Victorian Chamber of Commerce and Industry

Achieving a Net-Zero Economy: Roadmap for Victorian Businesses

Victorian Chamber of Commerce and Industry

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Executive Summary

The Victorian Chamber is taking a proactive approach to address the pressing issue of soaring energy prices, unreliable energy supply, and the need for Victoria to rapidly transition to a net-zero economy. The transition to net-zero presents a unique opportunity for industry, but it is imperative that the Victorian business community and State Government take an active leadership role in lowering the State's carbon emissions while seizing economic opportunities during the transition.

While the Chamber supports the Victorian Government's recent commitment to decarbonise 95 per cent of the State's energy sector by 2035 and the State Electricity Commission (SEC) re-establishment, it is vital that the Government engages and consults with business throughout the process.

In a recent survey published in September 2022, 53 per cent of Chamber members indicated that Victoria is not doing enough to invest in renewable energy, dispatchable energy, and energy infrastructure. While 75 per cent of businesses felt that they were not getting enough support with the increased cost of energy in Victoria.

It is within this context, that the Victorian Chamber and ARUP Group have developed a comprehensive roadmap to support businesses' transition to net-zero. The recommendations include short-term business and workforce initiatives, as well as medium to long-term mechanisms to guide the State's transition to renewable energy.

The Victorian Chamber is advocating for the State Government to publish a detailed Victorian renewable energy transition plan that includes the Chamber's recommendations in order of priorities. By following our roadmap, the Chamber believes the Victorian Government can effectively attract private investment, reduce energy prices, ensure the supply of energy and support businesses in the transition to a net-zero economy while positioning Victoria as a global leader.

Primary Recommendations

Short-Term: Business and Workforce Support

P1	**Government Renewable Energy Roadmap** Victorian Government prepares and publishes a comprehensive renewable energy roadmap that includes the Victorian Chamber's recommendations and provides certainty for the business community.
P2	**Energy Intensive Business Support** Ensure energy intensive industries receive opportunities for grants, subsidies and incentives to lower energy costs and effectively transition to renewable energy options.
P3	**Boost Sole Trader Subsidies** Extend energy subsidies to sole traders to ensure that they are not unfairly disadvantaged during the energy transition.
P4	**Centralise Business Support** Create a business assistant, which provides access to renewable energy retailers, innovation and networking events, thought-leadership research, government grants and equity, subsidies, and business-to-business collaboration.
P5	**Develop Skilled Workforce** Implement programs for reskilling workers in existing industries to transition via microcredentials or fast-tracked courses to ensure businesses have the future workforce they will need.
P6	**Commercial Solar Upgrades** Increase commercial subsidy schemes to incentivise commercial property owners to install renewable energy infrastructure.



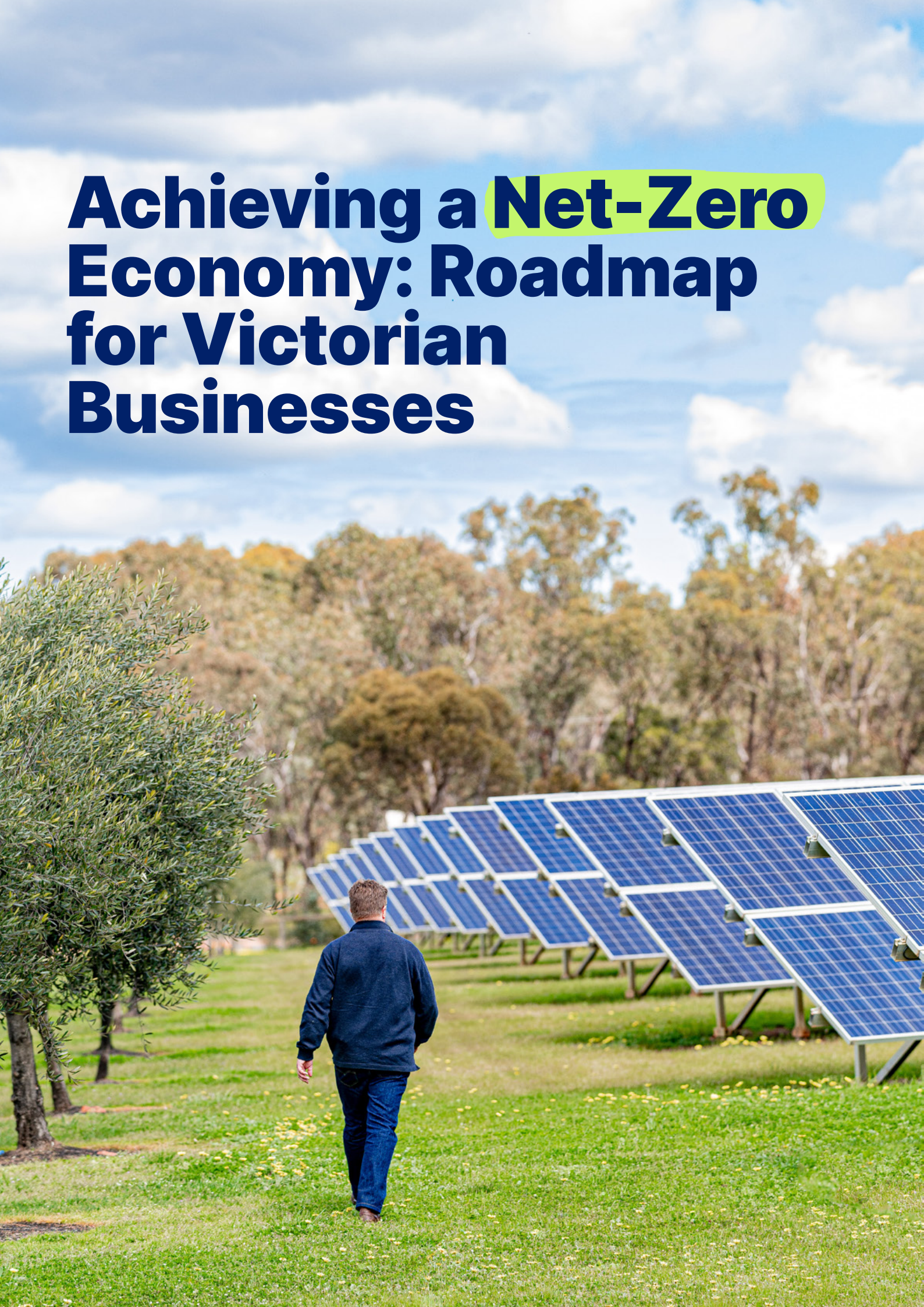
Medium-Term: Fast-track Victoria's Energy Transition

P7	**Large-Scale Battery Storage** Co-invest with industry on large-scale battery storage capabilities. Partnered with a priority in boosting supply chains, this will offset the risk of supply shortages during the infrastructure upgrades to Victoria's energy grid
P8	**Australian-Made Renewables** Increase sovereign manufacturing capability to grow a diverse renewable sector. This would increase the reliability of Australia's energy supply chain, enhancing our export capacity, increase competitiveness and drive down costs.
P9	**Electric Vehicle Network** Fund the expansion of Victoria's ultra-rapid electric vehicle charging network across Victoria to support the transport and logistics sector reduce emissions.
P10	**Low Emission Steel Investment** Invest in low emission steel and aluminium manufacturing to help with domestic supply chains.

Long-Term: Government and Industry Investment

P11	**30-Year Infrastructure & Investment Roadmap** Establish long-term infrastructure and investment roadmaps to facilitate commercial partnerships and to drive private equity investment. Prioritise business energy efficiency upgrades, followed by industry and infrastructure development, skills development, and training support.
P12	**Innovation and Commercialisation** Establish long-term partnerships with industry and the tertiary sector to drive innovation and commercialisation of renewable products and services.
P13	**Net Zero Built Environment** Develop a comprehensive, long-term strategy to achieve net-zero emissions in the built environment by retrofitting existing buildings and designing new ones to be energy-efficient and to use renewable energy. The strategy should include building codes and standards, financial incentives, training and education programs to support the transition to net-zero buildings.

Achieving a Net-Zero Economy: Roadmap for Victorian Businesses



Short-Term Priorities: Business and Workforce Support

Position

The Victorian Government needs to take an active role in supporting energy-intensive industries by providing subsidies and incentives for cost reduction, investments in reskilling our workers, and energy efficiency upgrades to reduce costs and support business competitiveness. This should include a focus on infrastructure, manufacturing, and technical skills, and education for business owners to understand the value of upgrading infrastructure and transitioning towards renewable energy sources. Additionally, the government needs to invest in large-scale electric vehicles and subsidies for public transport to address the upward pressure on transport emissions from the rapidly growing population, and to ensure a smooth workforce transition during the energy transition process.

Context

Energy-Intensive Industry Support

Businesses are struggling with high energy costs that are threatening their competitiveness, and in some cases, their ongoing operation. Many businesses in Victoria rely on emissions intensive processes to produce high quality, affordable goods, and materials for their customers. These come from cement, steel, and aluminium manufacturing processes that factories and farms use fuel to power onsite plant and equipment. Support is needed for these trade-exposed, energy-intensive businesses to manage the current energy price crisis and stay competitive. A clear solution to reduce the burden on these businesses is to prioritise grants and subsidies to help reduce costs of energy and receive incentives to help encourage the smooth transition towards renewable energy as their primary energy source.

Reducing Energy Costs

Uncertainty in the energy transition process is hampering business investment and leading to a reduction in economic output. Before preparing long-term domestic and international investment upgrades to energy grids, Victoria must first support business to reduce costs and the possibility of future energy crises. Investment will be needed between the private and public sector to look toward opportunities in manufacturing, infrastructure, and technical skills. This will propel the Victorian economy forward in a way which builds on earlier investments towards success and business certainty.

Upskilling Victoria's Workforce

An efficient energy transition must be accompanied by a smooth workforce transition. The loss of a coal plants means the loss of a dominant local employer and reduces activity for other businesses and workers in the community. If we are to accelerate the energy transition, we must assist workers in their transition as well. Short courses such as micro-credentials are essential to rapidly reskilling and upskilling the workforce into emerging and growth industries. Supporting displaced workers to transition into new jobs and industries needs to be a key focus of the State and Federal Government, as well as the investment in clean energy technologies and infrastructure.

Prioritise Energy Efficiency

Victoria must look at energy efficiency as an effective means to reduce energy use and lower prices, while also helping to insulate and ventilate buildings. Infrastructure upgrades are needed to make buildings more energy efficient. This would increase the value of buildings, reduce fuel dependence, minimise exposure to price volatility, and contribute to immediate climate change mitigation. Sustainable building renovation and renewable infrastructure is supported across industry, however, renovations in the short-term can be time consuming, complex, and expensive. Victoria must invest in reducing the costs of infrastructure upgrades for business and ensure the reliability and supply of our grid.

Emission Reduction Education for Businesses

Victoria must continue to incentivise commercial landowners to move towards more sustainable energy options. Many business owners that lease premises would prefer to move towards renewable sources of energy to reduce the monthly costs of energy bills. However, incentives and subsidies are not targeted at the property owners of buildings who determine such upgrades. The Victorian Government needs to create a concierge model, which incorporates energy-efficiency options for business, renewable energy retailers, thought-leadership research, renewable energy events and educational workshops. Victoria needs a whole of state approach to ensure that business owners facing the rising energy costs and property owners understand the value of upgrading infrastructure.

Large-Scale Investment in Electric Vehicles

Victoria's rapidly growing population is putting upward pressure on transport emissions. The Victorian Government must put in place strong policies and investments to drive the transformation of the sector and reverse this trend. Support for low-emissions vehicles and public transport can reduce emissions. This will be critical to achieving interim targets and can provide other substantial benefits. Such solutions could include large-scale investment in EV (Electric Vehicle) stations, cheaper options for public transport across Victoria and improvements to critical infrastructure across the State.

Energy Efficiency Incentives

Developing and implementing energy efficiency incentives, such as tax breaks or grants, can encourage businesses to adopt energy-efficient technologies and practices. These incentives could help to offset the upfront costs of implementing energy-efficient measures, making them more financially viable for businesses. This can result in cost savings for the business over time, as well as reduce overall energy consumption and emissions.

Renewable Energy Finance

Establishing a renewable energy finance program, that provides low-interest loans or guarantees to businesses, can help them finance the cost of transitioning to renewable energy options. These programs can help to make the initial investment in renewable energy sources, such as solar panels or wind turbines, more affordable for businesses, thus encouraging them to make the switch.

Technical Assistance

Providing technical assistance to businesses, particularly small and medium-and family sized enterprises (SMFEs), so they can help navigate the complex process of transitioning to renewable energy and ensure that they comply with any regulatory requirements. Technical assistance can take the form of workshops, guides, and one-on-one support, and can help businesses understand the benefits of renewable energy, the different options available to them, and how to apply for funding or incentives.

Energy Audits

Supporting businesses by providing energy audits can help identify areas where they can improve energy efficiency and reduce costs. Energy audits assess the energy usage of a building or facility and identify opportunities for energy savings. By creating a program to provide funding for energy efficiency upgrades, businesses can receive financial support to implement the recommendations identified in the energy audit.

Grid Support

Encouraging and facilitating the integration of renewable energy sources into the grid and investing in grid infrastructure can support the growth of renewable energy and remove barriers for the integration of renewable energy source by the businesses. This can include investing in smart grid technology, which allows for the integration of different energy sources and provides more flexibility for businesses to generate and consume renewable energy.

Recommendations

Primary

P1	**Government Renewable Energy Roadmap** Victorian Government prepares and publishes a comprehensive renewable energy roadmap that includes the Victorian Chamber's recommendations and provides certainty for the business community.
P2	**Energy Intensive Business Support** Ensure energy intensive industries receive opportunities for grants, subsidies and incentives to lower energy costs and effectively transition to renewable energy options.
P3	**Boost Sole Trader Subsidies** Extend energy subsidies to sole traders to ensure that they are not unfairly disadvantaged during the energy transition.
P4	**Centralise Business Support** Create a business assistant, which provides access to renewable energy retailers, innovation and networking events, thought-leadership research, government grants and equity, subsidies, and business-to-business collaboration.
P5	**Develop Skilled Workforce** Implement programs for reskilling workers in existing industries to transition via microcredentials or fast-tracked courses to ensure businesses have the future workforce they will need.
P6	**Commercial Solar Upgrades** Increase commercial subsidy schemes to incentivise commercial property owners to install renewable energy infrastructure.

Secondary

S1	**Consistent Emission Target** Implement a coordinated approach between State and Federal governments on emission targets, initiatives, and opportunities.
S2	**ESG Reporting** Provide industry with an Environmental, Social, Governance (ESG) framework that enables better reporting standards and expectations for industry.
S3	**Public Transport Subsidies** Implement a subsidised public transport initiative, with Victoria upgrades EV stations across the State.
S4	**Heritage Building Regulation** Implement permits to allow for renewable renovations on commercial buildings, especially heritage-listed buildings. Begin consultation with heritage groups on obligations and expectations of a joint economy approach to transitioning to a net-zero economy.
S5	**Energy Efficiency Incentives** Develop and implement energy efficiency incentives for businesses, such as tax breaks or grants, to encourage the adoption of energy-efficient technologies and practices.
S6	**Renewable Energy Finance** Establish a renewable energy finance program that provides low-interest loans or guarantees to businesses to help them finance the cost of transitioning to renewable energy options.
S7	**Technical Assistance** Provide technical assistance to businesses, particularly small and medium-sized enterprises, to help them navigate the complex process of transitioning to renewable energy and ensure that they comply with any regulatory requirements.
S8	**Energy Audits** Support businesses by providing energy audits to identify areas where they can improve energy efficiency and reduce costs and create a program to provide funding for energy efficiency upgrades.
S9	**Grid Support** Encourage and facilitate the integration of renewable energy sources into the grid and invest in grid infrastructure to support the growth of renewable energy, which will help remove barriers for the integration of renewable energy source by the business.


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Medium-Term Priorities: Fast-Track Victoria's Energy Transition

Position

The Victorian Chamber is advocating for the Government to implement initiatives that will turbo charge Victoria's transition to a net-zero economy. These priorities will help boost local manufacturing, improve grid-scale battery and transmission capacity, and decentralise the energy grid. Victorian industry also needs to see investment into diversified energy-sources such as hydrogen, solar, wind, thermal and bioenergy that encourages competition and drives down costs. Commercialising low-emission technology and building local supply chains is crucial for the viability of public and private investment and essential for the possibility of return on investment from industry and Government.

Context

Grid-scale Battery Storage and Transmission Capacity

Adequate battery storage is crucial in the transition to a net-zero economy. Investment, however, will need to be supported by dispatchable energy sources. Projects like Snowy 2.0 contribute to reliability in the event of major supply shortfalls, but currently effectiveness is limited by transmission concerns. This means there is likely to be a 'firming' role for gas while large-scale batteries come down the cost curve. The transition from gas to renewables must include ongoing industry consultation to allow for adequate investment into infrastructure upgrades. Community batteries and small-scale battery storage will also drive down costs and decrease regional communities' reliance on centralised electricity.

Australian-Made Renewables

To drive down costs, improve certainty and bolster energy supply, Australia must invest in domestic manufacturing in solar, hydrogen, bioenergy, battery storage, off-shore and on-shore wind, and thermal energy. At the heart of driving down the costs are strategic domestic supply chains, investment, and infrastructure to strengthen Australia's local manufacturing sector.

Decentralise Victoria's Energy Grid and Upgrade Infrastructure

Continuing to diversify Victoria's transmission infrastructure is essential for a reliable energy system. Built in an era dominated by centrally located coal-fired generation, our transmission infrastructure needs to adapt to the new decentralised generation mix to ensure electricity is available when and where it is needed. High-capacity transmission will become an increasingly important part of grid reliability as the geographic diversity of renewable resources is leveraged by our electricity market.

Currently, many Australians with rooftop solar are unable to export their surplus generation due to constrained networks. Diversifying and decentralising our electricity grid is important to the prosperity of our energy network. Victoria needs to implement a 30-year infrastructure strategy to allow for long-term projects.

Energy Grid Reliability

High-capacity transmission will become an increasingly important part of grid reliability as the geographic diversity of renewable resources is leveraged to stabilise NEM-wide generation. To achieve this, meaningful consultation must occur between government, industry, landowners, and communities on infrastructure planning to ensure supply of sovereign energy capacity. Further energy grid reliability depends on storage and management of our local energy reserves. A certain portion of all energy should be stored to ensure supply is maintained over time.

The speed and scale of Victoria's transition to a decarbonised economy demands an improved energy storage technology for the integration of renewables. Other technologies that can work alongside the battery storage, like electric cars, must be part of our transition towards a 65 per cent reduction of carbon emissions by 2030. All mechanisms to reduce the reliance on gas and coal, which are not preclusive to business growth, must be incorporated into the vision of a decarbonised economy.

Investing in Battery Storage, Wind, Hydrogen, Biomass and Solar

The biggest concern for renewable energy is the cost of ensuring dependable, on-demand supply during rare, sustained periods of high demand, low solar, and low wind. To reach net zero quickly, offsetting the emissions from gas is the cheaper option in the short-term until zero-emissions alternatives (such as hydrogen) become competitive. Therefore, a reliable system supplied by solar and wind power requires a combination of energy storage and fast-start ("dispatchable") capacity that is available on demand. Large-scale investment in battery storage is needed to ensure reliability of the energy grid. In conjunction with battery storage, ongoing investment in various renewable sources, such as wind and hydrogen, will help offset capacity issues when demand is high.

Low Emission Steel Investment

Low emission steel investment would help to improve the domestic supply chains of steel and aluminium manufacturing in Victoria. That would reduce the reliance on imported products and increase the use of domestically produced, low-emission steel and aluminium. The manufacturing of steel and aluminium is energy-intensive, therefore investing in low-emission steel and aluminium manufacturing technologies would help to reduce the carbon footprint of these products and make them more environmentally friendly. This would also help to create jobs in the manufacturing sector to support the creation of a local industry.



Recommendations

Primary

P7	**Large-Scale Battery Storage** Co-invest with industry on large-scale battery storage capabilities. Partnered with a priority in boosting supply chains, this will offset the risk of supply shortages during the infrastructure upgrades to Victoria's energy grid
P8	**Australian-Made Renewables** Increase sovereign manufacturing capability to grow a diverse renewable sector. This would increase the reliability of Australia's energy supply chain, enhancing our export capacity, increase competitiveness and drive down costs.
P9	**Electric Vehicle Network** Fund the expansion of Victoria's ultra-rapid electric vehicle charging network across Victoria to support the transport and logistics sector reduce emissions.
P10	**Low Emission Steel Investment** Invest in low emission steel and aluminium manufacturing to help with domestic supply chains.

Secondary

S10	**Agricultural Sector Support** Create a methane-reduction roadmap to provide certainty and support to the agricultural and manufacturing sectors on how they can reduce their methane output by 30 per cent by 2030.



Long-Term Priorities: Government and Industry Investment

Position

There is an urgent need to transition towards a net-zero economy to combat climate change and ensure sustainable economic growth. This will require a long-term, comprehensive strategy that addresses all sectors of the economy, with a particular focus on the built environment and the energy sector. The strategy must include the development of a 30-year infrastructure and investment roadmap that provides certainty and predictability for private sector investment, as well as a range of policies and programs to promote energy efficiency, renewable energy, and low-emission technologies. Additionally, this strategy will require collaboration with industry and education sectors to drive innovation and commercialisation of low emissions technology and infrastructure development. Victorian business needs to see a coordinated approach to transition to renewable energy effectively and with confidence.

Context

30-Year Infrastructure and Investment Roadmap

A long-term infrastructure and investment roadmap is required for the public and private sector to plan future projects. The cost of renewable energy infrastructure will be expensive due to the high demand of copper, minerals, labour, and regulatory requirements. Consistent appraisals of brownfield, greenfield and emerging projects will be a necessity for the viability of the State's transition to net-zero. Further, the business sector need certainty to plan and structure investments appropriately. Transparency of the pathways for Victoria to effectively reach net-zero will help drive investment and growth, while simultaneously attracting business to Victoria.

Innovation and Commercial growth in Victoria

Developing and commercialising low emissions technology is a key factor in creating an energy and resources environment that supports business. The Victorian Government needs to partner with industry and tertiary sectors and provide a roadmap for commercial and innovation opportunities. This will not only increase Australia's domestic capacity for renewable technology but will boost export opportunities and result in more business opportunities in our State. This is especially important for storage and distribution technologies, which are critical for integration of renewable energy into the grid. By increasing funding for research and development over the long-term, the government can support the development of new technologies and accelerate the transition to renewable energy.

Net-Zero Target and Transparency

Achieving net-zero emissions, or the balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere, is seen as a critical step in this effort. The built environment is a major contributor to greenhouse gas emissions, and therefore is a key sector to target in achieving net-zero emissions. Developing a detailed, long-term plan with specific targets and timelines, as well as regular reporting on progress will help to ensure accountability and encourage investment in the necessary technologies and infrastructure to achieve this goal. The plan should be continuously reviewed and updated to ensure it remains aligned with domestic and international developments and progress towards net-zero emissions..

Reducing Emissions in the Built Environment

A comprehensive, long-term strategy is needed to retrofit existing buildings and design new buildings to be energy-efficient and use renewable energy. This strategy should include building codes and standards, financial incentives, and training and education programs to support the transition to net-zero buildings for businesses.

Recommendations

Primary

P11	**30-Year Infrastructure & Investment Roadmap** Establish long-term infrastructure and investment roadmaps to facilitate commercial partnerships and to drive private equity investment. Prioritise business energy efficiency upgrades, followed by industry and infrastructure development, skills development, and training support.
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Secondary

S13	**Net-Zero Target and Transparency** Develop a detailed, long-term plan and transparent pathways to achieve net-zero emissions, including specific targets and timelines, as well as regular reporting on progress to ensure accountability and encourage investment. Continuously review and update the plan to ensure it remains aligned with international developments and progress towards net-zero emissions.
S14	**International Collaboration** Develop a long-term strategy for international collaboration to share knowledge, technologies and best practices to support the transition to a net-zero economy. The strategy should include collaboration on research and development, policy development, technology transfer and capacity building.


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This paper was prepared by the Victorian Chamber of Commerce and Industry. While the Victorian Chamber has endeavoured to provide accurate and reliable research and analysis, it will not be held liable for any claim by any party utilising this information.

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