

NET ZERO FUND | *PROPOSED DESIGN CONSULTATION*

Australian Energy Producers | 15 October 2025

Australian Energy Producers welcomes the opportunity to provide input into the Department of Industry, Science and Resources (DISR) initial design considerations for the Australian Government's Net Zero Fund.

Natural gas is essential to Australian industry and industrial decarbonisation. Natural gas is the largest energy source for Australian industry, providing 37 per cent of all the energy used by Australian manufacturing today.¹ For many Australian industries – where gas is relied on for high-heat processes or as a chemical feedstock – there are currently no viable alternatives to natural gas.² The Australian Government's recently released Electricity and Energy Sector Plan highlights that fuel-switching to natural gas in industries such as ironmaking and alumina refining “delivers direct emissions reductions and ensures the ongoing viability of these industries” and that “emerging industries, such as green metals and ammonia production, may require natural gas for a period of time”.

Australian industry cannot reach net zero without carbon capture, utilisation and storage (CCUS). CCUS plays a unique role among a portfolio of emissions reduction technologies as it can address emissions from existing facilities and hard-to-abate industry, as well as reduce emissions across the natural gas supply chain. The Australian Government's Resources Sector Plan³ highlights that “CCS can address industrial and point-source emissions that cannot otherwise be avoided” and that “CCS projects can reduce emissions from resources sector activities by capturing and storing reservoir carbon dioxide that would otherwise be emitted during gas production.”

Australian Energy Producers supports a well-designed Net Zero Fund that targets least-cost industrial decarbonisation and supports a portfolio of emissions reductions technologies, including natural gas and CCUS. A well-designed national industrial decarbonisation fund can maximise the economic and industrial opportunities of the net zero transition while strengthening Australia's global competitiveness and enhancing critical industrial capabilities.

Australian Energy Producers recommends:

- **Industrial decarbonisation using natural gas and/or CCUS must be eligible for support from the Net Zero Fund.** Preventing industries from accessing support for decarbonisation using natural gas and/or CCUS – where it represents the most viable, least-cost decarbonisation option available – only makes industrial decarbonisation and reaching net zero in Australia harder and more expensive.
- **The Net Zero Fund should be open to all industries, including natural gas production and processing, including liquified natural gas (LNG) production.** The natural gas industry is a key contributor to energy security, industrial development, and emissions reductions across the economy and the region and is subject to the same emissions reductions obligations under the Safeguard Mechanism as other industries. Allowing all elements of the gas supply chain access to this decarbonisation support will further drive a broad portfolio of innovative technologies – such as methane reduction and advanced

¹ Department of Climate Change, Energy, the Environment and Water, [Australian Energy Update 2024](#), August 2024, p. 10.

² Australian Government, [Electricity and Energy Sector Plan 2025](#), September 2025

³ Australian Government, [Resources Sector Plan 2025](#), September 2025

methane management, electrification, and CCUS – by helping de-risk their adoption and on an equitable basis with other sectors.

- **Funding restrictions for natural gas and CCUS under the Clean Energy Finance Corporation (CEFC) and National Reconstruction Fund (NRF) should be removed immediately.** In parallel with the development of the Net Zero Fund, current natural gas and CCUS funding restrictions should be removed from other Government decarbonisation programmes including the CEFC and NRF.
- **The Net Zero Fund should prioritise de-risking private sector investment in industrial decarbonisation through project-specific funding pathways and risk sharing.** Large-scale industrial decarbonisation projects face a range of development risks including technology risk, market/offtake risk, financing risk, supply chain risk, project interdependency risk and policy and regulatory risk. The Net Zero Fund should consider project-specific approaches to de-risk private sector investment and address market failures including through equity investment, guarantees and concessional financing as well as grant funding and other opportunities for risk sharing. Net Zero Fund support should be complemented with other measures to address barriers to project development such as streamlining of project approvals.
- **The Net Zero Fund should focus on large-scale investments that can deliver meaningful emissions reductions in the near- to medium-term.** The Net Zero Fund should focus on large-scale, capital-intensive and higher-risk industrial projects that may be outside scope of other Government decarbonisation programs such as the CEFC. Focussing on large-scale investment supports an efficient use of Government funds and ensures the Net Zero Fund contributes to material industrial emissions reductions in the near- to medium-term.
- **Participation in the Net Zero Fund should not restrict Safeguard Mechanism facilities from generating Safeguard Mechanism Credits (SMCs).** It would be counter-productive if facilities that received Net Zero Fund support were not able to also generate SMCs to help finance emissions reductions activities.
- **The Net Zero Fund should support the development of Net Zero Zones⁴ as an integrated technological and industrial framework for fast-tracked, least disruptive and least-cost industrial decarbonisation.** Nine energy and industrial regions around Australia comprise 92 per cent of all large industrial emissions as well as 98 per cent of all large power generation emissions. The Net Zero Fund should prioritise the development of shared infrastructure for renewable energy and electrification, natural gas and CCUS in these regions to create industrial hubs that power regional manufacturing.

Australian Energy Producers looks forward to providing further input into the development of the Net Zero Fund as it progresses.

⁴ Australian Energy Producers, [A review of Net Zero Energy and Industrial Zones](#), May 2023