

Department of Industry, Science and Resources
Australian Government

17 October 2025

Re: Net Zero Fund Consultation

Thank you for the opportunity to provide feedback on the proposed design of the Net Zero Fund (NZF).

The Energy Efficiency Council (EEC) is the peak body for Australia's energy management sector, working to ensure Australia harnesses the power of efficiency, electrification and flexible demand to deliver a prosperous, equitable, net zero Australia.

Decarbonising Australia's largest energy users and emitters in the industry sector is critical to achieving Australia's interim and 2050 emissions reduction targets. But it is challenging. Even where technologies are mature, barriers to investment mean government has a role to support industry improve its energy productivity, lower emissions and enhance future competitiveness.

The EEC supports the establishment of the NZF as a sub-fund of the National Reconstruction Fund. The NZF is an important complement to other public finance, which the EEC understands has been skewed to supporting sectors outside of industry. The EEC also encourages the Government to consider how the NZF might complement and amplify the impact of other policy initiatives including the Powering the Regions Fund, the Safeguard Mechanism and the National Energy Performance Strategy.

Consultation questions

What are the types of projects or capital expenditure that should be supported to achieve the Net Zero Fund's objectives?

The NZF's proposed scope is to fund both industrial decarbonisation *and* manufacturing renewable and low emissions technologies. This scope is very wide and could support a wide array of projects, technologies and/or entities.

The barriers and risk profile of investments in industrial decarbonisation compared with manufacturing renewable and low emissions technologies are very different and a different approach to each should be taken.

The EEC suggests that funding streams are split, to ensure that funding for installing industrial decarbonisation technologies is not competing with funding riskier investments in establishing manufacturing capacity in Australia.

Financing for industrial decarbonisation should prioritise energy-efficient electrification of industrial heat

Energy management, including energy efficiency and electrification, is a key strategy to begin decarbonisation in every business. The Australian Government's [Industry Sector Plan](#) highlights that an early priority for industry should be to 'optimise energy use now to reduce costs'.

This is backed by [EEC analysis](#) of Climateworks Centre modelling showing that energy efficiency and electrification in the industry and mining sectors could abate 30-40 million tonnes of CO₂-e annually by 2046-50, mainly from optimising energy used to generate

heat. Decarbonisation options include electric arc furnaces for metals production, electric heat pumps for lower temperature heat in a range of manufacturing processes, and energy efficient motors, pumps and waste heat recovery technologies. Further gains could be achieved by optimising energy use through Industry 4.0 technologies that also increase demand flexibility.

The [Australian Finance Taxonomy](#) includes a list of cross-cutting energy efficiency measures and other decarbonisation technologies for industrial facilities that could be supported by the NZF

While many of these technologies deliver long-term cost savings, finance is still needed. Many industrial energy users find it difficult to invest in projects that are not central to 'core business', even when payback periods are relatively short (2-3 years). Attractive finance that could decrease the up-front cost of these investments is one (but not the only) necessary ingredient to boost uptake.

Finance should be accompanied by other measures

Alongside finance, measures to help industry access advice, knowledge and expertise to decarbonise their operations are important. Experience from Germany, [documented by the EEC](#) as part of the Australia-Germany Energy Partnership suggests that so-called 'energy efficiency and climate action networks' have been pivotal to improving organisational decision making, with participating businesses cutting annual energy use and emissions by 2.3% and 2.4% respectively.

Requiring businesses receiving finance under the Net Zero Fund to participate in such networks to share information could potentially magnify the Fund's impacts, leading to informational 'spillovers' and driving longer-term organisational change.

Similarly, requiring recipients to have credible transition plans in place would both align the NRFC's investments with the boarder goal of achieving Australia's national emissions reduction targets and help drive organisational change; often the process of producing a transition plan brings decarbonisation to the fore in large organisations where emissions management is only one of many competing priorities.

What financing mechanisms are best suited for these investments, based on the mechanisms available to the National Reconstruction Fund e.g. loans, equity, guarantees?

The NRF is limited to providing loans, equity and guarantees while federal grants (such as those provided by ARENA through the Powering the Regions Fund) are currently designed to support pilot studies to test the viability of nascent decarbonisation technologies.

[Evidence](#) from New Zealand's Government Incentive for Decarbonisation of Industry (GIDI) grant program indicates the scale of finance needed to accelerate major investments by industry. For example, a GIDI partnership with New Zealand Steel provided \$140 million (NZD) to support investment of \$300 million (NZD) in an electric arc furnace (nearly 50% of the investment).

One factor behind the GIDI program's success may be that it was a grant program; there may be limited uptake of non-grant finance products offered by the NZF – even under concessional financing terms – due to the comparative high cost of certain technologies.

The National Reconstruction Fund Corporation (NRFC) will need to take on a higher level of risk and offer higher concessions for investments made under the NZF, particularly to

support scaling up of manufacturing renewable and low emissions technologies. Corporate financing could be considered for investments in riskier emerging technologies, which are important for hard-to-abate sectors.

How can the Net Zero Fund complement established financing vehicles such as the Clean Energy Finance Corporation?

[Analysis by ClimateWorks Centre](#) of the eligibility criteria of current financing pools identified challenges for industry in accessing finance, included that provided by the CEFC. As CEFC funding is not specifically targeted at industry, hard-to-abate industries with relatively limited, high-cost abatement options are reportedly being outcompeted by other sectors (such as energy or transport) in competitive funding applications.

As stated above, the NRFC needs to be willing to take on a higher level of risk and offer higher concessions for investments than the CEFC. The size of funding required to deploy capital infrastructure to decarbonise industry is also expected to need to be higher than current loans made under the CEFC.

The NZF could therefore complement existing financing vehicles by being specifically targeted to industries with higher-cost, nascent abatement options (such as chemicals, steel or cement) and by providing a clear list of eligible activities.

It will also be important to clearly delineate between the roles and functions of the CEFC and the NRFC, so that businesses understand the differences and are able to make an application to the most appropriate funder.

The EEC looks forward to continuing to engage with the government on the design of the NZF. For further information on anything in this submission, please contact me on jeremy.sung@eec.org.au or 0411 934 701.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Jeremy Sung', with a stylized flourish at the end.

Jeremy Sung

Head of Policy

Energy Efficiency Council