

The 2030 Policy Agenda & Geopolitical Landscape

30 Voices on 2030: The Future of Energy

The Initial View

1.



In an evolving geopolitical landscape, the race to decarbonise is amplifying uncertainties.

2.



Net Zero is a bipartisan issue; the urgency of acting to mitigate the impact of climate change has accelerated policy making.

3.



Governments have reinforced policies to protect consumers and communities.

One year on from the 30 Voices on 2030 publication, the climate policy and geopolitical landscape has changed considerably.

The Net Zero policy agenda has accelerated swiftly, in line with our predictions for 2030. As expected, we have also seen governments take on a stronger role to protect consumers during the energy transition, and Australia's industrial regions are setting their sights on new opportunities in the clean economy of the future. Meanwhile, the Russia-Ukraine conflict has sent shock waves through the global economy. The ensuing rush to shore up energy security has disrupted many countries' near-term decarbonisation plans while sharpening the focus on energy independence and the geopolitics of clean economy supply chains.

Below we discuss three key takeaways from the past year and the implications for the decade to 2030.

1.

The Russia-Ukraine conflict has upturned energy geopolitics and set some countries' near-term decarbonisation plans off-course

Last year we predicted that competition for critical minerals would play a dominant role in energy geopolitics in the decade to 2030. Since then, the conflict in Ukraine has reinforced the importance of geopolitics in energy supply chains and brought energy security to the fore. Governments are contending with the twin challenges of shoring up fossil fuel-based energy security in the short term, while building reliable clean energy supply chains for

the latter part of the decade. During 2022, governments around the world – Australia included – implemented short-term support in order to shield consumers from fuel price spikes. Meanwhile, faced with gas shortages over winter, some European governments temporarily reversed coal plant closures and even signed off on new fossil fuel infrastructure. Closer to home, Australian jurisdictions took regulatory action to safeguard domestic gas supplies.

Energy market volatility is a predictable consequence of the global transition away from fossil fuels and will be a continuing focus for policymakers in the years to come. However, the Russia-Ukraine conflict – a geopolitical shock with no relation to climate change – has reminded governments that market volatility is not merely a technical issue.

In order to stabilise markets and protect consumers, governments will need to address geopolitical risk alongside the technological teething issues of the switch to renewables. Increasingly, we expect to see countries reshaping industrial and trade policy to favour domestic clean energy supply chains and trade with friendly nations. The United States' landmark climate legislation (the Inflation Reduction Act 2022) provides an early example of this trend.

Ultimately, the geopolitical push for energy independence will strengthen arguments in favour of investing in a rapid transition to renewables. However, this year's crisis response measures have produced a higher emissions trajectory in the near term. If countries are to stay within their carbon budgets, this will need to be paid back in the form of steeper emissions cuts in the latter half of the decade.

2.

In 2022, the Australian climate policy debate has moved on from 'whether' to 'how' to take action. There is a consensus that significant adaptation investments are needed this decade, along with rapid decarbonisation.

Last year, we predicted that Net Zero would be a bipartisan issue in Australia by 2030, with the urgency to act on climate change helping to accelerate the policy agenda.

This trajectory is being borne out, with 2022 signalling 'the end of the

beginning' for the climate policy debate. Internationally, world powers are now aligned behind the Net Zero agenda, most notably with the United States' Inflation Reduction Act signalling an historic boost for clean energy investment. Following the Federal election here in Australia, stronger medium term climate targets were legislated, and the domestic policy debate has shifted to focus on implementation pathways. This includes a heightened emphasis on coordination across different jurisdictions, as embodied by the newly announced National Energy Transformation Partnership, and a trend towards greater government involvement in new investment and market operation. With climate policies gaining momentum

domestically and abroad, Australia is now on an accelerated pathway towards Net Zero.

2022 has also seen a shift in the politics of climate adaptation. With climate-related weather events making regular headlines (for example, the record-breaking heatwave in Europe, and domestically, the major flooding events on the East Coast), the need for significant investment in climate adaptation and resilience is increasingly coming into the spotlight for governments, communities and energy market participants.

3.

Australia's regions are securing their places in the clean economy of the future

Last year we predicted that by 2030 government would have played a major role in ensuring an equitable transition to a Net Zero economy – including protecting consumers during the bumpy transition towards renewable energy; promoting inclusive, small-scale energy infrastructure in local communities; and helping to smooth the impacts for affected workers, industries and regions.

So far in 2022, the Commonwealth and state governments have indeed advanced this agenda. However, the tone of the policy discussion has shifted. Industrial regions and rural communities are activity shaping their part in a prosperous clean economy

of the future, rather than waiting for government to engineer a soft landing in the transition. Our prediction for 2030 can now be taken a step further: regional communities and governments will have worked together to seize opportunities – whether it be green hydrogen and critical mineral export hubs, low-methane livestock production or community-level solar banks and energy storage.

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