Inquiry into the Future Made in Australia (Production Tax Credit and Other Measures) Bill 2024

Dec 2024

To the Senate Economics Legislation Committee

Submission to the Inquiry into the Future Made in Australia (Production Tax Credits and Other Measures) Bill 2024 [Provisions]

Beyond Zero Emissions (BZE) is a climate solutions think tank dedicated to accelerating Australia's transition to a zero-emissions economy. We welcome the opportunity to provide a submission to the Senate Economics Legislation Committee regarding the **Future Made in Australia (Production Tax Credits and Other Measures) Bill 2024**.

The introduction of time limited production tax credits (PTCs) through this bill represents a critical step toward establishing resilient, competitive, and sustainable domestic supply chains in emerging and strategically significant industries. The proposed PTCs for hydrogen production and critical minerals processing will play a vital role in achieving Australia's renewable energy and industrial decarbonisation goals.

Key Recommendations

1. Support for Critical Minerals Production Tax Credits

BZE strongly supports the establishment of a Critical Minerals Production Tax Incentive (CMPTI) as proposed in the bill. The inclusion of a **10% refundable tax offset** for eligible expenditure on processing activities represents a significant policy shift to address Australia's traditional "dig and ship" model and move towards value-added critical minerals production. This aligns with our previous call for a 10% production tax credit in our Battery

Supply Chain Briefing Paper, where we highlighted its potential to enhance local refining and processing capacity.

Key considerations include:

- **Value-adding capacity for each critical mineral**: Refining and processing critical minerals domestically can capture significantly more value than raw mineral exports. To maximise benefits, the highest value processing activity should be the focus of the CMPTI for example, processed lithium hydroxide captures up to five times the value of raw lithium concentrate.
- **Decarbonisation benefits**: Critical minerals processing facilities can minimise emissions, contributing to low-carbon supply chains for battery and renewable energy technologies.This can be achieved by requiring entities seeking tax credits to demonstrate a decarbonisation pathway or plan.
- **Global competitiveness**: The CMPTI is essential to ensuring Australian processing facilities remain globally competitive with international production incentives such as those introduced under the United States Inflation Reduction Act. The CMPTI should be time limited to ensure that production is incentivised to achieve long term economic viability.
- **Time-limited incentives**: To ensure fiscal efficiency and drive timely investment, production tax credits should be time-limited, encouraging companies to scale operations and achieve profitability within a defined period.

2. Design Considerations for CMPTI

To maximise the impact of the Critical Minerals Production Tax Incentive, the following design elements should be considered:

- **Incentivising green technologies**: Introduce additional incentives or higher offsets for processing facilities that adopt renewable energy or low-emissions technologies.
- **Encouraging regional development**: Prioritise projects located in Renewable Energy Industrial Precincts (REIPs) where feasible to support economic growth and industrial development in regional Australia. This will make efficient use of existing infrastructure and export capabilities.
- **Long-term policy certainty**: Ensure the 10-year registration period aligns with broader decarbonisation and economic development objectives, giving businesses confidence to invest in long-term infrastructure and workforce development.

4. Hydrogen Production Tax Incentive

The proposed $2 per kilogram tax offset for low-emission hydrogen production is a welcome measure that aligns with Australia's ambitions to become a global hydrogen powerhouse. To strengthen this initiative:

- **Enable technology-specific pathways**: Ensure eligibility criteria encourage innovative and scalable *green* hydrogen production technologies, such as

electrolysis powered by 100% renewable energy. **We recommend that the tax credit explicitly target only green hydrogen produced using renewable energy and exclude hydrogen production methods reliant on fossil fuels**.

- **Promote export opportunities**: Leverage Australia's abundant renewable energy resources to produce green hydrogen to enable the production of key green export commodities (including green Aluminium, green iron, green steel and green ammonia) and to decarbonise high heat processes in domestic industries.
- **Encouraging regional development**: Prioritise projects located in Renewable Energy Industrial Precincts (REIPs) to support industrial decarbonisation.
- **Ensure energy security**: Incentivise domestic hydrogen production for use in heavy industry, ensuring Australian businesses benefit from reliable, renewable fuel sources.

Conclusion

BZE commends the introduction of the **Future Made in Australia (Production Tax Credits and Other Measures) Bill 2024** as a forward-looking policy that positions Australia to seize opportunities in critical minerals and hydrogen production. These measures will be instrumental in fostering sustainable industries, creating high-value jobs, and driving economic prosperity in a decarbonised world.

We are happy to provide further information or discuss our submission in more detail. Please feel free to contact us to arrange a meeting.

Kind Regards

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