The Superpower Institute

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Budget shows progress on fairness but gaps remain

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The Superpower Institute welcomes the key themes of tonight's budget around intergenerational fairness, tax reform and energy security but key questions on Australia's economic future remain: how we pay for, and accelerate, the transition that will determine our prosperity for decades to come.

The Superpower Institute CEO Baethan Mullen said the budget demonstrates the government is rightly focused on fairness.

"Restricting negative gearing and reforming the capital gains tax discount are important changes aimed at fairness which will help realign the tax system with productive investments," Mr Mullen said.

Mr Mullen said the changes also showed the Government is willing to revisit reforms it had previously taken off the table.

"These were considered politically impossible until recently. The government deserves credit for moving on them. Important reforms can happen when there is enough courage to not be held hostage to difficulties of the past.

"We now need the same open-mindedness applied to two reforms where the economic and equity case is overwhelming: a price on carbon pollution, and a fair return to Australians for their resources from gas companies."

The Superpower Institute Chair and co-founder Rod Sims said the budget reinforced why a price on pollution was now unavoidable.

"This is a very tight budget, as it needed to be, given forecast deficits in the years ahead. The Treasurer has been clear that there is no money for new spending, and that constraint is not going away," Mr Sims said.

"That is precisely why Australia needs a price on pollution. Without one, the government simply does not have the fiscal capacity to achieve its own targets for the energy transition at the pace and scale required. A carbon price sends the market signal that crowds in private investment, and it raises the revenue that funds the rest of the agenda and compensates households for any cost increases. The two go together.

"Anyone who thinks the transition can be paid for out of general revenue is not paying attention to the budget the Treasurer handed down tonight."

Mr Mullen said Australia's future prosperity would be determined by how well the country transformed its energy system and leveraged that transformation into globally competitive export industries powered by renewable energy — green iron and other metals, green chemicals and green fuels.

"This is the largest economic opportunity Australia has had in a generation. Our research shows the green iron opportunity alone can be worth up to $400 billion in export revenue for Australia. The government has an important role in policies that will unlock this opportunity."

On the Future Made in Australia (FMIA), Mr Mullen said the highest priority was deploying budget measures that had already been committed and putting in place the specific market mechanisms needed to move projects to final investment decision.

"Two years ago, the Government announced $22.7 billion in funding for the Future Made in Australia (FMIA) program. To date, funding from FMIA programs such as, for example, the Green Iron Investment Fund has not flowed to projects on the ground. This is an urgent priority to get projects moving.

"For green iron specifically, the missing piece is a production credit, to complement the $2 per kilogram hydrogen incentive. Without it, Australian green iron projects will continue to struggle to reach final investment decision."

The Superpower Institute welcomed initiatives to strengthen fuel security but noted much more needs to be done on electrification and low carbon liquid fuels.

“The $1.1 billion Cleaner Fuels Program is an important commitment, but the real impact will come from deploying this quickly and the budget provides no additional policy detail on this. Electrification will be the biggest lever we have in limiting our exposure to future fuel shocks, but this budget contains very limited support to accelerate it. A strong focus on public charging infrastructure, for example, would powerfully move the dial on electrification."

The Superpower Institute will continue to work with the government, opposition, members of parliament, industry and civil society on the reforms needed to secure Australia's place as a renewable energy superpower.

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About the Superpower Institute

The Superpower Institute's purpose is to help Australia seize the immense economic opportunities of the post-carbon world. With unparalleled renewable energy resources and our 'clever country' scientific and engineering capabilities, Australia is perfectly positioned to be a green export superpower in the world of net zero emissions.

The Institute specialises in the policy settings and market incentives needed to make Australia an economic superpower and provides practical knowledge to governments and industry to realise this opportunity.

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