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BRIEF 2

ENERGY CROSSROADS

Why managing fossil fuel decline is key to Australia's green export future

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KEY MESSAGES

- **Across the Indo-Pacific, energy security is being redefined,** away from fossil fuel supply and toward resilient, electrified systems that insulate economies from volatile import markets. As outlined in WWF-Australia's *The New Energy Security*, Australia's partners are accelerating this shift, driven by cost, sovereignty and economic resilience imperatives in the wake of the current energy crisis.
- **Australia is pulling in two directions at once.** It pursues a renewable energy export vision while simultaneously enabling fossil fuel production expansion. This split strategy sends mixed signals, undermining the certainty and credibility Australia needs as a trade and investment partner to capture its renewable future potential.
- **Misalignment is occurring right as Australia's fossil exports face structural decline.** Demand growth is slowing, competition intensifying, and the regional transition could reduce fossil export earnings by up to A$70 billion by 2035.
- **Hedging on fossil fuels delays Australia's green industrial future.** Fossil fuels compete with green industry for capital and policy focus, lock in exposure to the very shocks they claim to hedge and slow the learning curves needed for competitiveness in emerging sectors like green iron.
- **The hedge is not fiscally neutral; the social costs of Australia's fossil fuels are nearly five times their net fiscal contribution.** Once subsidies are included, the net economic contribution of the fossil fuel system to government budgets is far smaller than headline revenue suggests, around A$23 billion, or just 20% of its estimated social cost.
- **Meanwhile, government support in Australia remains tilted towards fossil fuels, at a time when Indo-Pacific countries invest heavily in clean energy.** Fossil fuels receive four times more government support than renewable energy in Australia (A$20.1 billion vs A$4.6 billion annually excluding concessional finance and underwriting), reinforcing investment in legacy industries.
- **The outcome of the flawed hedge is unlikely to be the 'best of both worlds'.** More likely, Australia risks ending up with neither: outpaced and less competitive in emerging green export markets, and with its security tied to fossil fuel markets amid a weakening outlook.
- **A managed transition plan can avoid this.** A phase out is not about withdrawing from global energy markets; it's about ensuring investment shifts toward the energy and export system that will deliver long-term security and prosperity.
- **The direction of travel is clear.** Demand decline for fossil exports is already underway. Australia's choice is whether the transition is orderly, strategic and economically beneficial, or abrupt, reactive and disruptive.

KEY RECOMMENDATIONS

To position Australia as a trusted renewable energy partner, this brief recommends a coherent renewable energy security strategy, built on three priorities:

1. Plan for and manage the inevitable decline of fossil fuels.
2. Build and accelerate the renewable and electrified energy systems that will replace them.
3. Redirect policy and capital to enable a managed, economically beneficial transition.

Acknowledgements

Why this matters to WWF-Australia

WWF-Australia's mission is to help build a future in which humans live in harmony with nature. Our Regenerate Nature by 2030 strategy works across three pillars, Sky, Country and Saltwater, to restore and regenerate nature at the intersection of climate, communities and ecosystems. Central to this strategy is our commitment to Inclusive Conservation: an approach that upholds the rights, Knowledge and leadership of First Nations peoples and local communities in shaping conservation and development outcomes.

Energy and export policy sit at the centre of that intersection. Decisions about resource and industrial development shape Australia's emissions trajectory, the pressures on ecosystems, and the economic futures of communities across the country and the region. This is particularly true for Indigenous communities, whose rights, knowledge and connection to Country are directly affected.

WWF-Australia National Office
Eora, Gadigal Country
Suite 3.01, Level 3, 45 Clarence Street,
Sydney, NSW 2000

GPO Box 528, Sydney, NSW 2001
Tel:+1800 032 551 | hello@wwf.org.au | wwf.org.au

Contacts

Authors:
Camille Malbrain, Rob Law, Nat Burke (WWF-Australia)

With special thanks to peer reviewers:
James Boyle (Mission Possible Partnership),
Matt Pollard (Climate Energy Finance)

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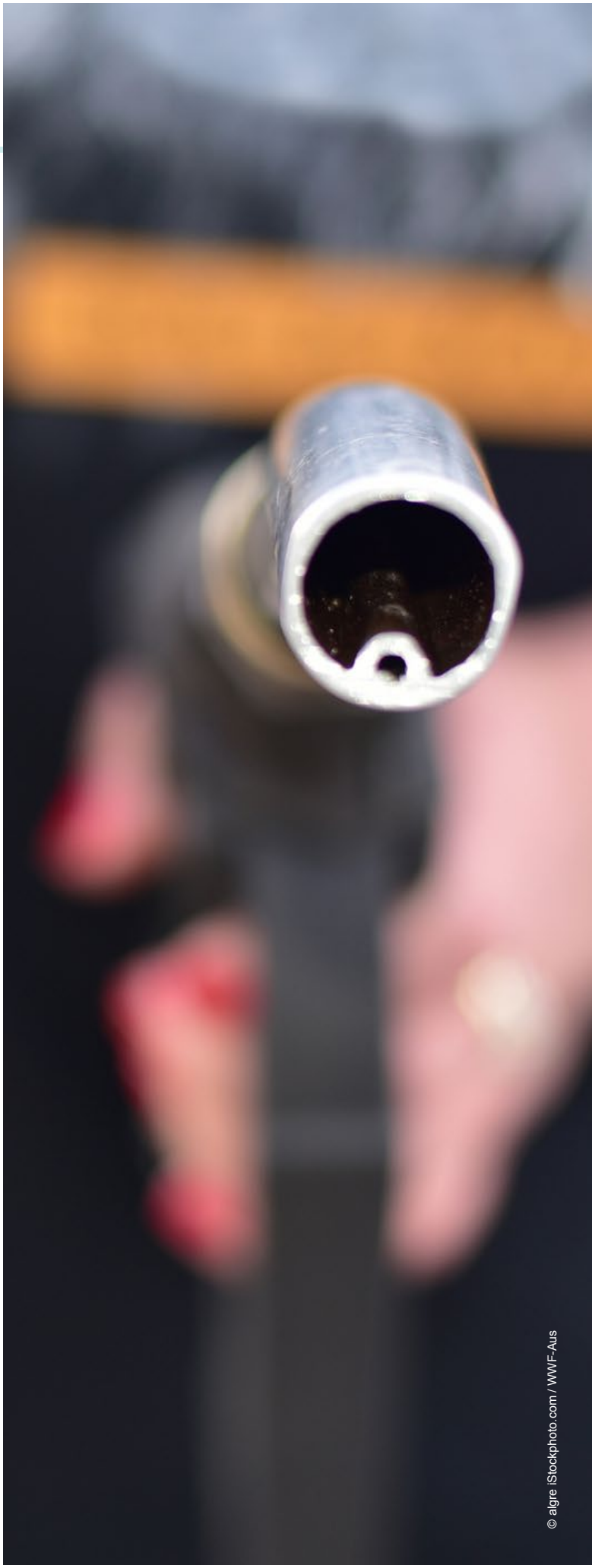


AUSTRALIA FACES A STRATEGIC CHOICE.

Australia has been pursuing a dual energy exports strategy: advancing a green exports vision while maintaining and expanding its role as a major fossil fuel exporter. While often framed as a sensible middle ground to preserve revenue and relationships while the transition unfolds, this hedge is neither neutral nor prudent.

Rather than providing insurance, it is creating policy uncertainty, raising the cost of capital for transition investment and compounding risk while delaying the shift to a more secure and competitive system. Neither Australia's green export potential nor the strategic imperative for national and regional energy security can be realised without actively managing a phase out of fossil fuels.

Energy security itself is being redefined. Across the Indo-Pacific, it has become a core economic, social and national security issue. Volatile fossil fuel markets are driving cost-of-living pressures and geopolitical risk, while falling renewable costs and accelerating electrification are reshaping how countries define security, and who they trust to deliver it. The global consensus is shifting from commitment to implementation of a just, orderly and equitable transition away from fossil fuels.

Against this backdrop, the assumptions underpinning Australia's hedging approach are weakening. Global capital and trading partners are already shifting toward renewable and electrified energy systems. Without clear policy alignment, investment and partnership opportunities will flow to faster-moving jurisdictions and Australia's window to secure a meaningful role in the new energy supply chains will narrow. This paper argues that a managed, time-bound transition away from fossil fuels is central to Australia's long-term resilience and competitiveness. Australia's opportunity is to move decisively and position itself as a trusted provider of renewable energy security at the speed and scale our region needs.

MIXED SIGNALS: AUSTRALIA'S DUAL IDENTITY.

Australia has made significant progress in its domestic energy transition. The National Electricity Market (NEM) reached a record 46.5% renewables penetration in the first quarter of 2026, with rapid growth in renewables and storage weakening the link between Australia's electricity markets and volatile global fossil fuel markets[1,2]. Australian households are world-leading in the uptake[3] of rooftop solar, and a global frontrunner in household batteries per capita, with more than 400,000 systems and 11.2GWh of storage installed through the federal Home Batteries Program[4]. On an industrial scale, Australia is also pulling ahead: strong investment has made it the world's third-largest market for utility-scale batteries, behind only China and the United States[5].

This domestic momentum will soon have a global stage. As COP31 President of Negotiations, Australia has a central role in shaping international climate action and energy transition efforts[6]. Through signing the Belém Declaration on the Transition Away from Fossil Fuels (TAFF) and its participation in the recent Santa Marta conference, Australia has signalled its intent internationally to support a just, orderly and equitable transition away from coal, oil and gas[7]. Despite these international commitments and diplomatic signals, Australia's approach to fossil fuel exports is increasingly at odds with them.

While the Australian Government pursues a vision to become a 'renewable superpower', it is still the world's second largest exporter of fossil fuel emissions[8]. Australia's exported emissions are estimated to be around three times its domestic emissions, yet they are largely excluded from the 2035 emissions reduction target[9].

Australia's continued support for fossil fuel expansion reinforces the perception of a dual identity, despite its international climate and energy commitments. Australia lacks a policy framework to restrict new fossil fuel exploration and infrastructure, or to plan for an orderly phase out of fossil fuels domestically and for export in line with long-term transition goals. Australia continues to approve fossil fuel projects with operating horizons extending from the mid-2030s to as late as 2080[10], while struggling to provide the policy certainty needed to overcome permitting delays and transmission bottlenecks facing large-scale renewable energy infrastructure[11].

Different government agencies continue to pursue conflicting objectives:

- The Department of Foreign Affairs and Trade (DFAT) promotes renewable energy diplomacy and fossil fuel supply relationships.
- Department of Industry, Science and Resources (DISR) is leading work on green industrial pathways (Future Made in Australia or FMiA) while simultaneously enabling large new LNG/coal expansions.
- Treasury and the Department of Finance are underwriting both fossil and green sectors.
- Government modelling points to a renewable export future, but policy settings across energy, trade and industry remain misaligned with that trajectory.

Albany Wind Farm in Western Australia. © Adobe Stock / WWF-Australia

Loy Yang B Power Station, Bartons Lane, Traralgon Victoria, Australia © Unsplash / Billy Joachim

Similarly, the 2026–27 federal budget illustrates the tension at the heart of Australia's energy policy. While it includes meaningful green energy measures, ongoing fossil fuel subsidies continue to outweigh transition investment, weakening the economic signals needed to accelerate the shift[12,13]. Efforts to address energy security have also largely focused on sustaining fossil fuel supply and consumption, rather than structural demand reduction through accelerating electrification and energy efficiency. As COP31 President of Negotiations, Australia's domestic policy coherence will be critical to its credibility and influence.

Table 1 – Australia's dual identity on the global stage

RENEWABLE ENERGY LEADER	MAJOR FOSSIL FUEL EXPORTER
46.5% of electricity from renewables in the NEM, Q1 2026	World's 2nd largest fossil exporter by embedded emissions
#1 globally for rooftop solar per capita	Expanding supply of coal and LNG
#3 globally for utility-scale battery capacity	Fossil export infrastructure operating into the 2050s-2080s
COP31 leadership	Billions of dollars in annual fossil fuel subsidies and ongoing policy support

THE FLAWED HEDGE.

Australia's pursuit of its green export vision, while continuing to approve, subsidise and expand fossil fuel production and export infrastructure, is often framed as keeping options open, supporting jobs and revenue during an orderly transition.

This position rests on three flawed assumptions:

Assumption 1

Australia can rely on ongoing fossil fuel demand and the strategic leverage it provides.

Assessment: **Flawed**

Reality pp. 9-10

Australia's fossil export markets are becoming more volatile and less reliable.

Australian Government outlooks consistently assume that demand for coal and gas in Asia will remain resilient over coming decades. The government's Future Gas Strategy (2024) enshrines this assumption as official policy, stating "Australia is, and will remain, a reliable trading partner for energy, including Liquefied Natural Gas (LNG)" and that "even in net zero scenarios, Australia and the world will need gas through to 2050 and beyond"[14].

This is reinforced by broader diplomatic and economic framing, with DFAT projecting, for example, that Southeast Asia's energy demand will double by 2050 and that conventional energy sources, including LNG and coal, will "continue to play an important role" in meeting regional energy security needs[15]. These framings underpin an expectation that Australia's fossil fuel exports will remain both economically valuable and strategically important for decades to come.

> *"We understand the importance of the coal mining industry to our electricity network … but also to our broader state's economy, whether that's the royalties that are funding our schools and hospitals, or it's those local coal mining jobs right across regional NSW."*
>
> *Minister for Finance, Natural Resources, Domestic Manufacturing and Government Procurement,* ***Courtney Houssos (September 2023)***[16]

Assumption 2

Fossil fuels remain an essential and durable fiscal pillar.

Assessment: **Flawed**

Reality pp. 11-12

Fossil fuels' fiscal foundation is overstated, weakening and not strategically redeployed.

Australian Government analysis consistently frames fossil fuel exports as a central pillar of the national economy. The Resources and Energy Quarterly, published by DISR, notes that the sector "continues to underpin Australia's economy," reflecting its dominant role in export earnings and trade performance. Similarly, Geoscience Australia's Energy Commodity

> *"Australia has benefitted from the development of a liquefied natural gas (LNG) export industry through export revenue, royalties and taxation, job creation and economic development."*
>
> *Minister for Resources,* ***Madeleine King;*** *Minister for Climate Change and Energy,* ***Chris Bowen*** *and Minister for Industry and Innovation* ***Tim Ayres (May 2026)***[17]

Resources report highlights that Australia's energy resources contribute directly to "the nation's energy security and prosperity," and that traditional fossil fuel resources will continue to play a "central role" in supporting the economy and energy system. These outlooks reinforce a policy assumption that coal and gas exports are not only economically significant, but foundational to Australia's prosperity and strategic position.

This is a narrative that is deeply embedded in Australia's politics and industry messaging. Particularly at the state level, the importance of coal royalties is emphasised, and at the federal level, gas exports are framed in the same terms. The framing paints a picture of fossil fuel exports underwriting public services, such as hospitals, schools and welfare, and disrupting that revenue stream would come at a direct cost to Australians.

> *"We reaffirm our commitment to strengthen energy security; support the flow of essential energy goods, including liquefied natural gas, coal and liquid fuels between our two countries (…). We also confirm our commitment to diversify energy sources, including through supporting the energy transition and investment and cooperation in energy efficiency."*
>
> ***Australia-Japan Joint Statement on Energy Security Cooperation (May 2026)[18]***

Assumption 3

Supporting fossil fuels is a costless hedge; green industries can be built without unwinding settings that favour fossil fuels

Assessment: **Flawed**

Reality pp. 13-15

Fossil-favouring policy settings undermine Australia's green industrial future.

Crucially, the government positions its renewable export ambitions as being realised in parallel, and in addition to, its fossil industries. This happens both domestically and internationally. The dual approach assumes that maintaining both tracks comes at no cost to the other: that green industries can develop without reforming the policy settings that sustain fossil fuel production, and that renewable energy partnerships exist alongside, rather than in place of, fossil fuel relationships.

> *"We are blessed with enormous reserves of space and sun. In terms of energy resilience, Vladimir Putin can't stop the wind blowing in Australia, and no Iranian dictator can stop the sunshine in Australia. (…) This is our energy advantage for the future, but that doesn't mean that Australian thermal and metallurgical coal doesn't have big markets overseas. There's nothing inconsistent about these positions; it's not some sort of moral competition."*
>
> ***Minister for Industry and Innovation, Tim Ayres, on new coal and gas projects (May 2026)[19]***

However, the world is changing quickly, and the foundations of these arguments are shifting. Countries across the region are progressing their energy transitions and building resilience against recurring global energy and supply chain shocks. The costs of renewable energy and electrification technologies continue to fall. In this context, all three assumptions warrant scrutiny.

Reality 1

Australia's fossil export markets are becoming more volatile and less reliable.

The assumption that Australia's fossil fuel export markets will endure is becoming harder to reconcile with developments across the Indo-Pacific. Fossil demand will not disappear overnight, but Australia can no longer assume stable, long-term demand or durable strategic leverage.

1 Short-term fossil leverage is masking longer-term strategic risk:

Recent geopolitical disruptions have made Australia's fossil fuel exports appear strategically valuable in the short term, particularly where governments and buyers are seeking to manage coal and LNG supply risks during periods of heightened volatility. Media reporting during the Iran conflict framed the disruption as a temporary opportunity for Australian coal and LNG exporters[20], while separate reporting highlighted the role of LNG supply relationships in regional fuel security discussions[21]. This creates a perception that fossil fuel exports remain indispensable.

However, these signals reflect countries hedging against geopolitical risk, not doubling down on structural fossil fuel dependence. The 2022 gas crisis triggered a surge in renewable deployment, contributing to record capacity additions in Europe and the rest of the world[22], and the 2026 Iran conflict is likely to reinforce similar reassessments across import-dependent economies in the Indo-Pacific[23]. Periods of increased demand or higher prices for Australian fossil fuels during geopolitical disruption should therefore not be mistaken for sustained growth.

The June 2026 Resources and Energy Quarterly (REQ) reinforces this distinction: near-term export earnings have been revised up due to Middle East-linked price spikes but are still forecast to fall in the 2030s as temporary effects unwind[24]. The hedge therefore risks mistaking volatility for resilience.

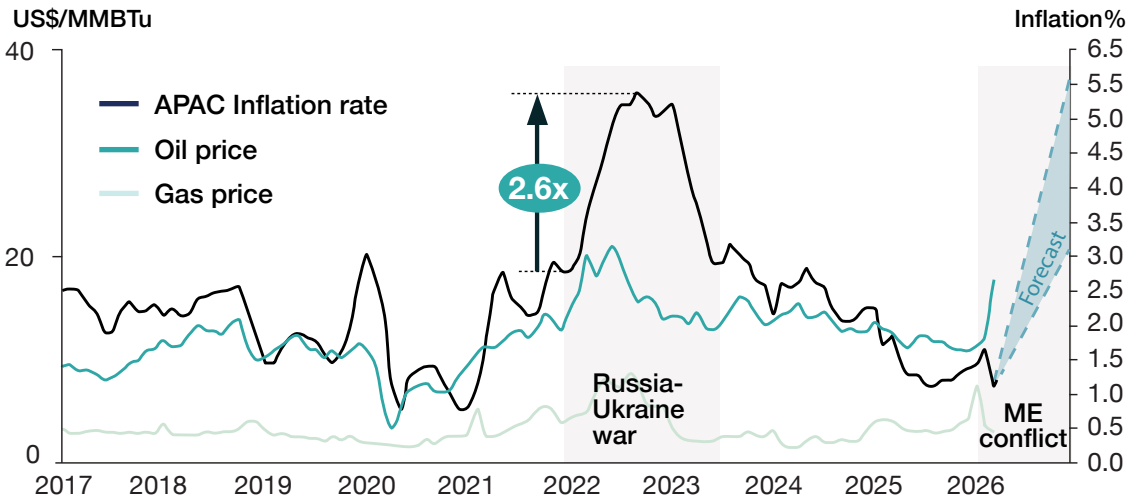
2 Import dependence is becoming a strategic liability for Australia's partners:

The Indo-Pacific holds less than 2% and 8% of the world's oil and gas reserves, respectively, yet imports US$1.1 trillion of fossil fuels a year[25]. That exposure carries repeated, measurable economic costs. Energy price shocks in the 2020s alone have driven sharp spikes in wholesale power prices across the region, pressured fiscal balance sheets, compromised manufacturing competitiveness and fuelled inflation (see Figure 1). Cutting that exposure is no longer just a climate ambition; it is increasingly an economic and energy security priority.

Figure 1 - Fossil fuel dependence has triggered major economic impacts across the Indo-Pacific (Cyan Ventures/WWF-Australia 2026)

FOSSIL FUEL DEPENDENCE HAS TRIGGERED MAJOR ECONOMIC IMPACTS ACROSS THE INDO-PACIFIC

Increases in fossil fuel prices have triggered inflation in the Indo-Pacific region



Middle East Conflict

While not yet in official inflation data, the **Asian Development Bank** forecasts APAC inflation to rise by 0.6 to 3.2 percentage points above the baseline, bringing inflation rate to between 3.0% and 5.5% for 2026 and 2027

Note: Oil price is measured by Europe Brent Spot Price FOB (US$/MMBTu). Natural gas price is measured by Henry Hub Natural Gas Spot Price (US$/MMBTu). The inflation rate is measured as the average year-on-year inflation rate of APAC top 10 economies excluding Australia (China, Japan, Korea, Vietnam, Philippines, Malaysia, Thailand, India, Indonesia, and Singapore), inflation forecasts are based on the Asian Development Bank's estimate of the impact of the Middle East conflict on inflation and the IMF's forecasts for the top 10 APAC economies.

Sources: IMF Consumer Price Index, EIA Petroleum & Other liquids, EIA Natural Gas, IMF World Economic Outlook (2026), Asian Development Bank (2026)

The IEA makes this risk explicit: without structural change, Southeast Asia's energy import bill could rise from over US$80 billion in 2024 to around US$245 billion by 2035, meeting announced climate pledges would cut the 2035 fossil fuel import bill to around half that level[26].

The energy security concerns that once underpinned LNG demand now accelerate diversification and efforts to reduce exposure to imported fossil fuels. The crisis in the Middle East has reinforced concerns about price volatility and supply security, prompting defensive measures including demand responses and power mix adjustments based on existing infrastructure[27]. A shift toward domestic energy production (through gas, renewables or nuclear) and electrification is structurally reducing demand for imported LNG.

Renewables are also increasingly outcompeting new fossil generation on both cost and speed of deployment in most markets, reshaping investment decisions[28,29]. Renewable power met all growth in global electricity demand in 2025[30]. Meanwhile, evidence from the Australian power system shows batteries already displacing gas, further narrowing its role to infrequent backup. As battery deployment accelerates globally, similar dynamics are likely to emerge across Asia-Pacific power systems, progressively weakening the long-term demand outlook for gas[31].

3 Australia is increasingly exposed as a high-cost LNG supplier:

Even where residual LNG demand persists, Australia is poorly positioned to capture it. As market demand softens and new low-cost supply from the US and Qatar comes online, buyers are likely to prioritise cheaper suppliers, placing Australia under increasing pressure[32,33]. Australian LNG has the highest production-plus-liquefaction cost among major exporters[34]. This means Australia is not just exposed to declining demand; it is likely to lose market share within that declining market, as buyers shift to cheaper alternatives.

4 Recent volume trends and demand outlooks point to a more constrained fossil export future:

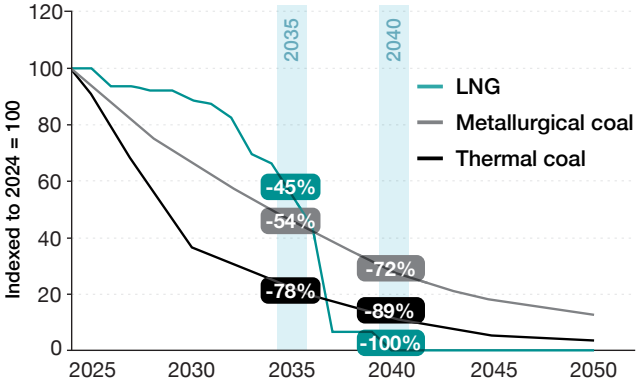
Australia's LNG exports and Asia's LNG imports both fell in 2025[35], while volumes likely peaked in 2022 following the invasion of Ukraine[36]. The June 2026 REQ confirms this trajectory: DISR now forecasts declining Australian thermal coal export volumes, falling imports across all three of Australia's largest coal markets, and a structural turn in the LNG outlook as Chinese domestic shale scales up, Japan and South Korea ease imports and price-sensitive Southeast Asian buyers reduce imports[37]. Since early 2026, several planned Asian LNG import terminals have been delayed or scrapped, as unfavourable economics and rising risk slow new gas capacity, suggesting this is more than a cyclical dip[38].

Independent modelling points in the same direction over longer horizons. Based on countries' existing climate commitments (NDCs), analysis by Climate Resource finds that global demand for coal and LNG is set to plateau and decline, putting sustained downward pressure on Australia's exports (see Figure 2). Similarly, the IEA's Stated Policies Scenario (STEPS) shows coal demand plateauing and declining gradually by 2030, as renewables scale in Asian power systems[39], and gas plateauing in the 2030s[40]. Under NGFS scenarios reflecting current climate pledges, metallurgical and thermal coal demand in China, Japan and India could begin declining within the next five years, falling by around 69% by 2050 compared to a current policies pathway.[41]. In gas-importing countries, LNG demand falls faster than demand for locally produced or pipeline-imported gas under different climate scenarios[42].

Figure 2

PROJECTED DECLINE IN DEMAND FOR AUSTRALIA'S FOSSIL FUEL EXPORTS

Central estimate of change in demand in scenarios consistent with peak warming of 1.8ºC given substitution to lower cost alternatives[43,44].



Sources: Climate resource compilation of findings from LNG and coal reports

Indo-Pacific fossil fuel demand is not disappearing overnight. But, beyond the urgent need to mitigate climate change, it is no longer economically or strategically responsible for Australia to rely on assumptions about long-lived growth in markets. Competition is intensifying, margins are compressing, and long-term demand is becoming less certain as electrification accelerates and clean technology costs continue to fall. The fiscal and strategic leverage from continued fossil expansion Australia has banked on in the past is likely diminishing more quickly than Australian governments acknowledge, while the opportunity cost of maintaining the hedge compounds.

Reality 2

Fossil fuels' fiscal foundation is overstated, weakening and not strategically redeployed.

Australian governments frequently justify continued support for fossil fuels by pointing to jobs, revenue and royalties. These contributions are real but represent only part of the picture. Once government support, the volatility of revenue, and the wider costs of continued fossil dependence are taken into account, the fossil fuel sector's contribution appears more limited and less durable than commonly presented. The core issue is not just climate impact, but whether fossil fuels provide a reliable long-term economic foundation. As the renewable energy transition gains pace across the Indo-Pacific, fossil export value could decline by as much as A$70 billion by 2035.

Four issues compound simultaneously:

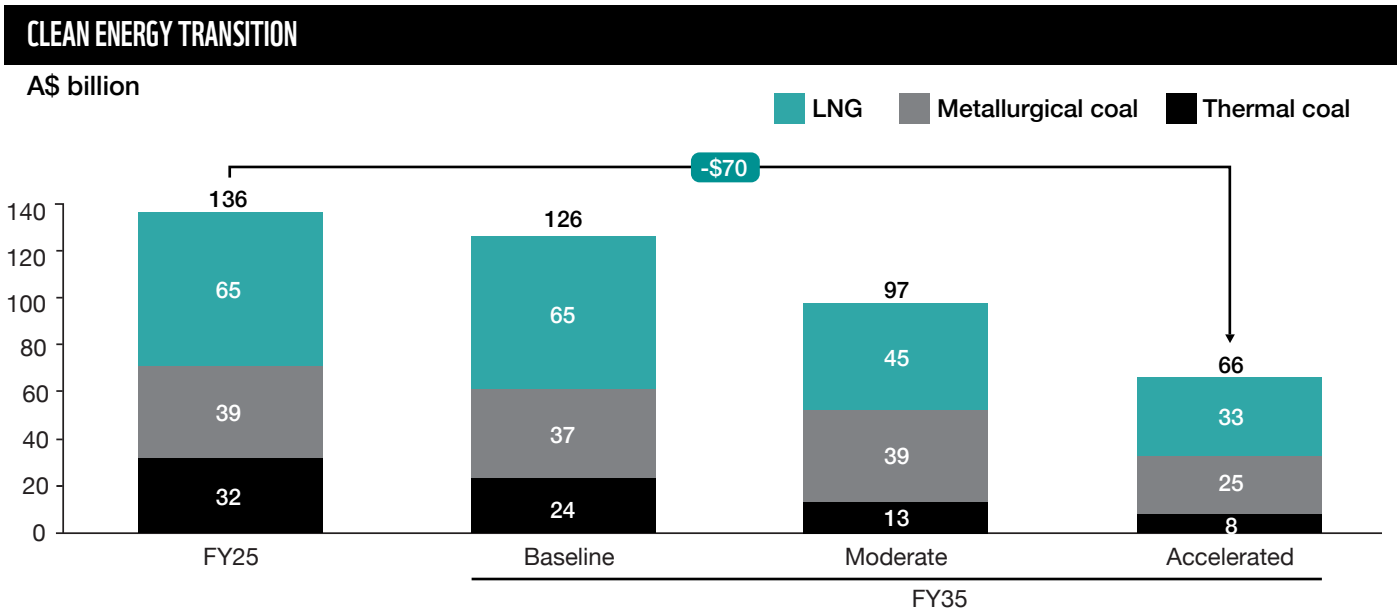
1 Revenue is volatile and increasingly uncertain:

The assumption that Australia's fossil fuel exports will continue to provide a stable or growing fiscal base is increasingly challenged. Global demand outlooks are becoming more uncertain (see flawed assumption 1). The renewable energy transition already underway across the Indo-Pacific is expected to reduce fossil export value by up to A$70 billion by 2035 (Figure 3). Even within the next five years, DISR's own June 2026 forecasts show Australia's coal and LNG export earnings falling by around $29 billion in real terms, with LNG facing the biggest hit. Oil exports are also forecast to halve to just $5 billion by 2030-31[45].

2 Fossil fuels' net contribution to government budgets is smaller than headline revenue suggests:

Headline revenue figures overstate the economic contribution of fossil fuels to government budgets, as they exclude the substantial public support flowing the other way, such as direct and indirect subsidies and tax concessions. In FY26, Commonwealth support for fossil fuels is estimated at around A$16 billion, with several billion more at state level[47]. A substantial share of what the sector contributes is offset by public money flowing back out to entrench fossil fuel demand across the economy. Moreover, headline numbers don't account for the economy-wide costs of the fossil system. When weighed against the economic and social costs incurred due to fossil-fuelled climate change and ecological disasters, fossil fuels' contribution to Australia's economy represents only 20% of its costs[48,49,50].

Figure 3 - The clean energy transition in the Indo-Pacific region could accelerate decline in Australia's fossil fuel exports by up to A$70 billion by 2035 (Cyan Ventures 2026)[46]



Note: LNG export value in 2035 is estimated by multiplying projected LNG demand under three scenarios from the Future Gas Strategy Analytical Report (Stated Policies, Announced Pledges, and Net Zero Emissions) by a forecast LNG price of approximately US$10.5/MMBtu, converted to Australian dollars at A$1 = US$0.66. In the Baseline, 2035 values are held constant at the 2030 forecast level. The Moderate and Accelerated estimates draw on Climate Resource projections of Australian coal exports under a 1.8oC warming pathway: the Moderate scenario assumes Australia retains its current share of global coal export demand, while the Accelerated scenario reflects a declining share as importing partners shift toward domestic supply as overall demand falls. Source: FY25 export values - Department of Industry, Science and Resources (2025), LNG 2035 price and coal export value in 2030 - Department of Industry, Science and Resources (2025), Coal export estimates - Climate Resource (2024)

3 Australia captures a limited share of fossil export value:

Australia does not consistently capture a proportional public return from its fossil fuel exports. The Petroleum Resource Rent Tax (PRRT), designed to ensure a public share of LNG profits, has notoriously underperformed for over a decade, raising relatively modest revenue compared to export volumes[51]. The PRRT has been the subject of sustained public and political scrutiny, with a broad coalition - including economists, former Treasury officials, unions and civil society - calling for reforms or a dedicated levy on gas export revenues, supported by strong public backing for higher taxation of LNG exports[52,53].

4 Australia is not systematically using fossil fuel revenue to build what comes next:

Australia's fossil revenues are inherently finite, yet they are not systematically captured or redeployed to support long-term economic transformation. While they flow into consolidated budgets, Australia lacks a dedicated mechanism, such as a transition fund, to convert resource windfalls into long-term national assets. In many jurisdictions, carbon pricing systems generate public revenue that can be reinvested in the transition (e.g. the EU Emissions Trading System or EU ETS)[54]. By contrast, Australia's Safeguard Mechanism does not directly capture emissions-related value for the transition, instead relying on private compliance mechanisms. These gaps limit Australia's ability to translate current fossil exports into longer-term economic strength. A strategic approach for Australia would treat remaining fossil fuel revenues as transitional capital and redirect value toward building the industries and infrastructure that will replace fossil exports.

Even if fossil fuels remain economically significant in the near-term, they are not a stable or sufficient foundation for Australia's long-term prosperity. As demand uncertainty rises and costs accumulate, continued reliance on fossil fuel revenues becomes a source of fiscal risk rather than security, particularly when it comes at the expense of investing in more durable sources of economic resilience. Australia must focus on redirecting remaining value toward the industries and infrastructure replacing fossil fuels.

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Reality 3

Fossil-favouring policy settings undermine Australia's green industrial future.

The hedged bet is not the costless insurance it appears to be. It is a transfer of risk: from private investors and incumbents, to taxpayers and the green industries Australia is trying to build. Public policy shields fossil expansion from downside exposure while crowding out the renewable system that would deliver long-term competitiveness. These costs compound, weakening Australia's competitiveness and resilience in the industries of the future. In practice, fossil fuel continuation impacts Australia's renewable export ambitions in three ways:

1 Fossil-locked energy costs undermine industrial competitiveness

If Australia's energy system remains tied to fossil fuels, its energy-intensive industries like mining and manufacturing stay exposed to global fuel prices, even when those fuels are produced domestically. That exposure is direct for manufacturers using gas for process heat and feedstock, and indirect through electricity, where gas sets the wholesale peak price. Rising renewable generation is steadily weakening this link, but while gas remains the marginal fuel at critical times, exposure persists (Figure 4).

This is already shaping industrial outcomes. High and unpredictable energy costs have contributed to closures and repeated government intervention across energy-intensive facilities, including alumina refineries, aluminium smelters and mineral processing plants, the very industries the Future Made in Australia agenda depends on[55,56]. Each rescue treats the symptom, while the underlying exposure remains.

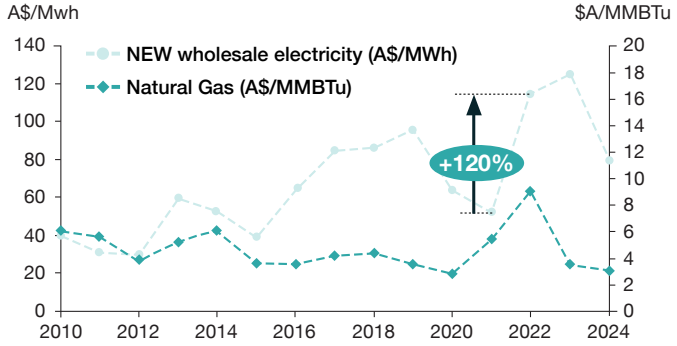
The same dynamic will decide whether Australia's emerging industries can compete. In sectors such as green iron, green ammonia and green fuels, electricity cost is the primary driver of global competitiveness. WWF-Australia and Deloitte's analysis of the green iron value chain found that Australia's prospects hinge on access to abundant, low-cost renewable electricity and credible carbon pricing signals. Without them, first-of-a-kind projects struggle to compete internationally, regardless of Australia's resource endowments[57]. Delays in scaling renewable, low-cost power puts Australia's industrial ambitions - both current and emerging - in danger.

The hedge works directly against this. Continued investment in fossil infrastructure, such as new gas pipelines, risks locking in assets and technologies that become stranded or uneconomic as electrification accelerates, adding long-term system costs while diverting and delaying capital from the renewable backbone industry needs.

The hedged approach, rather than insuring against risk, entrenches a higher-cost, more volatile energy system while eroding the viability and competitiveness of the industries Australia has today and the ones it is trying to build.

***Figure 4** - When gas sets the marginal price, during peaks and supply shocks, it transmits international volatility into Australian energy costs price. (Cyan Ventures 2026)[58]*

NEM WHOLESALE ELECTRICITY PRICES VERSUS INTERNATIONALLY LINKED NATURAL GAS PRICES



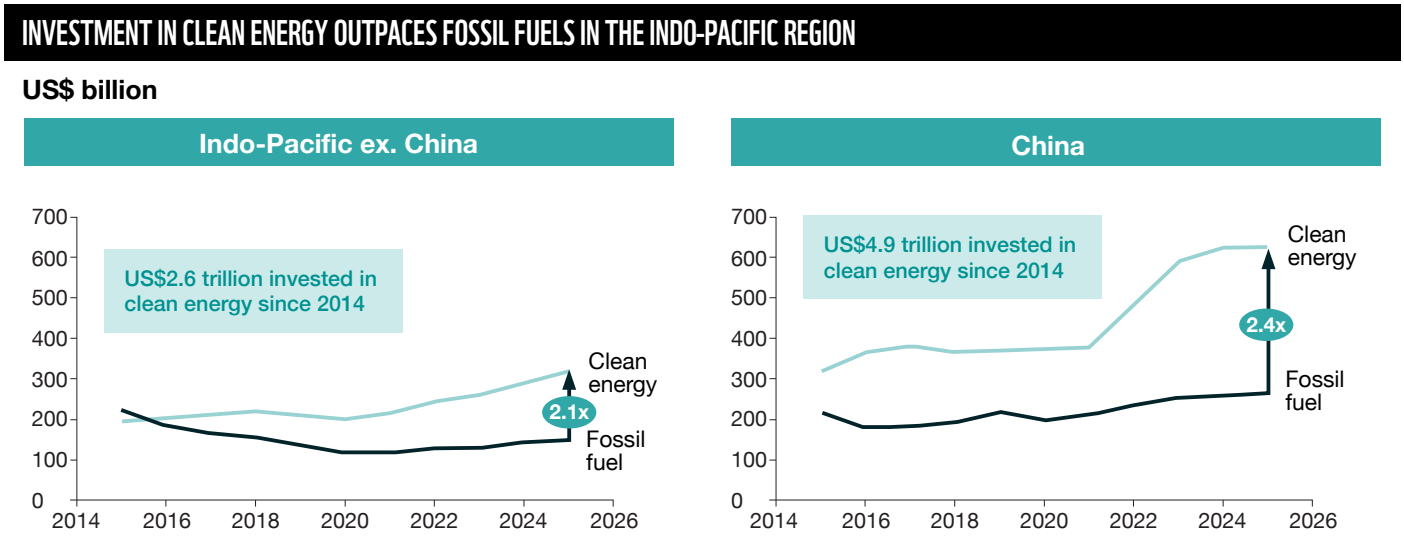
Notes: The east coast wholesale gas prices have been linked to LNG export prices, meaning international gas spikes flow into domestic gas costs. Higher gas prices then lift electricity prices when gas-fired generators set the marginal price in the National Electricity Market. That matters because electricity is one of the largest input costs for metals production: Tomago Aluminium has said power accounts for more than 40% of operating costs. Fuel costs also hit mining directly. The high diesel cost is a significant financial burden for remote mining operations that rely on diesel-powered trucks, generators, and logistics. In short, a fossil-dependent energy system embeds global oil and gas volatility into the cost base of the very products Indo-Pacific partners want from Australia. Source: 1. AEMO (2026), EIA (2026) 2. DCCEEW (2025) 3. Reuters (2025).

2 Trading partners are investing in the new energy economy while Australian taxpayers have to back the old

Across the Indo-Pacific, capital is moving decisively towards the new energy economy for both commercial and strategic reasons. Solar paired with storage now undercuts around three-quarters of the region's planned gas plants[59]. Australia's partners are not just adopting the new system, they are manufacturing it, producing most of the world's solar panels, batteries and wind turbines[60]. Investment in clean energy runs at roughly twice the level flowing to fossil fuels (Figure 5).

Australia's settings point the other way. Government support for fossil fuels sits around four times that of clean energy, approximately A$20.1 billion per year, compared to A$4.6 billion (Figure 6). Fossil and renewable energy projects compete for the same finite pool of investment capital and government funding. Continued policy support directs capital toward fossil fuel production and infrastructure, while slowing and limiting the scale and pace of investment in emerging green industries. As partners invest in the systems that will define the next energy economy, Australia is directing scarce public capital toward assets facing structural decline.

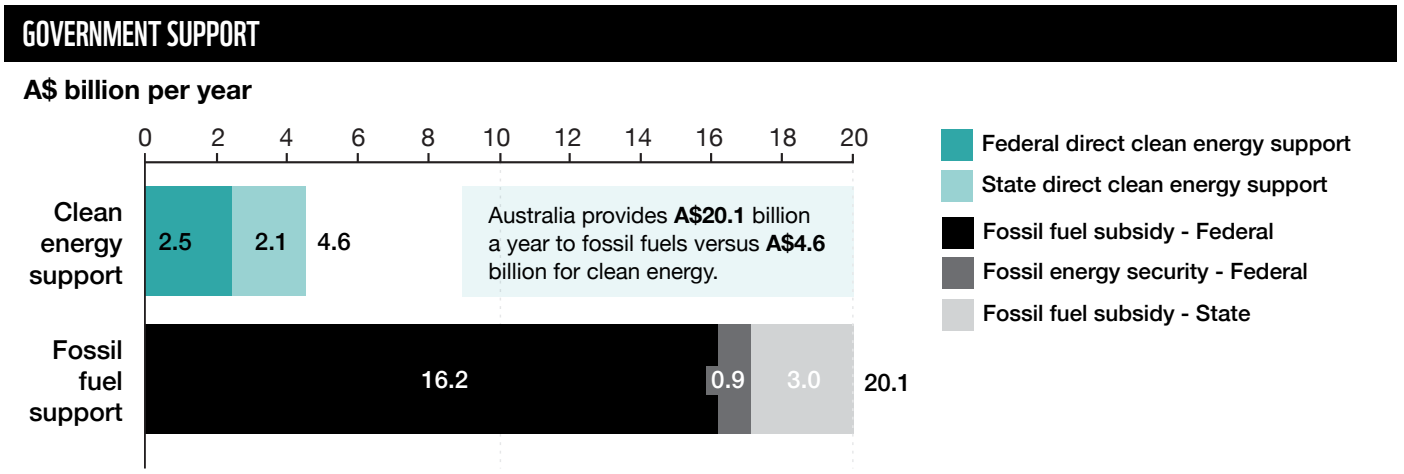
Figure 5 – Clean energy investment now materially outpaces fossil fuel investment across the Indo-Pacific (Cyan Ventures 2026)[61]



Notes: Estimates exclude China, include Australia, Bangladesh, Brunei Darussalam, Cambodia, DPR of Korea, India, Indonesia, Japan, Korea, Malaysia, Mongolia, Myanmar, Nepal, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Chinese Taipei, Thailand Viet Nam and Other Asia, Afghanistan, Bhutan, Cook Islands, East Timor, Fiji, French Polynesia, Kiribati, Laos, Macau, Maldives, New Caledonia, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu

Sources: IEA (2025)

Figure 6 – Government support for clean energy and fossil fuel projects (Cyan Ventures 2026)[62]



Notes: Clean energy support includes annual federal and state spending on renewable energy, storage, electrification, transmission and transition programs. Federal support is dominated by the Cheaper Home Batteries Program, which is included using annual budgeted expenditure rather than total program value. Concessional finance and underwriting are excluded. See endnote 62 for more detail.

3 Legacy policy settings distort the investment case for transition

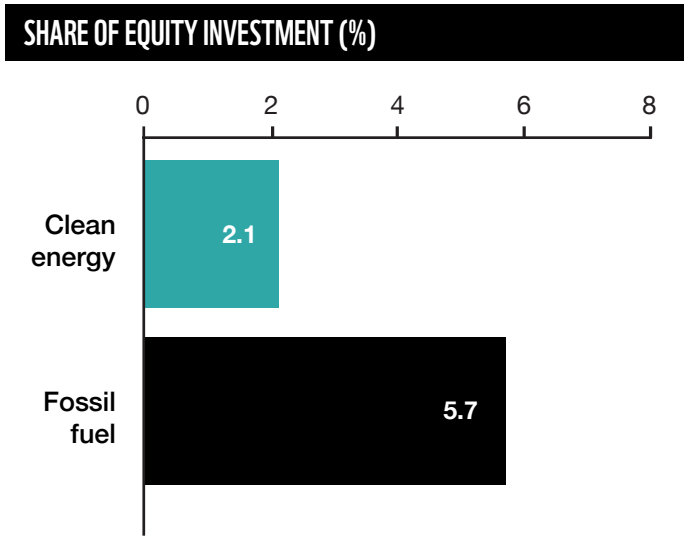
Beyond competition for capital, policy settings can actively distort investment in renewable technologies and green industry by raising the cost of capital and shaping perceived risk. Australia's policy architecture still includes legacy settings that favour incumbent fossil fuel use, weaken price signals, and increase uncertainty for investors. Three critical examples include:

a The **Fuel Tax Credits (FTC)** scheme provides a clear example of how policy settings distort investment decisions. By lowering the cost of fossil fuel consumption for heavy industry, the commercial case for electrification is weakened. As highlighted in recent reporting on major mining operations, this effect can materially influence the pace at which companies shift away from diesel-based systems, delaying the uptake of cleaner alternatives even where they are technically viable[63].

b Similarly, **weak or incomplete carbon pricing** fails to create the demand emerging green industries need to scale. For green iron, ammonia and fuels, carbon pricing's critical function is to create buyers willing to pay a premium for low-carbon inputs. That differentiated demand is what makes first-of-a-kind projects bankable. Australia's current signals are too weak to generate this pull[64]. As the Carbon Leakage Review noted, industrial competitiveness is increasingly determined by 'carbon competitiveness' (the relative cost of emissions across jurisdictions)[65]. Existing policy settings, such as the Safeguard Mechanism, could be strengthened or paired with well-designed Carbon Border Adjustment Mechanisms (CBAMs) to create demand-side conditions for green projects to scale. Carbon signals alone are not enough. They need to work alongside demand-side mechanisms (CfDs, public procurement, offtake guarantees) and targeted supply-side support (concessional finance) as a coordinated system.

c **Regulatory settings such as the "Your Future, Your Super" (YFYS) performance test** reinforce a focus on short-term benchmark performance and risk-adjusted returns. The result is discouraged investment in long-duration, capital-intensive transition projects, such as grid infrastructure, renewable energy or industrial decarbonisation, where returns are realised over longer time horizons[66] (see Figure 7). The scale of the resulting underinvestment is stark: Australia's 30 largest super funds have directly contributed just A$771 million or 0.03% of the A$2.5 trillion they manage to Australian renewable energy projects since 2020. This is significantly less than the A$1.2 billion Canadian pension funds invested in Australian renewables over the same period[67]. Separately, Australian funds hold more than $33 billion in companies expanding fossil fuels[68]. When legacy settings subsidise fossil fuel consumption, suppress carbon price signals and penalise long-duration infrastructure, they shape the risk-return calculus that trustees rely on, making the transition appear riskier than it needs to be. Recent evidence from Australia's institutional investors reinforces this: nearly three-quarters report no improvement in conditions for climate investment, with the primary barrier being a lack of projects that meet risk–return requirements, alongside worsening policy uncertainty[69].

Figure 7 – Superannuation investment in clean energy and fossil fuel projects (Cyan Ventures 2026)[70]



Australian super funds

Australian super funds allocate just **2.1%** of equity investments to clean energy, compare to **5.7%** to fossil fuel expansion. In dollar terms, the gap is even wider. Australia's top 30 super funds have invested only **$771 million** in domestic renewables since 2020, versus **$33 billion** in fossil fuel expansion.

Source: Market Forces (2026) Passing the buck - Market Forces and Australian Ethical (2025), Large super funds invest in fossil fuel expansion

These examples show that legacy policy settings raise perceived policy and market risk, increasing the cost of capital and delaying investment. Australia not only risks deterring investment but capital flight toward jurisdictions where policy frameworks are clearer, returns are more predictable and investment risk is lower.

MIXED SIGNALS, MOUNTING COSTS: WITHOUT CLARITY, NO FUTURE IS MADE.

The International Energy Agency (IEA) reports that global investment in clean energy is now roughly twice the level of fossil fuel investment (US$2.2 trillion versus US$1.2 trillion in 2025) and countries that invested in clean energy over the past decade avoided US$260 billion in fossil fuel import costs in 2025 alone.[76]

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The hedge emerged in a different context: when fossil competition was constrained, the energy transition was slow, and renewable and electrification technologies more expensive. In that setting, maintaining fossil fuels alongside emerging green industries could be framed as prudent risk management.

That context has changed.

Continuing the hedge locks Australia into a strategy that is incompatible with how the global system is evolving. In the near-term, the approach can appear justified, particularly amid cost-of-living pressures and the need to shield households and businesses from price shocks. Governments are right to respond with targeted short-term measures[71].

However, measures entrenching fossil fuel dependence offer only temporary relief, a band-aid on a structural vulnerability and are not a basis for long-term strategy. Recent geopolitical shocks, including in the Middle East, reinforce that fossil fuel reliance remains a core source of instability[72].

Each crisis triggers a familiar response: emergency fuel purchases, fiscal support and renewed calls for more fossil supply, but leave Australia exposed to recurring global volatility. Without shifting underlying investment and policy settings, these responses lock-in and sustain fossil systems while delaying the roll-out of stronger alternatives.

By contrast, renewable and electrified systems are proving more resilient[73]. Globally, capital is accelerating toward renewables and electrification, technologies valued for their predictable, domestically anchored cost profile, as fossil fuel assets remain exposed to geopolitical disruption and price volatility[74,75].

For Australia, trying to sustain both systems is not a balanced strategy. It increases transition costs, raises the cost of capital for transition investment, and slows the development of the industries that will define future competitiveness. The largest opportunity cost of the hedged bet is Australia's renewable export potential, and the long-term revenue, jobs and industries it would generate. Previous estimates suggest Australia's renewable superpower opportunity is worth around A$300–400 billion a year in exports, with higher-end modelling indicating even larger gains if value-added industries like green iron are fully realised[77,78].

Instead, Australian taxpayers risk being left to manage the downsides: underwriting stranded fossil infrastructure, funding rescue packages for exposed industries that are slow to transition and inheriting an energy system that remains high-cost, emissions-intensive and increasingly out of step with global markets.

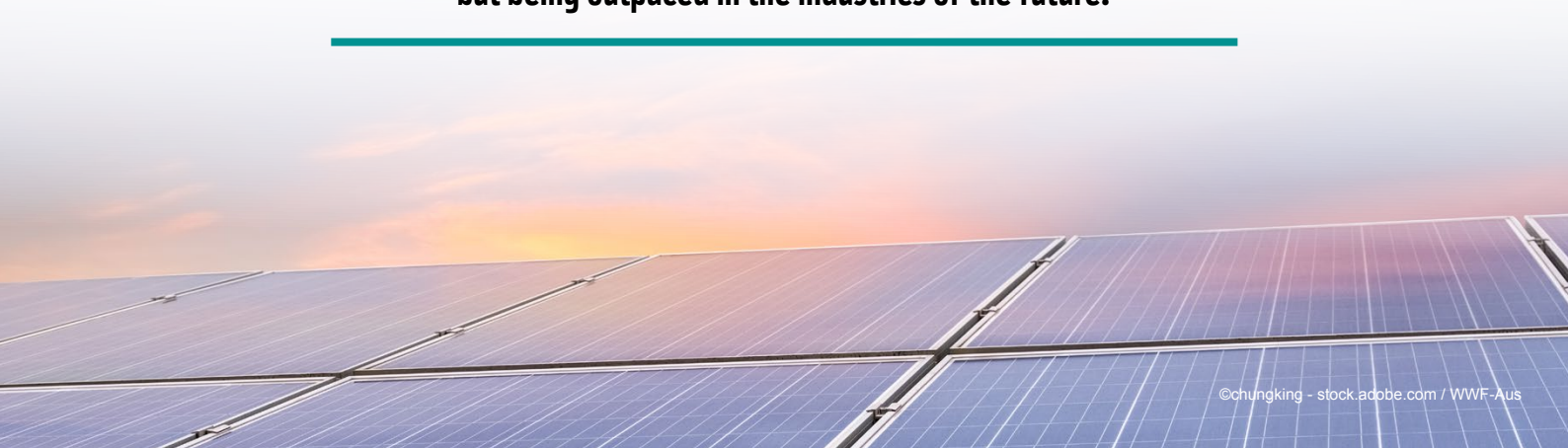
The structure of the transition matters. A planned and deliberate transition protects workers, regions and industries; a delayed or disorderly one increases disruption, raises costs and erodes resilience. It also slows green industry deployment, delaying the learning-by-doing and the cost reductions that come with scale.

Green and fossil industries do not operate in parallel: they compete for the same capital, policy attention and infrastructure. On top of that, green industry competitiveness relies on low-cost renewable electricity and credible carbon signals, both weakened when fossil fuel expansion remains a central priority and legacy settings persist.

The implications are economic, environmental, and strategic. As Indo-Pacific partners accelerate their transitions, energy and economic security are increasingly defined by access to green, reliable and affordable energy systems. Continued fossil expansion risks placing Australia at odds with these priorities, weakening trust, reducing influence, and eroding its role in shaping emerging regional partnerships.

The role of government is not to counter the transition, but to shape it – ensuring it is orderly, strategic and economically beneficial. Otherwise, when the next shock inevitably comes, Australia could find itself more exposed, not less.

The outcome of this flawed hedge is unlikely to be the 'best of both worlds'. More likely, Australia risks ending up with neither: outpaced and less competitive in emerging green export markets and tied to fossil fuel markets with an uncertain outlook. The greater risk is not losing share in a shrinking fossil fuel market but being outpaced in the industries of the future.



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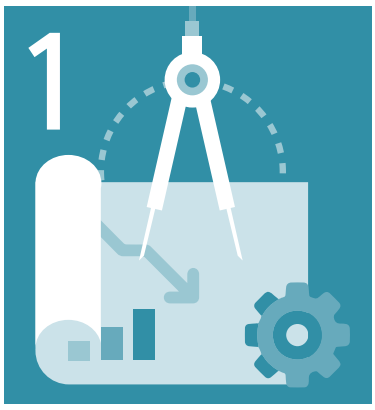
RECOMMENDATIONS: FROM HEDGING TO STRATEGIC CLARITY - MAKE RENEWABLE ENERGY SECURITY AN UNAMBIGUOUS DOMESTIC AND FOREIGN POLICY PRIORITY.

The window for Australia to position itself as an indispensable partner in green industries is narrowing. Capturing this opportunity will depend on more than resource endowments, it will require strategic statecraft[79] - policy clarity, investment alignment and decisive action. It requires working with partners across the region and a whole-of-government approach in which trade, energy, industry and finance policy operate as a coherent system.

Different partners will transition at different speeds, and the trade-offs for workers and regions will need careful management. But a hedged approach that sustains outdated policy settings risks compounding these challenges rather than easing them. Australia can only unlock its renewable export potential by committing to a clear transition pathway and directing investment toward the renewable system that will underpin long-term economic security.

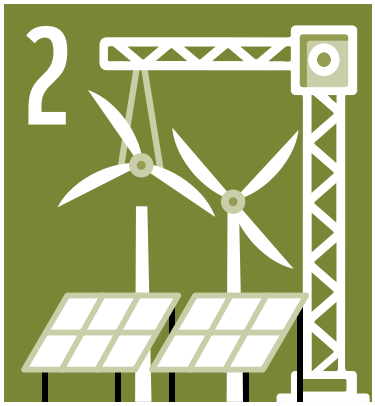
Positioning Australia as a trusted renewable energy partner requires building coordinated, mutually beneficial trade and investment relationships across the region. To achieve this, Australia should implement a **coherent renewable energy security strategy** built on three priorities:

Plan



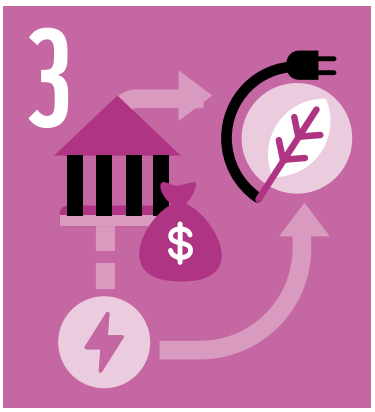
for and manage the inevitable decline of fossil fuels.

Build



and accelerate the renewable and electrified energy systems that will replace them.

Redirect



policy and capital to enable a managed, economically beneficial transition.

Each priority sets out a clear recommended agenda - actions to prioritise, areas to carefully manage, and where policy settings must shift to avoid long-term risks.

1 Plan for and manage the inevitable decline of fossil fuels.

Fossil fuel demand is set to decline regardless of policy intent; the priority for government is to actively manage this transition in an equitable, orderly and strategic way. Provide clear, time-bound signals that align Australia's economy with the future it is trying to build, working in partnership with communities, workers, states and key trading partners.

ACT NOW

- **Plan for phase out:** Commit to a plan to manage the phase out of fossil fuels with clear timelines for thermal coal, metallurgical coal and gas, separately.
- **Develop just transition frameworks:** Co-design regional transition plans with affected workers, communities and states.
- **Plan for revenue transition:** Develop replacement revenue streams and support royalties-dependent states.

MANAGE CAREFULLY

- **Sequence for energy security:** Ensure reliability through coordinated phase-down and system planning.
- **Monitor different transition speeds:** Monitor partners' transition and coordinate on shared phase out pathways.
- **Coordinate with co-producers:** To manage market impacts.
- **Stress test fossil infrastructure decisions against downside demand scenarios:** Do not approve long-lived infrastructure under central-case demand assumptions alone.

STOP DOING

- **No new fossil fuel lock-in:** Legislate and operationalise a "no new approvals" rule for coal and gas expansion inconsistent with transition pathways.
- **Do not defer coal phase out decisions,** creating investment uncertainty and disorderly adjustment.
- **Do not rely on demand assumptions** that are inconsistent with partner decarbonisation pathways.
- **Do not send mixed diplomatic signals** simultaneously promoting fossil fuel expansion and renewable leadership.

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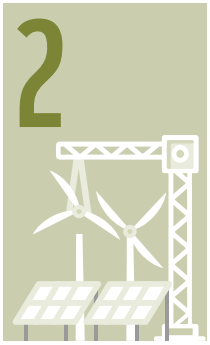


Build and accelerate the renewable and electrified energy systems that will replace them.

Export strategy starts at home: Australia's renewable export competitiveness depends on its domestic energy system. Anchor Australia's competitiveness in low-cost, reliable renewable power and spur electrification across the economy. Both are foundational to industrial competitiveness, demand reduction and capability export. Australia should go beyond exporting commodities, and focus on the assets that support partner transitions: finance, capability and governance.

✓ ACT NOW

- ✓ **Accelerate renewables deployment and grid infrastructure,** particularly transmission, planning and social license to anchor industrial competitiveness and unlock Australia's green export potential.
- ✓ **Electrify the economy:** Implement a national electrification target and support industry, transport and households to reduce exposure to volatile fossil fuels.
- ✓ **Improve energy productivity** through efficiency standards and demand-side measures.
- ✓ **Develop priority green export sectors,** such as green iron, ammonia, minerals, metals and fuels.
- ✓ **Build green supply chain partnerships:** Develop green trade corridors with partners and secure demand through bilateral decarbonisation deals and offtake agreements.
- ✓ **Build Australia's renewable energy capability export** through finance, technical assistance, and knowledge and capability sharing supporting partners' transitions.

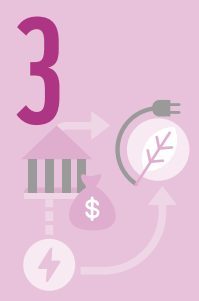
– MANAGE CAREFULLY

- – **Make the transition fair and just:** Ensure households, small businesses, communities and First Nations benefit equally from and participate meaningfully in electrification and renewables.
- – **Unlock regional development:** Align green industry growth with regional workforce and infrastructure needs.
- – **Promote industrial competitiveness:** Target support carefully to avoid permanent subsidy dependence.

✕ STOP DOING

- ✕ **Do not lock in high-cost interim solutions** (e.g. overreliance on gas as a transition fuel).
- ✕ **Do not delay grid and planning reforms,** which are now binding constraints.
- ✕ **Do not fragment policy across jurisdictions,** weakening scale and coordination.
- ✕ **Do not treat partnerships as transactional exports only** but focus on long-term system integration.
- ✕ **Do not overpromise supply without delivery capability -** this creates credibility risk and undermines trust.

Note: This brief focuses on the policy shifts needed to manage fossil fuel decline and unlock Australia's renewable export potential. The next briefs in the series will go further into the opportunities, and explore how Australia can support Indo-Pacific partners' energy transitions (through critical mineral and green metal supply, integrated supply chain partnerships (such as green iron and steel), and knowledge, capability and finance sharing) as well as how to ensure the transition is built with all Australians — so that workers, communities and First Nations peoples most affected are part of shaping the renewable future and benefit tangibly from it.



Redirect policy and capital to enable a managed, economically beneficial transition.

Global calls for transparent, credible transition pathways underscore the importance of consistent policy signals and avoiding conflicting incentives. Australia should ensure public policy, fiscal settings and investment flows are consistently aligned with Australia's long-term economic and climate direction.

ACT NOW

- **Rebalance public support:** Gradually shift subsidies from fossil fuels to renewable energy and electrification (e.g. reform counterproductive fossil fuel incentives toward electrification).
- **Strengthen carbon signals as demand side drivers:** strengthen Safeguard Mechanism post-2030 settings, signal future carbon pricing trajectory.
- **Deploy demand-side mechanisms to catalyse green industry:** Contract for Difference (CfDs), public procurement (steel, vehicles), and offtake guarantees for green products.
- **Mobilise private capital and address the "missing middle":** First-of-a-kind green projects often fall between venture capital and infrastructure finance. Use targeted, time-limited concessional finance (e.g. via the NRF and CEFC) and aggregator platforms to address residual capital cost gaps.
- **Align standards and certification systems with trading partners** to enable cross-border trade in green commodities.

MANAGE CAREFULLY

- **Strengthen transition funding:** Redirect revenue through fiscal reform (e.g. fund regional energy transition through a stronger gas export levy or reserve a portion of fossil fuel revenue to a dedicated fund for regional transition).
- **Sequence fiscal reform:** Introduce reform in a way that avoids abrupt shocks to industry and trade relationships.
- **Address carbon leakage risks:** Pair stronger carbon signals with CBAMs or targeted industry support to ensure international competitiveness.
- **Reform regulatory settings that penalise long-duration transition investment:** Ensure YFYS reform recognises transition assets and unlocks long-duration capital.

STOP DOING

- **Do not provide blanket or open-ended subsidies** that distort investment signals.
- **Do not continue public finance** for new fossil expansion that crowds out green capital.
- **Do not maintain legacy tax settings** that artificially lower fossil fuel costs.
- **Do not recycle fossil fuel revenues** into sustaining fossil demand or infrastructure instead of funding the transition.

A FUTURE MADE WITH AUSTRALIA

WWF AUSTRALIA

Australia has the resources, the relationships and the economic and institutional weight to help shape the Indo-Pacific's renewable energy transition. But as one of the world's largest fossil fuel exporters, Australia's credibility as a renewable exports partner is not assumed; it must be earned. That credibility will not be built by rhetoric alone. The longer Australia tries to sustain a hedged position between fossil fuel expansion and renewable leadership, the narrower its window to secure a meaningful role in the industries of the future. Delay is not neutral: it raises transition costs, slows learning-by-doing in emerging green industries, and allows competitors to move first.

WWF-Australia's Future Made with Australia series makes the case that renewable energy, not fossil fuels, is what will underpin a stable and prosperous Indo-Pacific, and that a credible path to a renewable future cannot be built through siloed, inward-looking policy alone. It requires a strategic shift: from viewing energy security primarily through the lens of fuel supply and trade to understanding renewable-based and electrified energy and economic security as a systems challenge, one that combines trade, partnership, diplomacy and domestic legitimacy.

As outlined in The New Energy Security – Australia's Strategic Choice From Fossil Exports To Renewable Partnerships (Brief 1), this opportunity is not limited to replacing one export with another[80,81]. **It is a broader renewable energy security offer built across three dimensions: 1)** supplying the critical minerals, green metals and low-carbon fuels needed for renewable energy systems; **2)** building integrated, low-emissions supply chains in sectors such as green iron and steel; and **3)** sharing the knowledge, regulatory frameworks and system capability required to integrate renewable energy at scale. In this sense, Australia's export opportunity lies not only in what it can sell, but how it can work with Indo-Pacific partners to build more resilient and affordable energy and industrial systems.

This is not simply an export agenda layered on top of domestic climate policy. The domestic transition and the renewable export opportunity are part of the same system. The same low-cost renewable electricity, electrification, industrial capability and policy certainty that strengthen resilience at home also underpin Australia's competitiveness in green commodities, fuels and industrial partnerships abroad. Without that domestic foundation, there is no durable economic or political basis for a credible renewable export offer.

It requires working:

with our partners

because a renewable strategy that centres shared prosperity, rather than Australian gain alone, will be more durable and strategically credible over time.

with whole-of-government

because the foreign affairs and trade, industrial, energy, environment, finance and resource portfolios must act as one if Australia is to project a coherent and trusted offer to the world.

with all Australians

because the communities, workers and environments most affected by the transition must be part of shaping our renewable future and benefit tangibly from it.

Hybrid solar and wind farm located at Bannister, NSW, Australia. © Adobe Stock / WWF-Australia

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50 1) Fuel excise estimate (including excise on petrol, diesel, other petroleum products, crude and condensate) is the average from FY21 to FY24. Source: ATO (2026). 2) The company income tax estimate is the average between FY21 and FY23 for the coal mining and oil and gas extraction industries. Source: ATO (2026). 3) The Centre for Independent Studies (2025). 4) Federal Government fossil fuel subsidy is estimate for FY26 and includes Fuel Tax Credits Scheme (A$10.8 billion), tax breaks on fuel excise and the Petroleum Resources Rent Tax (A$2.2 billion), and non-tax-based subsidy (A$229 million), plus the A$2.9b temporary reduction on the fuel excise announced in May 2026. Source: The Australia Institute (2026). 5) Energy security includes spending on Australian Fuel Security Reserve, Fuel security Framework management, Fuel Supply Taskforce, and feasibility studies for refining capacity. Energy security spend has been annualised. 6) State subsidies are estimated based on FY26 budget papers. Source: The Australia Institute (2026)

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59 Ember (2026), Electric Asia

60 Ember (2026), Electric Asia

61 Notes: Indo-Pacific includes Australia, Bangladesh, Brunei Darussalam, Cambodia, China, DPR of Korea, India, Indonesia, Japan, Korea, Malaysia, Mongolia, Myanmar, Nepal, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Chinese Taipei, Thailand, Viet Nam and Other Asia, Afghanistan, Bhutan, Cook Islands, East Timor, Fiji, French Polynesia, Kiribati, Laos, Macau, Maldives, New Caledonia, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu Sources: IEA (2025)

62 Notes: Clean energy support includes DCCEEW's spend on programs that aim to maintain a secure, reliable and affordable energy system and support the transition of Australia's economy to net-zero emissions by 2050 (2026), Concessional finance and underwriting has been excluded due to challenges in estimating robustly. Federal support is dominated by household measures — chiefly the Cheaper Home Batteries Program — alongside grants for renewable energy projects (ARENA), grid and electricity-market systems, hydrogen hubs, clean-energy manufacturing, EVcharging, and First Nations clean energy. State support is concentrated in transmission and renewable energy zones (such as NSW's Transmission Acceleration Facility and Queensland's CopperString line), storage projects like pumped hydro, and household and electrification programs.

The Cheaper Home Batteries Program is included based on annual expenditure reported in the 2026–27 DCCEEW Portfolio Budget Statements. Although the program is valued at approximately A$7.2 billion over four years, funding is distributed over multiple years and is front-loaded, with expenditure of A$3.4 billion in 2025–26 and A$1.5 billion in 2026–27. Source: *DCCEEW PBS 2026-27*, Table 2.1.2, p38"

Federal Government fossil fuel subsidy is estimate for FY26 and includes Fuel Tax Credits Scheme (A$10.8 billion), tax breaks on fuel excise and the Petroleum Resources Rent Tax (A$2.2 billion), and non-tax-based subsidy (A$229 million),

Endnotes

plus the A$2.9b temporary reduction on the fuel excise announced in May 2026. Source: The Australia Institute (2026). Energy security includes spending on Australian Fuel Security Reserve, Fuel security Framework management, Fuel Supply Taskforce, and feasibility studies for refining capacity. Energy security spend has been annualised. State subsidies are estimated based on FY26 budget papers. Source: The Australia Institute (2026)

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THE CRITICAL DECISIONS WE MAKE TODAY WILL SHAPE AUSTRALIA'S TOMORROW

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WWF

Working to sustain the natural world for the benefit of people and wildlife.

together possible™ wwf.org.au

WWF-Australia National Office
Eora, Gadigal Country
Suite 3.01, Level 3,
45 Clarence Street,
Sydney, NSW 2000

GPO Box 528,
Sydney, NSW 2001
Tel:+1800 032 551
Email: hello@wwf.org.au
wwf.org.au