

# Net zero emissions target for Australia could launch \$63bn investment boom

**Modelling shows moving towards a net zero emissions economy would unlock financial prospects in sectors including renewables and manufacturing**



Analysis finds if Australia keeps to its current climate policies, investment worth \$43bn would be lost over the next five years, growing to \$250bn by 2050. Photograph: Carly Earl/The Guardian

**Lisa Cox**

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- Australia could unlock an investment boom of \$63bn over the next five years if it aligns its climate policies with a target of net zero emissions by 2050, according to new economic modelling.

**The analysis**, by the Investor Group on Climate Change (IGCC), finds the investment opportunity created by an orderly transition to a net zero emissions economy would reach hundreds of billions of dollars by 2050 across sectors including renewable energy, manufacturing, carbon sequestration and transport.

However, if the country keeps to its current targets and climate policies, investment worth \$43bn would be lost over the next five years, growing to \$250bn by 2050.

## Net zero emissions by 2050: is it a controversial ambition and will the Coalition adopt it?

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The Investor Group on Climate Change represents investors in Australia and New Zealand who are focused on the effect of the climate crisis on the financial value of investments.

Among its membership are institutional investors with funds under management worth more than \$2 trillion.

The organisation commissioned the consultancy Energetics to examine the domestic investment opportunities that would arise from an orderly transition to net zero emissions by 2050.

The report finds a net zero scenario would unlock \$63bn in investment over the next five years, including \$15bn in manufacturing, \$6bn in transport infrastructure such as charging stations, and \$3bn in domestic green hydrogen production, as companies and governments moved towards the stronger emissions goal.

Carbon sequestration – or carbon farming – would emerge as a major investment asset class, with estimated investment worth \$33bn in nature-based solutions such as tree planting and assisted regeneration of deforested land.

The investment potential would reach hundreds of billions of dollars over the longer term to 2050, including \$385bn in clean electricity, \$350bn in domestic green hydrogen, \$104bn in transport infrastructure and \$102bn in carbon sequestration.

“What it shows is that the investment opportunities extend well beyond just the renewables industry,” said Erwin Jackson, the IGCC’s director of policy.

“Renewables are the backbone of the transition but there are massive opportunities in other sectors such as manufacturing, restoring the land, and electrification of transport.”

The report, which targets governments, companies, investors and financial regulators, says its estimates are conservative because they do not factor in the export potential of industries such as clean hydrogen.

It argues that if governments set stable policy, and companies and investors collaborate to align their decisions with the goals of the Paris agreement, then billions of dollars over the short and long term could support the jobs and wealth of millions of Australians, particularly in regional areas.

The Morrison government has **refused to commit** Australia to a net zero emissions target and has focused its climate policy on a new **technology roadmap** covering hydrogen, energy storage, “low carbon” steel and aluminium, carbon capture and storage, and soil carbon.

Under the roadmap, the government claims it will invest \$18bn in technologies over 10 years.

The IGCC report notes that more than half of Australia’s two-way trading partners have set targets to reach net zero emissions by mid-century.

It warns that a business as usual “hothouse” scenario in Australia – with no net zero emissions target – would produce \$43bn less in investment over five years and \$250bn less by 2050 than what would be possible with a net zero target.

“Put bluntly, capital is global and it wants to invest in climate change solutions because they see it as delivering more on their long term investments,” Jackson said. “They’re going to invest more in countries that have durable, credible policies to achieve net zero emissions by 2050.”

John Connor, the chief executive of the Carbon Market Institute, said the reality Australia faced was its economy was running “below capacity and it needs a new direction”.

He said clean technologies like renewable energy and transport represented significant opportunities for Australia in a post-carbon world and the country's vast land mass, with landscapes in need of regeneration, gave it a competitive advantage in carbon sequestration.

“We can either coast off the cliff into the hothouse of economic and climate disaster, or we can turn a corner towards an orderly transition and the opportunities that are there,” Connor said.

## Morrison's rejection of 2050 net zero emissions target is at odds with Paris agreement, experts say

**Australia's commitment to limit global heating to between 1.5C and 2C requires a mid-century net zero target, according to latest science**



Scott Morrison won't commit to net zero emissions by 2050 but says Australia will reach that point 'in the second half of the century'. Photograph: Dean Lewins/EPA

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## **Adam Morton and Graham Readfearn**

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The Morrison government's rejection of a net zero emissions target for 2050 is at odds with the Paris agreement and more than 100 countries that have backed the goal, according to some of Australia's most experienced climate experts.

Scott Morrison **told the ABC** on Sunday that the government's position was to reach net zero carbon dioxide emissions "in the second half of the century, and we'll certainly achieve that".

Asked why he would not commit to the 2050 goal, which has been backed by **business, farming, union and environment groups** and every state and territory, the prime minister said "because I'm more interested in the doing".

Erwin Jackson, policy director at the Investor Group on Climate Change and an observer at international climate conferences since the 1990s, said it was "very clear" that by ratifying the Paris agreement Australia had agreed global heating should be limited to between 1.5C and 2C above pre-industrial levels, and commitments should be informed by the latest science.

He said countries in Paris including Australia had specifically asked the Intergovernmental Panel on Climate Change to examine what 1.5C of heating would mean, and what needed to be done to avoid it.

The resulting report, **released in 2018**, found global emissions needed to effectively be cut in half by 2030 – to be 45% below 2010 levels – and to reach net zero by 2050. It found staying within 2C heating would require net zero by 2070, but the impact of that was **likely to be far worse**.

Australia chose to stick with its existing 2030 target of a 26% to 28% cut below 2005 levels and is yet to set a date to reach net zero.

Jackson said the Morrison government's stance was at odds with an international trend among governments and major companies and investors. Britain has **urged countries** to set net zero goals for 2050 before the delayed UN summit in Glasgow next year. **China said** after a summit with European leaders

last week that it was considering a mid-century vision for climate change, **including carbon neutrality**.

By contrast, Jackson said, Australia was “confusing the market”. “On the one hand, it has signed up to an international agreement that is supposed to put it on a path to net zero emissions by no later than 2050,” he said. “On the other, it keeps talking about ‘low emissions’. We’ve moved on from a conversation about low emissions. Globally, we have recognised we need to get to zero emissions.

The **Paris agreement** says countries should undertake rapid reductions that would achieve “a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases” – in other words, net zero “in the second half of this century”.

But experts said the agreement also made clear developed countries should take a leading role and be guided by the “best available science”. The headline goal of the agreement was keeping the increase in the global average temperature “well below” 2C and “pursuing efforts” to limit it to 1.5C.

Bill Hare, the chief executive of Climate Analytics and an adviser to developing countries at every major UN climate meeting since their inception, said it was established that richer countries had “a higher capability” and needed to act more rapidly.

“[The prime minister] saying that net zero would be some time in the second half of this century is basically inconsistent with the IPCC special report on 1.5C,” he said. “It’s not consistent with the Paris agreement.”

Hare said Australia’s 2030 target would put emissions far beyond any feasible pathway that could lead to zero emissions by 2050 or in the decades that followed. “It’s really clear that unless you have a pathway to zero emissions, then it’s hard to believe in any commitment that might be 50 years ahead,” he said.

“With the EU and Britain, they have explicit goals of reaching net zero greenhouse gas emissions by 2050 and they have a policy architecture that comes close to it. They also have deep regulatory arrangements. Australia has absolutely none of it.”

Tennant Reed, an adviser at the Australian Industry Group, said the Paris agreement had bridged the divide between countries in part through ambiguity, given it referred to both net zero in the second half of the century and rapid reductions in line with the best science.

He said there may be a tenable legal argument over whether the Paris deal required net zero by 2050, but Australia should not “get caught up in legalism”. “Australia needs to think about what we are actually trying to achieve,” Reed said.

“If we want to protect our economy and our people from the deeply concerning impacts of climate change, the best advice is that global net zero emissions will be needed around 2050. Getting there is a huge challenge, but the benefits of getting it right are even larger. Australia’s long-term strategy should aim not just for net zero by 2050, but global competitive advantage in a net zero world.”

While a **growing list of countries** have set a net zero 2050 target, several large emitters continue to resist the goal and global emissions **reached a record high** last year, largely due to an increase from China, the world’s biggest annual emitter.

The US, the second largest emitter, has announced it will withdraw from the Paris agreement if Donald Trump wins a second term as president in November. Joe Biden has pledged to rejoin and **take a leadership role** in global action if he is elected.

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*Tim Flannery*

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Prof Mark Howden, director of the Climate Change Institute at the Australian National University and an editor on the IPCC 1.5C report, said every year of delay made targets harder to reach.

“The real problem here for Australia is that the current lack of ambition in terms of taking us to a lower emissions economy is forgoing many opportunities – economic, environmental and social,” he said. “This doesn’t paint a good picture for Australia.”

Morrison’s comments came before Tuesday’s launch of the **government’s low-emissions technology statement**, which identified “clean” hydrogen, storage, “low-carbon” steel and aluminium, carbon capture and storage and soil carbon as priorities for investment.