Australian climate policy actions - update

December 2025

Frontier Advisors

Contents

Topics covered in this paper…

Introduction

Australian climate policy has been and will continue to be a material influence on investment strategy

Australia's climate policy is again firming as a political battleground, potentially increasing uncertainty for investors.

Prior to 2022, Australian institutional investors had typically cited uncertainty on climate policy as the main hurdle to allocating to climate-aligned opportunities.

Progress on climate policy under the Albanese government has brought Australia closer in line with global peers and provided more certainty for investors.

Recent key publications signal a step up in Australia's climate ambition. We therefore expect future climate policy to evolve accordingly.

However, the Coalition's recently announced intent to abandon Australia's 2050 net zero target has revived debate around climate policy going forward.

International climate policy settings will also naturally influence the investment environment and should be considered in conjunction with domestic policy.

The purpose of this paper is to provide an update on recent Australian climate policy developments and consider the possible implications for investors.

The Sydney Morning Herald

First climate risk assessment handed down in Australia

September 15, 2025 – 7.22pm

The Guardian

Business and energy leaders warn Coalition dumping net zero won't cut power bills and demand more detail

sky news .COM.AU

Coalition on track to dump net zero policy as Nationals backbenchers pile on pressure

ABC NEWS iview listen

Liberal Party formally abandons net zero by 2050 climate target

The Guardian

Australia projected to miss 2035 emissions reduction target 'by a country mile' unless it ramps up climate policies

Investor Group on Climate Change

National Climate Risk Assessment is Much Needed Bad News

ABC NEWS iview listen

Australia's 2035 climate target will strike a middle path. Will it be enough?

Background – a timeline of Australian climate policy and initiatives

Recent announcements augment existing domestic climate policy settings

Prior regulation

- Mandatory Renewable Energy Target (2001)
- Carbon Farming Initiative (2011)
- Carbon pricing scheme (2012), repealed (2013)
- CEFC, CCA, ARENA (2012)
- NDC: 2030 (2015)
- Paris Agreement (2016)

2016

- Safeguard Mechanism

2023

- Safeguard Mechanism (revised)
- Capacity Investment Scheme

2024

- Future Made in Australia
- Climate-related financial disclosures

2025

- Cheaper Home Batteries Program
- New Vehicle Efficiency Standard (NVES)
- NDC: 2035 target
- National Climate Risk Assessment
- National Climate Adaptation Plan

Net zero 2050 target

Key recent announcements and publications

Key recent announcements and publications

Updated climate impact research and targets will inform future policy direction

Australia's National Climate Risk Assessment (2025)

- Australia's first comprehensive analysis of climate change risks to people, infrastructure, the economy and ecosystems.
- Provides foundational building blocks to understand and describe climate risk, based on science, to formulate policies at different government levels.
- Defines priority climate hazards, the time horizons over which they will occur, and levels of severity under various climate scenarios.
- Mapped to 11 regions and eight functional systems (economic, environmental and social). It then sets out confidence levels of hazard exposures and severity in terms of likelihood.
- Provides guidance and resources to enable Australia's National Adaptation Plan (it enacts the first step which is to 'understand and assess').
- Key messages: Risks to disadvantaged communities and households are heightened. Coastal populations especially at risk and insurability is a key emerging issue. Ecosystem loss could be accelerated.

Key recent announcements and publications

Updated climate impact research and targets will inform future policy direction

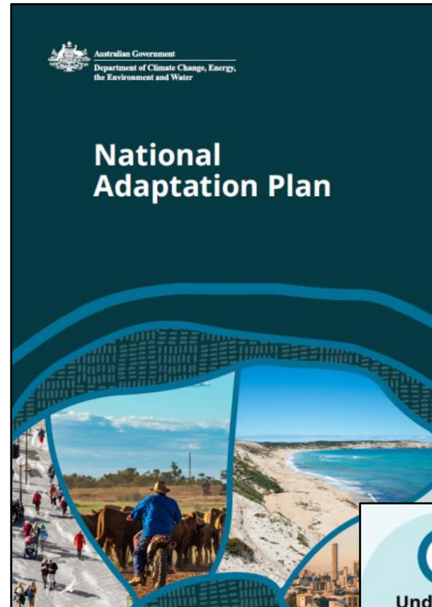
National Adaptation Plan (2025)

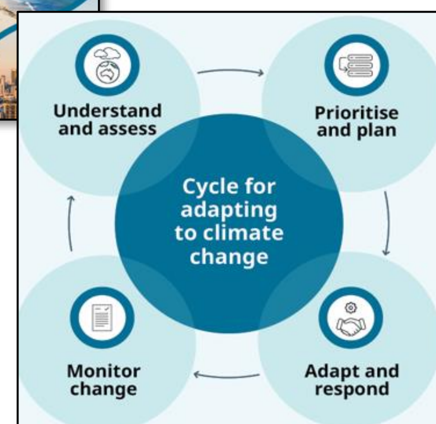
Climate adaptation refers to the process of adjusting to actual or expected climate change effects. It entails a cyclical process of assessing risks, planning, implementing, evaluating and adjusting.

Climate adaptation has now been recognised formally as policy area by the Federal Government which has established the plan as a framework for adapting to physical climate risks that are deemed nationally significant.

Research and analysis indicates adaptation measures can deliver multiplier effects in terms of economic benefits.

Key message: While climate change mitigation remains vital, adaptation actions are critical to manage existing climate related impacts already present.





Key recent announcements and publications

Updated climate impact research and targets will inform future policy direction

Australia's Net Zero Plan (2025)

Outlines the government's strategy to achieve net zero greenhouse gases (GHG) by 2050.

Introduces a new interim GHG emissions reduction target of 62-70% from 2005 levels by 2035. This represents a step up in ambition from the existing 2030 interim target of 43% and crystallises the existing commitment to net zero by 2050.

Supported by sectoral pathway analysis and plans that were established in 2024. These dealt with six identified Australian economic sectors that are significant in terms of emissions and require different technologies and approaches.

Considered a key platform for a credible pathway to achieve net zero by 2050 and to meet Australia's Paris Pledges.

These initiatives have been further underpinned by recent Treasury modelling that suggests the plan for an orderly transition will support:

- continued economic growth, higher living standards and employment
- Australia's competitive advantages in renewable energy which can be leveraged to grow export markets
- avoidance of higher electricity prices and curtailment of jobs and investment that would be more likely under a disorderly transition.

Key recent announcements and publications

Updated climate impact research and targets will inform future policy direction

Nationally Determined Contributions (NDCs)

Signatories to the Paris Agreement are required to submit updated NDCs every five years. The new 2035 emission reduction target forms part of the latest NDC submitted by Australia in September 2025.

Lower bound of 62% is less ambitious than other recent updated NDCs from some other developed nations (such as the UK at 81%), but it is nonetheless consistent with the level of commitment by other developed nations more broadly.

Where does Australia's new interim decarbonisation target place it globally?

Australia now broadly in line with most other developed nations

'NDC Two'

- The NDCs submitted before and during the UN COP30 climate conference in November 2025 represent the second ratcheting up of national commitments since the Paris Agreement.
- These updated NDCs are collectively known as 'NDC Two' and involve interim decarbonisation targets for 2035.
- Table 1 provides a snapshot of Australia's climate target positioning relative to key peers.
- Overall, NDC Two represents a modest step up of commitments. In aggregate, it has been estimated the NDC Two 2035 targets represents a circa 13% reduction in emissions relative to the previous 2030 targets under NDC One.
- However there remains a considerable gap between commitments in aggregate and those which would be required to align with the goals of the Paris Agreement (limit global temperature rise to 2°C by the end of the century). This is shown in Table 1 through global temperature alignment estimates (referencing individual country proportions of global carbon budget estimates under various temperature scenarios) provided by Climate Action Tracker and LSEG (formerly London Stock Exchange Group).
- Australia's increased commitment under its NDC submitted in September 2025 is seen as a significant step forward. It now places Australia broadly in line with other developed nations in terms of emissions reduction from its agreed baseline and aligns with global aggregate commitments on temperature targets.
- A large number of countries, comprising 26% of global emissions, are yet to submit updated NDCs in this phase.

Table 1: Comparative NDCs post-COP30

Country	Baseline	2030 target (2022)	2035 target (2025)	Net zero target year	Temperature alignment	
					CAT^	LSEG
Australia	2005	43%↓	62-70%↓	2050	<3°	2.4°
Brazil	2005	53.1%↓	59-67%↓	2050	<2°	1.9°
Canada	2005	40-45%↓	45-50%↓	2050	<4°	2.7°
China	2005	65%↓*	7-10%↓**	2060	<4°	2.6°
EU	1990	55%↓	66-72.5%↓	2050	<3°	1.7°
India	2005	45%↓*	Nil	2070	<4°	1.6°
Japan	2013	46%↓	60%↓	2050	<3°	1.9°
South Korea	2018	40%↓	53-61%↓	2050	<4°	2.2°
UK	1990	68%↓	81%↓	2050	<2°	1.6°
USA	1990	50-52%↓	61-66%↓	2050	<2°	2.7°
Global					**2.6°**	**2.3°**

* 2030 target based on carbon intensity,

** 2035 target a reduction from peak.

^ Climate action tracker

Key themes arising

The recent burst of new climate related action has crystallised several key themes

Net zero by 2050 remains a Federal Government commitment (but not of the Opposition)

- The new interim 2035 target and the related NDC in September 2025 represents a notable uplift in climate ambition commitment over the medium-term.
- The 2035 target of 62-70% is given technical support by sectoral pathways and Treasury modelling. However, the lower end of the range (i.e. 62% reduction) is a relatively modest target in terms of bridging the gap towards net zero ambitions and does not assume any significant advances in technology.
- Recent erosion in bipartisan support for net zero with the Coalition announcing its climate policy would not retain a formal 2050 target. This could introduce some uncertainty over the coming electoral cycle and curtail (at least at the margins) growth in renewables, battery storage and related technologies.
- The Coalition's changed position could also increase the likelihood that the government's future negotiations on relevant policy is more likely to be with the Greens and/or other parties that are more aligned with an orderly and smoother pathway to decarbonisation.

Adaptation to the physical impacts of climate change will now formally be a pillar of Australian Governments' (Federal/State) climate policy response

- Expect further policy development to evolve to meet adaptation/resilience goals alongside those relating to climate change mitigation.
- Until now, the absence of clear policy guidance around climate adaptation has limited investment action in this area, although we observe there has been some private equity activity in the venture/growth stages relating to climate adaptation technologies (e.g. green urban spaces, AI/geo-mapping, insulation and other energy-saving strategies).
- Policy development relating to adaptation going forward is expected to normalise such technologies as investment opportunities.

Australia's climate policy positioning now more aligned to international peers

- Australia now has a relatively well-developed and broad policy platform, in terms of addressing the types of climate change impacts and opportunities more wholistically (albeit without an explicit carbon price).
- Medium-targets are now broadly comparable with other developing countries whose climate policy settings may help point the way for future domestic policy.
- While Australia has competitive advantages in certain areas of the transition (such as the capacity to generate renewable energy), the future direction of climate policy may have negative impacts on some domestic industries relative to international competitors.
- Further mechanisms that deal with trade impacted industries (e.g. similar to the EU's Carbon Border Adjustment Mechanism) are possible. However, this has become more challenging given recent turmoil and uncertainty in global trade relationships, particularly where the US is involved. For example, there was no meaningful progress on this policy sphere at COP30.

Investment implications

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Investment implications

Frontier monitors climate policy developments to identify potential financial risks and opportunities

While progress has been made, current policy settings are still short of what is required to meet mitigation and adaptation goals

- More policy certainty has allowed investors to better identify, assess and manage financial risks and opportunities from Australia's climate transition.
- However, private investment aligned to mitigation and adaptation still lags forecasted requirements for Australia to achieve its climate targets.
- BloombergNEF estimates over A$2.0 trillion in clean energy and associated technologies investment will be required to meet the net zero 2050 target globally.
- Despite the forecasted demand for investment, market forces alone will not be sufficient to encourage enough private capital deployment in the timeframe available to meet climate goals.

Climate policy will evolve further – investors should maintain a watching brief

- This step-up in climate ambition as signalled by the Australian government, in particular the new 2035 interim target and the retention of a 2050 net zero target, represent important signals for investors.
- Future climate policy evolution is expected to also 'step-up' to align with the higher level of ambition.
- As noted by The Climate Change Authority, how climate change policy evolves seems likely to include expansion of existing settings and/or addressing existing gaps and barriers to implementation – including attracting private investment (domestic and international) to fund key projects. Consideration will also need to be given to just transition – it may mean that people and communities will need additional public support above current levels, e.g. if rural renewables roll out faster in the future.
- Broadly, this should improve the case for investors to direct more capital into transition-aligned investments.
- However, as with most policy changes, this will result in financial winners and losers, and investors should monitor how climate policy influences the investment environment.

> Australia's existing policies…provide a strong platform for progress… There are opportunities either to expand their reach or introduce select initiatives to address gaps and barriers to implementation.
>
> The Climate Change Authority

Investment implications

Frontier is monitoring climate policy developments to identify potential risks and opportunities

Examples of potential policy changes with investment implications

- Streamlining renewables (and similar) project approvals.
  - Regularly cited by institutional investors and developers as a bottleneck to the rollout of renewable energy.
  - Faster approvals of projects will result in improved investment outcomes.
- Refining of the Safeguard Mechanism
  - Under the Safeguard Mechanism, Australia's largest emitters have emissions caps that reduce over time. As the cost of offsetting emissions with Australian Carbon Credit Units (ACCU) rises, companies are therefore incentivised to decarbonise their activities to mitigate those costs.
  - Investors should understand how a stricter Safeguard Mechanism might influence business strategies and valuations of these companies.

Potential new incentives for investors

- We expect increased incentives for institutional investors to allocate capital to opportunities supporting the low carbon transition and now also climate adaptation.
- Such incentives may take various forms including:
  - Tax incentives
  - Subsidies and grants
  - Government co-backing of projects to de-risk private investment – for example, by initially committing public capital (i.e. from Clean Energy Finance Corporation and Net Zero Fund) and thereby increasing investor confidence, the government aims to 'crowd in' more private capital from a range of investors.

> "…there is a global reorientation in trade and investment underway as governments, regulators, and markets around the world transition to net zero emissions and Australia needs to adapt to these changes or risk the economic opportunities flowing to other countries.
>
> The Climate Change Authority

The final word

Expect step-ups in climate policy action and monitor emerging investment risks and opportunities

A recent burst of climate-related analysis and policy positioning, particularly at federal government level, will reshape climate policy going forward.

While industry observers may debate whether the various positions on climate go far enough, they nonetheless represent a demonstrable 'step up' from current policy settings.

The (re)crystallisation of net zero by 2050 with the introduction of a more ambitious 2035 interim decarbonisation target; the formalisation of climate adaptation as a future policy area; and Australia's increased alignment with global peers on climate policy, all signal that climate policy going forward is expected to also step up.

Institutional investors rely on climate policy certainty to make long term investment decisions and should monitor how these policies evolve to better identify, assess and manage existing (but evolving) and emerging financial risks and opportunities.

We expect to see increased support for private capital investments into opportunities which are aligned with Australia's climate transition and decarbonisation targets. These may be in the form of incentives for aligned projects, or higher hurdles for companies/assets which are deemed to be non-aligned.

Australia's relative competitiveness will vary from sector to sector when this higher level of climate ambition translates to policy.

The recent announcement by the federal Opposition that it intends to retreat from Australia's current climate ambition could mean greater uncertainty for investors, at the least over the coming election cycle, and defer capital allocation decisions by investors and companies alike.

Learn more

Frontier continues to undertake research to support our clients manage material climate-related financial risks and opportunities, including a future planned enhancement of our manager assessment approach relating specifically to decarbonisation and net zero.

We always welcome client feedback and discussion on the topic of climate change. Reach out to a member of your client team or Responsible Investment Team to learn more.

Appendix A

Australia’s recent climate change policy settings - characteristics

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Climate policy settings

Characteristics of each policy sleeve

Recent domestic policy settings in Australia: at a high-level

Policy response	Established*	Time horizon	Key objectives	Scope of abatement (Mt CO2e)	Scale of funding**
Capacity Investment Scheme	2023 (2025)	2027	Energy supply (renewables), abatement, energy security, derisk investment	40GW	$73 bn
Safeguard Mechanism	2016 (2023)	2050	Abatement	200 Mt to 2030	n.a.
Future Made in Australia	2024	2040	Abatement, energy supply, critical minerals, green steel & hydrogen, exports, derisk investment	Unestimated	$47 bn
New vehicle efficiency standard	2025	TBC	Abatement	20 Mt (2030), 321 Mt (2050)	$85 mn
Cheaper Home Batteries Program	2025	2030	Energy reliability and supply, building scale	Unestimated	$2.3 bn
Climate-related financial disclosures (AASB S2)	2024	unlimited	Accountability, transparency, catalyse climate action	n.a.	n.a.
National Climate Risk Assessment	2025	unlimited	Adaptation, resilience, risk assessment, management and monitoring	n.a.	TBC

* Timing of update in brackets
** Government seed funding unless stated otherwise

Appendix B

Highlights from UN COP30 conference

COP30 highlights

Key takeouts and investment implications

121 nations submitted updated NDCs with 2035 targets, before and during COP30. There were 76 still outstanding (26% of global emissions).

Other COP30 updates:

- Adaptation finance: Some progress, with an agreement to triple adaptation finance. Adopted a list of indicators but a lot of detail is yet to be developed.
- Trade: No resolution on policies such as the EU's CBAM but a workstream on trade issues launched.
- Carbon markets: Minimal progress in making global carbon markets operational with transparency and integrity.
- Tropical Forest Forever Facility (TFFF): Established as a funding mechanism to protect and restore tropical forest.
- Just Transition: A new mechanism launched with a framework canvassed by the World Economic Forum for aligning climate action with positive socioeconomic outcomes.
- Fossil fuels: No roadmap was agreed to, and this was a key objective on the agenda that floundered. Brazil's alternative proposal was to forge a negotiating mechanism outside the COPs.
- Loss and damages: Scant progress, except for an agreement to launch a State of Loss and Damages Report which could influence finance flows.

Investment implications

- There are no significant implications from COP30 that impinge on Australian government policy settings or that extend to investment opportunities for institutional investors.
- Progress on adaptation was modest, albeit with a stronger commitment in terms of scale of finance. On loss and damages funding there was minimal development.
- There is further scaling up required with the TPFF with a few developed nations offering some funding support to kick start its implementation.
- Further details on implementation need to be worked through for carbon markets to be globally integrated.

Appendix C

Bibliography

Bibliography

Publications relating to recent Commonwealth government initiatives:

- NDC 2035: Australias Second NDC.pdf
- National Climate Risk Assessment: NCRA Climate risks | Australian Climate Service Website
- National Climate Adaptation Plan: National Adaptation Plan
- Cheaper Home Batteries Program: Cheaper Home Batteries Program
- New Vehicle Efficiency Standards: The National Electric Vehicle Strategy
- Future Made in Australia: National Interest Framework: FMIA – National Interest Framework
- Safeguard Mechanism: Safeguard Mechanism
- Capacity Investment Scheme: Capacity Investment Scheme
- Net Zero Plan: Net Zero Plan

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