

26 September 2024

Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

Future Made in Australia is fundamentally flawed and should not be pursued in its current form

The purpose of this letter is to provide research and analysis conducted by the Institute of Public Affairs (“the IPA”) to the Senate Environment and Communications Legislation Committee (“the committee”) as it conducts its inquiry into the Future Made in Australia (Guarantee of Origin) Bill 2024 [Provisions] and related bills (“the bills”).

The Future Made in Australia (“FMIA”) policy aims to maximise ‘the economic and industrial benefits’ of the net zero transformation and to make Australia into a ‘renewable energy superpower’.¹ This would require substantial government intervention and \$22.7 billion in government spending on what would otherwise be economically unviable manufacturing projects, in the hope of encouraging subsidiary private funding.

The bills pursue this broader policy aim through the proposed creation of a ‘guarantee of origin scheme’ (“GO scheme”). This would be an emissions accounting scheme to track and verify the emissions intensiveness of products made in Australia.

IPA analysis of the Guarantee of Origin bill finds:

- The Guarantee of Origin Bill will impose more regulations on businesses already struggling under record levels of red tape.
- The process of introducing the Guarantee of Origin Bill is incoherent and fundamentally flawed.
- The broader Future Made in Australia policy framework is undesirable and should be abandoned.

The Guarantee of Origin Bill will impose more regulations on businesses already struggling under record levels of red tape

Red tape are laws and regulations that go beyond minimally effective regulation. Often they are out of date, not fit for purpose, and sometimes exceed the minimally required regulation to achieve a legitimate governmental objective.

As a measure of red tape, the IPA utilised the RegData methodology (in collaboration with researchers at the Mercatus Center at George Mason University) to analyse the volume of restrictive content in state and federal legislation and regulations. The research found that

¹ Future Made in Australia Bill 2024 (Cth).

regulatory restrictions in federal laws are currently at a record high in Australia, and their growth has been 67 per cent higher than the rate of economic growth since 2005.²

The GO scheme will result in more red tape imposed on Australian businesses. Although this scheme is voluntary, it will be a de facto regulatory requirement for businesses seeking to participate in industries that are within the net zero or FMIA framework. This is made clear in the explanatory memorandum of the Future Made in Australia (Guarantee of Origin) Bill 2024:

The GO scheme supports key initiatives in the Future Made in Australia Plan. For example, the \$4 billion Hydrogen Headstart program and the \$6.7 billion Hydrogen Production Tax Incentive could draw on information provided by the GO scheme. For example, GO certificates may be required as part of the eligibility for the hydrogen production tax incentive.³

The IPA also has concerns that the implementation of such a system could be expanded into other industries within Australia in order to meet ever increasing renewable energy mandates and emission reduction targets. The implementation of the GO scheme involves a mechanism by which the emission intensiveness of all industry in Australia could be measured, potentially increasing the amount of red tape imposed on Australian businesses, which is already at a record high.

The process of introducing the Guarantee of Origin bill is incoherent and fundamentally flawed

Before discussion about the policy proposals contained in this bill can properly begin, there needs to be a legislative FMIA framework that has been made law. This has not yet occurred.

The IPA has been clear in our previous analysis of the FMIA policy framework that it will not, in its current form, develop a sustainable manufacturing industry in Australia.⁴

Whilst the promotion of domestic Australian manufacturing is critical, support must be based on two clear criteria: that the industries targeted are economically viable and competitive, and it must be in promotion of the national interest. Government subsidisation of the manufacturing of renewable technologies fails to meet both criteria.

Further, it is the policy of net zero itself, along with other renewable and emissions mandates, that has dramatically increased the cost of energy, and therefore of production, causing the offshoring of Australian manufacturing and industry.

With the broader framework unable to promote a sustainable brand of Australian manufacturing, it is of no benefit to the Australian public to have a debate on the finer details of the FMIA policy framework.

² Lachlan Clark and Saxon Davidson, *The Growth Of Red Tape – Causes And Solutions* (Institute of Public Affairs Research Report, November 2023)

³ Future Made in Australia Bill (Guarantee of Origin) Bill 2024, Explanatory Memorandum (Cth)

⁴ Saxon Davidson, *A Future Made in Australia is impossible with net zero* (Institute of Public Affairs Submission, July 2024)

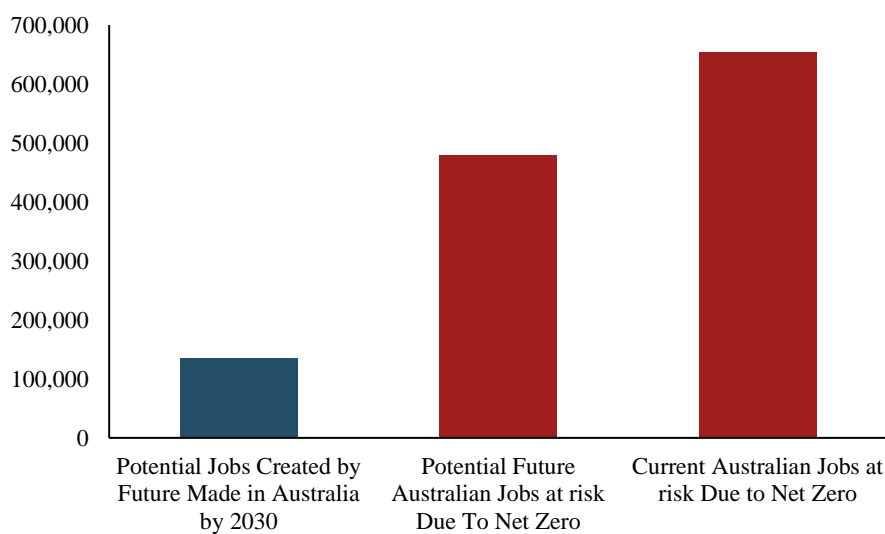
The broader Future Made in Australia policy framework is undesirable

The IPA’s submission to the Inquiry into the Future Made in Australia Bill 2024 and the Future Made in Australia (Omnibus Amendments No. 1) Bill 2024 laid out the concerns with the Future Made in Australia policy more broadly.

When announcing the Future Made in Australia policy at the Queensland Media Club in April 2024, Prime Minister Anthony Albanese referred to the *Inflation Reduction Act* (USA) (“the IRA”) as an equivalent policy to model the FMIA policy framework on.⁵

The IPA’s analysis of the the IRA and the FMIA policy framework found that for every job created by FMIA, 8.4 jobs are at risk of either being lost or cancelled.⁶

Chart 1: Future Made in Australia Jobs Compared to Jobs at risk due to Net Zero



Source: IPA

The IPA also found that FMIA will put at risk Australia’s remaining economic competitiveness. Australia’s economic competitiveness has been in decline since the early 2000s. The International Institute for Management Development’s World Competitiveness Ranking places Australia 19th overall out of 64 countries surveyed. In 2004, Australia ranked fourth in the world.⁷

Despite the overall decline, Australia has demonstrated strength and resilience in a number of important criteria. Australia has over the last five years ranked first in the world in terms-of-trade, namely the ratio between the prices of exports and the prices of imports. Australia’s exemplary terms-of-trade ranking is attributable to the strength and resilience of our resources and agricultural sectors—the sectors the Australian economy relies on to generate

⁵ Prime Minister Anthony Albanese, ‘A Future Made in Australia’ (Speech to the Queensland Media Club, 11 April 2024).

⁶ Saxon Davidson, *A Future Made in Australia is impossible with net zero* (Institute of Public Affairs Submission, July 2024)

⁷ Kevin You, *Australia’s Economic Competitiveness in Continuing Decline* (Institute of Public Affairs Parliamentary Research Brief, November 2023).

export revenue, such as iron ore, oil and gas, coal, grain and meat, and gold and other metals.⁸

These are the industries that will be, intentionally or otherwise, phased out as part of the FMIA policy framework.⁹

Additionally, the key to maintaining a manufacturing base is the availability of cheap and reliable energy. However, the policy of net zero emissions by 2050, and the various associated regulations, are making it increasingly difficult to access Australia's plentiful natural energy resources for domestic use and, in so doing, support a manufacturing base.

Government support for Australia's manufacturing base is not possible without an extension or expansion of Australia's existing base-load power stations. If the government is serious about re-establishing a manufacturing base in Australia, it must first focus on red tape barriers to the economic development of Australia's vast base-load energy resources such as coal, gas, and/or nuclear.

Recommendations

1. The bills be rejected by parliament.
2. The Future Made in Australia policy and associated bills be abandoned.
3. The policy of net zero emissions by 2050 be abandoned, and its associated legislation repealed.

I thank the Committee for the opportunity to provide this submission. Please do not hesitate to contact me at _____ for further consultation or discussion.

Kind regards,

Saxon Davidson
Research Fellow

⁸ Ibid.

⁹ Saxon Davidson, *A Future Made in Australia is impossible with net zero* (Institute of Public Affairs Submission, July 2024)