



Powering the Regions Fund

Consultation Update – January 2023

Program Overview

The Australian Government will support the decarbonisation of existing industries and creation of new clean energy industries through the \$1.9 billion Powering the Regions Fund (PRF). The PRF forms part of the Government's Powering Australia Plan and will support the Government's ambition for Australia to become a renewable energy superpower, while meeting our emission reduction targets of 43 per cent below 2005 levels by 2030, and net zero emissions by 2050.

Decarbonising Australia's industrial sector is vital to achieve our emission reduction targets and keep our industry competitive in a changing global environment. Many of Australia's international trading partners already have net zero goals, with around 80 per cent of Australia's trade covered by other countries' net zero commitments. The Government has made substantial commitments to accelerate Australia's clean energy transformation and is focused on positioning Australian industry to capture new opportunities for global trade and investment in low and zero emissions commodities and clean energy.

The Government wants to ensure the costs and benefits of Australia's transformation to net zero are shared, and that no one is held back, and no one is left behind. The PRF will provide funding to help in the transition towards net zero emissions, while unlocking new economic opportunities, by focusing on four key areas:

1. Decarbonising Existing Industries

The first objective of the PRF is to unlock decarbonisation opportunities in existing industries. Many industries are already reducing their emissions, however hard-to-abate processes remain – such as in metal refining and chemical manufacturing where some clean technology options are not yet commercially available or yet to be demonstrated at scale. Unlocking these opportunities will reduce emissions and help unlock emerging global markets for green products.

2. Developing New Clean Energy Industries

The second objective of the PRF is to support the development of new clean energy industries. This will help support the regions to contribute to delivery of the Government's emission reduction targets while also growing industries, jobs and export markets that will make Australia a renewable energy superpower.

3. Workforce Development

The third objective of the PRF is to support workforce development so that the skills necessary to support decarbonisation and new clean energy industries are available in the regions, and that energy-related employment remains strong.

4. Purchasing Carbon Credits

The final objective of the PRF is to continue Government purchase of carbon credits. This includes the next auction to purchase Australian Carbon Credit Units (ACCUs), which is scheduled to be run by the Clean Energy Regulator (CER) in March 2023. The Government recently responded to the Final Report of the Independent Review of ACCUs, accepting in principle all recommendations. The Department of Climate Change, Energy, the Environment and Water (DCCEEW) will consult separately on how the PRF can support implementation of the recommendations.

Introduction

The Government is committed to working with a wide range of stakeholders, including industry, investors, state, territory and local governments, unions, First Nations, and regional communities to understand how the PRF can be designed to support existing efforts to decarbonise, develop new clean energy industries and support workforces in Regional Australia.

Consultation commenced on the design of the PRF in December 2022, seeking stakeholder views on what projects, funding, regions, and technologies the PRF should focus on and whether any co-benefits such as sovereign capacity, First Nations engagement or job creation should be prioritised. An initial round of in person and online consultation sessions were conducted in December 2022. Additional sessions will be held in January 2023 to explore the questions posed in this paper and validate the feedback provided by stakeholders during the initial consultation round.

This paper provides an update on what we have heard to date, sets out preliminary design options, and asks questions addressing issues raised by stakeholders.

Stakeholders are invited to provide comments on this paper by 3 February 2023. Comments can be provided to DCCEEW directly by emailing prf@dcceew.gov.au or provided during the consultation sessions.

Regional Transformation

The core objective of the PRF is to support regional Australia's contribution to emissions reduction goals. The pathway towards a net zero economy will involve changes in regional economies, particularly in regions that currently have a high dependence on emissions intensive industries and facilities covered by the Safeguard mechanism. Managed well, this is an opportunity to transform regional economies so they thrive in a net zero world.

The Government has established a Net Zero Economy Taskforce to advise it on how to support regions to transform. Similarly, federal, state and territory leaders, through the National Cabinet, have agreed National Transformation Principles, committing to work together to ensure regional communities are active players in achieving and sharing the benefits of the net zero economy.

In this context, the PRF presents an opportunity to support positive regional transformations, alongside other programs and initiatives by governments, the private sector, and others.

Design Principles

The Government has developed high level principles to guide the design and delivery of the PRF to ensure it delivers value for money and meets the needs of regional Australia. These principles were developed to support this consultation and align with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Commonwealth Grants Rules and Guidelines (CGRGs). The design principles are that the PRF will:

1. Support jobs and investment in the regions, as well as their contribution to Australia's emissions reduction targets.
2. Be designed in partnership with stakeholders.
3. Align with existing initiatives on climate, energy, skills and regional development.
4. Be responsive to the varied and changing needs of industry, workers and regions.
5. Support facilities impacted by changes to the Safeguard Mechanism.
6. Leverage existing investment, including from industry and state and territory governments.
7. Continue Government support for abatement through the ACCU market.
8. Make evidence-based funding decisions in line with best practice.
9. Support project evaluation to demonstrate what works for regional industry and communities.

Related Commonwealth Initiatives

The PRF is part of the Australian Government's [Powering Australia plan](#), which is focused on creating jobs, improving energy reliability and affordability, and reducing emissions by boosting renewable energy. In line with the third design principle, the PRF is intended to complement the Powering Australia plan and other existing initiatives.

The implementation of PRF will align with the National Transformation Principles and the National Energy Transformation Partnership which together set out how the Government will collaborate with jurisdictions, industry, communities, and unions to support regional economic development and the transformation to net zero.

The PRF will be designed to complement the Safeguard Mechanism and the broader Net Zero Economy Taskforce. It will work in tandem with other programs designed to support this transformation, especially Rewiring the Nation and Capacity Investment Scheme for the electricity sector, and programs to support other industrial priorities such as the National Reconstruction Fund, Guarantee of Origin Scheme, Hydrogen Hubs, Australian Made Batteries Plan and Carbon capture technologies for net zero and negative emissions program. It will also complement skills programs, especially those focused on climate transition: New Energy Skills Program and New Energy Apprenticeships Program.

The PRF will also complement existing financing programs: Clean Energy Finance Corporation (CEFC), Export Finance Australia, Northern Australia Infrastructure Facility (NAIF) and grant support from the Australian Renewable Energy Agency (ARENA).

Programs, policies and other stakeholder consultation that will be considered when designing the PRF include:

1. **Safeguard Mechanism:** The [Safeguard Mechanism](#) has been in place since 2016. It provides a legislated framework that limits the emissions of around 215 large industrial facilities, around 28 per cent of national emissions. As set out in the Safeguard Mechanism Position Paper which can be [accessed here](#), reforms to put facilities on a broad trajectory to net zero by 2050 will commence on 1 July 2023. The PRF will provide dedicated funding to support decarbonisation by trade-exposed facilities covered by the Safeguard Mechanism and all Safeguard facilities will have preferential access to other streams of the PRF, for example through additional weighing in the criteria for assessment.
2. **National Transformation Principles:** In December 2022, the National Cabinet agreed to five principles that will underpin collaboration between governments, industries, communities, and unions to support regional economic development that captures the benefits of the energy transition. The Australian Government has established a [Net Zero Economy Taskforce](#) to develop the framework and systems the Government will establish to support regions as Australia transforms to a net zero economy.
3. **National Energy Transformation Partnership:** a [framework](#) for national alignment and cooperative action by governments to maintain a secure, reliable and affordable Australian energy sector during its transformation to net zero.
4. **National Reconstruction Fund (NRF):** The NRF is an investment fund which will invest up to \$15 billion to create jobs, drive economic growth and transform and strengthen Australian industry across seven priority areas. This includes \$3 billion to support manufacturing of technologies that drive renewables and lower emissions. The Department of Industry, Science and Resources has released a [Consultation Paper](#) and is consulting until 3 February 2023.
5. **Clean Energy Finance Corporation (CEFC):** The CEFC invests to increase the flow of funds into the clean energy sector, which includes renewable energy, energy efficiency and low-emissions technology projects. The CEFC is also the main financing arm for Rewiring the Nation (see below) – the Government’s \$20 billion investment to build an electricity grid that supports Australia becoming a renewable superpower.
6. **Australian Renewable Energy Agency (ARENA):** [ARENA](#) provides grant funding to improve the affordability and increase the supply of renewable energy in Australia. ARENA has already committed over \$1.96 billion to over 632 projects. ARENA supports projects spanning the commercialisation pathway, from research and development to demonstration and near-commercial deployment projects.
7. **Export Finance Australia:** [Export Finance Australia](#) provides finance solutions for Australian exporters and overseas infrastructure development that delivers benefits to Australia. They work together with banks, other government agencies and partners to drive international success.
8. **Northern Australia Infrastructure Facility (NAIF):** [NAIF](#) is a development financier to infrastructure projects in the Northern Territory, Queensland and Western Australia.
9. **Hydrogen Hubs:** These are regions where various producers, users and potential exporters of hydrogen across industrial, transport, export and energy markets are co-located. They will give our green hydrogen industry an early-stage springboard to scale, which will help support other industrial sectors in the regions. The Government has increased the Commonwealth’s investment in hydrogen hubs to \$525 million.
10. **Rewiring the Nation:** \$20 billion in low-cost finance for the upgrade and expansion of Australia’s electricity grid. This includes more than \$6 billion to help build Marinus Link and VNI-West, which will unlock Tasmania’s Battery of the Nation and Victoria’s offshore

wind and renewables industries. It also includes more than \$4 billion to support critical transmission projects in New South Wales, connecting the generation and storage capacity of Snowy 2.0 and the state's renewable energy zones. Rewiring the Nation will be implemented through a partnership with the Clean Energy Finance Corporation.

11. **A Net Zero Economy Taskforce:** The [Taskforce](#) will advise Government on how best to support regions as Australia transforms to a net zero economy. It will bring together perspectives including from regional communities, state and territory governments, industry, and unions.
12. **Capacity Investment Scheme:** [This scheme](#) will provide a national framework to drive new renewable dispatchable capacity. This new revenue underwriting mechanism will unlock \$10 billion of investment in clean dispatchable power.
13. **Guarantee of Origin:** The 2022-23 Budget provided \$2.2 million to develop and consult on design and draft legislation for a [Guarantee of Origin scheme](#), a mechanism to track and verify emissions associated with hydrogen and other products made in Australia, and for renewable electricity certification.
14. **Australian Made Battery Plan:** The Plan will include developing a National Battery Strategy, partnering with Queensland Government to create a Battery Manufacturing precinct in Queensland and creating a Powering Australia Industry Growth Centre.
15. **New Energy Apprenticeships Program:** [This program](#) will deliver 10,000 new energy apprentices. Eligible apprentices can claim a support payment of up to \$10,000 over the duration of their apprenticeship.
16. **New Energy Skills Program:** The \$9.6 million program will help support Australia's workforce to transition to a clean energy economy by tailoring skills training to the specific needs of new energy industries. It includes developing fit for purpose training pathways for new energy industry jobs, establishing an industry mentoring program for new energy apprentices, and commissioning a [Clean Energy Capacity Study](#) by Jobs and Skills Australia on the workforce needs for Australia's transition to a clean energy economy.
17. **Carbon capture technologies for net zero and negative emissions:** \$141.1 million for program investments and related policy development in carbon capture technologies. This will prioritise technology development for hard-to-abate industrial sectors (such as cement manufacturing); accelerate carbon dioxide removal and negative emissions technologies (such as direct air capture); and support research opportunities for institutions, as well as industry and international partners.

These programs need to complement each other and catalyse greater economic and social impacts for regional communities and industries. The Government welcomes feedback on how the PRF can be designed to unlock opportunities to support decarbonisation, workforce development and the creation of new clean energy industries in the regions.

Supporting Regional Australia's contribution to emissions reductions

A key question for design of the PRF is how it should best be delivered with a regional focus. For example, should there be a dedicated stream of support for the transformation of particular regions? On what basis should regions be prioritised, and what is the best way of designing and delivering support in such regions to maximise transformative impact?

Discussion Questions:

- 1) How should the PRF best be delivered with a regional focus?
- 2) If any regions are to be prioritised, what factors should be considered?

- 3) What is the best way to design and deliver support within any prioritised regions, or otherwise achieve the objective of regional transformation?

Objective 1: Decarbonising Existing Industries

The PRF will support existing industries to decarbonise under two streams. The Industry Decarbonisation Stream (IDS) will support decarbonisation activities at any existing industrial facility and relevant common use infrastructure projects. The Safeguard Transformation Stream (STS) will also support decarbonisation activities but be open exclusively to trade exposed facilities covered by the Safeguard Mechanism. Creating a separate stream for trade exposed facilities recognises the hard to abate nature of emissions from these facilities and reduces the risk of carbon leakage.

What we have heard so far

The feedback we have heard to date from stakeholders on the challenges and opportunities to decarbonising existing industries includes:

- Joint proposals and consortia projects that support investment in common use infrastructure (e.g. electricity grids, hydrogen pipelines, bioenergy plants) could drive decarbonisation much faster than focusing on individual facilities or projects.
- Funding towards regional and sectoral decarbonisation planning, roadmaps and coordination would benefit short and long-term targets.
- Regional decarbonisation projects should anchor to that region's existing strengths.
- Every facility faces its own challenges and opportunities. It is important to take a technology neutral approach to maximise opportunities when it comes to decarbonisation.
- Facility maintenance cycles means multiple funding rounds are required and should be repeated over several years.
- Public reporting on project outcomes is critical to knowledge sharing and diffusing technology and practices across sectors. The lessons learned from underperforming projects are often as useful as those from successful projects.
- Funding makes the biggest impact on decision making at the project planning stage and can leverage additional investment attraction.
- Higher benefits and outcomes will be realised with coordination between the Australian Government, state and territory governments, local governments and industry to support planning, infrastructure and supply chains.
- Larger businesses and facilities find it easier to apply for funding. Decarbonisation opportunities in small to medium enterprises (SMEs) are often missed due to lack of resource and knowledge.

Discussion Questions:

- 4) Is there an approach to funding that will best allow the PRF to be accessible to the depth and breadth of industry across Australia?
- 5) Do you have any concerns over recipients being required to monitor performance and report publicly on project outcomes (including total abatement achieved)?
- 6) Should there be limits to the total funding any project, region or sector can receive?

Safeguard Transformation Stream

The Government has announced that \$600 million of the PRF will be allocated to a Safeguard Transformation Stream (STS) in recognition of the specific challenges faced by trade exposed facilities. Many of these facilities are part of strategic national industries including metals, critical minerals, chemicals and cement manufacturing that provide key inputs to the clean energy supply chain and will be critical to enabling Australia to capture the benefits from a global net zero economy.

To be consistent with the Safeguard Mechanism approach, the STS will be open to all trade exposed facilities covered by the Safeguard Mechanism regardless of their location.

The full details on the Safeguard Mechanism reforms, including the STS announcement are available at: <https://www.dcceew.gov.au/climate-change/emissions-reporting/national-greenhouse-energy-reporting-scheme/safeguard-mechanism>.

Preliminary Design Considerations

The STS would offer financial support for capital investments that reduce scope 1 emissions at trade exposed facilities covered by the Safeguard Mechanism to help them meet new baselines. The financial support would be based on at least matched co-contributions with 1 to 2 funding rounds offered per year starting in mid-2023 and ending in mid-2026.

The STS would be technology neutral. The types of projects that are currently expected to be supported include energy efficiency upgrades; projects that reduce or capture fugitive emissions; fuel switching (e.g., electrification, hydrogen and biofuels); and carbon capture, use and storage. Technologies would need to be effective and verifiable in their emissions reductions and take into account the new zero target.

The STS is expected to be a competitive program with grants awarded based on clearly defined and publicly available criteria, however the Government is open to feedback on the stream design. To ensure public funding is utilised in line with the CGRGs and PGPA Act, the Government will develop a set of assessment criteria to score and rank applications. Some assessment criteria under consideration include:

- emission reduction (i.e. scope 1 emission abatement to 2030 or 2050);
- value for money (i.e. emission reduction per dollar of public funding);
- technology readiness and effectiveness;
- demonstration potential;
- workforce development;
- broader regional economic and social benefit; and
- the capacity of the facility to implement the project and likelihood of it would be implemented without the funding.

Several stakeholders have also suggested that projects focused on hard to abate emissions or first of a kind-technologies should be preferred given the potential to drive longer term decarbonisation and support economic growth.

Discussion Questions:

- 7) What factors beyond emissions reduction should be considered when assessing projects?
 - a) Should the priority be emissions reductions at lowest cost?
 - b) Should factors such as demonstration/technology potential, difficulty of abatement, electricity network or industry growth and community impacts be considered?
 - c) Should a project that demonstrates an experimental technology or supports the establishment of a new industry and jobs be preferred?
 - d) How should risk of non-delivery or non-performance be assessed when considering demonstration projects?
 - e) Are there any other factors that should be considered?
- 8) Should grants be open to individual facilities only, or should facilities be able to submit a joint application? For example, proposals to jointly develop common use infrastructure.
- 9) Should there be any exceptions to the proposed joint contribution funding model?
 - a) Should in-kind funding be counted towards an applicant's contribution?

Industry Decarbonisation Stream

The Industry Decarbonisation Stream (IDS) will support decarbonisation activities at existing industrial facilities and the development of relevant common use infrastructure projects. The IDS would be designed broadly in line with the proposed approach for the STS; and designed to meet regionally specific needs and support decarbonisation by SMEs as well as larger facilities.

Preliminary Design Considerations

The IDS could offer financial support for investments that reduce emissions at existing industrial facilities. Funding could be allocated through a competitive process with 1 to 2 rounds per year.

The Government is interested in stakeholders' views as to whether the IDS should support a broader range of decarbonisation projects than the STS. Some possible design options that have been raised by stakeholders include:

- Supporting capital investments that reduce scope 2 emissions (e.g. grid supplied electricity) as well as scope 1 emissions.
- Supporting non-capital investments that reduce emissions such as process improvements to improve efficiency and productivity.
- Supporting relevant representatives (e.g. industry associations and regional groups) to develop emission reduction plans for sectors or regions.
- Supporting multi-facility or third-party aggregator projects that aid multiple facilities (e.g. projects to electrify common industrial equipment).

Given the breadth of eligible facilities and activities that the IDS could support, some stakeholders have suggested the IDS be split into multiple sub-streams to allow proposals to be compared like to like. Other stakeholders have suggested holding rounds targeting different regions, industries or decarbonisation processes.

Some stakeholders have suggested that the IDS should prioritise or be limited to specific regions. Given the challenges associated with demarcating regions for the purposes of determining eligibility, we are interested in stakeholders' views as to how this could work in practice.

Discussion Questions:

- 10) Should the IDS support both capital and non-capital investments?
- 11) Does a matched funding model work for the IDS? Should there be any exceptions?
- 12) Should the IDS offer grants or another type of financial incentive?
- 13) Would multiple, targeted rounds of funding support project development?
- 14) Would the development of IDS sub-streams benefit project development?
 - a) What categories of sub-streams should be considered?
- 15) What assessment criteria should the IDS use to select projects?
 - a) Should the assessment criteria differ from those proposed for the STS?
 - b) Should joint proposal for common use infrastructure projects be given priority?
 - c) Do SMEs and small-scale projects require additional support?
 - d) Should any specific regions be prioritised for the IDS?

Objective 2: Developing New Clean Energy Industries

The second objective of the PRF is to support the development of new clean energy industries in Australia. This will help contribute to Australia's emission reduction targets while growing the industries, jobs and export markets of the future.

The concept of a new clean energy industry covers a range of industries, including those that lower the emissions produced by existing industrial practices; support the generation, distribution or storage of clean energy; replace high emission processes with low or zero emissions processes; and otherwise support the transition to a net zero economy.

What we have heard so far

The feedback we have heard to date from stakeholders on supporting the development of new clean energy industry includes:

- Australia has a unique opportunity to use its competitive advantages to create world leading clean energy, low carbon resources and green metals industries.
- Many businesses are already moving towards clean energy industries such as green hydrogen, bioenergy, alternative fuels including sustainable aviation fuel, energy storage and firming, green metals, critical minerals, solar and wind.
- Existing Commonwealth, State and Territory funding measures are already providing significant and effective support for clean energy industries. PRF support should either target residual gaps or flow through existing programs.
- A one size fits all approach to supporting new clean energy industries is not appropriate. Every region, technology and industry has unique advantages and challenges. PRF support should target specific barriers and priorities. For example:
 - Australia's regions are at different stages of developing and implementing plans for decarbonisation and prosperity under net zero. In some locations developing a plan for net zero is the highest priority, while in other locations the priority is supporting implementation of an existing plan or accelerating investment already underway.

- The technologies required to support clean industries are at varying levels of readiness. Early stage, high risk and emerging technology projects require different forms of support to technologies that are approaching commercial readiness.
- Existing and emerging clean energy industries are at different stages of development. The financial support needed to accelerate industry growth is sector specific. For example, the incentives required to accelerate the hydrogen industry are different to those required by the offshore wind or green steel sectors.
- Investment is needed at the early-stage testing and demonstrating of different technologies as this is the highest risk stage. If these projects are not successful, the lessons learnt are still beneficial.
- Many of the barriers to investment in regional clean energy industries are not financial, but relate to land and planning, regulatory approvals, workforce skills and housing availability.
- Opportunities that onshore processes, reduce supply chain risks and enhance energy security and sovereign capability should be prioritised.
- Joint proposals and consortia projects with a focus on supporting common use and enabling infrastructure will help contribute to national targets.

Preliminary Design Considerations

To ensure the PRF most effectively supports the development of new clean energy industries, support would need to be bespoke and targeted, focusing on the opportunities and challenges faced by specific regions, technologies or industry sectors.

This approach would see different kinds of support offered depending on what will best accelerate the development of clean new energy industries and regional transformation. For example:

- Targeted support for a **region** could see the PRF support placed-based regional planning, investment attraction and workforce development in a defined geographical area.
- Targeted support for an **industry** sector could see the PRF support the development of a decarbonisation or growth plan, provide incentives for investment and stimulate demand.
- Targeted support for a **technology** could see the PRF support research and development, demonstration projects and public trials.

There is often a natural connection between regions, industries and emerging technology projects. For example, regions with high decarbonisation needs often seek out clean technology opportunities to support their decarbonisation ambitions and develop a new industries and workforces. Some stakeholders have suggested the PRF could help coordinate this approach across regions to reduce overlaps and repetition.

The Government is keen to hear from stakeholders not only whether certain industries and regions should be prioritised, but also what types of support and incentives would be most effective at accelerating clean energy transformations for these regions, sectors, and technologies.

The Government remains open to the suggestion from some stakeholders that PRF support for new clean energy industries be delivered through existing initiatives such as ARENA or alternatively a new program or initiative. We are interested in whether stakeholders consider there to be any significant gaps in the existing support for clean energy industries that could be addressed by the PRF or whether the best approach is to allocate funds to existing initiatives such as those listed earlier in this paper.

Discussion Questions:

- 16) Should support for the development of new clean energy industries be targeted towards specific sectors, regions, or stages of technology development?
 - a) How should regions be defined or delineated to provide clarity to applicants?
 - b) What forms of coordination and planning should the PRF support?
 - c) How can the PRF avoid duplicating existing coordination mechanisms in particular regions, industries and for particular technologies?
- 17) How can the PRF complement existing funding for clean energy industries?
 - a) Should PRF funds be allocated to existing initiatives? If so, please specify which ones.
- 18) What types of financial support should the PRF offer to support new clean energy industries? For example, grants, tax deductions, equity, concessional loans, subsidies, etc.?
- 19) How should the impact of PRF support for new industries be measured and assessed?

Objective 3: Workforce Development

The third objective of the PRF is to support regional workforce development so that the skills necessary to support decarbonisation of existing industries and the creation of new clean energy industries are available in the regions they are required. Many workers may need retraining and upskilling to take advantage of the opportunities created by decarbonisation and development of new clean energy industries.

What we have heard so far

The feedback we have heard to date from stakeholders on workforce development includes:

- There is workforce and skills shortage across many industries and regions that will impact on industry growth.
- Larger businesses are already integrating workforce development and upskilling into new projects and business plans. However, SMEs do not have the same capacity.
- Major decarbonisation projects and the creation of new clean energy industrial facilities do not happen in isolation, they create a network of suppliers, subcontractors and associated industries that work together.
- Workforce support could be linked to projects that contribute to decarbonising existing industries or developing new clean energy industries.
- In many regional areas social infrastructure such as housing, education and health care needs to be developed to support workforce participation and retention.

Preliminary Design Considerations

Based on preliminary stakeholder discussions, assistance for developing regional workforces could be directly linked to funding provided for the decarbonisation of existing facilities or development of new clean energy ones. The assistance would be tailored to the needs of the specific project and its workforce requirements. For example, all applications could be required to develop a workforce training and development plan.

Alternatively, some stakeholders have suggested that any support for workforce development should be limited to SMEs or be designed in a way that supports the growth of local businesses

and increases local employment opportunities in the clean energy supply chain. The Government is keen to hear more from stakeholders about what role the PRF could play in achieving this outcome. For example, stakeholders have noted that while many regions are experiencing skills shortages, 13 percent of local government areas report an unemployment rate double the national average. Projects that provide an opportunity for ongoing employment for local residents could be prioritised.

Discussion Questions:

- 20) What are the main challenges when it comes to workforce development?
 - a) Are you currently experiencing any skills shortages that impact your ability to develop or deliver a potential project?
- 21) How should the PRF support workforce development?
 - a) Should additional funding be offered to projects that deliver greater workforce development and participation?
 - b) Should workforce development be an eligibility requirement?
- 22) How should workforce development impacts be measured and assessed?
 - a) Should applicants be required to estimate the number of workers required for construction, maintenance and ongoing operation? How should temporary and permanent roles be compared?
 - b) Should applicants be required to identify the potential for existing workers and job seekers in the region to be engaged under their project?

Objective 4: Purchasing Carbon Credits

The PRF will fund the next Australian Carbon Credit Unit Scheme (also known as [Emissions Reduction Fund](#)) Auction, scheduled to be held by the Clean Energy Regulator (CER) in March 2023.

Australia's carbon crediting scheme offers landholders, communities, and businesses the opportunity to run projects in Australia that avoid the release of greenhouse gas emissions or remove and store carbon from the atmosphere. Participants can earn an Australian Carbon Credit Unit (ACCU) for every tonne of carbon dioxide equivalent emissions stored or avoided by a project. ACCUs can be sold to the Australian Government through a carbon abatement contract, or companies and other private buyers in the secondary market.

The Government appointed an independent panel to review the integrity of ACCUs in July 2022. The review's purpose was to ensure ACCUs and the carbon crediting framework maintain a strong and credible reputation supported by participants, purchasers, and the broader community. The Final Report of the Independent Review of ACCUs was released on 9 January 2023.

The panel concluded that the ACCU scheme arrangements are essentially sound, incorporating mechanisms for regular review and improvements. It found that after 11 years of operation there is room for further improvement. The panel made 16 recommendations to improve the scheme's operation building on the experience of implementing the scheme to date as well as international best practice.

Implementation of these recommendations will clarify governance, improve transparency, facilitate positive project outcomes and co-benefits, and enhance scheme integrity and

effectiveness. Collectively these will enhance confidence in the integrity and effectiveness of the scheme and ensure it continues to align with best practice.

The Government has accepted in principle all 16 recommendations made by the independent panel. The Government will work with stakeholders to implement the recommendations, including any associated legislative amendments. The panel recommended responsibility for purchasing ACCUs be moved from the Clean Energy Regulator to another Australian Government body. Implementing this recommendation will take time and requires legislative change. In the meantime, the Clean Energy Regulator continues to have legislated responsibility for purchasing ACCUs. As part of implementing the review, the department will consider the long-term role of the PRF in funding further ACCU purchases by the Commonwealth.

Further information on the Government's response to the Final Report of the Independent Review ACCUs is available at <https://www.dcceew.gov.au/climate-change/emissions-reduction/independent-review-accus>.

Next Steps

The Government welcomes feedback from stakeholders on any of the questions and issues raised in this discussion paper, this can be provided by emailing prf@dcceew.gov.au, submitted via the DCCEEW Consultation Hub, or raised directly during the consultation sessions scheduled for January 2023.

This consultation period will close on Friday 3 February 2023.

Respondents who wish their comments to be treated as confidential should note this in their submission. DCCEEW may publish all or part of any non-confidential submissions it receives.

Acknowledgement of Country

We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

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