

A DEFINING MOMENT FOR AUSTRALIA'S ENERGY FUTURE

Against a backdrop of rising living costs, energy policy has emerged as a central issue – both economically and politically.

Xodus' insights on energy, industry, and innovation ■

The date for the election is set: Australia will head to the polls for the next federal election on May 3, 2025 ▶

Focus on Australia / May 2025

While the two main parties on the ballot sheet, Labor and Liberal, are committed to reaching net zero emissions by 2050, there are fundamental differences in how they plan to achieve it. While the choice is less polarising than the one we saw play out in the US, voters still have a distinct choice on how they think Australia should manage its transition.

Labor's strategy: accelerating renewables, maintaining gas
The Labor Government, under Prime Minister Anthony Albanese, has placed renewable energy at the centre of its climate and economic agenda. Building on the Liberal Party's Offshore Electricity Infrastructure Act 2021, Labor has made significant progress in establishing a framework for offshore wind development. That includes identifying six offshore wind zones as priorities, opening five for licensing, and awarding licenses for three zones.

Moreover, through the Capacity Investment Scheme and Hydrogen Headstart Program there is additional support for the development of low-emissions technologies and infrastructure.

In 2024, the government also released the Future Gas Strategy, which reaffirmed gas as a key part of the energy mix in the medium term, aiming to provide certainty for investors and ensure supply stability.

Liberal's strategy: security through nuclear and gas
Opposition leader Peter Dutton and the Liberal Party are promoting a broader energy mix, with a strong emphasis on energy security and cost control.

This includes a proposed National Gas Plan, which would reserve up to 20% of east coast gas for domestic use to shield Australian consumers from international market volatility and address projected supply gaps.

There is also a commitment to establish a civil nuclear energy program, including power stations in seven locations across the country. This would represent a major shift in Australia's energy landscape and is framed as a long-term solution to rising energy costs and reliability concerns.

The Liberal Party has also signalled its intention to revoke licenses in three offshore wind zones – Hunter, Illawarra and Portland – suggesting a marked shift away from the current government and from offshore wind.

Teal Independents: continued focus on climate action
The Teal independents, who gained traction in the 2022 election by advocating for stronger climate action, remain a key force and it will be interesting to see how they perform this time around. Representing traditionally Liberal-leaning electorates, they are expected to maintain their focus on climate policy and transparency. In a potentially close parliament, Teal MPs could again play a decisive role in shaping the policy direction of the next government.

Moving beyond the politics
Political uncertainty plays a crucial role in shaping energy investments and developments in Australia, as it has in many other nations in the last year. Frequent shifts in policy, regulatory changes and election outcomes can create uncertainty for businesses, investors, and consumers.

As with every election of this scale, the result determines more than simply which party will form the next government; it will set a course for Australia, influencing the pace, shape and structure of the country's energy transition for years to come.

For all the progress that the world has made on energy transition, it is still a long way off where it needs to be. Learning from the last few years to accelerate Australia's energy transition needs to be front and centre of political agendas for the next term of government ■

KEY POLICY CONTRASTS AT A GLANCE



POLICY AREA	LABOR	LIBERAL
Net Zero Commitment	Yes (by 2050)	Yes (by 2050)
Energy Sources	Renewables, gas (offshore wind supported)	Nuclear, gas, renewables (excluding offshore wind)
Climate Focus	Strong public investment in clean energy	Emphasis on affordability and reliability
Role of Government	Direct funding and infrastructure support	Private sector-led, with reduced public spend



TAKING STOCK ON AUSTRALIA'S ENERGY TRANSITION AND CHARTING THE FUTURE

In a world where renewables have, in many markets, reached cost competitiveness with traditional energy sources, it is fair to state that the energy transition is underway. Demand for electricity is ramping up, particularly in Europe and parts of Asia. Global capital is flowing into low-carbon solutions, driven by corporate net-zero pledges. And as one of the world's traditional energy superpowers, Australia is naturally following suit, with policy frameworks signalling the intent of the nation to be net zero by 2050.

Technological progress continues to impress. We're seeing real traction in battery storage, digital grid solutions, and the early phases of a green hydrogen industry. These technologies are getting cheaper, more efficient and smarter; with its wealth of skills and natural resources, Australia is well-placed to be a global leader in this field. But for all the advances the nation has made in this area, it isn't without challenges. Key pieces of the puzzle are either missing or moving too slowly and the upcoming election represents a critical moment to reset and reaccelerate.

Underneath this positive momentum are cracks that threaten to slow the pace of transition. Policymakers are understandably hesitant to impose what might be perceived as additional costs during an election that will be fought on cost-of-living. But the reality is that the longer Australia doesn't set a clear course for action, the more expensive the necessity of transition will become.

The world's geopolitical instability has made energy security more urgent, not less. Clean energy is now tied to national

security, something Europe learned the hard way after Russia's invasion of Ukraine. Australia has a window now to get ahead of the curve. To do that, the next government must move from ambition to execution. Renewable energy development is being held back by red tape and a lack of coordinated planning – particularly around land use and transmission – which is leading to delay and inefficiency.

Australia doesn't need more pilot projects. We know what works, but what is lacking is the scale to meet targets. The next government must prioritise commercial deployment of proven technologies, from large-scale solar and wind to green hydrogen and battery storage.

A robust carbon policy is also essential to create binding decarbonisation targets for industry and clear market signals that reflect the real environmental cost of emissions. At the same time, Australia must find a way to maintain energy supplies while rapidly increasing commercial scale clean alternatives. Voluntary targets have taken us as far as they can. It's time for mandates on the use of low-carbon fuels in heavy industry, freight, and aviation.

Governments don't need to fund the entire transition, particularly during a cost-of-living crisis, but they do need to make it investable. That means using public finance to de-risk early-stage projects, provide credit guarantees and crowd in private capital. Such programs have already demonstrated potential, including Australia's Hydrogen Headstart and the Capacity Investment Scheme, but these need to be bigger and more accessible.

In uncertain times, the instinct is often to wait and to see how things play out. But the world won't wait for Australia to get comfortable. The next government will take us to the doorstep of our first real net zero commitment of 2030. According to the independent Climate Change Authority, Australia needs to cut CO₂ emissions by 15 million tonnes per annum each year for the next 6 years to make this target ■

OFFSHORE WIND – THE THREAT AND THE OPPORTUNITY

Offshore wind has emerged as one of the dividing lines between Labor and the Coalition and the outcome of the election will directly impact the future of the sector.

Despite economic headwinds, the offshore wind industry globally is continuing to make steady and strong progress. For Australia, the opportunity is immense. It has high wind speeds, deep water close to shore, and aging coal plants near prime offshore zones, as well as a world-class maritime sector looking for growth opportunities. But opportunity means little if it isn't seized and the warning signs are already flashing.

Offshore wind is capital intensive and logistically complex. Global supply chains are strained and inflation is pushing project costs higher. Meanwhile, aggressive auctions are driving bid prices down to levels that no longer reflect market realities. The result has been overseas project cancellations, investor retreat and a loss of confidence in markets that were once leaders.

Australia cannot afford to repeat those mistakes. Having arrived late to the offshore wind game, it should be smarter, faster and more deliberate. The next federal government must decide whether it learns from global missteps or mimics them.

Transmission remains a looming challenge and generation projects are outpacing the infrastructure needed to bring electricity to shore. Without a national strategy on transmission buildout for east and west electricity networks, combined with offshore grid planning, projects risk being stranded assets before they even begin construction.

There are also limited opportunities for offtake at the scale required to de-risk investment. Large-scale green hydrogen and industrial decarbonisation could fill this gap, but only with clear policy alignment and coordination from on high.

To turn promise into progress, the next government must deliver accelerated action. It must provide certainty, scale and structure. That means accessible auction design, stronger industrial strategies, technology standardisation and accelerated innovation. The Australian Energy Infrastructure Commissioner has warned that delays in approvals and lack of coordination are already jeopardising offshore wind timelines. The clock is ticking.

Offshore wind can anchor Australia's energy transition, create tens of thousands of jobs, and make the nation a clean energy exporter. It won't happen on its own, it needs active, deliberate policy, the kind only governments can provide ■