

Submission to the 2024 NAIF review (October 2024)

14 October 2024

Dear Department of Infrastructure, Transport, Regional Development, Communications and the Arts,

The Australian Conservation Foundation ('ACF') welcomes the opportunity to make a submission to the *2024 Review of the Northern Australia Infrastructure Facility Act Review*.

Note our submission below. ACF would welcome the opportunity to engage with the independent review in regards to aligning NAIF's investment mandate and legislative framework with Australia's climate commitments.

For further information on the ideal investments NAIF should be prioritising and how govt might use financing facilities to support these, see [*Sunshot: Australia's opportunity to create 395,000 clean export jobs*](#) (2021) and [*Sunshot: Achieving global leadership in clean exports*](#) (2023) [*Recharging the Territory*](#) (2023) and [*ACF's Future Made in Australia submission*](#) (2024)

Introduction

The Northern Australia Infrastructure Facility (NAIF)'s value to the economic development potential of the region should not be understated. Through smart, well-executed governance and investment the NAIF could support the provision of many thousands more good, green jobs for northern Australians. It can also help the north become a key regional player in the global transition away from polluting fossil fuels to the responsible, prosperous and nature-positive investments of the future.

However, for a public finance mechanism with such bright potential, NAIF has somewhat of a dark past. From 2009-2021 The NAIF provided \$266.3million direct to fossil fuel projects, including the controversial Olive Downs coal mine^{1,2} plus another \$522m in related infrastructure or projects that support the fossil fuel sector³.

Contrary to the major implications on climate, nature and communities that such previous investments have and will continue to have, this 2024 Review of the Northern Australia Infrastructure Facility Act provides an opportunity for the future of NAIF supported projects to be more economically diverse, zero emissions & nature positive. Public money should be used for the public good, and not be spent supporting industries that fuel climate change or that risk becoming stranded assets in sunset or near sunset industries like coal and gas.

¹ <https://www.theguardian.com/environment/2021/jul/01/deeply-irresponsible-federal-government-loan-for-new-queensland-coalmine-criticised-by-campaigners>

² <https://www.jubileeaustralia.org/storage/app/uploads/public/617/f27/821/617f2782105ab563895092.pdf>

³ <https://www.jubileeaustralia.org/storage/app/uploads/public/617/f27/821/617f2782105ab563895092.pdf>



Additionally, the structure and mandate of NAIF should be closer in alignment with other major government policies, including domestic and global emissions reduction targets, Future Made in Australia and the developing Australian adaptation plan. NAIF's requirement that alignment with 1.5 degrees under the Paris Commitment as well as its considerations of GHG targets is a good foundation to grow from & a core area that should be considered in the review - see s 7(1A)(g)(iii) of the NAIF Act.

No time for gaslighting: there should be no scope for funding fossil fuels or related infrastructure with NAIF funds

Northern Australia – its people, communities and landscapes are some of the most climate vulnerable in the western world. Melbourne University mapping shows that Northern Australians are significantly more vulnerable to the impacts of climate change due to lower socio-economic, demographic and other social factors⁴. Northern Australia also happens to retain the mantle of having the highest per capita emissions in the world⁵ thanks to the hugely polluting, energy-hungry facilities like Santos' DLNG terminal and Inpex Ichthys operations⁶.

The economy of Northern Australia currently relies disproportionately on the extraction of fossil fuels. In the context of a rapidly decarbonising global landscape and diminishing demand for fossil fuels both here and abroad⁷, this reliance leaves the people and economy of Northern Australia particularly vulnerable and demonstrates the urgent need for NAIF to prioritise economic diversity and energy security from renewable sources.

NAIF should align itself with other significant investment vehicles such as the National Reconstruction Fund, CEFC and ARENA and exclude investment in fossil fuels, CCS or related infrastructure in favour of futureproof industries based upon renewable energy and industries utilising and expanding renewable energy, not propping up sunset industries like LNG.

CCS: a vehicle for the expansion of fossil fuels and international carbon dumping

CCS is expensive, unproven at scale and underperforms significantly compared to cheaper and more reliable renewable alternatives like solar or wind energy. Most CCS projects, including Chevron's Gorgon project in WA (publicly subsidised to the tune of \$60 million), continue to fail in meeting their capture targets and have been plagued by technical challenges, making the technology unreliable and costly^{8,9}.

CCS proponents create the illusion that BAU emissions can be effectively managed rather than genuinely reduced and phased out. This delays the necessary transition away from fossil fuels, which is crucial for

⁴ <https://mspgh.unimelb.edu.au/research-groups/centre-for-health-policy/healthy-housing/inequalities-and-climate-change>

⁵ <https://australiainstitute.org.au/post/the-northern-territory-is-the-world-leader-for-per-capita-emissions/>

⁶ <https://australiainstitute.org.au/post/the-northern-territory-is-the-world-leader-for-per-capita-emissions/>

⁷ <https://www.iea.org/news/the-energy-world-is-set-to-change-significantly-by-2030-based-on-today-s-policy-settings-alone>

⁸ <https://www.iisd.org/articles/insight/unpacking-carbon-capture-storage-technology>

⁹ <https://ieefa.org/articles/ccs-and-fossil-fuels-uncompetitive-mix>



addressing climate change. Offshore CCS initiatives, in particular, present risks to marine ecosystems and coastal communities while failing to address the root cause—continued fossil fuel reliance¹⁰.

There should be no place in the NAIF for this costly and unproven technology. Rather investment in the expansion of renewable energy both for households and industry should be prioritised.

Renewable energy powering homes and industry: the ticket to a prosperous and energy secure future for Northern Australia and beyond

Transitioning to renewable energy will be crucial for Northern Australia's economy to ensure long-term prosperity and energy security. By harnessing abundant natural resources like solar and wind, the region can power homes and industries sustainably, reducing dependence on expensive fossil fuels and volatile global energy markets. Renewable energy investments will drive innovation, create more than 7000 new job opportunities in the NT alone, and help catalyse private investment in the emerging industries of the future¹¹. Moreover, prioritising support for renewable energy and associated infrastructure can help Northern Australia mitigate the impacts of climate change, protect its unique ecosystems, and position itself as a leader in the clean energy transition, benefiting both local communities and the broader economy. The 2023 [Recharging the Territory report](#)¹² provides strong examples of the kinds of investments NAIF should prioritise.

Public Money for the Public Good: Investments that benefit communities and don't cost the earth

Northern Australia can play a role in supporting the world to decarbonise while providing economic benefits for the region and country. However, oftentimes these developments can be risky and if not carried out carefully can backfire creating major environmental, health, community and cultural issues. Biodiversity loss and greenhouse gas emissions, social issues due to land use change, water pollution and waste related contamination are all major risks¹³. NAIF can support the mitigation of some of these by requiring the following conditionalities for support:

- NAIF supported projects must be required to gain the Free, Prior and Informed Consent (FPIC) of Traditional Owners and the First Nations communities they represent
- NAIF supported projects must not take place on High Conservation Value landscapes
- Projects seeking NAIF support should be fully electrified and procuring energy from renewable sources or be able to demonstrate that they will be 100% renewable by 2030.
- Critical minerals projects seeking NAIF support should be able to demonstrate significant advocacy and support for recycling and circularity of their product at end of life.

¹⁰ <https://www.ciel.org/news/offshore-carbon-capture-and-storage-no-solution-to-fossil-fuel-pollution/>

¹¹ <https://www.acf.org.au/sunshot-summary-report> p27

¹²

https://assets.nationbuilder.com/ecnt/pages/1000/attachments/original/1710731244/Recharging_the_Territory_Report_281%29.pdf?1710731244

¹³ <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions/sustainable-and-responsible-development-of-minerals>



- Before providing support for any projects, NAIF must assess and be satisfied with clean up / decommissioning plans and that they align with project obligations under the EPBC act AND include a plan for who will take responsibility for the financing of clean up / decommissioning.
- When looking to provide significant support to any project, NAIF should make key project consideration documents and risk assessments publicly available and provide a reasonable period of time for public comment before a decision is made

Adhering to the government's commitment to end public support for the international fossil fuel sector

In December 2023 the Australian government signed onto the Clean Energy Transition Partnership (CETP), a global agreement to end public financing of the international fossil fuel sector. This agreement makes specific reference to export credit agencies, the world's largest public financiers of international fossil fuels.

Public guidance is expected to be issued to Australia's government departments and agencies by 5th December 2024, in line with the twelve-month implementation window set out in the agreement. This guidance will stipulate that departments and agencies with financing remits can no longer provide their support to international fossil fuels, except within strictly limited exemptions adhering to the Paris Agreement.

Where NAIF has contributed financing to projects with fossil fuel components there is invariably an export orient. Therefore, failure to issue NAIF with a new Statement of Expectations that reflects this agreement would constitute a loophole, and potentially open up backdoor financing for fossils.

Recommendations:

Recommendation 1: the independent review should recommend that the *Northern Australia Infrastructure Facility Act 2016* (Cth) be amended to explicitly exclude further investment in fossil fuel production and associated infrastructure including gas pipelines or carbon capture and storage attached to new fossil fuel projects.

ACF strongly recommends that the review consider the need for the functions and investment mandate of NAIF to be reformed under the *Northern Australia Infrastructure Facility Act 2016* (Cth) to ensure NAIF's future investments and activities are consistent with Australia's *Paris Agreement* obligations and domestic climate change laws.

Although ACF has welcomed the integration of greenhouse gas emissions reduction target considerations into NAIF's functions (see s 7(1A)(g)(iii) of the Act), we recommend further reforms to provide important clarity and safeguards to the NAIF legislation through the inclusion of a prohibited investments provision. ACF recommends that such a prohibited investments provision be in the following terms:

- A prohibition on the direct financing of the extraction of coal or natural gas; and the direct financing of the construction of pipeline infrastructure primarily for the extraction of natural gas (which is in the same terms as the prohibited investments provision guiding the National Reconstruction Fund, see s 63(3) of the *National Reconstruction Fund Corporation Act 2023* (Cth)); and





- A prohibition on investing in a technology for carbon capture and storage within the meaning of the *National Greenhouse and Energy Reporting Act 2007* (Cth); and nuclear technologies and power (which is in the same terms as the prohibited technologies provision guiding the investment mandate of the Clean Energy Finance Corporation, see s 62 of the *Clean Energy Finance Corporation Act 2012* (Cth)).

We emphasise that a prohibited investments provision in the above terms reflects existing legislative guidance provided to other federal special investment vehicles, aligns with Australia's commitments under the Clean Energy Transition Partnership (CETP).

ACF would welcome the opportunity to engage with the independent review in regard to aligning NAIF's investment mandate and legislative framework with Australia's climate commitments.

Recommendation 2: A robust set of conditionalities must apply to projects seeking NAIF support that prioritise the protection of people and planet:

- Any project supported by NAIF must be able to demonstrate that it has received the Free, Prior and Informed consent of impacted traditional owners.
- NAIF should exclude support for any projects taking place on High Conservation Value landscapes
- Projects seeking NAIF support should be fully electrified and procuring energy from renewable sources or be able to demonstrate that they will be 100% renewable by 2030
- Projects seeking NAIF support should be able to demonstrate significant advocacy and support for recycling and circularity of their product at end of life.

ACF would welcome the opportunity to engage with the independent review in regard to aligning NAIF's investment mandate and legislative framework with Australia's climate commitments.

For further information, please contact:

Elizabeth Sullivan, Lead Exports Campaigner

Email: Elizabeth.sullivan@acf.org.au

