Australian Public Policy Institute

Policy Reflections

Three policy priorities for Australia's energy transition

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Introduction

Australia's transition from fossil fuels will reshape regional economies, industries and communities. Through consultations with researchers, practitioners, First Nations advocates and policy experts, APPI identified three recurring themes shaping the debate around Australia's energy transition.

The consultations highlighted the need for stronger regional governance coordination, greater attention to equity in transition design and more opportunities for community ownership and local participation in renewable development.

Across interviews and case studies, a consistent message emerged: Australia's transition challenge is as much institutional and social as it is economic or technological. The policy choices made now around governance, participation and regional investment will play an important role in shaping long-term regional outcomes and public trust.

Australia's shift away from fossil fuels is one of the most significant economic transformations the country has undertaken. The transition will reshape regional economies, energy systems, industrial policy, workforce planning and relationships with First Nations communities.

The transition is happening. The open question is whether Australia has the institutions, governance arrangements and social licence needed to manage it well. Over recent months, APPI spoke with researchers, regional practitioners, First Nations advocates and policy experts to explore how Australia can manage the energy transition so its benefits and costs are fairly shared.

> The pace of economic and industrial change is unprecedented, but governments are still operating at institutional speeds that struggle to keep up.
>
> Professor Richard Holden
> UNSW

Consultations surfaced three challenges repeatedly.

First**, transition governance remains fragmented and undercoordinated**, with limited regional capacity and insufficient long-term institutional continuity.

Second, **equity considerations are not yet embedded as a core design principle**, with uneven access to benefits and limited participation in decision-making.

Third, **community ownership and local agency represent a major opportunity to strengthen regional outcomes**, economic participation and public trust.

About this report

The Policy Reflections series draws together expert insights and emerging research from across APPI's work to support policymakers navigating Australia's major economic, social and institutional challenges.

This report summarises themes emerging from a series of APPI consultations on Australia's energy and industrial transition conducted in late 2025. Drawing on discussions with over a dozen researchers, regional practitioners, First Nations advocates and policy experts, it reflects on three recurring issues: governance coordination, equity and community ownership.

The report does not advance a single policy model. It reflects on how Australia might manage the transition in ways that strengthen regional resilience, participation and long-term public trust.

Authorship

APPI does not adopt an institutional view on specific policy issues. This report draws on a series of expert consultations conducted by APPI in late 2025 as part of its ongoing research into Australia's energy and industrial transition. The views expressed by individual experts are their own.

The findings and options of any APPI publication does not necessarily reflect the views of the Institute, its Board, funders, advisers or other partners.

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Governance coordination requires stronger regional capacity

Governance challenges surfaced consistently throughout APPI's consultations.

Australia's transition responsibilities currently sit across multiple federal and state portfolios, including decarbonisation, industrial development, workforce planning, infrastructure and social support. Coordination gaps between these policy domains came up in multiple conversations, particularly at the regional implementation level.

> Rebuilding state capacity is critical to achieving a faster and smoother transition. Responsibilities for decarbonisation, industrial development and social licence remain fragmented across multiple portfolios, preventing coordinated planning and delivery. At the same time, governments must help create new markets, but often lack the specialist expertise, institutional capacity and risk appetite this requires..
>
> Professor Elizabeth Thurbon
> UNSW

Institutions such as the Net Zero Economy Authority were widely seen as important steps toward greater national coordination.

However, several contributors argued that transition institutions will need clearer authority to work directly with affected regions: convening local employers, unions, councils and community organisations. This will require aligning workforce, infrastructure and industry plans in order to support communities before major closures occur.

Experts also emphasised that this work will require sustained funding over many years, rather than short-term project grants, if institutions are to build trust and maintain continuity.

> What drives successful transitions is setting up institutional and governance structures early, funding them in advance of closures and involving communities in the transition process.
>
> Dr Elianor Gerrard
> University of Technology Sydney

> Offshore wind projects will traverse Commonwealth, state, Native Title and local government jurisdictions, yet coordination across these governance systems remains limited.
>
> Associate Professor Tillmann Boehme
> University of Wollongong

Contributors pointed to international examples to illustrate what more coordinated approaches can achieve. In Spain, cross-sectoral agreements between unions, industry, academia and government have supported regional transition planning. Germany's extensive network of community energy cooperatives reflects long-term institutional support for local participation in energy development. Denmark's community ownership requirements similarly embed local economic participation into renewable infrastructure.

These examples were not presented as direct templates for Australia, but as evidence that transition outcomes are shaped by institutional design choices made early and maintained consistently over time.

Domestically, the Latrobe Valley Authority came up in several conversations as a comparatively successful Australian example because it combined dedicated funding, local leadership and operational autonomy to coordinate worker support, community engagement, economic diversification and regional planning after the closure of the Hazelwood coal power station.

Interviewees noted that timing matters: regional transition institutions are more effective when established before major closures or economic shocks occur.

This has direct implications for diverse regions with significant carbon-intensive industries, such as Gladstone, Mount Isa (Queensland) and parts of the Hunter Valley (New South Wales). While planning activity is underway in several transitioning regions, contributors identified ongoing challenges translating plans into sustained local action. Trust-building, institutional continuity and long-term regional engagement were repeatedly described as areas requiring greater policy attention.

One of the clearest messages emerging from APPI's consultations is that Australia may not need entirely new transition frameworks as urgently as it needs stronger regional capacity to coordinate the frameworks that already exist.

Equity must be treated as a core design principle

A second recurring theme concerned who gains from the transition, who absorbs its cost and who gets to shape outcomes.

Across consultations, experts emphasised that equity cannot be treated as a secondary consideration once major transition settings are already in place. Instead, they suggested equity needs to be embedded into program design, participation mechanisms and investment structures from the outset.

For First Nations communities, interviewees described the transition as presenting both significant opportunity and substantial risk. The Indigenous Estate spans approximately 60 per cent of Australia's landmass and includes considerable renewable energy and carbon sequestration potential. However, contributors expressed concern that First Nations participation in transition planning has often remained limited in scope.

Several interviewees suggested that participation pathways have often been limited to roles such as project employment, skills training, traineeships or contracting opportunities, rather than enabling First Nations communities to hold equity stakes, participate in project governance or shape decisions about land use, benefit-sharing and long-term regional development.

Many contributors identified Free, Prior and Informed Consent (FPIC), as outlined in the United Nations Declaration on the Rights of Indigenous Peoples, as an important framework for improving both process and long-term outcomes. Some interviewees also warned that opportunities for meaningful participation in the first wave of Renewable Energy Zones may already be narrowing as projects advance.

> Equity ownership offers a pathway to meaningful participation by providing both financial return and decision-making power.
>
> Joshua Gilbert
> UTS

> The people who were best positioned to benefit early in the Central West Orana Renewable Energy Zone were those with existing social, cultural and political capital, while many Aboriginal communities effectively missed the first wave of opportunity.
>
> Professor Heidi Norman
> UNSW

For lower-income households, contributors raised the uneven distribution of benefits from household electrification. Research suggests that uptake of solar, battery storage and electric vehicles remains concentrated among higher-income households, reflecting broader concerns about unequal access.

> Despite some improvements, the uptake of solar, battery storage and electric vehicles still remains concentrated among higher-income households, highlighting the need for electrification policies that are accessible across different socioeconomic groups.
>
> Dr Tom Longden
> Western Sydney University

Existing support mechanisms drew criticism on two fronts. Energy concessions were described as underutilised in some jurisdictions despite broader eligibility, while prepayment meters continue to operate under inconsistent regulatory arrangements across states and territories.

Several contributors suggested that program design in this area could better account for socioeconomic disadvantage through more targeted eligibility settings and delivery mechanisms.

Regional communities and workers represented a third major equity concern.

While Australia employs approximately 40,000 to 50,000 people directly in coal-related industries, contributors stressed that regional dependence extends well beyond direct employment figures. Local businesses, community organisations, service providers and regional identities are often tied closely to existing industries.

Several contributors drew comparisons to Germany's Ruhr Valley transition to argue that sustained investment and long-term institutional continuity yield stronger outcomes than reactive adjustment measures implemented after closures occur.

Transition policy cannot focus solely on economics. Social cohesion, institutional trust and community identity were described as equally important dimensions of successful transition management.

> There is a need to reframe energy policy discussions to focus on multiple outcomes, not only on decarbonisation or technology-focused outcomes. We need to value the broader social and health co-benefits that are often overlooked in existing program assessment frameworks.
>
> Dr Tom Longden
> Western Sydney University

Community ownership could strengthen regional outcomes

A third theme emerging across consultations was the role of community ownership and local agency.

Contributors repeatedly raised questions about who captures the economic value generated by Australia's renewable energy expansion and whether current policy settings provide sufficient opportunities for regional communities to participate directly in that value creation.

International examples again featured prominently in discussions. Germany's community solar cooperatives were cited as one model for enabling local investment in renewable infrastructure. Denmark's mandated community ownership requirements were highlighted as another approach that creates direct financial links between renewable projects and local economies.

One interviewee argued that majority regional ownership stakes in renewable developments could eventually generate sustainable local revenue streams and reduce long-term dependence on state transfers. Others acknowledged that such proposals remain contested and that Australia's regulatory settings, including centralised distribution arrangements and export constraints, currently present barriers to broader implementation.

At the same time, contributors pointed to examples demonstrating that local experimentation is already occurring. Community battery storage projects in the Northern Territory were identified as examples where negotiated exemptions enabled alternative ownership and governance arrangements to proceed within existing regulatory systems.

> What's often missing in transition policy is investment in community development and organising infrastructure, not just physical or economic infrastructure.
>
> Helen Masterton-Smith
> Charles Sturt University

> People don't live in sectors, they live in places. Transition planning that focuses only on industries misses the cumulative impacts communities experience on the ground.
>
> Dr Chantel Carr
> University of Wollongong

Experts also stressed that community ownership extends beyond financial participation. Anchor institutions, including universities, cooperatives and community organisations, are critical sources of regional capability during periods of economic transition. The Earthworker Cooperative in the Latrobe Valley was cited as one example of worker-led diversification, using existing industrial capabilities to support solar hot water and battery manufacturing.

Regional universities also emerged in consultations as underutilised transition institutions. Beyond workforce training and research partnerships, contributors argued that universities could play a larger role in community engagement, regional coordination and long-term capability-building. Regional universities already possess extensive local knowledge and trusted community relationships that remain insufficiently integrated into transition planning.

> Regional universities already hold decades of qualitative research and community knowledge, yet transition planning continues to reinvent consultation processes from scratch.
>
> Dr Chantel Carr
> University of Wollongong

These discussions point toward a broader policy consideration: regional communities are more likely to support transition processes when they are positioned as participants in governance, ownership and long-term economic development rather than only as hosts for new infrastructure.

Australia's transition will be shaped by policy design choices

The consultations conducted by APPI reflect both the scale of Australia's transition challenge and the depth of thinking already occurring across the research and practitioner community.

The themes identified here, namely governance coordination, equity and community ownership, do not point to a single national model. Contributors consistently acknowledged that different regions, industries and communities will require different approaches.

However, the conversations also revealed broad agreement on several points.

- **Act early.** Proactively managed transitions tend to produce better outcomes than reactive ones.
- **Build regional institutions.** Durable local bodies are what carry plans through political cycles.
- **Design for equity from the start.** Equity settings determine whether communities feel benefits directly.
- **Share ownership and decisions.** Local participation shapes long-term public legitimacy.

For policymakers, the central implication is that Australia's energy transition is as much an institutional and social project as a technological or economic one.

The decisions that governments make now around governance arrangements, participation structures and regional investment frameworks will play a major role in determining whether the transition strengthens regional resilience and public trust or deepens existing inequalities and institutional fragmentation.

APPI will continue exploring these questions and welcomes further contributions from researchers, practitioners, policymakers and community organisations working across Australia's transition landscape.

> Australia's energy transition represents a major economic and regional development opportunity, but realising its benefits will require stronger governance, long-term regional capacity and meaningful community participation.
>
> Dr Simon Wright
> Charles Sturt University

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Good public policy starts with evidence.

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