

First Nations can help Australia respond to the United States' Inflation Reduction Act

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On the eve of the May Federal Budget, it's timely to consider where the government should make the best investment decisions.

Australia has many of the building blocks it needs to achieve a net zero emissions future, including abundant sources of solar and wind, huge deposits of critical minerals essential to the energy transition, and lots of land.

Yet Australia's renewable energy industry is growing at half the pace needed for the sector to meet the Albanese government's emissions reduction goal of a 43% reduction by 2030.

Against a backdrop of rising costs of clean energy projects, inflation, and the knock-on effects of rising energy bills, Australian governments have their work cut out.

The investment and policy environment they create must ensure Australia's transition to clean energy happens at the pace and scale required, whilst simultaneously bringing along communities and people as supporters and partners.

The United States' ambitious Inflation Reduction Act not only set a precedent as the largest investment in climate and energy in history, it has given the US a massive uplift in clean energy innovation.

Raising 'opportunity lock out' concerns for Australia, the US\$369 billion package of climate measures introduced last year is likely drawing much needed capital for renewable energy projects by the generous incentives offered.

Canada has quickly responded, introducing a renewable energy investment tax credit in their 2023 Budget to make Canada more attractive for investment in clean energy projects.

Biden's Inflation Reduction Act poses a threat to Australia if we don't ambitiously respond.

One way we can try and match the US and Canada is to give First Nations a place at the table

Importantly, the Inflation Reduction Act not only reduces inflation, it has recognised First Nations play a key role in clean energy transition efforts.

Canada got this years ago. First Nations have played a central role in that country's clean energy transition for two decades.

Governments in the US and Canada have realised that establishing the right partnerships in the clean energy transition with First Nations is an investment decision.

Although a laggard, Australia is moving towards this.

In August 2022, Australia's Energy Ministers committed to develop and implement a First Nations Clean Energy Strategy under the Federal Government's National Energy Transformation Partnership.

The Strategy is a way to ensure "First Nations People help drive the energy transformation" and almost 10 months later, the co-design of its development is well underway.

Energy Ministers appear to have accepted the energy transition will only happen in Australia at the scale and pace required with First Nations as partners in the development and planning of new projects, ensuring that rights and interests are protected, that communities benefit, and that projects go ahead in a timely way.

Investment decisions in the May Budget could cement this.

By the end of 2020, Indigenous communities in Canada had become among the most powerful clean energy proponents, on par with utilities and renewable energy development companies, driven by Indigenous people, governments and industry working together to find solutions.

These projects have led to Indigenous community training and job creation, entrepreneurship and wealth creation, reduction in greenhouse gas emissions, advanced gender equity, materially improved economic stability, cultural revitalization and much more.

Following Canada's lead, the US Inflation Reduction Act provides specific funding and a range of incentives specifically supporting Tribal nations and Native communities to participate as owners of projects, accelerating First Nations equity in major energy projects to help meet the world's demand for clean technology at an unprecedented scale.

The Inflation Reduction Act recognises many First Nations communities are on the frontline of climate change. It also recognises there are significant mutual benefits from supporting Tribal Nations and Native Communities so the US can build a cleaner future and grow the economy "from the bottom up and the middle out", from the family, household and community level, through to large scale projects.

Opportunities in Australia exist right now to get the settings rights

With Australia's Energy Ministers committing to the First Nations Clean Energy Strategy, we have a process in place to ensure "First Nations people help drive the energy transformation".

This will mean, coupled with the right settings, Australian governments can stimulate investment, increase First Nations involvement and leadership in clean energy projects, support education and skills development, and enable the necessary rapid transition to a clean energy system at the pace and scale required.

Like Governments in the US and Canada have realised, establishing First Nations partnerships in the clean energy transition is an investment decision. When done right, we all benefit.