publications 2023–2024).

61 EY, *Top 10 Business Risks and Opportunities for Mining and Metals in 2026* (EYGM Limited, 2025) p. 9, citing International Council on Mining and Metals, ICMM Members Report US$42 Billion in Tax and Royalty Payments to Host Countries in 2024 (3 February 2025).

62 Rio Tinto, *Taxes Paid: Our Economic Contribution 2024* (2025); BHP, Economic Contribution Report 2025 (2025).

63 Julian Coleman, *How Australia's Broken Federation Punishes Economic Success and Disincentivises Reform* (Institute of Public Affairs, Forthcoming, citing OECD, Fiscal Decentralisation Database).

Driver G: Excessive government expenditure fueling inflation and crowding out private sector investment

In 2000, private investment and net exports constituted 28 per cent of GDP and government spending was 21 per cent of GDP. By 2025 those numbers had reversed. Private investment and net exports were 20 per cent of GDP, while government spending was 29 per cent. Adjusting for inflation, real government spending increased 61 per cent in the decade to 2025 while real private sector growth was negative.[64]

Taxpayer-funded employment was 23.7 per cent of all filled jobs in 2007. By 2025 it was 32 per cent.[65] Taxpayer funded workers per 1,000 Australians rose from 120 to 174 over the same period. The private market sector's share of filled jobs fell from 76.3 per cent to 68 per cent between 2007 and 2025. The category captures the workforce paid from public sources through providers including NDIS service providers, aged care providers, hospital networks and education providers as well as direct government employees.

Persistent deficits and rising public infrastructure demand compete for labour and materials, drive up prices, and lift the weighted average cost of capital that private projects must clear. Higher financing costs sit on top of every other driver in this section, and they make the marginal project less likely to proceed regardless of its underlying economics.

The Reserve Bank of Australia's monetary policy stance has been calibrated against this fiscal expansion since 2022. Cash rate movements that would otherwise be lower in a less inflationary fiscal environment have stayed elevated to contain inflation in the goods-and-services market that the public spending feeds. The cost of capital effect on private investment runs both ways; directly, through the weighted average cost of capital calculation that determines project viability, and indirectly, through the cumulative effect of higher rates on equity valuations and corporate balance sheets. The mining sector carries this twice, once through its own cost of capital, and again through the cost of capital of its suppliers in inputs such as steel, aluminium and other construction materials.

Driver H: Ineffective and uncompetitive investment incentives

Incentives matter when they are stable, rules-based and bankable into project finance. They are weak when they are short-lived, discretionary or subject to frequent change. Australia's instant asset write-off thresholds have been adjusted in successive budgets over the past decade. Research and development incentives have been tightened and loosened on no apparent rule.

Other jurisdictions have built credits that are published, multi-year and bankable into project finance, and they are set out at Section 3. Australia's settings in the same commodity space remain a mix of grants under the Critical Minerals Facility, accelerated processes through the Investor Front Door subject to political rollback, and discretionary ministerial determinations. The difference is durability: whether a financier can underwrite a multi-decade commitment against a published instrument.

64 Kevin You, *Big government getting bigger as private sector stagnates* (Institute of Public Affairs, February 2026).

65 Australian Bureau of Statistics, *Labour Force, Australia, Detailed* (various releases); Productivity Commission, Trends in Public Sector Employment.

The instruments that capitalise the front end of the pipeline are moving the wrong way. The 50 per cent capital gains tax discount in place since 1999 will be replaced by a base indexation model carrying a minimum 30 per cent rate on real gains from 1 July 2027. The Association of Mining and Exploration Companies opposes the discount change on the ground that it erodes the attractiveness of exploration-stage investment for retail investors, and the Minerals Council of Australia has called for the discount to be retained for small explorers as well as the reinstatement of the Junior Minerals Exploration Incentive, which expired in June 2025.[66]

The Critical Minerals Production Tax Incentive is a refundable offset worth 10 per cent of the cost of processing and refining Australia's 31 listed critical minerals. It is legislated under the *Future Made in Australia (Production Tax Credits and Other Measures) Act 2025*.[67] It runs from 1 July 2027 to 30 June 2040, capped at ten years per project. The government has costed it at around $7 billion. However, the credit is limited, only covering processing and refining. It does not cover any extraction and project development that the other drivers weigh on, and it covers just the 31 critical minerals rather than the iron ore and coal that carry most of Australia's resources investment. Its benefit does not begin until 2027. A processing offset on a short list of minerals is not a material incentive to offset the cost and risk loaded onto a project elsewhere in the tax and approvals system. Measured against what competing jurisdictions already offer, it falls short.

Driver I: Immigration, capital shallowing, and pressure on housing and infrastructure

Net overseas migration exceeded 538,000 in financial year 2023, the highest in the history of Australia. Across the first three full post-pandemic financial years (2022-23 to 2024-25) it averaged 424,105 per annum, more than four times the 1945 to 2007 postwar average of approximately 90,327.[68]

Between the 2022 financial year and the 2025 financial year, hours worked grew 11 per cent.[69] Net capital stock per hour worked, the best proxy for capital intensity, has stagnated for the past decade. The amount of productive capital available for each hour of labour in June 2025 sits at the same level it was at in 2014–15.

This is capital shallowing and is the product of a decade of weak investment and misallocated investment compounded by mass migration, and the expansion of non-market, low productivity roles in the workforce. Each new worker requires a stock of plant, equipment, intellectual property and infrastructure to be productive. Where the workforce grows faster than the productive capital stock that supports it, average productivity per worker falls.[70] As a result of Australia's mass migration program, aggregate output (GDP) has grown but output per worker has not. Real per person economic growth (GDP per capita) has stalled as a result. Output per person sits below its mid-2022 level, having fallen in 10 of the 15 quarters since, the weakest run since digitised records began in the early 1970s, leaving Australians poorer in real terms.[71]

66 AMEC, "Federal Budget 2026/27 supports industry and continues positive steps to reform approvals process" (Media release, May 2026).

67 *Future Made in Australia (Production Tax Credits and Other Measures) Act 2025* (Cth); Australian Taxation Office, "Critical Minerals Production Tax Incentive" (March 2026); Treasury, *Critical Minerals Production Tax Incentive* (Budget 2024-25).

68 Kevin You, "Unprecedented Mass Migration Surge Confirmed by ABS" (Institute of Public Affairs, 18 December 2025).

69 Australian Bureau of Statistics, *Australian System of National Accounts*, 2024-25, cat. no. 5204.0, Table 15.

70 Kevin You, *We can work it out, IPA Review* (Institute of Public Affairs, 10 April 2025); *Australian Bureau of Statistics, Australian System of National Accounts* (2024-25) cat. no. 5204.0.

71 Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product, March 2026* (3 June 2026); Kevin You, "Albanese oversees worst economic numbers on record" (Institute of Public Affairs, 3 June 2026).

For resources projects, the effect of mass migration is indirect but material. Higher construction costs flow from competition with public infrastructure and residential demand. More competition for skilled labour flows from the publicly funded employment expansion documented at Driver G. Higher accommodation and logistics costs in regional buildouts reflect the shortage of housing stock against an expanded population. All these feed directly into the capital expenditure bill. Where population growth outpaces dwelling completions and infrastructure rollout, the infrastructure deficit widens. Employers face higher wage pressure and greater difficulty attracting skilled labour to regional locations.

Migration policy and productive capital policy are run by different parts of government and have not been co-ordinated for at least a decade. The Department of Home Affairs sets the so-called 'Migration Program' targets, which are actually permanent visa approvals targets (since actual migration is uncapped). Treasury sets the corporate and investment tax settings that influence whether businesses invest in new equipment, while Home Affairs decides how many workers arrive. The two are set in different places and are not co-ordinated, so the workers come but the investment to make them productive does not. The Department of Infrastructure, Transport, Regional Development, Communications and the Arts sets the infrastructure investment program. The Reserve Bank of Australia sets the cost of capital that determines whether private investment proceeds. Capital shallowing has been the inevitable outcome of running a mass migration program which has not been properly planned for or co-ordinated.

Driver J: Increased reporting and compliance burden on the private sector

Each new reporting regime requires systems, staff, audits, and governance processes. Large companies can absorb this burden more easily than smaller firms, although it still consumes scarce resources. The burden is cumulative; while each new regime may be introduced and defended in isolation, their costs are borne collectively.

Mandatory climate-related financial disclosure under AASB S2 *Climate-related Disclosures began on 1 January 2025*. The standard covers emissions across all three scopes, climate risk disclosure, transition planning, and scenario analysis against multiple temperature pathways. In assurance language this starts at limited and moves to reasonable across the rollout, or put plainly, there is an escalating compliance burden.

Modern slavery reporting under the *Modern Slavery Act 2018* applies to entities with consolidated revenue above $100 million. The threshold is currently the subject of legislative reform intended to materially increase the number of reporting entities, increase compliance obligations and costs across the economy. Workplace Gender Equality Act 2012 reporting requires disclosure of pay-gap data, gender composition data and policy data on a sex-disaggregated basis. The *Cyber Security Act 2024* introduces mandatory reporting of ransomware payments. The Privacy Act reforms passed in late 2025 introduce a statutory cause of action for serious invasions of privacy.[72] Each regime sits in a separate part of the corporate compliance function. Each requires its own systems, staff, audits and reporting cycles, and importantly, the limited capacity of decision makers.

72 *Modern Slavery Act 2018* (Cth); *Workplace Gender Equality Act 2012* (Cth); *Cyber Security Act 2024* (Cth); *Privacy and Other Legislation Amendment Act 2024* (Cth).

The Australian Prudential Regulation Authority's (APRA's) Prudential Practice Guide CPG *229 Climate Change Financial Risks* sets supervisory expectations on climate risk management for regulated entities. The Australian Securities and Investments Commission's enforcement priorities have included greenwashing claims since 2022, with multiple high-profile enforcement actions against major financial institutions. The Reserve Bank of Australia has set climate-related disclosure expectations for the institutions it supervises. These soft-law obligations do not have a clear legislative source, and are therefore not subject to the same kinds of parliamentary and public scrutiny and debate as ordinary legislation; nonetheless they impose material and growing compliance burdens and costs.

The compliance burden transmits through the financial system as well as through regulation. All four major Australian banks have adopted restrictions on fossil fuel financing. The Commonwealth Bank ceased providing finance to oil and gas producers and metallurgical coal miners without a Paris Climate Agreement-aligned transition plan from 2024, and its lending to upstream oil and gas producers almost halved in the two years prior. From 1 October 2025, ANZ, NAB, and Westpac imposed transition-plan requirements on fossil fuel clients.[73] NAB separately implemented a $2.4 billion cap on oil and gas lending. Westpac committed to ending all dealings with companies deriving more than 5 per cent of revenue from thermal coal mining by 2030. On the insurance side, IAG, QBE, and Suncorp have each committed to phasing out thermal coal underwriting, with IAG exiting coal and oil and gas production coverage by 2023 and Suncorp's phase-out complete by 2025.

A 2025 study covering more than 9,700 insurance policies across 456 mines found that insurers with coal restrictions reduced their volume of insured coal by 56 per cent and that mines reliant on restricted insurers were more likely to be abandoned.[74] The practical consequence is that a project can hold every government approval and still be commercially unfinanceable if the lending, insurance, or institutional equity market has moved against it. The investment environment is shaped by more than statute.

This is not confined to large producers. In 2021 the Joint Standing Committee on Trade and Investment Growth inquired into the prudential regulation of investment in Australia's export industries. It heard that the chilling effect reached through the supply chain. The Minerals Council of Australia reported that small and medium contractors and suppliers in transport, maintenance and logistics across regional Australia faced an increasing lack of access to financial services and insurance.[75] A restriction written against a commodity reaches every firm whose revenue depends on it, not only the miner on the tenement.

Director and business surveys repeatedly cite regulatory burden and complexity as a constraint on investment. Anecdotally, the growth of compliance functions relative to operational and engineering functions inside resources companies necessitates a shift of board time toward disclosure and assurance risk. These anecdotes are seemingly reflected in the fact that BHP and Rio Tinto each publish annual sustainability and corporate governance disclosures running to several hundred pages, with the equivalent supply-chain, climate, biodiversity, modern-slavery, gender-equality and tax-transparency disclosures sitting alongside.

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73 Commonwealth Bank, *2024 Climate Report* (August 2024); ANZ, 2024 *Climate-related Financial Disclosures* (November 2024); NAB, *2024 Annual Report and Climate Report* (November 2024); Westpac, *2023 Climate Change Position Statement and Action Plan* (October 2023).

74 IAG, *ESG Report 2023* (August 2023); QBE, *Sustainability Report 2024* (2024); Suncorp, *Responsible Banking and Insurance Policy* (2024); Olimpia Carradori, Felix von Meyerinck and Zacharias Sautner, "Insurers' Carbon Underwriting Policies" (European Corporate Governance Institute Finance Working Paper No. 1071/2025, June 2025).

75 Joint Standing Committee on Trade and Investment Growth, *The Prudential Regulation of Investment in Australia's Export Industries* (December 2021) 58 (para 3.114) and 68 (Recommendation 6).

For resources investment, heavier compliance raises both development and operating costs, lengthens approvals timelines and lifts the threshold size at which projects are viable. It discourages experimentation and smaller-scale entrants. In other words, it discourages innovation. It stifles competition and leads to concentration, because only the very largest players can carry the fixed compliance overhead and still earn an acceptable return. Concentration is itself a sovereign risk variable, addressed in Driver K.

Driver K: Increased perceptions of sovereign risk

Sovereign risk refers to the actual or perceived risk that governments will renege on their debts or obligations, or impose arbitrary, unexpected, or pernicious regulatory changes which have a negative impact on business confidence and investment.[76] In advanced economies, sovereign risk rarely manifests in default on government debt obligations or outright expropriation of private property. It takes the form of retrospective rule changes, policy volatility, and discretionary interventions that alter actual or expected financial returns of a project, even after a final investment decision has been taken.

Sovereign risk has become a material input to investment decisions in Australia. In advanced economies it rarely takes the form of expropriation. It more commonly takes the form of policy volatility, retrospective rule changes and discretionary intervention that alters expected returns after capital is sunk.

The Queensland coal royalty intervention of 2022 is a case in point. In the 2022–23 state budget the Palaszczuk government introduced three new royalty tiers above the existing 15 per cent top rate. A 20 per cent tier applied to prices above $175 per tonne, a 30 per cent tier above $225 per tonne, and a 40 per cent tier above $300 per tonne.[77] The change was announced in the budget papers without prior consultation with affected operators. It applied immediately to existing operations, including those whose capital had been committed under the previous regime. BHP froze new investment decisions on its Queensland coking coal assets and stated publicly it would not commit further capital to the state. Glencore made the same call. The Queensland Resources Council has estimated the additional revenue extracted from the sector at more than $3 billion in the first full year of operation. State-level rhetoric softened after a change of government in 2024, but the tier schedule remains in place.

A similar intervention in the east coast natural gas market drew a rare response from Australia's largest energy customer, Japan. In 2022 the Commonwealth temporarily capped uncontracted east coast gas at $12 per gigajoule, and in 2023 it made the price ceiling indefinite (except for producers who could secure an exemption).[78] Japan takes around 36 per cent of Australia's LNG and, through INPEX and JERA, holds equity in most of its export projects.[79]

76 Department of Industry, Innovation and Science, *Risk Management, Leading Practice Sustainable Development Program for the Mining Industry* (September 2016) 7.

77 Queensland Government, *State Budget 2022-23: Budget Paper No. 4 Budget Measures* (June 2022); Queensland Resources Council, *Coal Royalty Impact Analysis* (various publications 2023–2024).

78 *Treasury Laws Amendment (Energy Price Relief Plan) Act 2022* (Cth); *Competition and Consumer (Gas Market Code) Regulations 2023* (Cth).

79 Department of Industry, Science and Resources, *Future Gas Strategy: Analytical Report* (2024) 52.

The Japanese rarely comment on the domestic policy of a trading partner but on this occasion, they did. In March 2023, INPEX president and chief executive Takayuki Ueda used a Parliament House luncheon attended by Resources Minister Madeleine King to warn that Australia's investment climate was deteriorating, telling policymakers not to change the rules after investment decisions had been made.[80] The warning was followed the next month by Japanese ambassador Shingo Yamagami, who told *The Australian* that Japanese companies feared Australia was drifting towards energy nationalism.[81]

The McPhillamys Gold Project in New South Wales quickly became a prominent example of Australia's growing sovereign risk profile. Since 2012, Regis Resources has invested more than $200 million in the project. The NSW Independent Planning Commission approved it. In 2023 the Commonwealth Environment Department approved it under the EPBC Act. In August 2024, Environment Minister Tanya Plibersek overrode both approvals by making a declaration under section 10 of the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984*, citing dubious cultural heritage significance at the site of the proposed tailings dam (see discussion at Driver E).[82] Regis Resources booked a $192 million non-cash impairment and withdrew 1.89 million ounces of Ore Reserves, worth as much as $9 billion. All that gold, previously approved to be extracted, will stay in the ground.

EY's 2026 *Mining and Metals Business Risks and Opportunities Study*, surveying 500 senior leaders at miners with at least USD 1 billion in revenue, found capital concentrating into strategically critical projects in stable jurisdictions as higher interest rates made debt more selective.[83] Australia's Tier 1 assets are still attracting some capital, but the marginal project, the expansion and the second-tier development do not, not to mention the project not even considered.

While all the Drivers listed in this paper operate independently, they all tend to eventually express themselves as perceived sovereign risk. Unpredictable Safeguard Mechanism baseline tightening turns net zero compliance into a sovereign risk premium. Reliability gaps addressed only by ad hoc ministerial intervention in coal closure dates do the same to energy costs. A federal layer that can override state approval after $300 million of investment is sunk does it to approval times. Royalty regimes altered without consultation after capital has been committed do it to fiscal burden. Cumulatively, the eleven drivers have done what no single driver could. They have made Australia a jurisdiction where capital is committed under one set of rules but must be recovered under another. This moving of the goal posts, including post approval and after a final investment decision, has meant that, in the words of then-Ambassador Yamagami, business leaders now approach Australia "Probably for the first time, [with] this word of sovereign risk".

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80 Jacob Greber, "Australia's gas policies threaten world peace, says Japanese giant" (*The Australian Financial Review*, 30 March 2023).

81 Paul Kelly, "Australian 'Energy Supply Risk' Worries Japan: Ambassador Shingo Yamagami" (*The Australian*, 23 April 2023).

82 Regis Resources, *McPhillamys Gold Project Update* (August 2024); *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) s.10 declaration, 16 August 2024.

83 EY, *How to Recognize Opportunity When Others See Risk: Top 10 Business Risks and Opportunities for Mining and Metals in 2026* (EYGM Limited, 2025), p. 12.

2.2. How the investment decision is actually lost

> ***"Everybody is happy to work through a process as long as they are clear what it is, and that the rules are clear and fair. The regulatory setting has clearly dismayed capital from coming to Australia. I interviewed the sector and 95 per cent said Australia is a far worse place to invest than ten years ago."***
>
> ***Russell Delroy,*** *Founder and Portfolio Manager, Nero Resource Fund.*[84]

The cumulative burden of these eleven drivers is presented to a company board on top of the geology, market, and engineering risk a project already carries. A capital committee at a major miner ranks a Pilbara iron ore expansion against a Canadian critical mineral's development, a US processing facility, and a Saudi exploration program, all competing for the same capital commitment. What the committee cannot model with comparable confidence for Australia is the probability that the Australian project's approval will be contested after investment decisions have been taken, that the royalty rate will shift mid-production, that energy costs will move against the project between final investment decision and first production, or that the industrial relations framework will be rewritten twice in the life of the project.

Australia has always been a price-taker on international markets. State and federal governments cannot materially adjust the geology, market, or engineering risks of a given project. But they can adjust the eleven drivers identified in this report, and in recent years they have adjusted them for the worse.

The loss to the Australian economy is measured in all the projects which are not developed, all the jobs not created, all the wages not paid, all the suppliers not purchased from, and all the tax and royalty revenue not collected. We can measure the decline of investment, and therefore of all these effects, in aggregated statistics. The following section will outline how these forgone investments ultimately come at the expense of Australian households.

84 Russell Delroy, interview on "Australia's Once-in-a-Generation Energy Opportunity" (*Money of Mine*, 5 May 2026) at 39:36.

3. Incentivising investment in the resources sector: Best practice from Australia and overseas

Australia faces increased competition for investment in the resources sector. The jurisdictions it competes with have held stable the policy settings Australia has allowed to move against the investor. The time a major approval takes, whether that approval survives once granted, the cost and reliability of energy, the fiscal terms across the life of a project, and the design of investment incentives each sit at the centre of a driver set out in Section 2, and on each a comparator jurisdiction runs the arrangement that lowers the hurdle rate Australia has raised. Stability does not mean settings never change. What deters capital is not reform but change that is retrospective or arbitrary. Australia has done both. Its settings have worsened, and investors trust them less.

The Fraser Institute's Annual Survey of Mining Companies, 2025 ranks Nevada first, Ontario second and Saskatchewan third on investment attractiveness, with Arizona and Saudi Arabia also in the top 10.[85] That index blends mineral endowment and policy and weights geology at 60 per cent, so the policy signal shows more clearly in the survey's separate Policy Perception Index, where Nevada again ranks first and Saudi Arabia fourth.

South Australia and Western Australia sit in the same top 10, but consistent with the thesis of this report they earn their place on geology rather than policy: South Australia ranks 1st of 41 on mineral potential against 16th of 68 on policy, and Western Australia 3rd on mineral potential against 13th on policy. The Fraser Institute's successive surveys have demonstrated ranking volatility caused by policy changes, which make Australia less attractive to investors looking for policy stability and certainty.

No comparator country can or should be copied wholesale, but each jurisdiction has settings where the Australian equivalent has become discretionary, contestable, or more expensive. The remainder of this section goes through each of the eleven drivers, highlighting relevant foreign policy settings which Australia could adopt to improve its investment attractiveness.

85 Fraser Institute, Julio Mejía and Elmira Aliakbari, *Annual Survey of Mining Companies*, 2025 (February 2026)

	ISSUE	DRIVERS	JURISDICTION	REASON
3.1	Net zero compliance burden	A	Best case: Safeguard Mechanism repealed	Australia levies a unilateral carbon cost on goods exporters that no comparable resources economy matches; WA faces a cumulative liability of up to $4 billion to 2030. The act must be repealed.
3.2	Time to decision	D	United States	FAST-41 runs a single coordinated pathway with published statutory timetables, removing the open-ended delay that strands capital. The PC found a one-year delay costs approximately 10 per cent of net present value.
3.3	Bankable incentives	H	Canada	Flow-through shares and the CMETC are published, multi-year and financeable. Capital markets fund exploration against them.
3.4	Certainty of approvals	E, K	United States	The Builder Act's time and page limits, and its court-enforced deadlines, shorten reviews and leave less room to challenge an approval after the fact.
3.5	Energy cost and reliability	B, part A	Québec/Canada	Firm dispatchable power contracted long-term lets energy-intensive plants lock supply cost at final investment decision. Australia holds the gas resource; the constraint is the willingness to contract from it.
3.6	Fiscal discipline and crowding out	G, F	Singapore, Nevada	Low government spending and a take on net proceeds rather than gross value do not crowd out private capital or erode project margins.
3.7	Labour productivity and IR	C	Best case: pre-Closing Loopholes enterprise agreement framework	Enterprise-specific bargaining and constrained right-of-entry reduce unit labour cost and dispute risk across the full operating life of a project.
3.8	Compliance burden	J	Best case: single compliance window	Consolidation of NGER, NPI and project-specific conditions into one register and one reporting cycle reduces fixed overhead at scale.
3.9	Housing and infrastructure	I	Domestic coordination	Resources-region housing supply designated as critical infrastructure in Commonwealth-state agreements.
3.10	Sovereign risk	K	Saudi Arabia	Stability comes from rules an investor can rely on to last: an approval that stays settled once granted (United States, Builder Act). Saudi Arabia shows the value of all-of-government coordination, though its stability rests on state commitment rather than law and on sovereign capital.

3.1 Net zero compliance burden

No comparable resources-exporting economy levies a carbon cost on its large industrial facilities at the rate Australia's Safeguard Mechanism now imposes. It is a Commonwealth instrument, and it falls most heavily on Western Australian producers.86 The United States has no equivalent levies. Canada's federal Output-Based Pricing System is a useful comparator as it provides an industrial competitiveness adjustment that prices only the emissions a facility runs above its sector benchmark, shielding export-competing facilities from the full abatement cost.87 Australia's Safeguard Mechanism carries no equivalent adjustment for the 80 per cent of covered facilities that are goods exporters.

The best practice here is a legislated repeal of the Safeguard baseline trajectory. The jurisdictions that have overtaken Australia in the Fraser Institute survey either price industrial carbon not at all or price it with a competitiveness carve-out for trade-exposed industry.88 Australia is alone in effectively imposing a tariff on itself.8589 The same parliament that passed the 2023 amendments can repeal them.

3.2 Time to decision

The Fixing America's Surface Transportation Act (FAST-41) created a federal permitting co-ordination process in 2015. Covered projects sit on a public dashboard against a comprehensive permitting timetable, and the federal agencies reviewing them work that timetable together rather than in sequence. Critical-mineral and mining projects were brought into that system at scale after President Trump's Executive Order of 20 March 2025, Immediate Measures to Increase American Mineral Production. By 20 November 2025, the Federal Permitting Improvement Steering Council said 50 critical mineral and mining projects were receiving either traditional FAST-41 coverage or transparency coverage.90 Before these reforms the United States had among the worst mine development timelines in the world, taking on average nearly 29 years to move a new critical-mineral mine from discovery to production, second only to Zambia and against 20 years in Australia.8691

FAST-41 does not change the underlying statutory or regulatory requirement, environmental law, review process or public involvement procedure. It puts the same process on a timetable and makes delay visible. A project with no firm approval date has to price that uncertainty.

86 Adam Creighton and Saxon Davidson, *The Safeguard Mechanism: Australia's Self-Imposed 'Trump Tariff'* (July 2025) 1, 8.

87 Environment and Climate Change Canada, *Output-Based Pricing System (2025); International Carbon Action Partnership, Canada Federal Output-Based Pricing System* (ETS Map, ETS Detailed Information, 2026) 1.

88 Fraser Institute, Julio Mejía and Elmira Aliakbari, *Annual Survey of Mining Companies, 2025* (February 2026) 3 (full table at pp. 12–14).

89 Creighton and Davidson (July 2025) 1, 2.

90 Permitting Council, "Permitting Council Meets Agency Milestone with 50 Mining Infrastructure Projects Receiving Council Benefits" (20 November 2025).

91 S&P Global Market Intelligence, *Mine Development Times: The U.S. in Perspective* (June 2024) 6, 19: the figure includes non-operating projects and assumes those without a startup date begin producing by 2030.

South32 chief executive Graham Kerr has made the same point from the investor side. He described the Australian and United States systems as "chalk and cheese", saying the US has "defined timelines" and permitting coordinators at federal and state level who can make agencies run work in parallel. As he put it, "the total amount of work you need to do is the same". The difference is that agencies are held to deadlines and resourced to meet them. His conclusion was direct: "Everyone talks about the US being challenging for permitting. For us, it's been a dream (compared to Australia)."[92]

South32 then acted on that judgment. Its Hermosa project in Arizona became the first mining project added to FAST-41, with South32 later approving USD$2.16 billion to develop the Taylor zinc-lead-silver deposit and related infrastructure at the site. Hermosa also holds the Clark manganese deposit, which makes it the only advanced United States project able to supply two federally designated critical minerals, zinc and manganese.

This advantage is recent and depends on executive action which a later administration can withdraw, but it demonstrates that speed and coordination are possible. The design is what transfers, a coordinated pathway that holds agencies to published deadlines.

3.3 Bankable incentives

Canada's exploration and processing incentives support the point where mining capital is hardest to raise. They leverage a flow-through share regime that lets a junior explorer pass Canadian exploration expenses to investors, who can deduct them from taxable income. For critical minerals, the investor can also claim the Critical Mineral Exploration Tax Credit (CMETC) at 30 per cent.

Budget 2025 confirmed the extension of the 15 per cent Mineral Exploration Tax Credit, extended the CMETC to flow-through share agreements entered into through 31 March 2027 and widened the eligible minerals list. The Clean Technology Manufacturing Investment Tax Credit separately refunds 30 per cent of eligible machinery and equipment costs from 2024 to 2031.

The strength of the model is that the benefit is published, dated, and tied to defined expenditure which an investor can price into a capital raising. A discretionary grant cannot do the same work because its value depends on a future administrative decision.

The international instruments Australia is being measured against are specific. The United States Inflation Reduction Act provides a 10 per cent credit for domestic critical mineral production under Section 45x of the Internal Revenue Code, with eligible expenditures, eligible products and eligible recipients defined in published Treasury guidance.[93] The credit is transferable. A miner without enough current tax liability to use it can sell it to a financier who can. That is what makes it bankable into project finance.

The European Union's Critical Raw Materials Act sets 2030 targets of 10 per cent domestic extraction, 40 per cent domestic processing and 25 per cent domestic recycling of strategic raw materials, with import caps to support those targets.[94]

92 Brad Thompson, "South32 chief in blast over green tape" (*The Australian*, 2 September 2025).

93 *Inflation Reduction Act of 2022*, (US), 26 USC §45X; US Department of the Treasury, *Section 45X Final Rules* (October 2024).

94 European Commission, *Critical Raw Materials Act* (in force 2024). The 10 per cent extraction, 40 per cent processing and 25 per cent recycling targets are set in the Act for 2030.

3.4 Certainty of approvals

A completed approval that can be reopened, including by lawfare (see Driver E), carries a great deal of uncertainty. The United States has tried to limit this through legislation. The Builder Act, part of the Fiscal Responsibility Act of 2023, puts one agency in charge of each review, requires a single environmental document rather than several, and lets the company prepare that document itself under the agency's supervision.

The Fiscal Responsibility Act 2023 caps a full Environmental Impact Statement at two years and 150 pages, and an environmental assessment at one year and 75 pages. If an agency misses the deadline, the project sponsor can ask a court to set a new one, no more than 90 days out.[95] A permitting timetable alone can be managed past, but this statutory limit cannot.

A shorter review with a capped document and a court-enforced deadline gives a challenger less to work with after the approval is granted and provides confidence to investors that where a decision is made, it can effectively be treated as settled.

3.5 Energy cost and reliability

Few places sell industrial power as cheaply or as reliably as Québec. Industrial electricity in the province runs 49 per cent below the G7 average and 36 per cent below the United States.[96] The supply is hydroelectric and dispatchable, so it holds load around the clock, which in this case is what continuous electrolytic smelting demands. This is why the aluminium majors are committing capital there. Rio Tinto, Alcoa and the Alouette smelter run their Québec operations under long-term power agreements indexed to the aluminium price, so the energy tariff adjusts with the market. Rio Tinto is reinvesting on those terms, approving a USD$1.5 billion expansion of its AP60 smelter in the Saguenay corridor on the assessment that firm hydroelectric power at a competitive long-term tariff is a position most jurisdictions cannot match.[97] The province's largest single block of electricity demand is its smelters, which are located there because power was cheap and reliable, with long-term contracts.

The hydrology does not transfer. Australia cannot change its geography, but it holds other endowments that can and have delivered the same firm, dispatchable supply in the past. Victoria's Latrobe Valley holds enough recoverable brown coal to last more than 1,000 years at current production rates, the second-largest economic resource of its kind in the world.[98] Western Australia is home to the North West Shelf, which carries about 93 per cent of Australia's identified conventional gas, itself among the largest reserves in the world.99 The constraint is not the resource, it is the ability to contract long-term power supply.

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95 *Fiscal Responsibility Act of 2023*, Pub L No 118-5, § 321, amending the National Environmental Policy Act.

96 Hydro-Québec, *Comparison of Electricity Prices in Major North American Cities* (2024 rate report); Canada Energy Regulator, *Provincial and Territorial Energy Profiles — Quebec* (2024).

97 Rio Tinto, "Rio Tinto commissions $1.5 billion AP60 smelter expansion in Quebec" (29 May 2026).

98 Geoscience Australia, *Australia's Energy Commodity Resources 2025* (2025): recoverable brown coal economic demonstrated resources of about 74,000 Mt, nearly all in Victoria's Latrobe Valley, expected to last more than 1,000 years at 2016 production rates; Australia holds 23 per cent of the world's economic brown coal resources, second behind Russia.

99 Geoscience Australia, *Australia's Energy Commodity Resources 2025* (2025).

Australia is losing dispatchable power faster than it is replacing it. The firm capacity that remains is not offered on long-term contracts at competitive prices, which is what energy-intensive industry needs to commit. A processor cannot underwrite a 30-year plant on power that is neither firm nor contracted, whatever the resource sitting beneath the project. Producers are voting with their feet. Tomago is being kept open only by a government-backed power deal after warning it could close past 2028.[100] These firms came here years ago when energy was cheap and firm, and now they survive on support. Capital that runs on energy will go where the power is firm, cheap and secure.

3.6 Fiscal discipline and crowding out

The drivers like G and F that lift the hurdle rate from the public side of the ledger effectively come down to the size of the state and the weight of the tax it levies.

A government that runs large spending programs draws on the same labour and materials a private project needs, and funds them by taxing the wider economy. A higher company tax rate then leaves less of each marginal dollar with the investor who carried the risk.

Singapore is not a mining jurisdiction, but it marks the low end on the size of the state. Total government spending was around 15 per cent of GDP in FY2024, against an average above 40 per cent across industrialised countries.[101]

The Fraser Institute's 2025 survey ranks Nevada the most attractive mining jurisdiction in the world, so the fiscal point lands on the same ground as the geological one.[102] The state levies no income tax on companies or individuals. It has one mining-specific impost, the Net Proceeds of Minerals tax, which is capped at 5 per cent and is imposed on net proceeds after the costs of extraction and processing rather than on gross value, so the effective burden on the value mined sits well under 5 per cent. On its profits a gold or lithium operation there pays the 21 per cent federal corporate income tax, and that state tax is deductible against the federal base rather than stacked on top of it. It writes its capital off in the year it is spent.[103] Australia in comparison has a 30 per cent company rate, among the highest in the OECD. State royalties apply on the value of production, and although a miner deducts them against its company tax, the higher headline rate and the slower write-off of capital still leave the Australian investor with less of the marginal dollar than in Nevada.[104]

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100 Tomago-Commonwealth electricity supply arrangement announced 12 December 2025, committing subsidised power from the Commonwealth-owned Snowy Hydro beyond 2028; see Tony Wood, "Saving Tomago" (*The Conversation*, 12 December 2025).

101 Singapore Ministry of Finance, *Analysis of Revenue and Expenditure: Financial Year 2024* (February 2024), (FY2024 total expenditure of $111.8 billion, 15.5 per cent of GDP); B. Barua, *Meritocracy, Personal Responsibility, and Encouraging Investment: Lessons from Singapore's Economic Growth Miracle* (Fraser Institute, 2024) p. 22.

102 Fraser Institute, *Annual Survey of Mining Companies 2025* (February 2026).

103 *Nevada Revised* Statutes ch. 362; *NRS 362.140* (rate on net proceeds: a sliding scale from 2 to a maximum of 5 per cent, set by the ratio of net to gross proceeds, and 5 per cent for operations with net proceeds over $4 million); NRS 362.120 (allowable deductions in determining net proceeds); Nevada Department of Taxation, *Net Proceeds of Minerals*. A corporation's state taxes incurred in business are deductible against federal taxable income under 26 USC §164.

104 OECD, *Corporate Tax Statistics* (Australia's 30 per cent combined statutory company tax rate sits above the OECD average); for state royalties levied on the value or volume of production, see for example *Mineral Resources (Sustainable Development) Act 1990* (Vic) or the relevant State royalty regime; mining royalties paid are deductible in calculating taxable income under the *Income Tax Assessment Act 1997* (Cth).

3.7 Labour productivity and IR

The Secure Jobs, Better Pay Act 2022 reopened multi-employer bargaining streams the resources sector had not used since the 1990s.[105] The Closing Loopholes Acts of 2023 and 2024 expanded union right-of-entry and imposed same job, same pay obligations on the labour hire arrangements through which much of the Pilbara workforce is contracted.

The best case and most realistic solution is a return to the framework that operated previously. As the H.R. Nicholls Society has observed, reinstating enterprise bargaining is necessary to overcome the Fair Work Act's complexity and rigidity that has helped drive productivity to historic lows.[106] The pre-Fair Work Act framework held bargaining to the enterprise and applied defined right-of-entry tests, with no multi-employer pathway open in the sector. For an integrated Pilbara mine, rail and port operation, that distinction is material; enterprise-level bargaining ties wages to the productivity of the specific operation, whereas a multi-employer stream allows terms to be set across competing employers and exposes a continuous supply chain to industrial action co-ordinated beyond a single site. The Fair Work Act can be amended and the settings returned to a framework that operated at a time when private investment in Australia reached close to 20 per cent of GDP.

3.8 Compliance burden

IPA analysis put the cost of the federal environment regulator, legislated in 2025 as the National Environmental Protection Agency, at approximately $1.8 billion per year once fully operational, which would make it the sixth most resourced Commonwealth agency and lift environment-portfolio staffing by 82 per cent.[107] What Australia runs separately, the United States has consolidated.

The Fiscal Responsibility Act of 2023, through its Builder Act provisions, puts a multi-agency review under one lead agency, which directs the cooperating agencies and holds them to a single environmental document. The Act takes that review in through the E-NEPA portal and caps the document at 150 pages, or 300 for an extraordinarily complex project.[108] Its review deadlines are the ones noted at Section 4.4. The Environment Protection Reform Act runs against that. It leaves the separate reporting returns standing and adds a $1.8 billion agency above them. An achievable outcome is one that consolidates National Greenhouse and Energy Reporting and National Pollutant Inventory returns and project-specific approval conditions into one register and one federal interlocutor per project, on the single lead agency model the United States runs, and repeals the stop-work power described at Driver D.

105 *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022* (Cth), Part 2, introducing the supported bargaining and single-interest employer multi-enterprise agreement streams.

106 H.R. Nicholls Society, *The Employment Act: A Modern Blueprint for the Future of Work* (October 2024) 3-4.

107 Saxon Davidson, *What the federal government's proposed environment protection agency will cost to taxpayers* (Institute of Public Affairs Research Note, July 2024) 1-3.

108 *Fiscal Responsibility Act of 2023* (US), Pub. L. 118-5, § 321 ("Builder Act"), amending the National Environmental Policy Act, 42 U.S.C. § 4336a.

3.9 Housing and infrastructure

The pressure that large-scale migration places on Pilbara workforce housing and Perth infrastructure is documented at Section 2.I. This pressure is shaped by Commonwealth-state settlement and infrastructure decisions. The existing framework is the National Housing Accord, agreed to by every state and territory, which sets a single national target of 1.2 million homes to June 2029.[109] It has no distinct category for the workforce housing that resources regions need, and it does not align the migration intake that drives demand with the infrastructure pipeline that would absorb it.

Resources-region housing supply should be designated as critical infrastructure inside Commonwealth-state agreements, with national migration settings aligned to state infrastructure commitments. A targeted fringe benefits tax carve-out would support that shift. Employer-provided housing, rental assistance, relocation costs, utilities and periodic travel assistance should be exempt where they support genuine relocation to designated resources regions and add to local housing supply. This would reduce the tax penalty on permanent settlement and give industry a stronger reason to co-invest in housing, rather than keep loading project labour demand onto Perth airport and already stretched regional rental markets.

3.10 Sovereign Risk

The stability that attracts capital comes from the rule of law. Rules bind prospectively, apply to all not just to a named project or proponent, they stay proportionate to a stated objective, and change only to accommodate new circumstances and only after genuine open consultation. Terms of that kind can be underwritten across the life of an asset. This is how comparator jurisdiction United States runs its settings, where a proponent can treat a Builder Act approval as settled once granted (Section 3.4).

Australia has moved the other way, into retrospective royalty changes and discretionary intervention after the capital is sunk, as Driver K sets out. A term that shifts after the money is committed cannot be underwritten, and its level, high or low, does not change that.

Co-ordination is a separate lesson, and its clearest current example is Saudi Arabia, which has committed the state apparatus to facilitating investment. Vision 2030, the kingdom's national reform plan, names mining the third pillar of the economy alongside oil and petrochemicals. The government has a target to lift the sector's contribution to GDP from $17 billion to around $75 billion by 2030.[110] The 2020 Mining Investment Law rewrote the licensing regime, introduced competitive fiscal terms and full foreign ownership, and set fixed, extendable license terms, while the Saudi Geological Survey publishes the underlying geoscience through a national database rather than leaving each proponent to acquire it. Fiscal terms, capital, geoscience and diplomatic effort have been aligned to compete for future critical minerals investment.

However, the regulatory model is not a clean transfer as it runs on sovereign capital through the Public Investment Fund deployed at a scale, and with a degree of central direction, that a federal liberal democracy neither has nor would want.[111] The coordinated effort, the decision to align every lever behind attracting the capital, is however something to aspire to and an indication of what Australia is competing against.

109 National Housing Supply and Affordability Council, *Quarterly Report* (March 2026).

110 Saudi Ministry of Industry and Mineral Resources and *Vision 2030 Annual Report 2024*.

111 Basic Law of Governance (Saudi Arabia), Article 14, state ownership of mineral wealth. Primary.

4. Conclusion

Australia in 2026 still has the geology that holds the world's largest reserves of iron ore, lead, zinc and uranium. It still has the AAA-rated institutions, and a skilled workforce that made it a magnet for global capital from 2000 to 2012. But it has lost the policy posture and the faith of investors, particularly on the margins. Approval times, lawfare exposure, fiscal burden, energy costs, industrial relations settings and compliance burden have each moved in the wrong direction over the past decade.

Modelling undertaken for this report estimates that over the past decade there has been some $688 billion in missed investment, measured in 2025 dollars. This missed investment is not just academic: it has resulted in lower wages, less export earnings, fewer jobs, less economic activity, and less taxation and royalty receipts than would otherwise have been the case. By our central estimate, each household is some $4,944 worse off than they otherwise would have been as a result of this missed investment.

When it comes to investment attractiveness, Australia exists in a globally competitive market. Jurisdictions around the world – including in United States, Singapore, and Saudi Arabia – are competing with Australia for highly mobile capital, and have often sought to provide stable fiscal terms, time-certain approvals and bankable incentives to encourage investment in their resources sectors.

Australia used to be one of the most attractive places on earth for natural resources investments, but today we are putting roadblocks in our own way by raising the costs associated with policy uncertainty, energy insecurity, lawfare, and a fiscal environment which both taxes too much and lifts construction costs, crowding out investment.

Australia can choose a different path. By addressing the eleven drivers set out in this report, Australia can restore its reputation as a stable, attractive destination for resources investment.

Appendix A: Schedule crosswalk

SCHEDULE ITEM	WHERE ADDRESSED	EVIDENCE / POINT
Extent of deterioration in investment environment	Section 1	Investment/GDP, mining investment versus commodity prices, capital expenditure composition, Fraser and IMD signals
How deterioration affects every individual	Section 1.5	Household impact, wages, tax base, service quality
A) Net zero policies	Section 2.1A	Compliance cost, constraint risk, Safeguard
B) Energy cost and security of supply	Section 2.1B	Electricity costs, reliability, fuel resilience, gas reservation
C) Labour productivity and IR	Section 2.1C	Productivity, Closing Loopholes, Pilbara right-of-entry
D) Red tape and approvals	Section 2.1D	EPBC, Commonwealth/state duplication, Budget approvals package
E) Lawfare and certainty of approvals	Section 2.1E	Section 487, activist litigation, post-approval contestability
F) Fiscal burden	Section 2.1F	Corporate tax, royalties, effective tax burden, vertical fiscal imbalance
G) Government expenditure and crowding out	Section 2.1G	Public spending share, publicly funded employment, WACC and input competition
H) Investment incentives	Sections 2.1H, 4	Budget start-up incentives versus major resources capital expenditure; international bankable credits
I) Immigration, housing, infrastructure and capital widening	Section 2.1I	Capital shallowing, regional housing and logistics pressures
J) Reporting and compliance	Section 2.1J	Climate disclosure, modern slavery, ESG-adjacent reporting, soft-law obligations
K) Sovereign risk	Section 2.1K	Retrospective royalties, ministerial overrides, procedural and discretionary risk
Best practice countries	Section 3	Canada, US, Saudi Arabia

Appendix B: Methodology

B.1 Purpose and scope

This appendix sets out the methodology behind the household impact figures reported at Section 3. The model converts forgone private business investment into forgone household income, income tax and other forgone tax. The central estimate is approximately $8,500 per household per year. The range across multiplier assumptions runs from approximately $3,100 to approximately $14,100. Every locked assumption is stated below, and the sensitivity of the headline to each parameter is reported at B.10.

B.2 The counterfactual investment share

The counterfactual is the average share of private business investment in nominal GDP across the 15 financial years from FY2000 to FY2014, calculated at 14.79 per cent. That period spans the pre-boom years, the construction phase of the LNG and iron ore build-out, and the early wind-down. It captures a full cycle. The 15-year average sits below the boom peak of 17.6 per cent in 2012 (which would overstate the shortfall by treating an exceptional construction phase as a sustainable baseline) and above any single pre-boom year (which would understate the structural lift that accompanied Australia's integration into Asian demand). It reflects what the Australian economy demonstrated it could sustain across expansionary and contractionary phases of the commodity cycle.

The source data is ABS Catalogue 5206.0, Table 2 (GDP, income from GDP) and Table 34 (private gross fixed capital formation, current prices, seasonally adjusted). The investment aggregate is total private business investment including dwellings, consistent with the ABS definition of private gross fixed capital formation. All figures are nominal at the counterfactual stage, because the share-of-GDP ratio cancels the price level.

B.3 Treasury 2012–13 MYEFO robustness check

The counterfactual is cross-checked against the Treasury's 2012–13 Mid-Year Economic and Fiscal Outlook (MYEFO) investment forecast. Treasury's forward projections at that point implied a higher investment share of GDP than the FY2000–2014 average, because the forecasts were prepared before the full extent of the post-boom decline was visible. Treasury forecast new business investment to reach '50-year highs as a share of GDP' over the forward estimates, on the strength of the resources pipeline. The rebalancing to non-mining investment it expected did not occur, and actual investment fell well short of the Commonwealth's own published expectations. The counterfactual chosen for the primary model is, if anything, conservative relative to what the Commonwealth's own fiscal authority expected at the time.

B.4 Current state and the investment gap

Private business investment as a share of nominal GDP sat at 11.75 per cent in FY2025, drawn from ABS 5206.0 December quarter 2025 data (seasonally adjusted, current prices). The gap to the counterfactual of 14.79 per cent is approximately 3.0 percentage points of GDP. Applied to FY2025 nominal GDP, that single-year gap is approximately $84 billion in forgone investment, pre-multiplier.

The cumulative gap applies the same counterfactual share to each financial year from FY2015 to FY2025, measuring the shortfall between actual investment and what investment would have been had the FY2000–2014 average share held. The cumulative shortfall over the decade is approximately $688 billion in nominal terms.

B.5 Investment multipliers

Forgone investment is converted into forgone economic output using a single blended multiplier applied in the year of the shortfall. Three estimates bound the range. Each represents the additional GDP generated per dollar of investment. A multiplier of 1.5 means $1 of investment generates $1.50 of GDP through direct activity, supply-chain demand, wage spending and induced consumption.

TABLE B.1: INVESTMENT MULTIPLIER ASSUMPTIONS.

SCENARIO	VALUE	SOURCE	RATIONALE
Low	0.55	Treasury short-run fiscal multiplier	Treasury's published assumption for short-run spending impacts. Treats investment as equivalent to a generic fiscal impulse, understating the productive-capacity channel.
Medium	1.5	Mid-range estimate	IMF WEO 2014, Gechert and Rannenberg 2014, GI Hub 2020
High	2.5	Deloitte mining-sector multiplier	Specific to mining and resources investment, where large projects generate substantial supply-chain, infrastructure and services activity in regional economies.

The mid-range multiplier of 1.5 is the headline figure used in Section 1.5. A single blended multiplier applied in the year of the shortfall is a simplification. Investment generates returns across multiple years, and the multiplier varies by asset type, location and prevailing economic conditions. The model treats the blended figure as cumulative GDP forgone, the appropriate framing for a shortfall that has persisted across a full decade. The multiplier choice is the largest single source of uncertainty in the model.

B.6 Wages share of forgone output

The labour share of forgone output is 55 per cent, the 60-year average labour share of total factor income as reported in previous IPA research.[112] It is applied to total forgone output to produce the forgone wages component of the household figure.

Income tax on wages is removed at an effective rate of 23.5 per cent, the ATO Taxation Statistics figure for income tax paid as a share of gross wages and salaries. What remains is the take-home income the household would have earned.

112 Cian Hussey, *The Changing Structure of the Australian Economy* (Institute of Public Affairs, December 2020) 7.

B.7 Forgone tax revenue

The forgone taxes on activity that would otherwise have occurred ultimately fall on households in the form of a higher tax burden, higher cost of living, or fewer government services. This cost is estimated at 30 per cent of forgone output, based on the aggregate tax-to-GDP ratio the ABS reports at 30.2 per cent in FY2024-25. The income tax paid on labour calculated in B.6 on the basis that since income tax is a direct burden on households, and income tax not paid cannot also be a burden on households.

B.8 Household denominator and distribution

The household denominator is the ABS estimated number of Australian households in 2025, drawn from ABS Catalogue 3236.0 (Household and Family Projections). The headline figure at Section 3 is the mean per household.

B.9 Limitations

The model is a static counterfactual. It does not account for the reallocation of labour and capital that would have occurred had the higher investment share been sustained, does not model interest rate, exchange rate or terms-of-trade feedbacks, and assumes a constant multiplier across the decade. These simplifications are accepted because the purpose is an order-of-magnitude estimate of the household cost, and because a general equilibrium simulation would introduce more modelling uncertainty than it would resolve.

The model does not decompose the shortfall across the 11 drivers documented at Section 2. That decomposition would require driver-by-driver elasticities and a structural model of substitution between jurisdictions, neither of which exists in the literature at the specificity required. The shortfall is treated as an aggregate.

The headline figure of approximately $8,500 per household per year at the central multiplier is an average. It does not describe the experience of any individual household. The range from $3,100 to $14,100 is reported prominently because the multiplier is the parameter on which reasonable analysts will most disagree.

B.10 Data sources

ABS Catalogue 5206.0, Australian National Accounts: National Income, Expenditure and Product, Tables 2 and 34 (private gross fixed capital formation, current prices, seasonally adjusted; GDP implicit price deflator). ABS Catalogue 6291.0,. ABS Catalogue 3236.0, Household and Family Projections, Australia (household denominator). Treasury 2012–13 MYEFO (investment forecast for robustness check). Deloitte Access Economics, mining-sector multiplier estimates. Rio Tinto, Taxes Paid: Our Economic Contribution 2024. BHP, Economic Contribution Report 2025.

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The IPA supports the free market of ideas, the free flow of capital, a limited and efficient government, evidence-based public policy, the rule of law, and representative democracy. Throughout human history, these ideas have proven themselves to be the most dynamic, liberating and exciting. Our researchers apply these ideas to the public policy questions which matter today.

About the author

Julian Coleman was a Research Fellow at the Institute of Public Affairs om FY26, working across energy and economic policy. Before joining the IPA, he spent nearly a decade in digital transformation and business development, including as a Public Sector Account Executive at Salesforce. He holds a Bachelor of Commerce in Accounting from the University of Western Australia and has done further study in communications and data analytics.

Scott Hargreaves is passionate about Australia and its people, and securing their freedoms and prosperity for the next generation. He has the honour of leading a team of talented, committed and enthusiastic men and women who conduct and disseminate the IPA's research across Australia, making an impact for the better.

He joined the IPA staff in 2015 having been a member of the IPA for over twenty years prior to that. During that time he gained experience in a range of private and public organisations, including periods inside government, in the corporate world, and running small businesses.

Amongst other responsibilities he is Editor of the IPA Review, Australia's oldest continuously published magazine covering politics and public affairs. As can be seen from his publications he produces evidences and argument for smaller government, individual freedom, and western civilisation, and against the infusion of post-modernism into our education system, climate catastrophism, and government waste.

In 2024 he released The Australian Achievement and its Opponents: Selected Essays, which is available through Connor Court Publishing. He has a Bachelor of Arts in Politics and Economics, a Post Graduate Diploma in Public Policy, an MBA from the Melbourne Business School, and a Master of Commercial Law.

LOSING ITS LUSTRE

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IPA RESEARCH NOTE

Five policies to revive Australia's sovereign capability

MAY 2026

Saxon Davidson
Research Fellow

The 2026 Iran war has revealed the costs of Australia being a fuel importer. Given Australia imports approximately 90 per cent of its refined fuels, up from 11 per cent in 2002, it is particularly vulnerable to global shocks.[1]

This is just one striking example of how Australia has lost its sovereign capability. Sovereign capability refers to a nation's self-sufficiency in key sectors, such as energy, food, industry, and defence, and reflects the reality that global, or even regional, supply chain stability cannot always be guaranteed.

In an era of increasing uncertainty, it is vital that Australia becomes a country that can rely on itself, or more specifically, able to supply itself with critical products and assets. However, there are different approaches to building sovereign capability. Many of these take the form of industry assistance, but such interventions are time consuming and expensive, and can devolve into crony capitalism, featherbedding, and white elephant projects. There may be a case for direct interventions, but the more immediate focus needs to be on those measures which would improve the prospects for all industries that support sovereign capability.

At a state level, the actions of the Queensland government to fast-track the development of new oil fields, and the Minns government in New South Wales to extend the life of the Eraring power station, are at least in part a recognition of the need for sovereign capability. However, the federal government has fallen behind, making decisions that only address immediate and short-term concerns in response to the fuel crisis, rather than implementing the long-term structural solutions that would safeguard Australia from similar shocks in the future.

Improving sovereign capability requires a significant rethink in a range of policy areas. This rethink must centre on cutting regulation that imposes excessive costs on, and deters investment in, primary industries and manufacturing. There should also be corrective intervention in markets that have been fundamentally broken by decades of reckless intervention, such as direct or indirect support for baseload power generation and supply.

This note outlines five policies the federal government could implement to improve sovereign capability.

- Dump net zero
- Reform 'Future Made in Australia'
- Cancel activist lawfare
- Scrap the Safeguard Mechanism
- Cut approvals red tape

Dump net zero

The key to strengthening Australia's sovereign capability is affordable and reliable sources of energy. This helps to keep manufacturing, mining, and other industries viable and competitive, and producing the assets and infrastructure needed to be self-reliant.

The policy of net zero is a direct threat to the industries that support our sovereign capability. This is because emission reduction targets can only be met by scaling down or shuttering projects in emission intensive industries, and it is these industries that provide the critical goods we need to survive as a modern nation. IPA research has found that the three industries with the most jobs at risk from net zero are agriculture, electricity supply, and primary metal and metal product manufacturing.[3]

The foundations of net zero are contained in Australia's Nationally Determined Contribution to the Paris Agreement, whereby Australia has committed to reducing greenhouse gas emissions to 43 per cent below 2005 levels by 2030 and to net zero by 2050. This policy will impose an estimated economic cost of between $7 and $9 trillion by 2060.[2]

The replacement of baseload energy sources with intermittent, unreliable renewable energy doesn't just impact industries that are directly affected by replacement, such as coal mining and power stations, but all industry. IPA research has revealed that the price impact of replacing baseload with renewable energy would lead to a much higher total system cost.[4] This would increase input costs for all businesses in Australia.

Dumping net zero and expanding coal and gas-based power generation would lower power prices and increase energy security, having direct and indirect positive impacts on our sovereign capability.

Reform 'Future Made in Australia'

The existing Future Made in Australia (FMIA) policy framework is inextricably linked to the energy transition.

The FMIA plan aims to maximise 'the economic and industrial benefits' of the net zero transformation and to make Australia into a 'renewable energy superpower'.[5] This would require substantial government intervention and $22.7 billion in government spending on what would otherwise be economically unviable manufacturing projects, in the hope of encouraging subsidiary private funding.

Without the renewable and net zero context of FMIA, the idea itself is not without merit; having a policy framework to support manufacturing would certainly assist in improving Australia's sovereign capability.

However, Australian manufacturing is put directly at risk under the policy of net zero. Previous IPA analysis found that for every job FMIA will create from birth to 2030, eight current and future jobs will be put at risk by the policy of net zero.[6]

Within the *Future Made in Australia Act 2024*, the parameters of what can be supported under the FMIA is explained; this is called 'The National Interest Framework'.[7]

The framework has two streams, the net zero transformation stream, and the economic resilience and security stream.[8]

In order for FMIA to actually live up to its name, the government must remove the net zero transformation stream, alongside any net zero and renewable provisions within the act. Additionally, the government must repeal section 10A of the act, which prohibits support for coal, crude oil, and natural gas.[9]

Leaving economic resilience as the only stream would allow for the expansion of baseload power such as coal and gas to receive FMIA support and would also allow for the construction of new refineries, mines and smelters to take place, with government support if need be.

This support is justified because the energy transition and the policy of net zero have interfered with the energy market and with emission intensive industries in such a fundamental way that corrective intervention is needed in order to ensure we enough energy, food, and fuel to support the nation. This was made obvious after the closure of the Liddell Power Station, and recognised by the New South Wales state government when it extended the life of Eraring.[10]

Cancel activist lawfare

Lawfare has delayed, and in some cases cancelled many recent projects in Australia, such as the Barossa Gas Project, the Narrabri Gas Project, and the Blayney Gold Mine.

The most egregious form of lawfare is environmental lawfare, in which activists use, often vague, environmental concerns to frustrate, delay, and cancel projects under a special legal privilege contained within section 487 of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Presently, a "person aggrieved" can challenge ministerial decisions on major projects under the *Administrative Decisions (Judicial Review) Act 1975* (Cth) (ADJR Act) providing they are a person "whose interests are adversely affected" by a decision. However, section 487 of the EPBC Act extends the meaning of "person aggrieved" under the ADJR Act to include organisations or associations which are engaged in activities "for [the] protection or conservation of, or research into, the environment".

Previous research by the IPA found that between 2000 and 2020, legal activism by environmental groups in Australia put $65 billion worth of investment at risk by holding major projects up in court for a cumulative total of 10,100 days, equivalent to 28 years. Over the same period, 94 per cent of the legal challenges under Section 487 failed to substantially alter the conditions of a project.[11]

The stated aim of green groups is to use this legal privilege to conduct anti-development political campaigns. These tactics have been effective at frustrating major projects.

This ultimately endangers our ability to achieve and maintain self-reliance, especially given the often energy related nature of the projects they delay.

The fact that these groups have the legal standing to engage in this activity is the root cause of green activist lawfare. Repealing section 487 is critical to limiting this obstructionism.

Environmental lawfare has recently taken a new form, namely the misuse of indigenous heritage claims to delay and cancel projects. The Environmental Defenders Office (EDO) was found to have distorted cultural heritage evidence in its attempt to cancel the Barossa Gas Project. It was also involved in the cancellation of the Blayney Gold Mine, in which disputed heritage claims were made.[12]

There needs to be greater scrutiny of claims being made, and vital industries and the goods and services they provide shouldn't be delayed until a valid claim is proven.

Groups that engage in this lawfare should be held to account, especially those which receive government funding. After the 2022 federal election, it was announced that the federal government would begin funding activist groups which engage in litigation against resource projects and agriculture.

A major recipient of government funding is the EDO; which had previously lost federal government funding in 2013.

Given groups such as the EDO proclaim their intention is to use state and federal legislative frameworks to challenge major projects in the courts, the decision to fund the groups amounts to the federal government passively endorsing lawfare tactics. This has the effect of tipping the scales in favour of activists who weaponise the law for ideological purposes.

All state governments, and the federal government, should follow the precedent set by the Queensland and Northern Territory governments by ceasing funding to the EDO, or any other environmental organisation which engages in activities that prevent or delay job creating and nation building projects.

Scrap the Safeguard Mechanism

The Safeguard Mechanism is the federal government's marquee net zero policy that requires large projects and facilities to reduce their emissions or purchase carbon credits to continue to operate.

It was originally established in 2016, and was largely operated as an emissions reporting scheme for facilities emitting more than 100,000 tonnes of carbon dioxide equivalent.

It was significantly expanded by the passage of the *Safeguard Mechanism (Crediting) Amendment Act 2023*. Following these changes, the baseline level that facilities must reduce their emissions to will decline by 4.9 per cent each year, either through direct emission reductions or by the purchase and surrender of credits.[13] These can be in the form of Safeguard Mechanism Credit units (SMCs) from other facilities that emit below their regulated levels, or Australian Carbon Credit Units (ACCUs) which are created through carbon abatement activities such as land reforestation.

By making it a requirement for affected facilities to participate in the carbon unit scheme, the government has effectively put a price on the emission of carbon dioxide. The Safeguard Mechanism therefore operates as a de facto carbon tax on Australia's largest facilities.

Australia's two remaining oil refineries – the Ampol Lytton Refinery in Brisbane and the Viva Energy Geelong Refinery – are currently regulated by the Safeguard Mechanism, which will, in the long term, curtail domestic fuel production. The longer that the current fuel crisis lasts, the more necessary it becomes not only to exempt the refineries from the Safeguard Mechanism, but to abandon the policy itself.

Previous IPA research found that facilities will incur a safeguard carbon tax cost between $7.1 billion and $11.7 billion by 2029-30, with the last two refineries incurring a combined carbon tax of up to $165.5 million to 2030.[14] This represents a clear danger to our sovereign capability as almost nine-in-ten of all the facilities targeted are in critical industries such as mining and manufacturing.[15]

Cut approvals red tape

Australian businesses have never been more regulated than they are now, costing the Australian economy $176 billion per year in lost output.[16] One of the ways that red tape undermines Australia's sovereign capability is in the excessive approvals regime at the state and federal levels that impose licence, permit, and other obligations on projects before work ever gets started. Previous IPA research examined how the licences and approval processes are beyond what would be a perfectly efficient regulatory regime.[17]

Approvals and licenses lead to delays in projects, jobs and investment, which is expensive and gives environmental activists more time to plan acts of lawfare, as explained above.

Rather than the current approval regulatory regime, regulators should undertake periodic, risk-based inspections to monitor the actions of regulated entities and ensure that they are not in breach of requirements of industries under law.[18]

This is ideal, as it is too difficult, and simply takes too much time, to prove that a project couldn't possibly contravene the law in the future. Such a complex requirement is holding vital projects back; it would be more efficient to approve projects and monitor them, penalising them if breaches of the law occur.

Undertaking this reform would lead to greater investment, speeding up the development of projects in the pipeline, such as the Narrabri Gas Project.

For more information contact Morgan Begg, Director of Research at mbegg@ipa.org.au

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FROM BAD IDEA TO BAD LAWS

THE FIVE PILLARS OF NET ZERO

Dr Kevin You
Senior Fellow

Saxon Davidson
Research Fellow

Morgan Begg
Director of Research



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Executive Summary

Net zero is not just a target the Australian federal government committed to in international law by way of the Paris Agreement. It is the various laws and mandates that the government has implemented to give legal effect to its emission reduction commitments.

The economic harm from net zero can therefore be attributed to specific policies and laws that current and previous governments have introduced. This paper analyses the key pillars holding up the policy of net zero at the federal level. These are:

1. **The Climate Change Act 2022**

   Sets a government-wide target to reduce Australia's carbon emissions by 43 per cent below 2005 levels by 2030 and to net zero by 2050. It will have significant influence over the interpretation of other legislation and the duties of ministers and regulators under administrative law.

2. **The Safeguard Mechanism**

   The federal government's marquee net zero policy implementation that mandates large projects and facilities to reduce their emissions or purchase carbon credits to continue to operate.

3. **The Future Made in Australia policy**

   Mandates extensive government subsidisation for the renewable sector to compensate for the reduced role of critical industries in the economy which are set to be diminished under net zero policies.

4. **The New Vehicle Efficiency Standard**

   Critical to the electrification of Australian life whereby the means of living and conducting a business are shifted away from coal, gas, and oil, to electric vehicles and appliances powered from a renewable-based energy network.

5. **The Large-scale Renewable Energy Target**

   A major indirect subsidy scheme that creates artificial demand for wind and solar electricity generators, and transfers money from electricity consumers to renewable energy generators.

The uncertain and volatile economic environment in which Australia finds itself makes it imperative that impediments to Australia's economic competitiveness and productivity be removed.

While the net zero policy ought to be abandoned, renouncing emission reduction targets will not, in itself, dismantle net zero so long as the pillars remain in place.

Regardless of whether or not all or any part of Australia's Paris Agreement commitments are retained by a future federal government, the associated policies in Australian law in pursuit of the targets are causing harm and must be repealed.

The Five Pillars of Net Zero

The election of Donald Trump and his commitment to raise United States (US) tariffs on imports from across the globe means Australia must re-evaluate how it regulates industries that are heavily involved in international trade.

Australia cannot control the tariffs placed on its exports or those placed on the exports of its trading partners. But we can control how we regulate our critical industries to ensure that they are in the best possible position to remain competitive internationally.

Australia's federal government should focus on policies which reduce the burden placed on industries from within, rather than uncontrollable external factors such as US tariff rates. Any cost on our export industries, imposed by tariffs, can be offset by removing red tape barriers which add to the cost of production.

The most harmful impost on our exporters are not tariffs, but the self-inflicted policy of net zero emissions by 2050.

The policy of net zero emissions by 2050 requires: the decommissioning of coal-fired power stations, the abandonment of emission intensive industries, and the replacement of traditional hydrocarbon energy primarily with wind and solar, so as to minimise anthropogenic greenhouse emissions by 2050. Any remaining anthropogenic emissions are expected to be offset by carbon sequestration activities, such as locking up productive agricultural land, until the level of greenhouse gas emissions is at or below zero on a net basis.

The policy of net zero will incur significant fiscal costs. For example, the Australian Energy Market Operator estimates that the capital cost of its 'Optimal Development Path' for the National Electricity Market will be $122 billion, whilst Frontier Economics estimates the cost to be $642 billion.[1]

However, these capital cost estimates do not capture the broader costs of lost economic opportunities and social and economic disruption from denuding energy intensive industries. Previous Institute of Public Affairs (IPA) analysis has established that the pursuit of an energy grid dominated by renewables under the net zero framework is the least secure and most expensive option available to the government,[2] and that the policy of net zero will risk up to 650,000 existing jobs and cancel up to 478,000 future jobs.[3]

Continuing down the path of net zero, abandoning hydrocarbon export and energy production, and starting a renewable energy manufacturing base will only accelerate Australia's declining economic competitiveness, which has been on a downward trajectory for almost two decades.[4]

Net zero has become the central objective of Australia's energy policy, which is a priority that Australians reject. Recent IPA research has found A poll commissioned by the IPA in 2024 found that 56 per cent of Australians want affordability to be the main focus of the federal government's energy policy, and 23 per cent believe reliability should be the main focus. Only 21 per cent believe net zero should be the main focus. These findings were consistent with research from 2024.[5]

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The foundations of net zero are contained in Australia's Nationally Determined Contribution to the Paris Agreement, whereby Australia has committed to reducing greenhouse gas emissions to 43 per cent below 2005 levels by 2030 and to net zero by 2050.

The Paris Agreement holds no legal consequences against Australia as a nation if it misses its nationally-determined target, and Australia could withdraw from the Paris Agreement without any legal consequences.

The economic harm from the net zero policy is in how it is implemented at the domestic level. Corresponding to the Nationally Determined Contribution to the Paris Agreement is a suite of policies to induce decision makers to consider the Paris Agreement, compel projects to reduce emissions, and incentivise renewable energy (and associated) projects.

This paper analyses the key pillars of the policy of net zero. In the same way that the Paris Agreement is the foundation of net zero in international law, the following five polices are the foundations of net zero in domestic federal law. The pillars are:

1. The *Climate Change Act 2022*
2. The Safeguard Mechanism
3. The Future Made in Australia Policy
4. The New Vehicle Efficiency Standard
5. The Large-scale Renewable Energy Target

The uncertain and volatile economic environment in which we find ourselves today makes it imperative that impediments to Australia's economic competitiveness and productivity be removed.

Regardless of whether or not any part of the Paris Agreement targets is retained by a future government, the associated policies embedded in Australian law are causing harm and undermining Australia's economic competitiveness.

PILLAR 1
The Climate Change Act 2022

The *Climate Change Act 2022* (the CC Act) is the legal mechanism by which the Paris Agreement is embedded in Australian law.

Section 10 of the CC Act requires that the emission reduction targets of the Commonwealth government be consistent with Australia's Nationally Determined Contribution (NDC) to the Paris Agreement. The form of wording is a ratchet clause, meaning the Commonwealth government would be able to unilaterally increase emission reduction targets by changing the NDC without requiring legislative amendments or parliamentary oversight.

For instance, the government could, via a declaration, decree that the medium-term emission reduction mandate be increased from 43 per cent by 2030, to 75 per cent (as preferred by the Greens). This could be done without debate, without a vote, and even without parliament sitting. In contrast, if a future government sought to reduce or repeal the targets, it would be required to introduce new legislation into parliament.

The Act also further exposes Australians to lawfare risk. Under administrative law principles, decision makers, such as ministers and regulators, are required to take into account 'relevant considerations' when making a decision. Under section 5 of the *Administrative Decisions (Judicial Review) Act 1975*, a 'person who is aggrieved' by a decision can apply to a federal court for an order of review in respect to a range of grounds, including failing to take a 'relevant consideration into account in the exercise of a power'.

As the chief judge of the New South Wales Land and Environment Court suggested in 2021, prior to the enactment of Paris Agreement targets into legislation, the target would nonetheless form persuasive authority in interpreting legislation:

> As legislation and policy is increasingly implementing the Paris Agreement, the likelihood of there being an express or implied requirement to consider [greenhouse gas] emissions and climate change increases. As attitudes to climate change continue to shift, assisted by the recognition of the importance of mitigating climate change in the Paris Agreement, existing legislative frameworks are more likely to be interpreted by the courts as requiring a decision maker to take climate change into account.[6]

Setting emission reduction commitments into legislation forms a government-wide target that policy makers are expected to pursue and meet. Any decision by a minister or regulator that is perceived to fail to consider the Climate Change Act will be subject to potential legal challenge. For instance, environmental groups could use extended standing provisions in the federal *Environment Protection and Biodiversity Conservation Act 1999* [EPBC Act] to apply to the courts to review project approvals that fail to consider the effect of the decision on meeting the government's legislated emissions target. As the IPA observed in 2022:

> A legislated net zero target paves the way for activist groups to argue in court that a minister has failed to consider whether a project will contribute to the net zero target or be consistent with the terms of the Paris Climate Agreement. This is because clause 10(2) provides that the emissions targets are "to be interpreted in a manner consistent with the Paris Agreement."
>
> Judges would be in the position of considering whether a minister has adequately considered whether a project upholds the principles embedded in the Paris Agreement.[7] [citations omitted]

PILLAR 2
The Safeguard Mechanism

The Safeguard Mechanism is the federal government's marquee net zero policy implementation, which targets and mandates large projects and facilities to reduce emissions.

The Safeguard Mechanism mandates that Australia's most emission-intensive facilities must reduce their carbon emissions below a specified threshold, with the excess to be offset by way of purchasing carbon credits. These can be in the form of Safeguard Mechanism Credit units (SMCs) from other facilities that emit below their regulated levels, or Australian Carbon Credit Units (ACCUs) which are created through carbon abatement activities such as land reforestation.

The regulated levels are based on a facility's gross emission levels. The use of the carbon credits is to offset emissions to a net baseline level or below.

The Safeguard Mechanism applies to the largest emitters in the Australian economy, of which there are approximately 215 each financial year. Only direct (or scope one) emissions are covered by the Safeguard Mechanism, namely greenhouse gases which have been directly emitted in Australia at the relevant facilities – as distinct from, say, those emitted in the production of energy overseas using Australian-mined resources.[8]

IPA analysis of the Safeguard Facility Data when the Albanese government first amended it revealed that 84 per cent of the facilities affected by the Safeguard Mechanism are in regional Australia, and 88 per cent of the facilities targeted are in critical industries which are vital to Australia's prosperity, international trade, and national security:

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6 Brian Preston, 'The influence of the Paris Agreement on climate litigation: Legal obligations and norms (Part I)' (2021) 33 *Journal of Environmental Law* 1, 21.

7 Morgan Begg, *Green tape and environmental activism: An analysis of Labor's climate legislation* (Institute of Public Affairs, August 2022) 6-7.

8 Sophie Power, *Australia's climate safeguard mechanism: a quick guide* (Parliamentary Library Research Paper Series, 3 December 2018).

- 48 per cent of the facilities are in coal, gas, and/or oil; 28 per cent are in other mining sectors (such as iron, copper, and gold); and
- 12 per cent are in manufacturing.[9]

The election of Donald Trump at the 2024 US presidential election, and the commitment he made to impose tariffs on imports, means Australia must re-evaluate how it regulates its industries which are heavily involved in international trade.

The Trump administration recently imposed a 10 per cent tariff on all Australian exports to the US. In addition, the US has imposed a 145 per cent tariff on Chinese imports.[10] The tariffs on Chinese goods will have flow-on impact on Australia's economy, such as its iron ore industry, because China imports iron ore from Australia and exports steel to the US.

Australia cannot control the tariffs placed on its exports or those placed on the exports of its trading partners. But we can control how we regulate our critical industries to ensure that they are in the best possible position to remain competitive internationally.

Australia's federal government should focus on policies which reduce the burden placed on industries from within, rather than uncontrollable external factors such as US tariff rates. Any cost on our export industries, imposed by tariffs, can be offset by removing red tape barriers to production.

Removing the Safeguard Mechanism from Australia's regulatory framework will also add more certainty for Australian investors, and will make it easier for Australian industries to navigate uncertainty in international trade.

PILLAR 3
The Future Made in Australia policy

The Future Made in Australia policy mandates extensive government subsidisation for the renewable sector to compensate for the reduced role of those critical industries in the economy which are set to be diminished under net zero policies.

The stated aim of the Future Made in Australia policy is to maximise 'the economic and industrial benefits' of net zero and to make Australia a 'renewable energy superpower'.[11] To achieve this, the federal government has committed $22.7 billion over the next decade in government spending on what would otherwise be economically unviable manufacturing projects in the hope of encouraging subsidiary private funding.

Becoming a renewable energy superpower, even if it is achieved, will incur a cost. For instance, industries in which Australia is competitive necessarily will be diminished because of their high carbon intensity. The question is whether the cost is likely to be outweighed by the benefits.

When announcing the Future Made in Australia policy at the Queensland Media Club in April 2024, Prime Minister Anthony Albanese referred to the *Inflation Reduction Act of 2022* (US) (the IRA) as the inspiration for the Future Made in Australia legislation.[12]

According to the US government, under the Biden administration the IRA created 170,606 jobs in the first twelve months and would create 1.5 million jobs by the end of the decade.[13] IPA research revealed

9 Saxon Davidson, *Submission to the Inquiry into Safeguard Mechanisms (Crediting) Amendment Bill 2022* (Institute of Public Affairs Submission, February 2023).

10 As of the time of writing.

11 *Future Made in Australia Act 2024* (Cth).

12 Anthony Albanese, 'A Future Made in Australia' (Speech to the Queensland Media Club, 11 April 2024).

13 The White House, *FACT SHEET: One Year In, President Biden's Inflation Reduction Act is Driving Historic Climate Action and Investing in America to Create Good Paying Jobs and Reduce Costs* (August 2023).

that if this were replicated in the Australian context, the Future Made in Australia policy would create 134,143 jobs by 2030. But the net zero policy framework, under which it operates, puts more than 1.1 million present and future jobs at risk.[14]

Additionally, Australia's renewable industry is simply not competitive enough to justify subsidising a manufacturing base around it, meaning Australia is not likely to successfully become a renewable energy superpower and attempting to do so will only strengthen China's grip on international trade. In 2022, China was the largest exporter of wind and solar products, exporting them at a value of US$51.8 billion, or 51 per cent of all wind and solar trade worldwide. Australia is not even a minor player in the renewable export trade.[15]

China exports wind and solar products, combined, at a level more than eight times as high as the second largest exporter (Vietnam).[16] The global renewable manufacturing market is simply too concentrated in China for Australia to be competitive.

Australia, in contrast, has a significant competitive advantage in hydrocarbon resources, namely coal and gas. It is the second largest exporter of coal in the world after Indonesia, and the largest exporter of liquified natural gas (LNG) in the world after the US. When combined, this makes Australia the largest exporter of coal and LNG in the world, with a trade value of roughly US$146.5 billion. In comparison, China ranks 25th in petroleum gas export,12th in coal export, and 24th in gas and coal exports combined, with a total value of US$5.1 billion.[17]

The government asserts that funding the manufacturing of renewable technologies is intended to contribute to displacing dispatchable energy production from hydrocarbons – and that doing so, in turn, will strengthen Australia's 'economic security' for a net zero future.[18] However, a nation cannot attain economic security if it is not economically competitive, and a sustainable manufacturing industry cannot be attained without affordable and reliable energy from dispatchable sources.

The Future Made in Australia policy is a recognition of the reality that reordering Australia's energy system from the top down will incur significant costs and displacement in terms of economic resources and jobs. It is founded on the misguided view that a manufacturing support scheme can be tenable despite the removal from the network of reliable, affordable, and dispatchable energy sources required by a net zero and emission reduction framework.

PILLAR 4
The New Vehicle Efficiency Standard

The New Vehicle Efficiency Standard is critical to the electrification of Australian life whereby the means of living and conducting a business are shifted away from coal, gas, and oil, to electric vehicles and appliances powered from a renewable-based energy network.

The *New Vehicle Efficiency Standard Act 2024* established a new standard to regulate carbon dioxide emissions from new passenger and light commercial vehicles to "stimulate the provision of low and zero emissions vehicles into the Australian market".[19]

14 Saxon Davidson, *A Future Made in Australia is impossible with net zero* (Institute of Public Affairs Submission, July 2024).

15 Daniel Workman, *Top Solar Power and Wind Power Exports by Country* (World's Top Exports, April 2024).

16 Ibid.

17 Daniel Workman, Coal Exports by Country (World's Top Exports, July 2023): archived online at https://web.archive.org/web/20240412153905/https://www.worldstopexports.com/coal-exports-country/; *Workman, Petroleum Gas Exports by Country* (World's Top Exports, May 2024).

18 Anthony Albanese, 'A Future Made in Australia' (Speech to the Queensland Media Club, 11 April 2024).

19 *New Vehicle Efficiency Standard Bill 2024* (Cth) Explanatory Memorandum.

Despite its name, the primary purpose of the legislation is not to improve the operating efficiency of new vehicles in Australia, but rather to promote the sale of electric vehicles (EVs).

Promoting EVs, at the expense of the more affordable combustion engine vehicles, is critical to achieving Australia's net zero emissions target because the transport sector is responsible for roughly one quarter (25 per cent) of total energy-related carbon emissions in Australia.[20]

Vehicle electrification shifts the energy generation of the transport sector away from portable liquid fuel (i.e. oil) towards electricity, in which sector variable renewable (i.e., wind and solar) penetration is already significant and continues to deepen. Wind and solar make up only about 5 per cent of Australia's energy mix. But they make up more than 27 per cent of Australia's electricity sector (and rising).[21]

Another reason for promoting EVs is because they are more readily available to support the increasingly vulnerable electricity grid, which has been made more vulnerable by ever-increasing variable renewable penetration. Under the Australian Energy Market Operator's Integrated System Plan, owners of EVs may be called upon, as part of what has been termed a 'consumer energy resource', to deplete their car batteries in times when wind and solar generators cannot perform to adequately satisfy the demand of electricity consumers.[22]

IPA analysis estimates that the aggregated cost of a nationwide change from combustion engine vehicles to electric vehicles could exceed $17 billion per annum up to 2050.[23] This is based on the price difference between a typical EV and a typical combustion engine vehicle, and the cost of additional EV instalments, such as a home charger.

Because EVs are typically more expensive than traditional combustion engine vehicles, the imposition of the New Vehicle Efficiency Standard, which is expected to increase the price of traditional vehicles, will effectively amount to a regressive tax.

Car owners who cannot afford to switch to an EV will also have to bear more of the burden of maintaining roads and other transport infrastructure. As the Australian Automobile Association noted, owners of EVs are exempt from paying the fuel excise tax which pays for the development and maintenance of our road transport system.[24]

PILLAR 5
The Large-scale Renewable Energy Target

The Large-scale Renewable Energy Target (LRET) is a major indirect subsidy scheme that transfers money from electricity consumers to renewable energy generators.

As part of the government's net zero energy policy framework, it has created artificial markets to incentivise the generation and use of renewable energy. One such market is for an artificial instrument called 'Large-scale Generation Certificates' (LGCs). These are tradeable certificates that are be issued to eligible power stations which provide renewable energy to Australia's electricity system.

Power stations are only eligible if they generate electricity from renewable energy sources such as wind, solar, and hydroelectricity. One LGC is issued for each megawatt hour of renewable electricity generated. Under the LRET, which is set at 33 terawatt

20 International Energy Agency, 'Australia': https://www.iea.org/countries/australia/emissions.

21 International Energy Agency, 'Australia': https://www.iea.org/countries/australia/emissions.

22 Australian Energy Market Operator, *2024 Integrated System Plan for the National Electricity Market: A roadmap for the energy transition* (June 2024).

23 Kevin You and Morgan Begg, *Wire Consequences* (IPA Working Paper No. 03/24, September 2024).

24 Australian Automobile Association, *Fuel excise explained* (2024): https://www.aaa.asn.au/advocacy/explainers/fuel-excise-explained/.

hours per annum until 2030,[25] electricity retailers are forced by the government to purchase LGCs annually from the aforementioned eligible power stations. The certificates must then be surrendered to the Clean Energy Regulator. This is how eligible renewable generators effectively receive a subsidy for producing energy from sources like wind and solar.

The subsidy from the sale of LGCs is received on top of the revenue collected from selling energy on the wholesale market.

Energy retailers can offset the expense of purchasing LGCs by passing on the extra cost to households. In the case of government-owned electricity retailers, should they choose not to pass on the cost of the subsidy to consumers, the cost will be passed on to taxpayers.

Over the 2024 calendar year, electricity retailers were required, at a targeted minimum, to purchase 33 million LGCs from eligible renewable energy power stations (arising from the generation of 33 terawatt hours of renewable electricity). The actual total number of LGCs validated over the four quarters of the 2024 calendar year was 51.48 million.[26]

These LGCs were purchased at an average spot price of $45.87 per unit, meaning that large-scale renewable energy power stations received up to $2.4 billion in subsidies under the LRET scheme.[27]

These subsidies do not benefit Australian taxpayers or electricity consumers, especially when taking into account the fact that many of the renewable power stations eligible under the LRET scheme are foreign owned.

Analysis by the IPA of Australia's large-scale wind generators found that 70 per cent of the 50 largest wind farms in Australia are either wholly or partially foreign owned.[28] The 50 largest wind farms in Australia received over $1 billion worth of subsidies through the LRET scheme, with $535.53 million worth of LRET subsidies having been paid to wind farms which are entirely foreign-owned, $153.23 million paid to wind farms which are part-Australian and part-foreign-owned, and $350.04 million paid to wholly Australian-owned wind farms.

The large-scale renewable energy target creates artificial demand for wind and solar generated electricity, but it comes at the expense of Australian consumers and energy reliability.

Conclusion

The uncertain and volatile economic environment in which Australia finds itself makes it imperative that impediments to Australia's economic competitiveness and productivity be removed.

Given the emission intensity of Australia's most competitive industries, any commitment to rapidly reducing carbon emissions is dangerous and economically misguided. As such, the commitment to net zero needs to be discarded.

However, while the net zero policy ought to be abandoned, renouncing emission reduction targets alone will not be sufficient without dismantling key pillars of net zero. Regardless of whether or not all or any part of Australia's Paris Agreement commitments are retained by a future federal government, the associated policies in Australian law in pursuit of the targets are causing harm and must be repealed.

25 Clean Energy Regulator, 'Renewable Energy Target' (Updated 4 March 2025): https://cer.gov.au/schemes/renewable-energy-target.

26 Clean Energy Regulator, 'Quarterly Carbon Market Reports' (Updated 17 April 2025): https://cer.gov.au/markets/reports-and-data/quarterly-carbon-market-reports.

27 Mia Schlicht, *How federal wind farm subsidies enrich foreign corporates and leave Australians worse off* (Institute of Public Affairs Research Note, March 2025).

28 Ibid.

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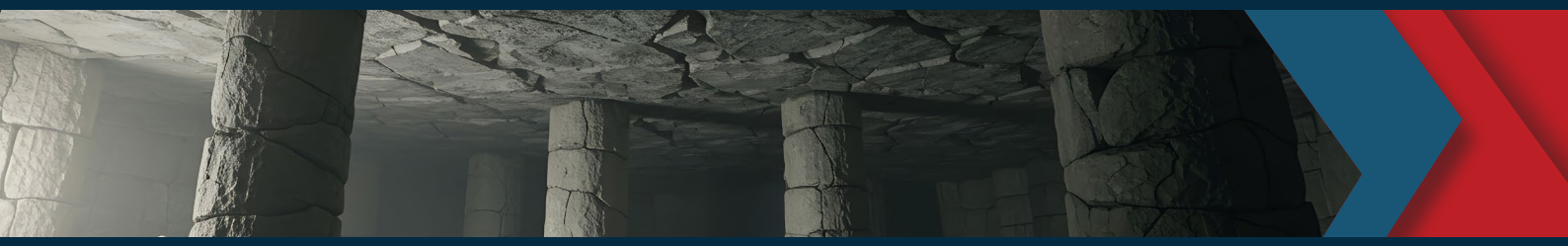
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About the author

Dr Kevin You is a Senior Fellow at the IPA. His background is in the fields of political economy, industrial relations and organisational studies. Prior to joining the IPA, Kevin worked in academia—both as an educator and a researcher. His articles have been published in such periodicals as the Review of Social Economy, Journal of Industrial Relations, Journal of Global Responsibility, Labour and Industry, and International Journal of Employment Studies.

Saxon Davidson is a Research Fellow at the IPA. He feels most strongly about liberty, freedom of speech and the Australian way of life, and how these values have declined rapidly due to government policies during the Covid-19 pandemic. Saxon has a Bachelor of Arts from the University of Melbourne, majoring in politics.

Morgan Begg is the Director of Research at the IPA. Morgan joined the IPA in 2014 to advance the IPA's work on legal rights, the rule of law, and extending the rights and freedoms of Australians. Since joining the IPA, Morgan has been published on a variety of topics, from judicial appointments, public health restrictions and emergyency powers, and the preservation of constitutional government.



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