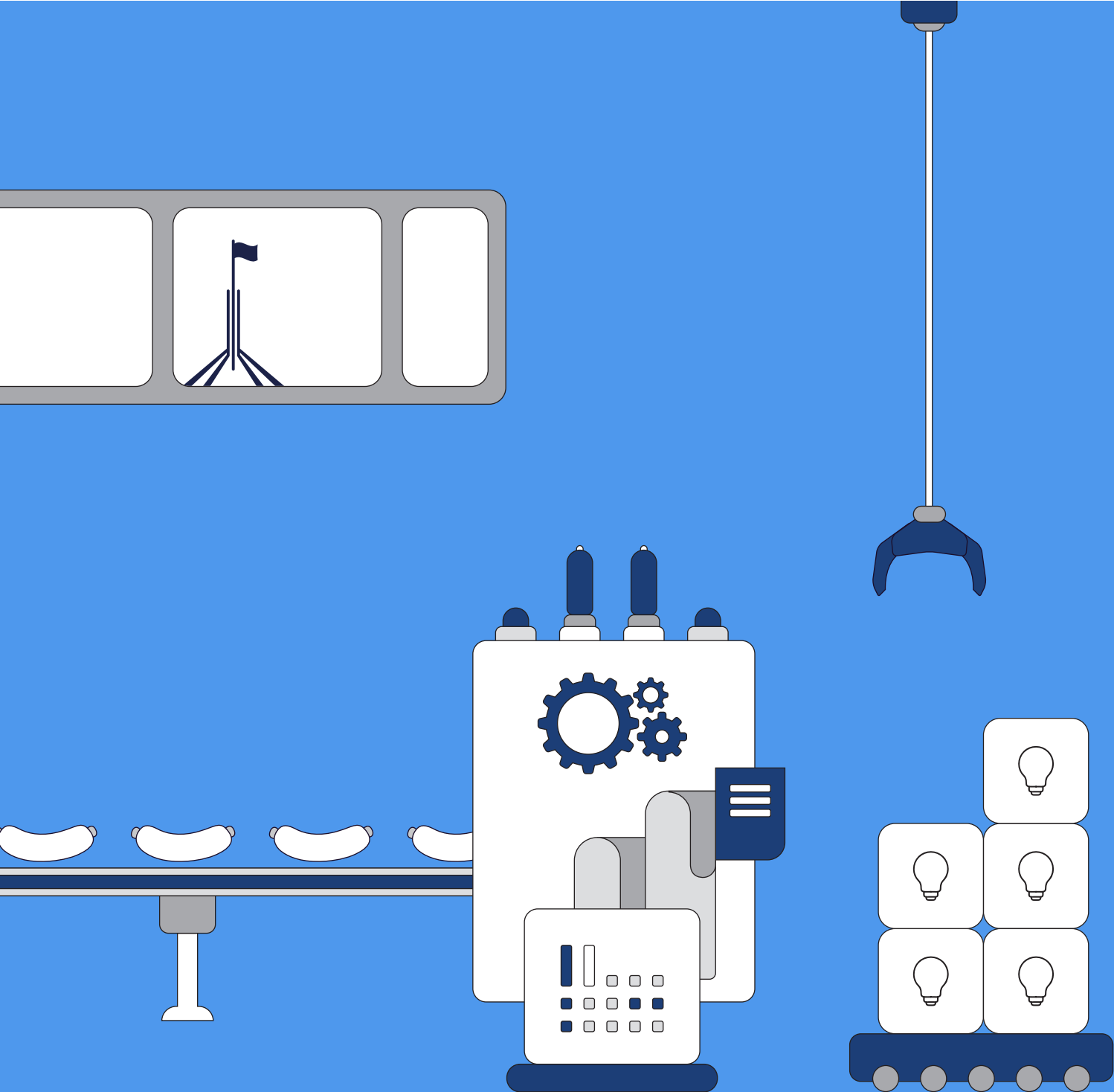


# How the Sausage is Made

Assessing Australian Policymaking Practices in the Energy Sector



# About us

## Blueprint Institute

Every great achievement starts with a blueprint. Blueprint Institute is an independent public policy think tank. The challenges our nation faces go beyond partisan politics. We have a once-in-a-generation opportunity to rethink and recast Australia to be more balanced, prosperous, resilient, and sustainable. We design blueprints for practical action to move Australia in the right direction. For more information on the institute please visit our website:

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The Mckell Institute is a progressive research institute dedicated to providing practical and innovative solutions to contemporary policy challenges. We produce regular policy reports and host events with thought leaders from business, government and civil society.

[mckellinstitute.org.au](http://mckellinstitute.org.au)

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We would also like to thank the experts who provided guidance on policymaking as part of our Advisory Panel for this report: Peter Shergold, Carol Mills, Jason Tabarias, Kate Griffiths, Martin Stewart-Weeks and Jim Round.

## Acknowledgment of Country

This report was written on the lands of the Karuna, Wurundjeri and Gadigal people. The Susan McKinnon Foundation, Blueprint Institute and Mckell Institute acknowledge Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas.

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# 1 Message from the CEOs

## Quality policy matters, now more than ever

Well-crafted policies underpin the prosperity and collective wellbeing of all Australians. Australia has many policy successes to look back on, liberalisation of our currency and independence in macroeconomic policy, success with health measures including such as mandatory seatbelts, world-leading smoking cessation and anti-speeding campaigns, anti-corruption bodies, compulsory voting, Medicare, liberalisation of our currency and independence in macroeconomic policy, gun buybacks and significant investment in early childhood education and care.

However, changes to the policymaking environment are challenging the development of great effective policy. A 24-hour news cycle, algorithms that create social bubbles, and the influence of social media, the complexity of current policy problems challenges, a rapidly changing global context, the proliferation of new policymaking tools and high expectations from stakeholders are headwinds for today's policymakers.

## We still produce great policy, but there are more policy "misses"

Australia is still capable of producing great policy, as our assessment of the South Australian Renewable Energy Target shows. However, we see still evidence of poor practices in policy development across all jurisdictions and governments. These include insufficient analysis of either the underlying root causes, or the proposed solutions, insufficient evidence in support of proposed approaches, and insufficient engagement with the voices of expertise, experience and delivery. These shortcomings frequently lead to inefficient or ineffective policy proposals, or policies that are easily overturned or are not well set-up for implementation and delivery.

## Policymaking is a collective undertaking

Policy is not made by politicians and public servants in isolation. This report shows how researchers, consultancies, industry and community groups, service delivery and private sector organisations, the media and accountability bodies all contribute to making public policy. Good policymaking is open, integrated and takes the best from this ecosystem to make generate policy proposals that are in the broad public interest. For this reason, the systems of policymaking – rather than individual policies – are the focus of our recommendations from this work.

## We want to shine a light on great practices, and what can be improved

The Susan McKinnon Foundation (SMF) has commissioned the Blueprint Institute and the McKell Institute to produce a series of reports on policymaking practices which:

- assess recent public policy process to provide insights into good practice and patterns of good and poor dimensions of policy development in Australia
- raise awareness of the importance of good policymaking and create opportunities for a media and policymaking ecosystem conversation on improving policymaking, and
- identify opportunities to improve cross-cutting approaches to policymaking to ultimately support a more prosperous and fair Australian society.

We hope this report, and the subsequent reports in this series that follow, provide a practical, rigorous and implementable contribution to lifting the quality of policy practices in Australia.

**Liana Downey, CEO**  
Blueprint Institute

**Ed Cavanough, CEO**  
McKell Institute

# 2 Executive Summary

## The energy sector is critical to the wellbeing of Australians and is going through major structural change

Australia's energy sector is facing a seismic shift, with the phase-out of coal and the integration of renewable energy sources transforming both Australia's energy landscape and economy. To rise to the challenge and meet Australia's bipartisan commitment to emissions reductions, large scale investment and fundamental changes in energy policy and systems are required.

Addressing these challenges is made more difficult by the complicated structure of energy policy governance and delivery in Australia, with responsibility inconsistently split between State and Commonwealth Governments and public and private provider. Given the high cost of inaction, there is an urgent need for a more coordinated, evidence-based approach to policymaking in the energy sector.

## Good policy processes are universal

This report is the first in a series examining the quality of policymaking processes across Australia. It brings together perspectives from two think tanks with different philosophical perspectives – the McKell Institute and the Blueprint Institute.

This report specifically examines the energy sector, combining research on key areas for improvement with five case studies of policymaking in energy. Each of the case studies is independently assessed and rated against the clearly defined criteria across five policymaking domains of the SMF Policymaking Assessment Framework (see Appendix 2) based on publicly available evidence.

There was strong consensus between our two think tanks on the quality of the policymaking process, demonstrating the objective nature of the assessment process, and strong alignment on what constitutes good policymaking practice:

- Across 80 criteria in the SMF Policymaking Assessment Framework (16 for each policy), the same rating was given in 85 percent of assessments criteria and similar ratings (only one level different) in the remaining 15 percent of assessments criteria
- This similarity also applies when the ratings are added up across the policies brought in under each major political party, with both organisations giving the same share of our total ratings to each political party.

This report and the others in the series to follow aim to provide tangible findings and recommendations to improve policymaking practice, and spark understanding and conversation on the quality and importance of good policymaking in Australia.

## Key areas for improvement and recommendations

This report identifies four areas of improvement and four recommendations on how to improve policymaking in the energy sector:

### Area for improvement 1: Lack of coordination resulting in different standards and approaches across jurisdictions

Australian energy policy is developed separately in each state and Commonwealth, leading to systematic issues hindering the efficient function of the Australian energy market, increasing costs and causing delays.

### Area for improvement 2: No systematic approach to identifying and sharing learnings and best practice across Australian jurisdictions and internationally

Without a shared evidence-base or consistent approach to assessing policy effectiveness, some states are needlessly grappling with issues that were addressed years ago elsewhere in Australia or overseas.

### Area for improvement 3: Regulatory mechanisms are no longer suited to rapidly changing context

In a regulatory environment designed during an era dominated by baseload generation, regulators are struggling to keep pace with increases in the volume of applications for new facilities and emerging issues in pricing and competition.

### Area for improvement 4: Disproportionate influence of industry lobby in energy policy agenda-setting and of industry in consultation

Disproportionate resources relative to consumers, young people, and other stakeholders, and opaque engagement and connections with government officials allow the energy industry to have an outsized sway on the development of energy policy.

### Recommendation 1: Improve transparency of energy policy decisions

Australian Energy Ministers should immediately publish businesses cases and supporting analysis of major State and Commonwealth energy policy and projects total investment on the Energy and Climate Change Ministerial Council (ECMC) website, or suitable equivalent public website.

### Recommendation 2: Improve energy sector governance (medium term)

In the medium term, Australian governments should collaboratively reform the governance of the Australian energy sector to enable:

- an explicit role for the States and interjurisdictional policy coordination
- representation for energy consumers (business and residential)
- intergenerational and long-term considerations
- standardised, public analysis of State and Commonwealth energy policy and project proposals
- a common data collection system for energy systems and independent evaluation of all energy policy and projects.

### Recommendation 3: Improve the breadth of consultation and engagement

Australian Energy Ministers should immediately develop and commit to shared principles for consultation and engagement on State and Commonwealth energy policy and projects based on best-practice, and report annually on self-assessed compliance with principles on all major energy policy and projects.

### Recommendation 4: Improve the regulation of lobbying

Australian governments should immediately adopt common minimum standards in regulation of lobbying, including by publishing office-holder diaries (such as ministerial diaries), expanding the scope of lobbying regimes to cover all forms of lobbying, including by companies, and ensuring that lobbying regimes are properly enforced.

# 3 Purpose of this work

## Percy Allan and the Evidence Based Policy Research Project

This program of work is inspired by the Evidence Based Policy Research Project (EBPRP), a series of reports on the quality of legislative public policymaking in Australia, between 2018 and 2022. The EBPRP was founded by the late Percy Allan AO and culminated in the introduction of a standing order requiring a Statement of Public Interest (SPI) in the New South Wales Upper House, which provides greater information on each policy process and holds policymakers to account for policy quality.

Like the work of the former EBPRP, this report brings together think tanks from different political persuasions to independently assess Australian public policy at the State and Commonwealth level, using a standard assessment approach to evaluate the quality of the policymaking process in Australia.

This report is a testament to Percy's dedication to public sector reform and the value of evidence-based decision making.

## The How the Sausage is Made series

This is the first of a series of reports commissioned by the Susan McKinnon Foundation (SMF) to examine the policymaking process in Australia. This first report focuses on the energy sector, bringing together two think tanks from different philosophical underpinnings.

Together, the McKell Institute and Blueprint Institute have undertaken research on the current state of policymaking in the energy sector, identifying good practices and key areas for improvement. This analysis has been supplemented with detailed reviews of five energy policies that span across jurisdictions (State and Commonwealth) and political parties (Labor and Coalition). After jointly selecting the policy case studies and public documentary evidence to base our assessments, each policy is then independently assessed against each sub domain within the five domains of the SMF Policymaking Framework. The combination of sector research and policy case studies leads to the series of findings and recommendations in this report on how to improve policymaking approaches in the energy sector.

### Highlighting both great and poor practices

The broader series of reports will provide insight into patterns of the good and poor dimensions of policy development, to identify key barriers to delivering quality policy. This supports a wider agenda on identifying and advocating for system level improvements to policymaking in Australia. The series seeks to raise awareness of the importance of good policymaking and spark conversation on the value of improving public policy practices to improve outcomes for Australians.

### The series focuses on policy processes rather than outcomes

This series focuses on policy processes rather than outcomes. While the analysis of policy outcomes is critical, target outcomes are not always clearly defined, or tracked, and can take an extended period of time to materialise, which make them practically more challenging to assess from public information. Understanding cross-cutting areas of consistently strong or poor policy practice on the other hand, will allow us to identify and advocate for system level changes to improve policymaking across sectors and levels of governments.

While this report does not deeply interrogate policy implementation and ongoing delivery, it does consider the degree to which ongoing policy iteration and implementation planning has been baked into policy development processes.

This work focuses on the policymaking ecosystem, not just the role of the politicians or public services. Acknowledging our constraint in working with public information, it also considers the role of industry, advocacy groups, citizens, service delivery organisations and researchers in the development of policy.

### A focus on system-level recommendations

The recommendations in this report focus on how to improve policymaking processes and governance arrangements, rather than those aimed at improving individual policy processes. While some of these recommendations relate directly to the energy sector, their broad themes target better policy development. They seek to draw on analysis of policy processes and existing work underway in the sector, rather than recommending technical energy specific changes.

# 4 Why energy policy matters

Australia's energy policy framework is complex, and influenced by Commonwealth, State, and international policy and legislation. For the purpose of this report, the energy sector encompasses Australia's interconnected and distinct electricity and gas markets. This includes the National Energy Market (NEM), the largest interconnected electricity grid in Australia, covering the eastern seaboard, South Australia, and Tasmania. Our work also concerns the Northern Territory and Western Australia, which operate separate electricity and gas markets due to their geographic and structural isolation.

The Australian energy sector is critical to the nation's wellbeing and economy, supplying essential services to households, businesses, and industries, while also supporting economic growth and energy exports. It is also a sector in flux. The scale and complexity of the sector—spanning diverse markets, stakeholders, and regulatory frameworks—also make it a compelling case study for effective policymaking.

### We are facing a seismic shift

The global economy is undergoing the most rapid shift in energy consumption and production patterns in the course of history. The scale of Australia's energy challenge is particularly significant, given our relative reliance on fossil fuels as both a source of energy and a source of export income. Achieving Australia's bipartisan commitment to reducing emissions year on year and reaching net zero by 2050 requires a seismic shift in the way energy is produced, stored and consumed. It requires a substantial amount of long-term infrastructure to be built in the next decade, with high costs both of action and inaction. Coordination is critical, nationally and domestically, yet on many key elements of energy policy, Australia's lack of bipartisan consensus in how targets should be achieved has created an environment of investment uncertainty. We are facing real energy supply challenges in key states as Australia's ageing coal plants come offline.

The phase-out of coal and the integration of renewable energy sources are transforming Australia's energy landscape. Australia's coal-fired power plants are ageing, with current forecasts anticipating the last coal-fired power plant will close in 2038. Coal accounted for less than 53 percent of Australia's energy mix in 2023, compared to 84 percent in 2000, and more than 30 percent of Australian households now have rooftop solar. The country's reliance on coal, which has historically been a cornerstone of its energy supply, is being rapidly diminished. This shift is necessary to align with global climate targets and Australia's own commitment to net zero emissions by 2050. However, it leaves significant gaps in energy supply that need to be filled by renewable capacity.

### Significant investment is required

The transition to a clean energy system necessitates substantial investment in new infrastructure, including renewable energy generation, transmission, and energy storage facilities. This comes at a time when Australia is facing historic construction labour shortages, and housing pressures. The costs associated with these investments are high, and the timelines are tight. For instance, the Australian Energy Market Operator (AEMO) estimates that half of the new transmission and upgrades to existing transmission needed by 2050 must be built in the next six years.

### Cost of action and inaction are high

The costs of transitioning to renewable energy are substantial, but the costs of inaction are equally severe. Delays in infrastructure development and regulatory approvals can lead to increased energy market volatility and higher costs for consumers. The costs of increasing adverse weather events, a consequence of temperatures increases that have already occurred, currently costs the Australian economy \$38 billion annually, a figure anticipated to climb to up to \$94 billion per annum by 2050. This represents a cumulative cost of \$1.35 trillion dollars between now and 2050.<sup>1</sup> These costs are direct costs associated with damage to property and infrastructure, as well as costs associated with lost income, health, and mortality impacts and rising insurance premiums. These costs have been rising dramatically over the last two decades. Actuaries have consistently (and accurately) forecast further acceleration in the rate at which the impact and cost of adverse weather events will increase.

### Coordination within the federation is not working

Understandably, Australia’s policy framework—which developed over the years, decades and centuries preceding the current and unprecedented changes to the energy environment—is struggling to keep pace. Australia’s energy policy framework is complex, and influenced by Commonwealth, State, and international policy and legislation. The policy framework governs the generation, distribution, retailing and consumption of energy, both electricity and other fuels, and its consequences are integrated into all aspects of a modern economy.

The Commonwealth largely has oversight of national policy objectives, and various regulatory bodies, focused on energy emissions, reliability, and price, while State governments typically have a greater role in managing and governing the generation, distribution and retailing of energy, with retailing of energy including via environmental planning and zoning in infrastructure, and through oversight of local government in these areas.

In addition to legislating national climate and energy objectives, the Commonwealth also oversees a number of independent statutory authorities that have varying roles related to Australia’s energy markets. These include:

Major Market Bodies			
Commonwealth Agency/Entity	Australian Energy Market Operator (AEMO)	Australian Energy Market Commission (AEMC)	Australian Energy Regulator (AER)
Statutory Role	Oversees the maintenance of the electricity and gas network under a number of legislative frameworks, including the National Electricity Law, National Gas Act, National Energy Retail Law, and various Western Australian energy laws. <sup>2</sup>	Sets the National Electricity Rules, National Gas Rules, and National Energy Retail Rules, while providing ‘market development advice to governments’. <sup>3</sup>	Ensuring consumers have reliable and secure energy markets, and that ‘they pay no more than necessary for energy to their homes and businesses’. AER has a price setting role for utility providers of gas and electricity.
These bodies collectively provide advice to Energy And Climate Change Ministerial Council — a body composed of Commonwealth and State ministers.			

1 Deloitte Access Economics 2021, [Special report: Update to the economic costs of natural disasters in Australia](#)  
 2 Australian Energy Market Operator 2024, [What we do](#)  
 3 Australian Energy Market Commission 2024, [Webpage](#)

Effective coordination across Australian jurisdictions and energy bodies is paramount in navigating the complexities of Australia’s energy transition. This paper will further discuss how the lack of regulatory unity and poor coordination have created ongoing challenges to the successful design and implementation of evidence-based, pragmatic, long-term energy planning.

### The way Australia’s energy is delivered is highly varied

Energy delivery and ownership across the country are highly varied, (see Table 1), with different approaches to privatisation across energy generation, transmission, and distribution. Victoria and South Australia’s energy supply chains are wholly privatised; Queensland, the ACT and NSW are a mix; and Western Australia, Tasmania and the Northern Territory’s energy publicly owned. As such, policymaking in energy is a mix of regulating state-owned corporations, regulating private industry (some of which operate within monopoly conditions) and managing complex retail markets. Further complications include the relatively recent (re)establishment of state government entities such as EnergyCo in NSW and the State Electricity Commission in Victoria which intervene in the energy market in various ways under the policy direction of states, for example to achieve renewable energy generation targets.

### Challenging investment environment

The lack of long-term bipartisan agreement on energy policy has created an uncertain environment for investors, hindering the development of new power generation projects. This political instability has made it difficult for companies to commit to large-scale renewables and infrastructure projects, with substantial impact on investment observed each time there has been a shift in government. As a result, Australia has struggled to attract the necessary capital to modernise and expand its energy infrastructure.

Addressing these challenges will require a coordinated effort from government, industry, and the public. Long-term, stable policy frameworks, significant investments in both renewable energy sources, storage and distribution infrastructure, and a focus on grid resilience and flexibility will be crucial in navigating Australia’s energy transition and ensuring a reliable, affordable, and sustainable power supply for the future.

4 Australian Government 2024, [International Climate Action](#), Department of Climate Change, Energy, the Environment and Water

### Influence of Australia’s international climate treaty obligations

Australia’s domestic energy policy is also influenced by Australia’s international treaty obligations relating to climate targets. On 10 December 2016, the Paris Agreement, an international climate treaty to which Australia is a signatory, entered force. Under this agreement, Australia is internationally obligated to pursue emissions reductions targets, and to provide emissions reductions commitments known as “Nationally Determined Contributions”. According to the Department of Climate Change, Energy, Environment & Water:

*“Australia submitted its first NDC to the UNFCCC in 2015. We submitted an updated version of this NDC in 2022. The update commits Australia to reducing its emissions to 43 percent below 2005 levels by 2030.”<sup>4</sup>*

### Energy is a fractious policy and political issue

Conversations and analyses surrounding Australia’s energy policy cannot ignore the fact that energy policy has been subject to intense politicisation over several decades. Throughout the 2010s Australia was unable to find consensus on a national level that sought a nonpartisan path forward on energy policy that recognised the needs to transition away from fossil fuels towards more sustainable energy sources. Numerous ambitious policies have been considered, debated and subsequently rejected by parliaments. At times, major legislation has been repealed. In this context, state parliaments across Australia have increasingly played a leadership role in driving long-term ambition on climate action, while ensuring energy systems remain reliable, efficient and affordable for Australian energy consumers. This report notes that the fractious nature of Australia’s national policy debate on energy has influenced policymaker appetite for reform.

As these contextual factors show, looking at the way that policy is made in the energy sector is not an academic exercise; it goes directly to the ability for our States and the Commonwealth to address major policy challenges of direct impact to all elements of the Australian community.

# 5 Areas for improvement

## 5.1 Lack of coordination resulting in different standards and approaches across jurisdictions

The energy sector is a challenging because there is not, and arguably never has been, a clear delineation of responsibilities between the States and the Commonwealth Government. In this context, inter-state and national coordination measures have historically been either non-existent or patchy. Across the country, this has resulted in a fragmented array of ownership structures, with differing and at times conflicting or even competing policy objectives, and different technical standards and approaches, even when state policy objectives have been aligned. The result is inefficiency for citizens, energy market participants and governments alike.

### Energy policy governance differs by state in Australia

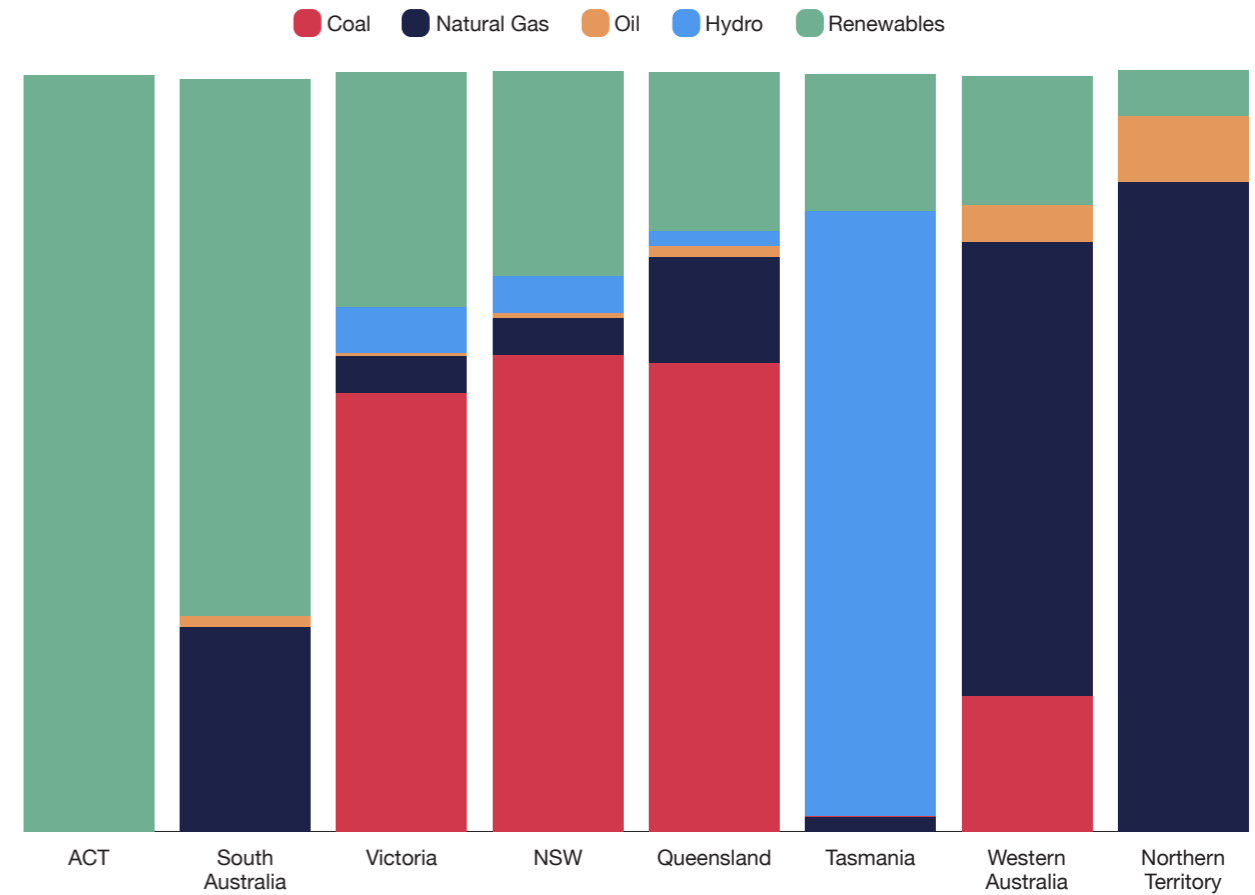
Australian energy policy was originally developed independently in each state. By the time of Federation in 1901 each of the six states had already begun developing their own electricity generation and distribution networks.<sup>5</sup> Despite national reforms over the years many vestiges of these separate origins remain, resulting in high degrees of variability in the ways energy is generated (see Figure 1), distributed, consumed, and regulated, driven both by local demand needs and supply options.

It was not until Snowy Hydro was completed in 1972 (23 years after commencement) that there was any interconnection between state systems. More than two decades would pass before the establishment of the National Electricity Market (NEM) in 1998 which connected the east coast of Australia from Queensland to South Australia, with Tasmania joining in 2006.<sup>6,7</sup>

However, even within the context of the NEM, laws and regulations concerning energy generation and distribution are unevenly applied across the country. The Australian Energy Market Commissions' (AEMC) authority covers the NEM – the eastern and southern states of Australia, as well as parts of the gas market and related retail energy markets. Laws under the National Energy Customer Framework, see Figure 2, have been fully adopted in Queensland, the Australian Capital Territory (ACT), South Australia, Tasmania and New South Wales (NSW). While Western Australia joined under the National Gas Law in 2010, there are limitations in their National Gas Access (WA) Act, and Victoria, Western Australia, and the Northern Territory have not fully adopted the National Energy Customer Framework.

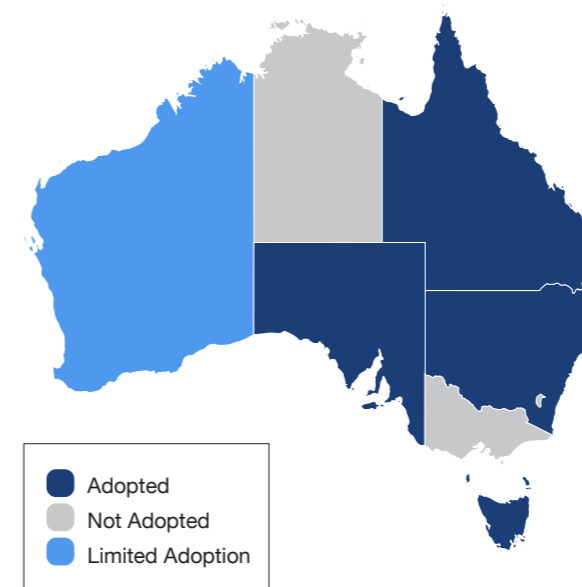
5 The International Conference on Large High Voltage Electrical Systems & the Association for the History of Electricity in France 1996, [A Dictionary on Electricity](#)  
 6 Australian Energy Market Operator 2024, [About the National Electricity Market \(NEM\)](#)  
 7 Beavis, L 2022, [Tasmania's link to Australia's National Electricity Market explained](#), ABC

Figure 1: Share of electricity generation by State (Percent), 2024



Source: [Department of Climate Change, Energy, the Environment and Water 2024](#)

Figure 2: Application of laws under the National Energy Customer Framework



Source: [Australian Energy Regulator, Energy Innovation Toolkit](#)

Ownership structures across the country are highly varied, (see Table 1), with different approaches to privatisation across energy generation, transmission, and distribution. Victoria and South Australia's energy supply chains are wholly privatised; Queensland, the ACT and NSW are a mix; and Western Australia, Tasmania and the Northern Territory's energy publicly owned.

In addition to inconsistent legislative and governance approaches, coordination mechanisms between states have been either absent or piecemeal. Today relevant bodies playing a role in the governance of energy markets and the coordination of the transition include:

- **The Australian Energy Market Commission (AEMC)**, is an independent statutory authority that makes the rules that underpin the NEM. It plays a role as a market development body, that provides advice to government. Although AEMC cannot propose rules, it can respond to proposals on energy market development. AEMC is also responsible for conducting reviews of energy market matters.
- **The Australian Energy Market Operator (AEMO)**, is a private company owned 60 percent by the Commonwealth Government and 40 percent by industry. It manages the day-to-day operations of wholesale electricity and gas

markets and develops the Integrated System Plan which “outlines the lowest-cost investment needed to make sure Australians have access to reliable, secure, and affordable electricity and meet Australia’s emissions reduction targets”.<sup>8</sup>

- **The Australian Energy Regulator (AER)** regulates electricity and gas networks and markets in all jurisdictions outside of WA, monitors market performance and compliance, and provides information to consumers. It also sets the “Default Market Offer”, a price cap also known as a “reference price” that energy companies can charge for the “standing offer” prices based on a set average usage amount. This reference price is designed to make it easier for customers to compare energy plans across different providers.
- **The Clean Energy Regulator (CER)** is an Australian government agency that administers schemes designed to reduce carbon emissions and increase the use of clean energy sources.

**Table 1: Generation, transmission, and distribution providers and ownership by state**

State	Generator		Transmission		Distribution	
	Public	Private	Public	Private	Public	Private
Victoria		AGL, Alinta, Origin, etc.		AusNet Services		CitiPower, Powercor, Jemena, AusNet Services, & United Energy Distribution
South Australia		AGL, Origin, etc.		Electra-Net		SA Power Networks
ACT		Contracted private generator		Trans-Grid	Evoenergy (govt)	
New South Wales	Snowy Hydro Ltd (government share)	AGL, EnergyAustralia, etc.		Trans-Grid	Ausgrid, Essential Energy (50.4% govt)	Endeavour Energy (49.6% private)
Queensland	CS Energy, Stanwell	CleanCo	Powerlink (govt-owned)		Energex, Ergon Energy (govt)	
Western Australia	Synergy		Western Power (govt)		Horizon Power, Western Power (govt)	
Tasmania	Hydro Tasmania		TasNetworks (govt)		Tas-Networks (govt)	
Northern Territory	Territory Gen.		Power and Water Corp.		Power and Water Corp.	

Source: Government and Company Websites, Blueprint Institute analysis

8 Australian Energy Market Operator 2024, [Integrated System Plan Fact Sheet](#)

The recently-established Energy and Climate Change Ministerial Council (ECCMC), is intended to provide national oversight and coordination, and develop national energy policy supported by the Energy Ministers Sub-Group, and established the 2022 National Energy Transformation Partnership which lays out key principles of agreement between the states.<sup>9</sup> These are early days, and it is not yet clear whether either entity has an appropriate mandate or resourcing to ensure joined-up, long-term, and efficient approaches to policymaking.

**Coordination challenges**

This lack of effective coordination between states, the Commonwealth and the key energy bodies has resulted in systemic issues hindering the efficient function of the Australian energy market, increasing costs and causing delays.<sup>10</sup> Examples include variability in technical standards between states driving inefficiencies, in turn reducing Australia’s appeal as a market for international players and investors; and competing state and Commonwealth policy objectives and approaches which create perverse incentives for manufacturers increasing the risk of economic dumping and other inefficient behaviours.

**Divergence of standards – Emergency Backstop Mechanism example**

The emergency backstop mechanism is a key example of lack of coordination. The mechanism was developed to help grid stability during periods where solar power generation is high, but demand for energy is low.<sup>11</sup>

In essence, an emergency backstop mechanism enables the remote deactivation of rooftop solar systems, to be used as a last resort if the grid is in danger of becoming overloaded. However, the technical requirements for this mechanism vary between states (see Table 2), without clearly articulated logic for the variances.

This fragmentation drives inefficiency— increasing costs and pushing out timeframes. This forces manufacturers and installers to produce and stock multiple variations of equipment to comply with different jurisdictional requirements, simply because states are not coordinating with each other.

**Conflicting policy approaches**

Lack of coordination around different policy approaches more broadly also creates perverse incentives for corporations. For example, inconsistent approaches across the states concerning the phase-out of natural gas (see Table 3), has led to claims of local or inter-state product ‘dumping,’ where companies exploit regulatory differences. For example, Jemena Energy was criticised for offering cash incentives to NSW and Victorian customers to switch their electrical appliances to methane gas, despite the push for a reduction in gas consumption.<sup>12</sup>

**Table 2: Emergency backstop mechanism requirements (Queensland, Victoria, and South Australia)**

State	System Capacity	Implementation Date	Key Technical Requirements
Queensland	≥10 kW	February 6, 2023	<ul style="list-style-type: none"> <li>• Generation signalling device required</li> <li>• Uses Audio Frequency Load Control (AFLC) network</li> <li>• Excludes inverters solely supplied by batteries</li> </ul>
Victoria	<200 kW	October 1, 2024	<ul style="list-style-type: none"> <li>• Internet-connected solar inverter required</li> <li>• CSIP-AUS compliant inverter</li> <li>• Stable internet connection needed</li> </ul>
South Australia	Dynamic export up to ≤ 10 Kw,	Implemented ~2020, updated July 2023	<ul style="list-style-type: none"> <li>• Remote disconnect/reconnect capability</li> </ul>

Source: [QLD Department of Energy & Climate](#), [SolarQuotes Blog](#), [South Australia Department of Energy and Mining](#), stakeholder interviews

9 Energy Ministers 2022, [National Energy Transformation Partnership](#)

10 Tamblyn, J 2008, [The State of the Australian Energy Market](#), AEMC

11 Queensland Government 2024, [Emergency backstop mechanism](#), Energy and Climate

12 Vorrath, S 2023, [Cash for gas: Networks offer rebates, cash bonuses to keep home fossils burning](#), Renew Economy



**Table 3: Gas consumption reduction and phaseout initiatives by state/territory**

State / Territory	Gas Consumption Reduction	Phaseout Incentives	Electrification incentives	Training for tradespeople	Ban on new gas appliances
ACT	Yes, full phase-out by 2045	Yes, financial support for switching to electric appliances. 100% renewable.	Yes, rebates and incentives for installing electric systems like heat pumps	Yes, with specific support for electricians and plumbers in new roles	Yes, new gas connections banned from 2023
VIC	Yes, gradual phase-out through Gas Substitution Roadmap	Yes, incentives to replace gas heaters, cooktops, and hot water systems with electric	Yes, rebates for energy efficient appliances, solar panels, and home upgrades	Yes, programs to upskill tradespeople for electrification work	Partial, no full ban but incentives to avoid new gas connections
NSW	Partial, focusing on commercial sectors	Limited, some pilot projects in commercial buildings	Yes, for energy-efficient buildings, including heating and cooking	Limited programs targeting electricians in retrofitting projects	No ban yet, focus on commercial projects only
SA	No significant statewide policy yet	Limited, small-scale support for electrification in some areas	Yes, incentives for solar and battery installation	No significant statewide initiatives	No
QLD	No significant policy yet	Limited, small incentives for appliance upgrades	Yes, some support for solar panels and energy-efficient upgrades	No major programs for tradespeople	No
WA	No significant policy on gas reduction	Limited, some renewable energy initiatives	Yes, incentives for energy-efficient buildings and appliances	No major programs for tradespeople	No
TAS	No significant gas phase-out plan	100% renewable	Limited, mainly focused on energy efficiency incentives	No major programs for tradespeople	No

Source: Blueprint Institute analysis, *The Fifth Estate*, *Renew Economy*, *Canstar Blue*

**Good practice**

Some clear examples of effective cooperation between states in the development of key priorities were observed, including South Australia’s 2007 Climate Change and Greenhouse Emissions Reduction Act, in which South Australia’s Premier explicitly sought to inspire other states as to what might be possible. The Act included a commitment to reduce emissions 60 per cent below 1990 levels by 2050 and increase renewable energy to 20 per cent of total electricity generation by 2014. The establishment of the Act was intended to position South Australia as an international leader on climate policy, to provide an overarching framework for other emission reduction efforts and offer a sense of certainty and continuity with regards to meeting the targets. The legislation also left room for compliance with national policies if they emerged, such as an emissions trading scheme.

In 2002 the Howard Government enacted a 2 percent renewable energy target. South Australia was early to capitalise on the investment opportunities created by the federal target and connected their first wind farm to the grid in 2004. The South Australian government was therefore optimistic of their chances of meeting a 20 percent renewable energy target by 2014.

**5.2 No systematic approach to identifying and sharing learnings and best practice across Australian jurisdictions and internationally**

Another issue for energy policy development is the absence of a systematic approach to identifying and sharing learnings and best practices across Australia and internationally. While this arguably remains an area for improvement across most Australian policy domains, energy policy lacks the tools, systems and processes in place in other policy domains. For example the National Health Data Hub, and the National Centre for Educational Statistics, and the National Transport Reforms Evaluation Framework are mechanisms for compiling, identifying and sharing evidence-based practices to improve outcomes in other policy areas.<sup>13,14,15</sup> However there is currently no equivalent Australian entity with responsibility for assessing the effectiveness of different policy approaches in energy.

13 Australian Government 2024, [Frequently asked questions](#), AIHW

14 Institute of Educational Sciences 2024, [National Center for Education Standards](#)

15 National Transport Commission 2023, [National Transport Reforms Evaluation Framework](#)

16 Potsdam Institute for Climate Impact Research (PIK) 2024, [What works: Groundbreaking evaluation of climate policy measures over two decades](#)

**Ineffective policy and higher costs**

There has also been a gap in the assessment and identification of best practices internationally, particularly with respect to reducing climate emissions. When it comes to energy policy more broadly, international examples are not always that informative – different countries have both unique needs and opportunities which can make comparisons more challenging, however every country is grappling with the question of how best to rapidly and cost-effectively reduce emissions and decouple economic growth from emissions growth. Despite this common interest, there has been a dearth of insight into policy effectiveness. The first recent such assessment, completed in 2024, reviewed more than 1500 national policies and revealed that many policy measures have failed to achieve the emissions reductions on the scale required to restrict warming to 1.5 degrees centigrade.<sup>16</sup> Indeed, only 63 policies, or 4 percent, of those reviewed, were identified as having been successful, each leading to an average reduction of 19 percent. The key characteristics of these policies were the inclusion of tax and price incentives.

The absence of cohesive planning has exacerbated capital and labour shortages, leading to higher input costs. The distributed nature of Australia’s renewable energy rollout—which is largely being driven by private domestic and international investment, means that Australia has relatively low buying power of solar and wind capacity, when compared to other jurisdictions like China, who are purchasing (and manufacturing) the key components of renewables build outs *en masse*. Public entities, competing with private companies for wind and solar equipment, talent, and services, face rising costs for procurement, warranties, and maintenance, all of which are outsourced and difficult to manage without a unified approach.

### Failure to share learnings

South Australia and the ACT have both been quite successful in managing an effective, bipartisan transition away from fossil fuels, with the ACT now generating all of their electricity from renewable sources, and South Australia, an average of 71 percent in 2024, including 24 operational wind farms (at the time of writing) built within the last 25 years.<sup>17,18</sup> Yet despite their experiences, learnings from their experience do not seem to have been applied in other Australian jurisdictions. For instance, states like New South Wales are now grappling with issues around community approval for energy projects—challenges that South Australia addressed years ago, thus highlighting the failure to learn from past experiences.<sup>19,20</sup>

Australia also missed opportunities to learn from good and bad domestic and international practice in the roll out of smart meters, including those in the ACT, Victoria, and international examples like Italy and Sweden.<sup>21</sup>

The Victorian experience shows what can go wrong—despite completing the rollout by 2015, the program was marred by high costs, outdated technology, and limited realisation of expected benefits.<sup>22</sup> However, countries like Italy had a well-planned market driven approach with both regulatory requirements and market incentive, and experienced both high adoption and significant energy efficiency gains.

One of the main benefits of smart-meters is the ability for consumers to better understand and manage their energy consumption — which leads to reductions in energy consumption and cost. In Victoria, smart-meters were typically installed in existing meter boxes or garages, without an in-home display option — something which was included as a part of the installation in countries like Italy and the UK to enable households to easily view and manage their energy consumption.<sup>23,24</sup> Other jurisdictions like the ACT and Tasmania have shown more promising results, with Tasmania achieving a smart meter

saturation of 79 percent by August 2024. However, the overall rollout across the NEM remains patchy, with states like NSW and Queensland still at around 30-40 percent penetration. The recent report from the AEMC on the regulatory framework for metering suggests a more consolidated effort to learn from these experiences, but states would arguably have benefitted from this type of analysis earlier on in their efforts.<sup>25</sup>

### Good practice

Despite the lack of consistent systems and tools to ensure that policies are regularly being evaluated and best practices identified and shared, some strong examples of this practice in the context of energy policy exist. One such example is the development of the 2011 Carbon Pricing Mechanism.

Before implementing the Carbon Pricing Mechanism, the government of the day charged the Productivity Commission with undertaking a study to evaluate the nature and effectiveness of carbon schemes in other economies. The Commission subsequently identified 1000 climate change policies in eight major economies including the US, China, Germany, India, Japan, New Zealand, South Korea and the UK. Existing policies in Australia were also reviewed. The results of this analysis helped inform the design of the carbon pricing mechanism.<sup>26</sup>

### Poor coordination has been costly for Australia

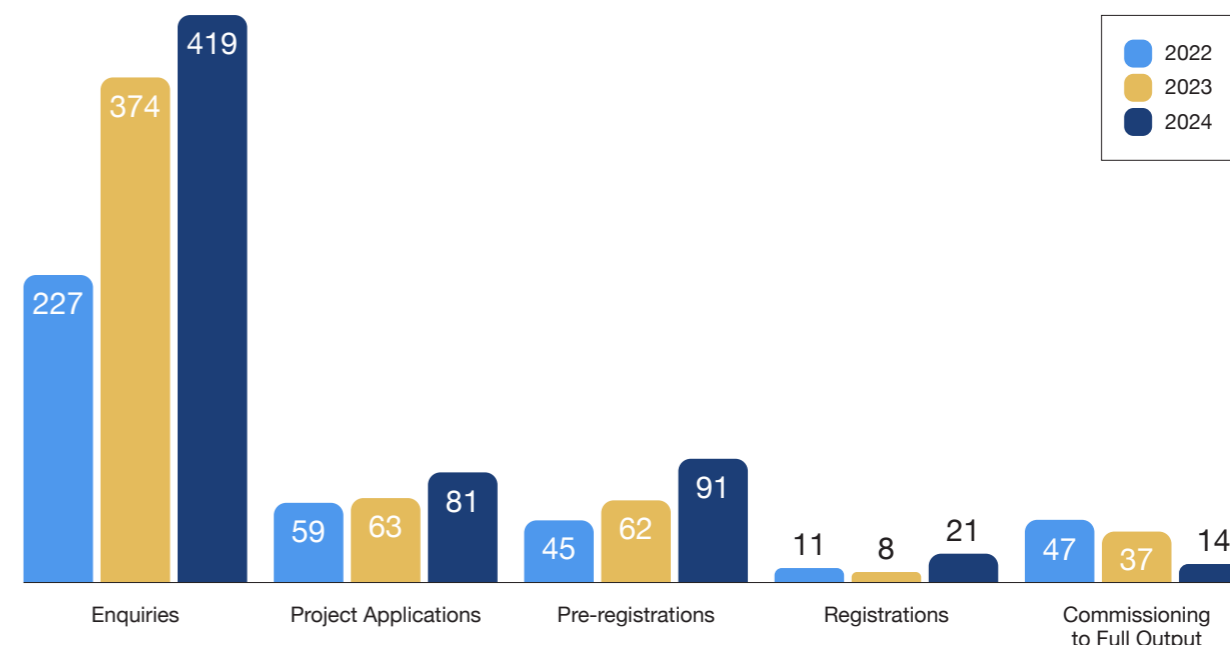
This lack of coordination has also resulted in unpredictable policy and market conditions, deterring investment and driving Australian dollars overseas. Aware Super—a major Australian superannuation fund—recently committed £15 billion to climate ventures in the UK, illustrating the value placed on stable and predictable energy frameworks by investors.<sup>27</sup>

### 5.3 Regulatory mechanisms are no longer suited to rapidly changing context

Energy regulation in Australia is managed by a complex web of federal and state agencies, with not all jurisdictions fully aligned. This fragmented regulatory framework has resulted in Australia suffering from stagnant, compartmentalised regulations that struggle to keep pace with the fast-evolving energy landscape.

The Australian Energy Market Operator (AEMO) is currently struggling to keep pace with the volume of project applications for new generation capacity. When it was founded, the AEMO would have been expected to evaluate a new proposal every five years or so, but now the agency is responsible for processing hundreds per year (see Figure 3). The unprecedented workload has caused AEMO's throughput to suffer, with only 14 project registrations approved in 2024 in contrast to the 419 enquiries received.

Figure 3: Enquiries, project applications, and registrations to AEMO (2022-24)



Source: Blueprint analysis, AEMO data (AEMO June/July scoreboards, 21-22, 22-23, 23-24)

The National Electricity Market (NEM), which was designed in an era dominated by baseload generation, is struggling to adapt to the rapid changes in energy production patterns. These evolving dynamics present a significant challenge in maintaining a stable and efficient energy system.

There are also increasing issues emerging with consumer pricing within the energy industry. EnergyAustralia (one of Australia's largest energy generators and retailers) admitted it had breached Australian Consumer Law in 2022, misleading 566,000 consumers about benchmark electricity prices, and was fined \$14 million (less than one percent of total profit). Other energy retailers such as CovAu, ReAmped, LPE and Dodo were also found guilty of related consumer breaches.

Across all states, residential customers faced effective prices that were 14 percent higher in 2023 than in 2022. Customers in NSW experienced the highest increase of 26 percent, followed by South Australia (14 percent), Southeast Queensland (10 percent) and Victoria (10 percent). Tools to enable comparison such as those offered by the government in “Energy Made Easy” or Victoria’s Energy Compare do not seem to be working effectively in driving consumers to switch providers to achieve better prices, given that almost 80 percent of residential customers could achieve a better offer if they switched to a competitively priced acquisition offer.

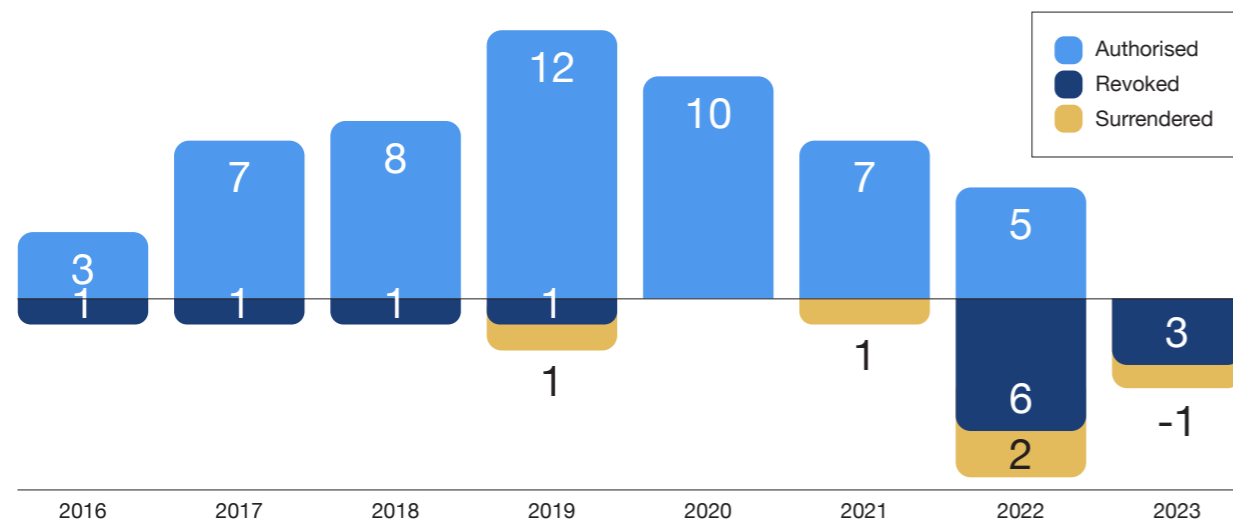
17 Government of South Australia 2024, [Wind farms in South Australia](#), Department for Energy and Mining  
 18 RATCH-Australia Corporation 2024, [About the project: Starfish Hill Wind Farm](#)  
 19 Monaghan, T 2024, [Phantom Dwellings in Australia: A Growing Barrier for Renewable Energy Projects](#), Australian Energy Council  
 20 Government of South Australia 2024, [Hydrogen and Renewable Energy Act](#), Department for Energy and Mining  
 21 Competition and Markets Authority 2016, [Appendix 8.5: What is the evidence from the international evidence of smart meters?](#), UK Government  
 22 Victorian Auditor-General's Office (VAGO) 2015, [Realising the Benefits of Smart Meters](#)  
 23 Piti, A, Bettenzoli, E, De Min, M & Lo Schiavo, L 2016, [Smart metering: an evolutionary perspective](#)  
 24 Smart Energy Great Britain 2024, [Smart meters: About the in-home display](#)  
 25 Australian Energy Market Commission 2023, [Final Report: Review of the Regulatory Framework for Metering Services](#)  
 26 Productivity Commission 2011, [Emission reduction policies and carbon prices in key economies](#)  
 27 Lowe, R 2024, [UK, Australian pensions team up to push government for clean energy changes](#), Real Assets

More broadly, it is not clear whether competition is really working in a way that benefits and protects consumers. Many energy retailers operating within Australia also own and generate their own energy (known as ‘gentailers’), granting them disproportionate influence on prices across the supply chain. Gentailers’ identify as both wholesalers and retailers, which has allowed these companies to bundle their generation and retail costs, often classifying them as unavoidable expenses for the consumer to bear. This consolidation of power is particularly notable in some states, with gentailers controlling 79 percent of the generation output and 65 percent of the retail load in NSW, 83 percent of generation output and 50 percent of retail load in Victoria, and 69 percent of generation output and 64 percent of retail load in South Australia. Holding such a significant market share further strengthens these companies’ ability to influence pricing and cost structures, ultimately impacting consumer energy bills.

The incidence of gentailers engaging in questionable pricing practices has been highlighted by the Australian Competition and Consumer Commission (ACCC)—with the lack of market competition being noted as a cause for concern. AGL Energy, Origin Energy, and EnergyAustralia are often referred to as the ‘Big Three’ of the energy retail industry, boasting a combined market share of around 70 percent of retail customers in the NEM.<sup>28,29</sup> Their market concentration has been further compounded by decreased competition from new retailers in recent years, with operator exits exceeding entrants since 2022 (see Figure 4).

Another emerging issue lies in the increasing number of customers who are obtaining their energy through the ‘embedded network market’—where energy is supplied to consumers not directly but via a private network, a set-up often found in multi-tenanted properties like aged care facilities or apartments with a jointly negotiated electricity deal. Individual energy customers in embedded networks are not able to switch energy providers separately to the rest of the customers in that network.

**Figure 4: Retailer exits (surrender or revocation of retailer authorisation) and retailer entry (grant of retailer authorisation), National Energy Market (excluding Victoria) (2016-23)**

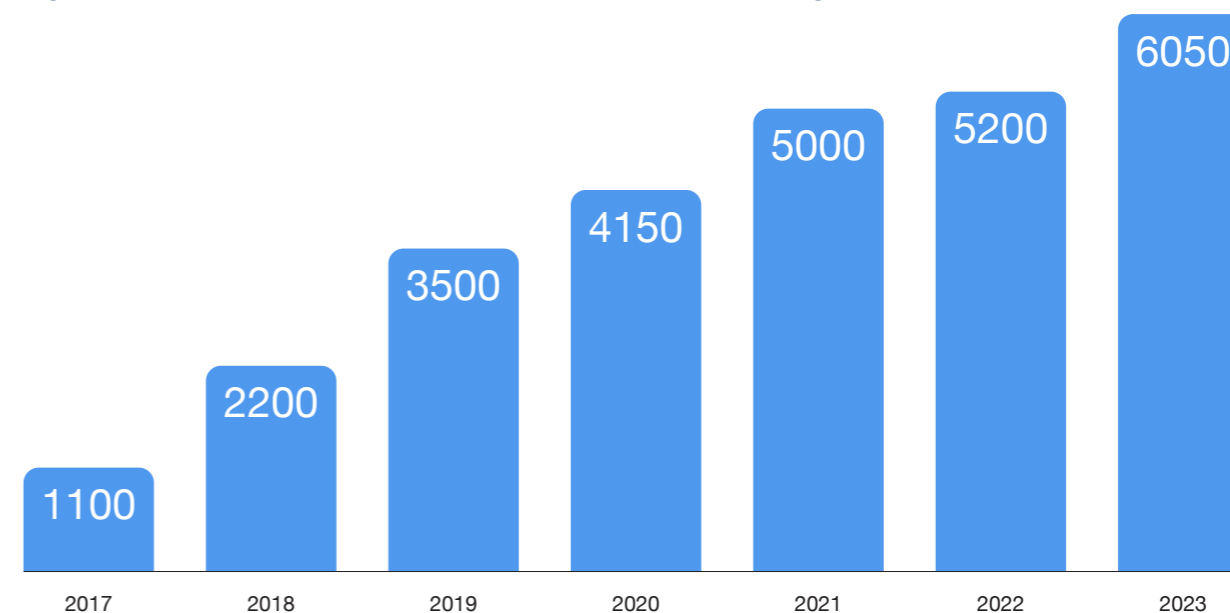


Source: Australian Competition & Consumer Commission

28 Australian Competition and Consumer Commission 2017, [Retail Electricity Pricing Inquiry \(Preliminary report\)](#)

29 Wrigley, K 2024, [Top 10 biggest energy companies in Australia](#), Canstar Blue

**Figure 5: Count of embedded network parent meters, all NEM regions, 2017–2023**



Source: ACCC, AEMO data, Blueprint Institute analysis

An inquiry by the Australian Competition and Consumer Commission (ACCC) found that the embedded network market lacks transparency, limiting the ability of policymakers and regulators to determine whether existing regulatory frameworks are functioning efficiently and in the best interests of consumers.<sup>30</sup>

These examples highlight the need for regulatory approaches that more closely match the rapidly changing needs of Australian energy consumers and producers. Australians are seeking affordable, zero-emissions and stable sources of energy. This requires a substantial overhaul of the current electricity production and consumption system, and these examples highlight a myriad of ways in which the current regulatory environment is not fit-for-purpose

#### 5.4 Disproportionate influence of industry lobby in energy agenda setting and industry in consultation

##### Balancing of stakeholder views in setting energy policy

It is widely discussed in the public domain that energy policy is among the most ‘lobbied’ of all areas of public policy.<sup>31</sup> Major resource firms with an interest in the consumption of fossil fuels within

Australia, in addition to other markets, have long pushed governments to moderate their climate ambitions with respect the transition to alternative forms of energy within the Australian market. Australia’s resources sector is vast, with a broad number of major players and their subsidiaries. Major energy firms, too, play an active role in corporate affairs and policymaking. Each of these firms are well resourced, sophisticated, and deploy cutting edge government relations strategies designed to ensure the viability of their sector and enhance shareholder outcomes.

The prevalence of lobbying in the energy sector (along with many other sectors) has further shown recent signs of increasing. Since 2020, the number of new registered lobbyists in the energy sector at a Commonwealth level has grown sixfold, despite no substantial change in registration requirements over the same period (Figure 6). Studies have shown that lobbying activity has an important link to trust in government. The OECD found that just 25 percent of Australians find it likely that the government would refuse a corporation’s demand that would benefit industry, but could be harmful to broader society.<sup>32</sup> This places Australia below the OECD average of 30 percent, making it the only public governance indicator in which Australia does not outperform the OECD.

30 Australian Competition and Consumer Commission 2024, [Inquiry into the National Electricity Market](#)

31 Toscano, N 2021, [BHP faces fresh calls to dump fossil fuel lobby groups](#), The Sydney Morning Herald

32 OECD 2024, [OECD Survey on Drivers of Trust in Public Institutions - 2024 results](#)

Not only are private and public firms influential in the debate over the future of the fossil fuel and energy sectors, but so too are unions and communities with direct stakes in local projects. Many employee representatives share concerns about the potential consequences of poorly planned transitions away from fossil fuels, particularly regarding job security, economic stability, and the preparedness of workers for new opportunities in a changing energy landscape.

Major resource firms in Australia do play a considerable role in the Australian economy, both as an employer and as a generator of royalties for state and territory governments. The dependence of state governments on resource royalties has further complicated the transition towards clean energy in Australia. Exports of these commodities and the associated revenues collected by the Commonwealth government contribute significantly to the Commonwealth budget.

This reality means that, irrespective of the direct engagement policymakers receive from the resources and energy sectors, it remains an objectively complex public policy task shifting Australia's energy mix from one largely dependent on locally extracted fossil fuels, to an energy mix largely fuelled by renewable energy.

Therefore, the outcomes, seen when it comes to the setting of energy policies cannot be considered solely as the result of influence or unrepresentative engagement of stakeholders, but also as a result of the actual complexity of the efforts to transition Australia's energy mix in a way that achieves carbon neutrality without undermining living conditions.

**Examining two lanes of influence:**

*Publicly available submissions and participation in hearings*

Many significant policy processes and reviews include public hearings. This occurs in all Australian parliaments. Major legislative and policy changes are almost universally preceded by rounds of consultation with the public and specifically key stakeholders. These processes are only usually avoided if the legislation is being enacted in an emergency situation.

The mere existence of a public hearings and consultation process, however, does not guarantee that adequate views are expressed to policymakers deliberating on key policies. The quality of those hearings effects their utility and their capacity to influence a policy outcome. Similarly, governments are not required to adhere to any feedback received through these processes, which is consistent with their prerogative as the elected decision makers.

But these dynamics mean that, even if a public hearing is skewed in a certain trajectory, there is not guarantee that it will influence or shape the policy. Further, hearings are usually run by Senate or Joint Parliamentary Committees, which are normally composed of a bipartisan grouping of parliamentarians. These Committees, however, usually have an overall composition that reflects the partisan divide of the parliament in which they sit. Committees usually result in a Committee Report that advances the government's pre-committee position on the issue, while containing a 'dissenting' report from the Opposition. Each of these reports within the Committee Reports are likely to amplify the supporting evidence that backs either the Government case for policy change, or the Opposition case for an alternative.

*Asymmetry of resources in public hearings means hearings are inherently imbalanced*

Another of the challenges associated with balancing stakeholder views in energy policy is the asymmetry of resources between resource and energy stakeholders, and other stakeholders, particularly young people, who have a lot at stake. Major energy and resource firms are well resourced. They are typically members of professional industry associations, that have a fulltime capacity to draft and present research findings to policymakers that rationalise their firms' priorities. And firms themselves have sophisticated government relations and research capacities which are deployed to shape both public opinion, and that of parliamentarians in state and federal parliaments. Entities on the 'other side' of the debate around climate and energy policy are usually much more poorly resourced. They are often charities or advocacy groups with limited internal capacities, or scientific organisations, which may be less sophisticated at engaging with the political and policy process than professional government relations specialists.

This asymmetry of resources creates a structural imbalance when it comes to the public energy debate. This is reflected in the empirical evaluation of the submissions available.

**Covert and more tangential access levers**

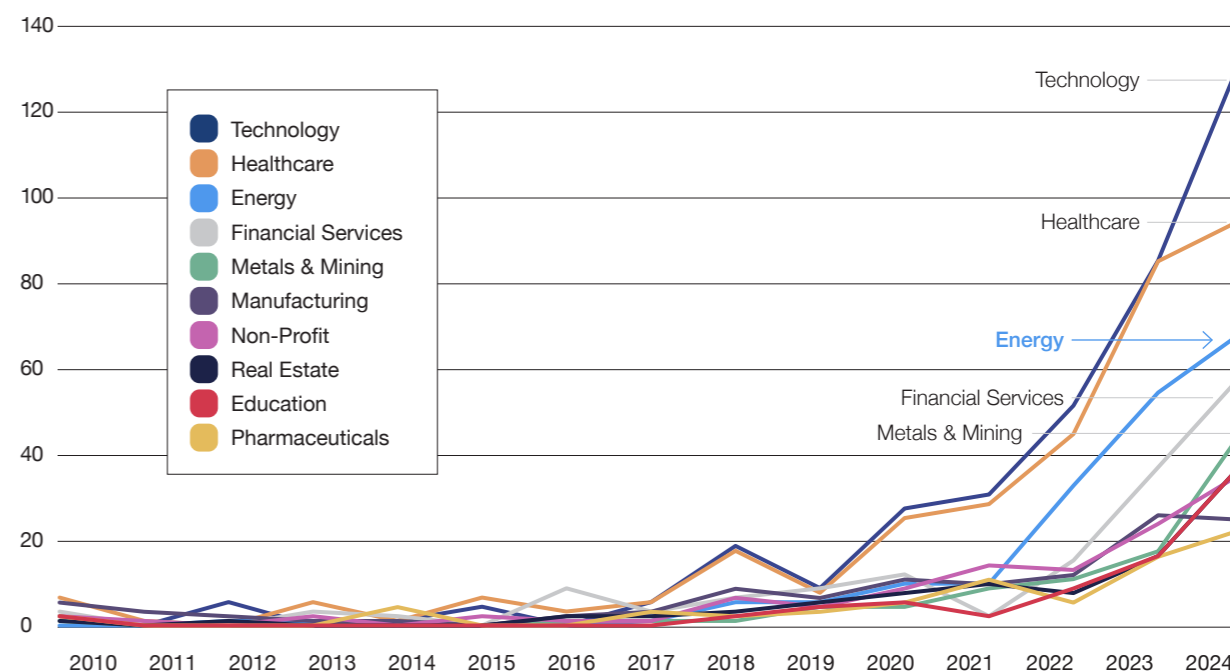
In addition to publicly available evidence of influence on specific policy processes, there is also the existence of inadequate transparency of stakeholder influence on energy policy. This is, by its nature, a challenge to empirically examine. Efforts to do so typically focus on the identifiable relationships between governments and private firms operating in the resources and energy sectors. These relationships are important to evaluate and suggest a closeness and flow of access between these private firms and government officials. The policy-specific influence of these interactions, however, is much harder to identify empirically. It is rare that evidence emerges of a specific interaction with an individual

firm and a Minister having a clear and evidenced outcome on a piece of legislation, though that isn't to say that doesn't occur.

*"Recent, extensive research mapping the employment history of former politicians over the last fourteen years revealed that of the total 38 current and former politicians with employment links to the fossil fuel industry, 23 regulated the industry as ministers for resources, energy, industry and trade."<sup>33</sup>*

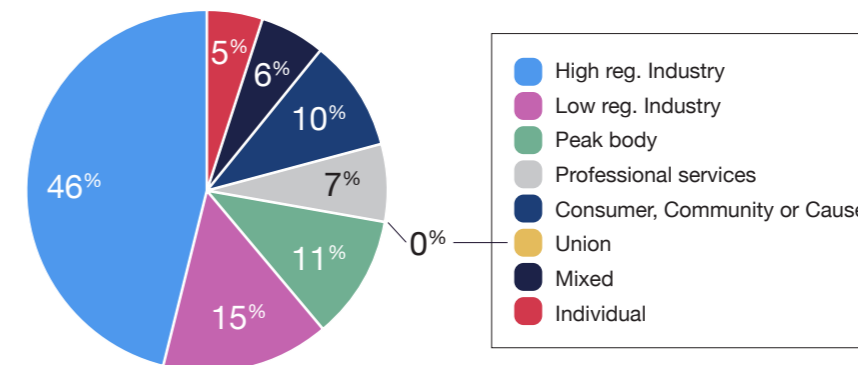
For this reason, while this analysis describes the nature of the relationship between policymakers and vested stakeholders within the energy space, it is unable to empirically determine a precise policy outcome associated with these relationships.

**Figure 6: New registrations of lobbying clients by industry/by year of registration**



Source: General Strategic analysis using AG Lobbying Register

**Figure 7: Share of external meetings with senior ministers (percentage)**



Source: Grattan analysis of clients on the Australian Government Lobbyists Register as at April 2018 (total clients = 1848).

# 6 Policy case studies in the energy sector

## 6.1 Our policymaking assessment process

### SMF's Policymaking Assessment Framework

This report relies on the Susan McKinnon Foundation's (SMF) Policymaking Assessment Framework to guide the analysis of policy processes. SMF developed the Framework based on research and advice provided University of Technology Sydney's Institute for Public Policy and Governance (IPPG), who were commissioned to develop a set of indicators of good practice in policymaking. SMF then worked with the Australian and New Zealand School of Government (ANZSOG) to refine these indicators into an assessment framework suitable for rating public policy processes based on information commonly available in the public domain in Australia. SMF's Framework reflects the best available insights and evidence from experts, thought leaders, practitioners and research and provides a flexible and broadly applicable method to assess policymaking.

### Aims of the SMF Framework

The SMF Policymaking Assessment Framework is intended to be used as both:

- a guide for policy practitioners to add rigour and check points during policymaking
- a tool to assess the quality of the policymaking process.

It provides a tool to measure and compare the quality of policymaking across policies and sectors.

The criteria accommodate the real complexity of policymaking processes and reflect the current realities and context within which policymaking is undertaken. They can be tailored for different policy problems and policy types and applied across sectors and levels of government.

The SMF Policymaking Assessment Framework and the detailed assessments on each policy referred to in this analysis can be found on the SMF website [www.susanmckinnon.org.au](http://www.susanmckinnon.org.au).

## 6.2 Summary of policymaking case study assessment ratings

### Comparison of ratings across our think tanks

#### Good policymaking is universal

The comparison of assessments from Blueprint Institute and the McKell Institute across five policy case studies highlights strong alignment, which speaks to the objective design of the assessment framework, alignment in the evidence assessed and supports the notion that the principles of good policymaking are universal and largely independent of political ideology.

Applying the SMF Policymaking Framework, which evaluates 80 criteria (16 per policy), both think tanks found identical ratings in nearly 85 percent of the assessments. In the remaining 15 percent, the ratings were only one level apart. Despite our think tanks' having different philosophical underpinnings, there is a strong shared understanding of the fundamental principles of effective policymaking.

This shared perspective validates the integrity of the assessment approach and highlights the universality of sound policymaking practices, offering a valuable foundation for constructive policy discussions across the political spectrum.

#### Good policymaking transcends political origins

The high level of alignment extends beyond individual criteria. When we aggregate the ratings across policies introduced by different political parties, both organisations gave an almost identical share of their total ratings to each political party. This indicates that the evaluations were based on the quality of policymaking processes rather than any political bias.

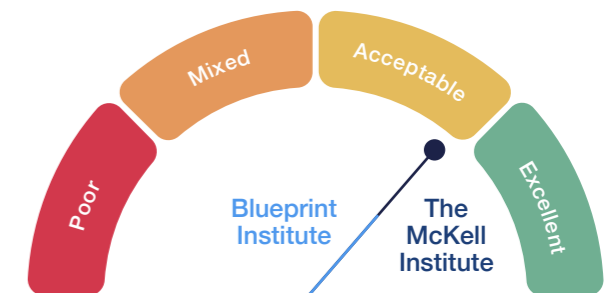
Overall, this analysis demonstrates the shared commitment of both think tanks to evaluating policies through rigorous and objective lenses. Despite differing ideological foundations, this demonstrates that good policymaking transcends political divides, with broad agreement on the criteria that define effective, evidence-based, and inclusive governance.

### Case study 1: South Australia's Renewable Energy Target (RET)

Jurisdiction	South Australia
Political party	Labor
Policy in operation	2007 – Present

#### Policy overview

The Climate Change and Greenhouse Emissions Reduction Act 2007 (The Act) legislated short- and long-term renewable energy targets in South Australia, making the state one of the first jurisdictions in the world to legislate a 2050 emissions reduction target. The Act also established the Premier's Climate Change Council (PCCC), an



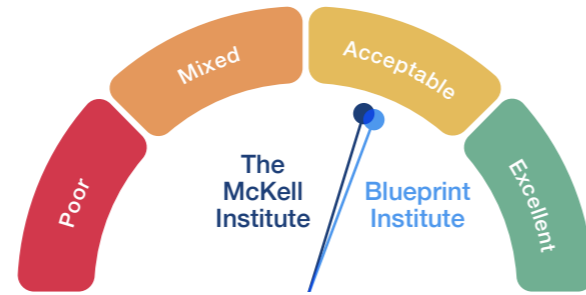
advisory body consisting of 7-10 members with the primary purpose of advising the Minister for Environment and Water about matters associated with reducing greenhouse gas emissions, alongside ongoing reporting on progress towards the policy target.

### Case study 2: Carbon Pricing Mechanism

Jurisdiction	Commonwealth
Political party	Labor
Policy in operation	2012 – 2014

#### Policy overview

The carbon pricing mechanism was legislated by the Clean Energy Act 2011 and required liable entities to pay a fixed price of \$23 per ton of carbon dioxide emitted (or equivalent amount for certain other greenhouse gases). The intention was for the carbon



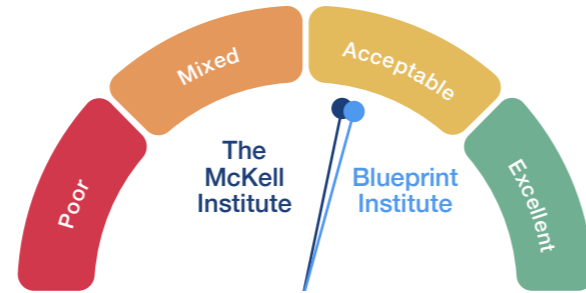
price to transition to a cap-and-trade emissions trading scheme in 2015, at which time the price would be set by the market. The Act was repealed in 2014 following the election of the Coalition Government.

### Case study 3: Australian Domestic Gas Security Mechanism

Jurisdiction	Commonwealth
Political party	Coalition
Policy in operation	2017 – Present

#### Policy overview

The ADGSM provides the government with the power to limit the export of Liquefied Natural Gas (LNG) in the event of forecasted domestic shortages, legislated through the Customs (Prohibited Exports) Regulation 1958. The ADGSM acts a measure of last resort to ensure grid and price stability, although it has never been activated (arguably the threat of activation is a sufficient incentive for gas producers and LNG exporters to ensure domestic supply).



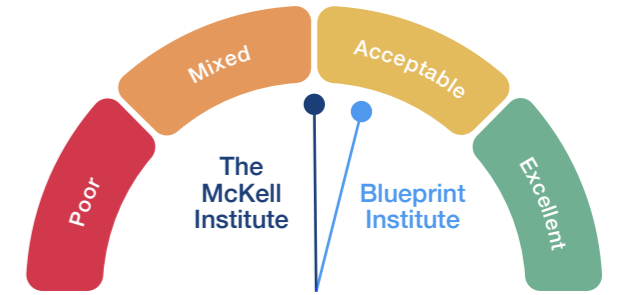
The ADGSM is supported by a non-binding Heads of Agreement (HoA) in which exporters commit to offering uncontracted gas to the domestic market before overseas customers. The ADGSM was originally intended to be a temporary measure to expire in 2023 but has been amended and extended until 2030. The HoA is in place until 2026.

### Case study 4: New South Wales Energy Infrastructure Roadmap

Jurisdiction	New South Wales
Political party	Coalition
Policy in operation	2020 – Present

#### Policy overview

The NSW Electricity Infrastructure Roadmap (the Roadmap) intended to ensure there is sufficient energy to compensate for retiring coal fired generation, aiming to attract \$32 billion of private sector investment by 2030 and reduce NSW's carbon emission by 90 million tonnes by 2030. The



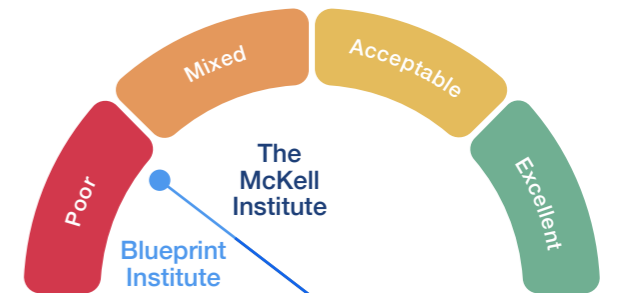
Roadmap is enabled by the Electricity Infrastructure Investment Act 2020 (EII) Act which identifies the entities and bodies responsible for delivering the Roadmap. The legislation was passed with bi-partisan support and the Roadmap has continued under the Labor Government elected in 2023.

### Case study 5: Gas-Fired Recovery

Jurisdiction	Commonwealth
Political party	Coalition
Policy in operation	2020-2022

#### Policy overview

The Gas Fired Recovery plan was produced to strengthen national gas supply and support economic recovery from COVID-19. It is supported by the National Gas Infrastructure Plan (NGIP) (which outlines priority gas investment projects) and the Future Gas Infrastructure Investment Framework (inviting private investors to submit proposal that align



with the plan). The government committed to developing an ongoing series of NGIPs, with a second report set to be delivered in 2022.<sup>34</sup> This did not eventuate following the election of the Labor Government in 2022, with the new government releasing their own Future Gas Strategy in 2024.<sup>35</sup>

## 6.3 Policymaking practices

This section showcases exemplary practices that can inspire policymakers and highlights areas of poor practice that offer valuable lessons for the energy sector and beyond. It aims to provide a concise overview of the most notable practices—both strengths and shortcomings—identified across the five domains of the SMF Policymaking Assessment Framework and the five case studies.

For a detailed explanation of the SMF Policymaking Process Assessment Framework and our scoring methodology, please refer to Appendix 2. To explore the assessment of each policy, see Attachment 1: Detailed Policymaking Assessments (separate document).

<sup>34</sup> Bogdanich, I, Birrell, S, Beresford, A & Martin, A 2021, [The Federal Government's 20-year gas plan – what's next](#)

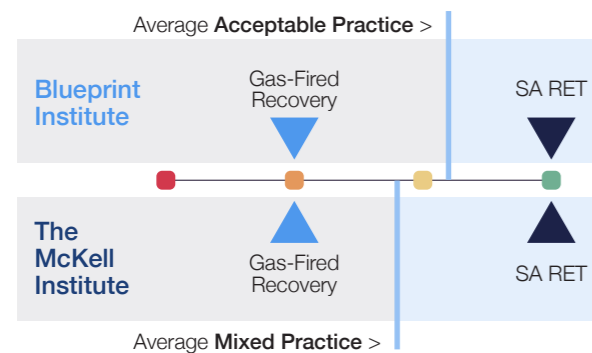
<sup>35</sup> Australian Government, [Future Gas Strategy](#), Department of Industry, Science and Resources



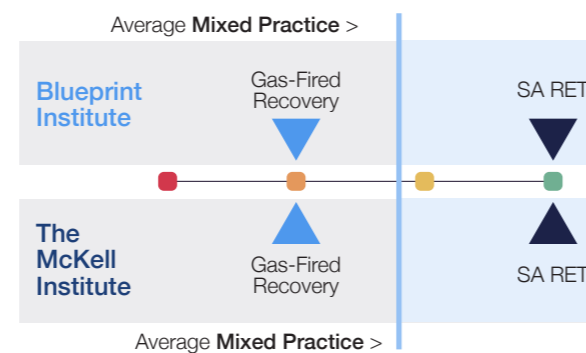
## Policymaking Domain 1 – Understanding the problem

**What good looks like:** Policymakers should clearly define the root-cause of the problem using a robust evidence base. They should acknowledge the context in which the policy is developed and clarify the costs of inaction to demonstrate that the proposed response is proportionate to the size of the problem.

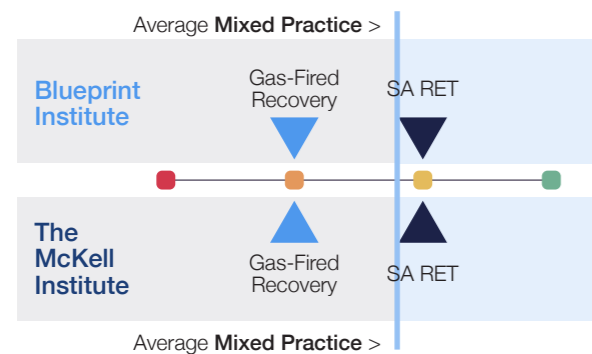
### 1.1. The policy problem and its drivers were effectively identified.



### 1.2. The policy context and its constraints were acknowledged.



### 1.3. The consequences of policy inaction were identified.



#### Overall performance: Mixed Practice

Overall practice in 'Understanding of the Problem' was mixed across our five case studies. Several case studies appeared to address the symptoms of a problem rather than addressing the root-cause. Motivating problems were often defined too narrowly, implying the solutions were pre-conceived. Policy processes often appear to have provided limited consideration to the context and constraints in which the policy was developed.



#### Strongest practice: South Australia's Renewable Energy Targets

South Australia's Renewable Energy Target policy process performed the best in 'Understanding the Problem'. We both agreed that this policy process was grounded in strong scientific evidence that clearly identified the risk of inaction. Scientific research and advice from the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and noted academics were actively commissioned by the government and used to inform the government's Tackling Climate Action Plan, and ultimately the legislation. The process sought to identify the root causes of climate change and South Australia's specific vulnerabilities, including the risk to key local industries, the ageing South Australian population, and water supplies. Commissioning scientific research on energy policy demonstrates a commitment to identifying and tackling the cause of an issue that was not often displayed in our other case studies.

One of the other notable highlights is the rigorous articulation of the policy problem and its urgency. For instance, in South Australia's Climate Change and Greenhouse Emissions Reduction Act (the Act), then-Premier Mike Rann framed climate change as a critical global threat, emphasising the role of carbon dioxide emissions as the primary driver. This clarity of purpose enabled policymakers to focus on actionable solutions, such as renewable energy targets and emissions reductions, which were both ambitious and achievable.

Additionally, the Act demonstrated strong integration of stakeholder insights and political vision. The government positioned the policy as a model for other states and territories, aiming to inspire broader action on climate change as well as advocate for more ambitious climate commitments at the national level. The policy also linked local action to global imperatives, inspiring other jurisdictions to adopt similar frameworks.



#### Weakest practice: Gas-Fired Recovery

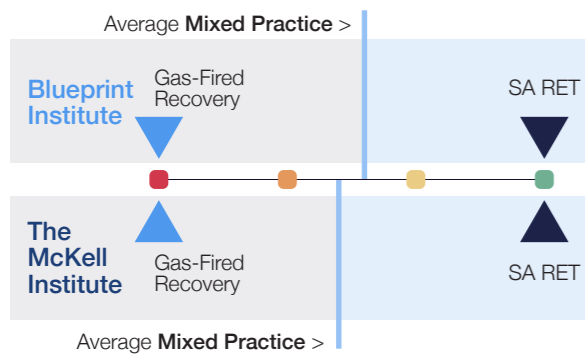
The Commonwealth's Gas-Fired Recovery process performed poorly in 'Understanding the Problem'. While there was evidence of the problem in a forecasted shortfall in gas supply, the process failed to identify other drivers of the problem such as consumption trends and alternative energy options. Policymakers had too narrow a focus on short-term gas supply, and we were unable to find evidence of consideration of the broader context of the energy market and regulatory environment or empirical evidence to substantiate the claim that increased gas exploration would have a direct result on energy affordability. While the policy identifies some of the complexities of securing new infrastructure projects, we could find no evidence of deeper exploration of the regulatory or financial constraints that could limit the feasibility of large-scale infrastructure in the current landscape. The consequence of policy inaction was weakly defined, and we found no evidence of consideration of the long-term policy effects.



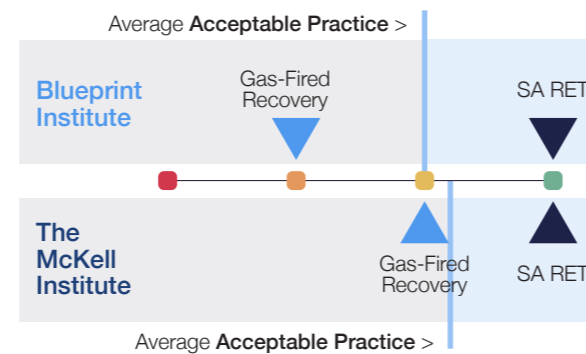
## Policymaking Domain 2 – Engagement with stakeholders and partners

**What good looks like:** Policy design should involve inter-departmental and interjurisdictional collaboration and engagement with experts across service systems and industry. A breadth of stakeholders should be identified and consulted, and engagement should be both early and ongoing. There should be evidence on planning for delivery and implementation, including considering multiple delivery options. Engagement with stakeholders should be based on how and to what extent their interests are likely affected by the policy.

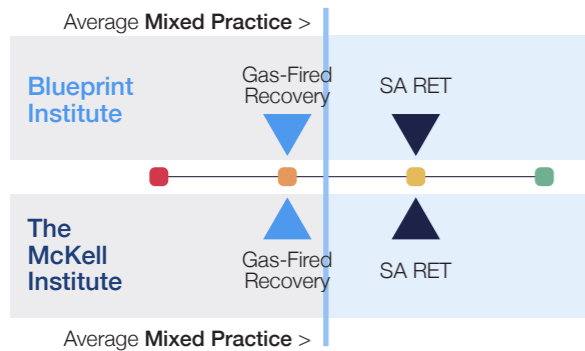
### 2.1 Policy design was based on broad-based engagement and joined-up problem-solving.



### 2.2 Policy implementation was considered.



### 2.3 Stakeholder feedback was considered in policy design.



#### Overall performance: Mixed Practice

Overall practice in ‘Engagement with stakeholders and partners’ was again mixed across our five case studies. Several policies appear to have disproportionately weighted engagement towards industry bodies, with limited attempts to engage with environmental bodies or represent the voices of the communities effected by policies. Nonetheless, it’s important to note that the length and depth of consultation can be linked to the urgency of policy.



#### Strongest practice: South Australia’s Renewable Energy Targets

Our analysis highlighted South Australian Renewable Energy Targets consultation process as the strongest example of practice in engagement for design and delivery, with two of three criteria rated as ‘Excellent practice’. There was a long period of consultation of over three months, with consultation material distributed to over 3000 stakeholders. Importantly, the community (through community surveys) and scientific experts appear to have been actively consulted to inform legislation. Of the five policy cases we assessed, this appears to demonstrate a good example of active outreach to a diverse and comprehensive set of affected parties beyond industry. Valuably, the Act also legislated government obligation for continued engagement with business and community groups through the Premier’s Climate Change Council (PCCC). This indicates a commitment to reporting on performance and iterating implementation in the delivery of the policy. Transparency was another hallmark of the South Australia’s engagement process. Clear communication channels were established, with stakeholders regularly updated on the policy’s progress and decisions. Policymakers also provided detailed feedback to participants, explaining how their input had influenced policy outcomes. This feedback loop not only reinforced trust but also encouraged greater participation and collaboration.



#### Weakest practice: Gas-Fired Recovery

In our assessments, the Gas-fired Recovery policy process demonstrated poor practice in consultation and engagement, with the manufacturing taskforce that informed initial policy design heavily weighted towards gas interests. One of the most glaring issues was the narrow focus of the stakeholder engagement. The process heavily prioritised industry stakeholders, particularly those with vested interests in the gas sector, while largely excluding environmental groups, community representatives, and advocates for alternative energy solutions. For example, submissions from environmental organisations and research groups, which raised valid concerns about the policy’s alignment with climate goals and its potential to divert resources from renewables, were neither adequately acknowledged nor visibly incorporated into the policy framework. This exclusion reinforced the perception that the process was skewed toward supporting entrenched gas interests rather than fostering a balanced and inclusive discussion about Australia’s energy future.

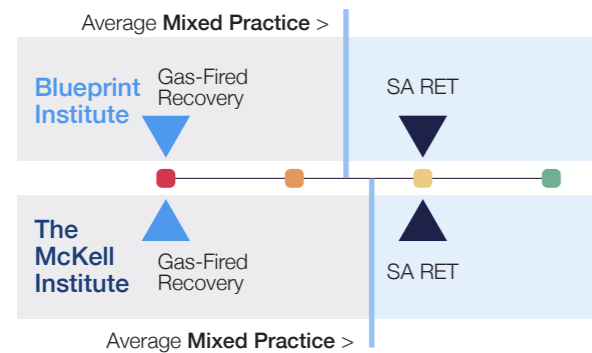




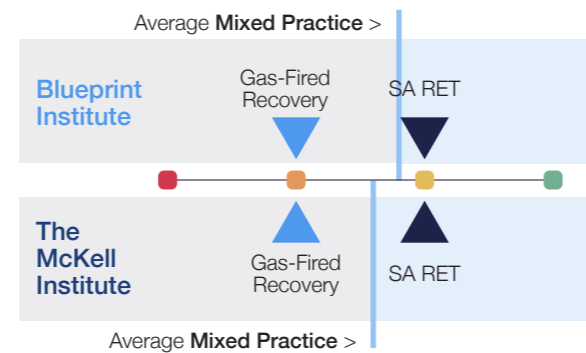
### Policymaking domain 3 – Outcomes focus

**What good looks like:** Policymakers should formulate measurable short- and long-term policy outcomes and clarify how these will be measured and by who, as well as pathways for future refinement. Consideration should be given to policy implementation, including engagement with those responsible for delivery, and a clear delineation of the actors/agencies accountable for implementation. Possible indirect impacts and communication risks should further be identified.

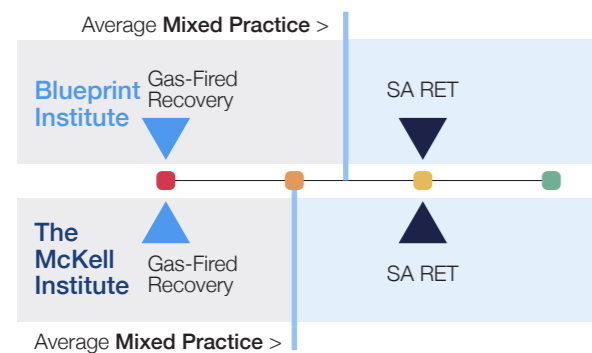
#### 3.1 Measurable intended outcomes of the policy change were defined.



#### 3.2 Implementation testing was demonstrated.



#### 3.3 Risks associated with the policy change were identified and mitigated.



#### Overall performance: Mixed Practice

Overall practice in 'Outcomes focus' was again mixed across our five case studies. There was evidence of clear and measurable targets being defined (particularly for South Australian RET, NSW Energy Infrastructure Roadmap and ADGSM), however even when there were sound targets, there appears to be limited reference to who is responsible for the ongoing tracking of outcomes. Policies appear to have consistently failed to give due consideration to potential risks and indirect effects of the policy, with a consistent focus on short rather than long-term outcomes.



#### Strongest practice: South Australian Renewable Energy Targets

Both our assessments found that South Australia's RET offered the clearest articulation of outcomes. The Act clearly identified short-and-long term goals, including reaching 20 percent renewable energy generation by 2014, and a greenhouse emissions reduction of 60 percent below 1990 levels by 2050. The Premier's Climate Change Council (PCCC) is charged with providing guidance and supporting the implementation of the Act. The Act importantly also incorporates specific review mechanisms – the PCCC published an annual report, the Minister provides a report to Parliament every two-years, and the Act is reviewed every four-years. Nonetheless, subsequent reviews of the Act have identified gaps, with lack of specificity on measuring and reporting on progress of short-term milestones. Clearly defined review periods appear to have enabled valuable opportunities for iterative design and continued engagement with front-line workers and industry stakeholders on delivery. During debate on the legislation there was clear consideration of the economic risks of a transition to a low-carbon economy, with policymakers seeking to communicate the Act's long term environmental and economic benefits while recognising immediate feasibility concerns.



#### Weakest practice: Gas-Fired Recovery

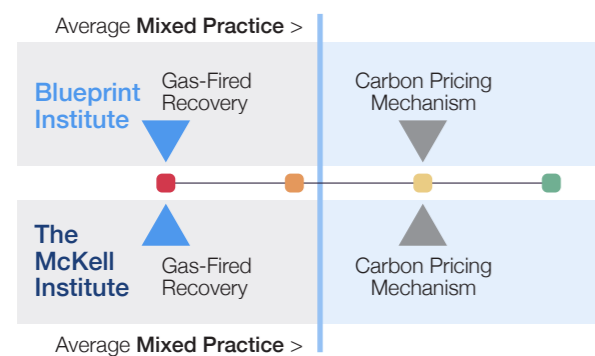
The Gas-Fired Recovery process again proved a poor performer in both our assessments in this domain. The policy aimed to reinforce Australia's gas supply, whilst boosting regional employment and spurring economic growth, but provided little quantifiable targets to track progress or assess outcomes. This appears to be a critical shortfall of the policy which severely limits government's ability to assess whether the policy effectively meets its objectives and make informed assessments about the ongoing merit of gas infrastructure subsidies. The policy also did not appear to give due consideration regarding how increased gas exploration may negatively affect emission reduction targets, or the implications posed by carbon tariffs in overseas markets. Policymakers also do not seem to have considered the potential for the gas fired recovery to negatively affect reductions in renewable energy investment. Despite concerns about these broader effects raised during consultation, we can find no evidence that they were responded to in a meaningful way. Additionally, our assessments suggest that the policy did not outline or provide mechanisms to ensure that the benefits of increased gas exploration are passed on as savings to consumers. This apparent failure to provide measurable outcomes or address the repeatedly raised unintended consequences of the policy leads us to consider the Gas-Fired Recovery as poor practice in policy making.



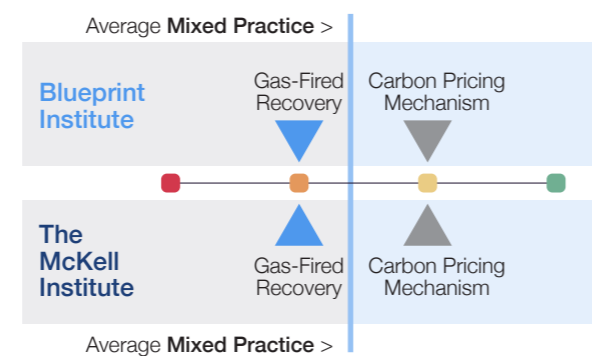
## Policymaking domain 4 – Evidence of the solution

**What good looks like:** Policy solutions should be based on the best available evidence, such as lived experience, data analytics, cost-benefit analysis, academic research and/or testing, including recognising conflicting evidence and testing assumptions. Policymakers should draw learnings from adjacent practices, including interjurisdictional/international practice, and should ensure that there is a clear link between the policy and the problem it is seeking to solve.

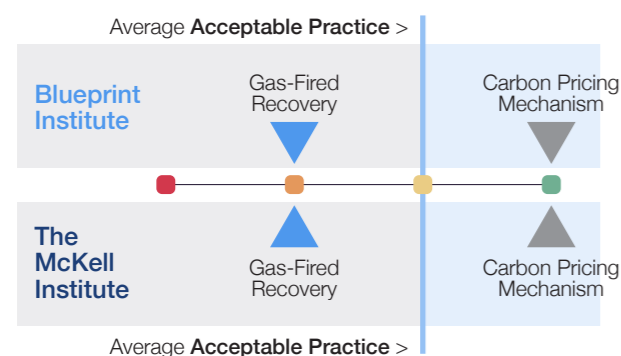
### 4.1 Rigorous analysis was conducted in consideration of a range of evidence.



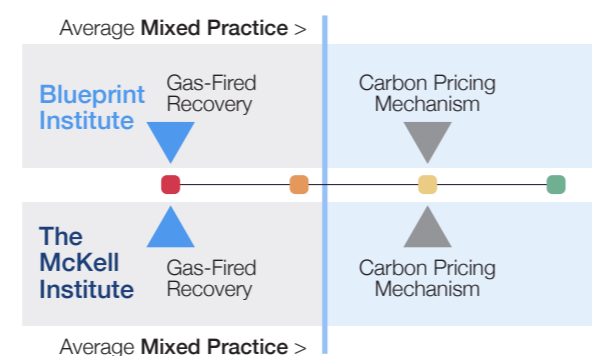
### 4.2 Learnings from adjacent practices were acknowledged and incorporated into policy design.



### 4.3 Multiple policy options were considered.



### 4.4 The assumptions and sensitivities of the evidence and analysis were acknowledged and tested.



#### Overall performance: Mixed Practice

'Evidence of the solution' was mixed across the five policies assessed. Policies often appeared to provide analysis on only a narrow policy scope, particularly in the ADGSM and Gas-Fired Recovery, with limited consideration of the costs-and-benefits of alternative policy options. There appears to be limited transparency in the assumptions behind policy analysis, and even more limited testing of the sensitivity of the assumptions underpinning analysis. While several policy processes reference internationally comparable policy practices, broadly these do not appear to meaningfully inform policy design.



#### Strongest practice: Carbon Pricing Mechanism

We identified a robust set of documentation demonstrating that the government considered a broad range of evidence and policy options in designing the Carbon Pricing Mechanism. This included the 2011 Garnaut Review which was drafted based on extensive analysis and consultation and argued that a market-based carbon pricing approach was the optimal way to address the environmental effects of climate change. The Multi-party Climate Change Committee, charged with considering options for a carbon pricing scheme, was further supported by climate scientists to ensure an evidence-based policymaking process. To support policy design, the Productivity Commission were asked to examine existing climate policies throughout the world, ultimately concluding that the New Zealand and European Union market-led approaches were the most cost-effective approach to reducing carbon emissions (although these policies had only been operating for a short period of time). The government's Clean Energy Future Plan outlined alternative policies including investment in renewable energy, and energy efficiency programs, while the Regulatory Impact Assessment considered the feasibility of different carbon pricing approaches (including consumption-based models and emissions trading schemes). Economic modelling from Treasury further strengthened the evidence base, examining the impact on GDP and determining the most appropriate carbon price. Overall, the policy demonstrated a depth of scientific and economic evidence, considering international evidence and alternative solutions to reduce the impacts of climate change.

Ultimately, the Carbon Pricing Mechanism's reliance on diverse evidence and its methodical integration of academic research, economic modelling, and international case studies set it apart as a best-practice example. The rigorous analysis ensured that the policy was not only responsive to immediate climate challenges but also designed to drive long-term economic transformation. Despite its political challenges, this evidence-driven approach highlights the critical role of robust analysis in crafting effective and impactful public policies.



#### Weakest practice: Gas-Fired Recovery

While policymakers provided some analysis of infrastructure needs and gas supply estimates, we could find no evidence of independent cost-benefit or comparative analysis that informed policy development. Most notably, it appears that the policy scope was narrowly set to gas infrastructure, with no consideration of alternative interventions and their potential role in Australia's future energy stability and economic recovery from COVID-19. While international case studies, such as Europe's evolving energy mix, were acknowledged, they did not appear to inform the policy's strategic planning. Similarly, local successes in renewable energy infrastructure, such as in Victoria and South Australia, were not referenced.

Compounding these issues, the policy lacked a clear articulation of the trade-offs and constraints involved in its implementation. For example, while the NGIP identified infrastructure bottlenecks, it did not adequately address regulatory, financial, or environmental challenges that could limit the feasibility of large-scale projects. Moreover, there was insufficient consideration of how expanded gas supply might affect emissions reduction targets, market competition, or the long-term affordability of energy.

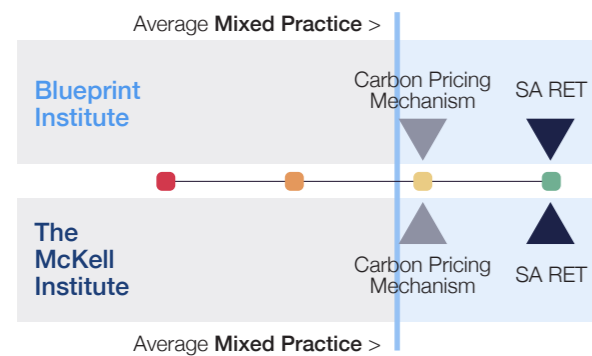
The Gas-Fired Recovery policy also did not effectively test its assumptions or use mechanisms like pilot projects or phased rollouts to refine its approach. Without a structured process for validating key claims—such as the projected economic benefits or infrastructure feasibility—the policy lacked the adaptive capacity necessary for addressing real-world challenges.



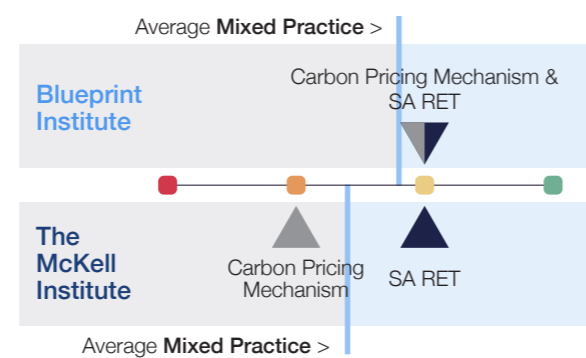
## Policymaking domain 5 – Design and communication

**What good looks like:** Good practice involves a pilot or initial roll-out (of an urgent policy solution), with clear room for and reasoning behind any refinement. Policymakers should respond to emerging risks, unintended consequences and trade-offs as information becomes available. The reason for the policy should be clearly communicated in an accessible manner, with tailored communication of the rationale for policy action to stakeholders, affected parties and the broader community.

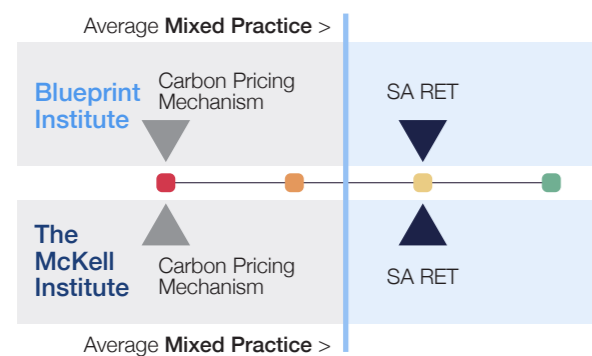
### 5.1 There was evidence of policy refinement.



### 5.2 Unintended consequences and emerging issues which arose during the testing phase were identified and addressed.



### 5.3 The policy detail is communicated to stakeholders and partners.



#### Overall performance: Mixed Practice

Overall practice in 'Design and communication' was mixed across our five studies. Some policies such as South Australia's RET and ADGSM broadly showed 'Acceptable practice', embedding ongoing review periods and demonstrating responsiveness to changing policy environments. Other policies, particularly the Carbon Pricing Mechanism and Gas-Fired Recovery, appeared to face difficulty in communicating complex technical information in a sufficiently accessible manner.



#### Strongest practice: South Australian Renewable Energy Targets

We both assessed South Australia's Renewable Energy Target processes as having clear evidence of thoughtful and responsive refinement. Under the Act, the Minister is charged with presenting a report to Parliament every two years outlining the progress made toward achieving emissions and renewable energy targets. The Act is also subject to a four-year review period. The first of these reviews was published in 2009. This periodic review process provides an opportunity to respond to emerging issues. For example, the 2009 review identified gaps in South Australia's adaption and recommended the development of South Australia's adaption framework.<sup>36</sup> The 2011 review emphasised the need for further integration across sectors and refining reporting processes. While the Act itself has not been amended since it was legislated in 2007, targets have been revised and included in the South Australian Strategic Plan (to avoid a lengthy legislative amendment process). The Premier's Climate Change Council is additionally a key vehicle for communication, disseminating information through stakeholder engagement forums and online material.



#### Weakest practice: Carbon Pricing Mechanism

Policy refinement and response to emerging issues were both assessed as acceptable for the Carbon Pricing Mechanism; however, we identified communication as a substantial shortfall in the policymaking process. While policymakers attempted to provide accessible information and engaged in a public media campaign, they failed to counter the widespread criticism, confusion and misinformation on the policy, with the opposition framing it as "a great big new tax"<sup>37</sup>. It appears that the technical nature of many of the policy documents failed to engage or inform the public, with a large portion of voters believing the mechanism would increase fuel prices and grocery prices.<sup>38</sup> Communication with industry and key stakeholders also faced challenges, with the Jobs and Competitiveness Program (which aimed to mitigate negative effects on emission-intensive industries) met with scepticism.

Public misconceptions about rising costs, job losses, and economic harm were not adequately countered, despite Treasury modelling disproving these claims. Stakeholders, including industries and state governments, expressed uncertainty about compliance and competitiveness, while limited consultation left many concerns unaddressed. The government also failed to craft a compelling narrative linking the policy to long-term economic and environmental benefits, leaving it vulnerable to opposition campaigns.

These communication gaps, combined with political hostility and public mistrust, eroded support for the policy. The inability to build understanding and trust among stakeholders and the public ultimately contributed to the policy's repeal, highlighting the critical importance of clear, accessible, and proactive communication in major reforms.

36 Premier's Climate Change Council 2010, [Annual Report 2010](#)

37 Australian Broadcasting Corporation 2014, [Carbon tax: a timeline of its tortuous history in Australia](#)

38 Centre for Public Impact (CPI) 2017, [Public Impact Fundamentals: The Carbon Tax in Australia](#)

# 7 Recommendations

We have four recommendations which would materially improve policymaking in the energy sector, three of which governments can start on now, and one of which would likely occur in the medium term.

## Recommendation 1: Improve transparency of energy policy decisions

### What to do

Australian Energy Ministers should immediately publish businesses cases and supporting analysis of major State and Commonwealth energy policy and projects total investment on the Energy and Climate Change Ministerial Council (ECMC) website, or suitable equivalent public website.

### When to do it

Immediately

### How it helps

Publishing of analysis and business cases enables greater transparency of the basis for government investments and decisions. The media, industry bodies and other stakeholders can then use this information to interrogate the rationale for action, quality of the evidence, nature of the other options considered and extent of engagement and consultation that underpins each policy. Interested parties could also use this information to inform analysis of the success of the policy over time, noting that redactions for commercially sensitive information

may be required.

Where good practices in policymaking have been adhered to, this additional transparency would not require additional work by governments – analysis would already be rigorous and evidence-based, and the business cases for change would be strongly in favour of the chosen policy direction over alternatives. The application to major projects only (e.g. those over \$100 million total investment further limits administrative burden). This process moves towards the kinds of practices seen in the infrastructure sector, where businesses cases for major projects are made public.

### Existing support for this recommendation

Publishing of business case details is already commonplace in similar policy domains in which long-term thinking, rigorous analysis and a strong role for technical expertise is required, such as in major infrastructure projects.

## Recommendation 2: Improve energy sector governance

### What to do

In the medium term, Australian governments should collaboratively reform the governance of the Australian energy sector to enable:

- an explicit role for the States and interjurisdictional policy coordination
- stronger representation of energy consumers (business and residential)
- intergenerational and long-term considerations
- standardised, public analysis of State and Commonwealth energy policy and project proposals
- a common data collection system for energy systems and independent evaluation of all energy policy and projects.

### When to do it

Medium-term

### How it helps

Revised governance structures would embed energy policy as a joint policy area of the Commonwealth and States, increase collaboration and improve policy alignment across jurisdictions. A clear data system that linked to policy evaluation would support the sharing and learning from of best practice, both domestically and overseas. A strong role for consumers, long-term and intergenerational considerations would stabilise oscillation and promote the role of data, evidence and science in energy policy.

### Existing support for this recommendation

The Commonwealth is already on the path to energy sector governance and reform. The National Electricity Wholesale Market settings review and the *Select Committee on Energy Planning and Regulation in Australia*<sup>39</sup> are just two of many processes looking at ways to optimise the way the sector is governed and run to better achieve the policy outcomes that Australians need.

In April 2024, the Grattan Institute published the *Keeping the Lights On* report, which also recommends redesigning the governance structure of the National Energy Market (NEM), including incorporating stronger representation for energy consumers, an independent mechanism for policy review and a better way of dealing with the split between state and federal responsibilities.<sup>40</sup> Following the Grattan report, a Senate committee was also established to “inquire into the institutional structures, governance, regulation, functions, and operation of the Australian energy market”. The findings of this report will provide the basis for broader reform on energy governance.

39 Australian Government 2024, [Terms of Reference: Select committee on Energy Planning and Regulation in Australia](#), Parliament of Australia

40 Wood, T, Reeve A and Yan, R 2024, [Keeping the lights on](#), Grattan Institute

### Recommendation 3: Improve the breadth of consultation and engagement

#### What to do

Australian Energy Ministers should immediately develop and commit to shared principles for consultation and engagement on State and Commonwealth energy policy and projects based on best-practice, and report annually on self-assessed compliance with principles on all major energy policy and projects.

#### When to do it

Immediately

#### How it helps

Broader and more consistent engagement on energy policy will enable better policy design, improve policy implementation and support a more stable policy environment.

A set of consultation principles would guide action in policy development towards more balanced and transparent consultation processes in the energy sector that more proportionately weights the views of industry, while leaving the freedom to be responsive to each energy policy's context. Adherence to the principles would expand the adoption of best practice, such as the active outreach and ongoing engagement seen in South Australia's Renewable Energy Target process. Cross-jurisdictional consistency would further provide certainty to industry bodies, advocacy groups, consumers and other stakeholders on how to best engage on energy policy.

#### Existing support for this recommendation

The Commonwealth Government provides guidance on best practice in policy engagement which could inform the set of joint consultation principles.<sup>41</sup> 'Engagement and Partnership' is also identified as one of the six Australian Public Service (APS) crafts, with resources and training on how to best work and collaborate with individuals, communities and businesses currently available as part of the APS Academy.<sup>42</sup>

41 Commonwealth Government, [Best practice consultation](#), The Office of Impact Analysis

42 Commonwealth Government, [Engagement and Partnership](#), Australian Public Service Academy

### Recommendation 4: Improve the regulation of lobbying

#### What to do

Australian governments should immediately adopt common minimum standards in regulation of lobbying, including by publishing office-holder diaries (such as ministerial diaries), expanding the scope of lobbying regimes to cover all forms of lobbying, including by companies, and ensuring that lobbying regimes are properly enforced.

#### When to do it

Immediately

#### How it helps

Regulating lobbying in the energy sector (and beyond) in a standardised manner would ensure that industry perspectives are balanced against those of other affected parts of the Australian community in the conception and design of energy policy.

To maintain trust and confidence in the integrity of public decision-making, lobbying activities should be regulated to ensure that they are conducted in accordance with appropriate standards and public expectations of integrity, honesty, and transparency.

Publishing office-holder diaries would promote trust and transparency, expanding the scope of lobbying regimes would ensure that all relevant lobbying activities (such as lobbying by individuals and organisations who do not represent third parties) are regulated, and compliance and enforcement mechanisms would support the perceived and actual effectiveness of lobbying regulation regimes. Further, as this reform would necessarily extend across all government activity, benefits would also flow to policymaking in other sectors.

#### Existing support for this recommendation

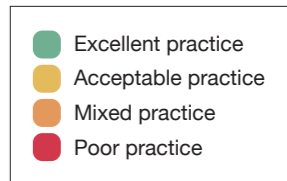
Many recent reports have identified the need to improve the regulation of lobbying in Australia and the mechanisms for doing so.<sup>43</sup> Some Australian jurisdictions have already adopted these mechanisms to regulate lobbying or have committed to reforms to strengthen the regulation of lobbying. For example:

- NSW, Victoria, Queensland, Tasmania, and the ACT publish ministerial diaries
- lobbying regimes in Queensland and NSW are administered by statutory entities and include criminal offences.

43 See e.g. Wood, D & Griffiths, K 2018, [Who's in the room? Access and influence in Australian politics](#), Grattan Institute; Daley, J 2021, [Gridlock: Removing barriers to policy reform](#), Grattan Institute

# Appendix:

## Appendix 1: Policymaking assessment case study ratings



Policymaking sub-domain	South Australia Renewable Energy Targets		Carbon Pricing Mechanism		Australian Domestic Gas Security Mechanism		NSW Energy Infrastructure Roadmap		Gas-Fired Recovery	
	BP	MK	BP	MK	BP	MK	BP	MK	BP	MK
1.1 The policy problem and its drivers were effectively identified.	Excellent	Excellent	Acceptable	Acceptable	Acceptable	Mixed	Excellent	Acceptable	Mixed	Mixed
1.2 The policy context and its constraints were acknowledged.	Excellent	Excellent	Acceptable	Acceptable	Acceptable	Acceptable	Mixed	Mixed	Mixed	Mixed
1.3 The consequences of policy inaction were identified.	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Mixed	Mixed
2.1 Policy design was based on broad-based engagement and joined-up problem-solving.	Excellent	Excellent	Excellent	Acceptable	Mixed	Mixed	Mixed	Mixed	Poor	Poor
2.2 Policy implementation was considered.	Excellent	Excellent	Excellent	Excellent	Acceptable	Acceptable	Mixed	Mixed	Mixed	Acceptable
2.3 Stakeholder feedback was considered in policy design.	Acceptable	Acceptable	Mixed	Mixed	Mixed	Acceptable	Acceptable	Mixed	Mixed	Mixed
3.1 Measurable intended outcomes of the policy change were defined.	Acceptable	Acceptable	Mixed	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Poor	Poor
3.2 Implementation testing was demonstrated.	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Mixed	Mixed	Mixed
3.3 Risks associated with the policy change were identified and mitigated.	Acceptable	Acceptable	Mixed	Mixed	Acceptable	Mixed	Acceptable	Mixed	Poor	Poor
4.1 Rigorous analysis was conducted in consideration of a range of evidence.	Mixed	Mixed	Acceptable	Acceptable	Mixed	Mixed	Acceptable	Acceptable	Poor	Poor
4.2 Learnings from adjacent practices were acknowledged and incorporated into policy design.	Acceptable	Acceptable	Acceptable	Acceptable	Mixed	Mixed	Mixed	Mixed	Mixed	Mixed
4.3 Multiple policy options were considered.	Acceptable	Acceptable	Excellent	Excellent	Acceptable	Acceptable	Acceptable	Acceptable	Mixed	Mixed
4.4 The assumptions and sensitivities of the evidence and analysis were acknowledged and tested.	Mixed	Mixed	Acceptable	Acceptable	Acceptable	Acceptable	Mixed	Mixed	Poor	Poor
5.1 There was evidence of policy refinement.	Excellent	Excellent	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Poor	Poor
5.2 Unintended consequences and emerging issues which arose during the testing phase were identified and addressed.	Acceptable	Acceptable	Acceptable	Mixed	Acceptable	Acceptable	Acceptable	Acceptable	Mixed	Poor
5.3 The policy detail is communicated to stakeholders and partners.	Acceptable	Acceptable	Poor	Poor	Acceptable	Acceptable	Acceptable	Acceptable	Mixed	Mixed

## Appendix 2: Susan McKinnon Foundation (SMF) Policymaking Assessment Framework

Each of the sub-domains of the SMF Policymaking Assessment Framework are rated on a four-tier scale:

1. Excellent practice
2. Acceptable practice
3. Mixed practice
4. Poor practice

### Domain 1 – Understanding the problem

<b>1.1 The policy problem and its drivers were effectively identified.</b>	Policymakers should identify the root causes of the policy problems, rather than just symptoms. Understanding of the policy problem and its drivers should be grounded in evidence. The policy problems should not be scoped too broadly nor too narrowly. Good practice involves a clear definition of the problem which helps policymakers identify and communicate the purpose, scope, intended outcomes and what success looks like.
<b>1.2 The policy context and its constraints were acknowledged.</b>	Policymakers should demonstrate understanding of the context (urgency, political appetite, reasons the policy is on the agenda, budget), authorising environment and the operating context (current system or delivery environment, legal / regulatory environment, stakeholders and partners affected, accountabilities).
<b>1.3 The consequences of policy inaction were identified.</b>	Policymakers should clarify the social and economic costs of inaction to justify the policy action. Good practice would indicate a logic between the policy problem/ issue and an appropriate and proportionate solution, including feasibility constraints and trade-offs, and anticipates stakeholder expectations and interests.

### Domain 2 – Engagement with stakeholders and partners

<b>2.1 Policy design was based on broad-based engagement and joined-up problem-solving.</b>	There should be evidence of clear planning for delivery and implementation of the policy from the earliest stages of policy design and formation. Policymakers should identify and engage with system users, experts, responsible and affected parties, and delivery partners. Multiple delivery options should be considered and plans for testing feasibility and effectiveness clarified.
<b>2.2 Policy implementation was considered</b>	There should be evidence of clear planning for delivery and implementation of the policy from the earliest stages of policy design and formation. Policymakers should identify and engage with system users, experts, responsible and affected parties, and delivery partners. Multiple delivery options should be considered and plans for testing feasibility and effectiveness clarified.
<b>2.3 Stakeholder feedback was considered in policy design.</b>	The policy process demonstrates clear and proportionate consideration of stakeholder feedback. Good practice involves an appropriate level of engagement with stakeholders based on how and to what extent their interests are likely to be affected (ranging from targeted communication to co-design to co-governance) and communication with stakeholders about how their input was incorporated into policy design.

### Domain 3 – Outcomes Focus

<b>3.1 Measurable intended outcomes of the policy change were defined.</b>	There should be an explicit articulation of what the policy is trying to achieve, for whom and, wherever possible, to what extent and by when. Policymakers should formulate measurable short-term and long-term intended outcomes of the policy change which can be used to evaluate the policy's efficacy. Good practice would indicate how outcomes will be measured, evaluated and reported (either built into review processes or via other statistical analysis) and who is responsible for this, as well as pathways for future policy refinement.
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### Domain 3 – Outcomes Focus (continued)

<b>3.2 Implementation testing was demonstrated</b>	Policymakers tested options for policy implementation and the efficient delivery of outcomes, including through engagement with delivery system and partners, front-line workers and service users. Consideration should be given to costings, delivery-at-scale, resources, authority to act, possible differential impacts on stakeholders, and rollout. Agencies and actors accountable for implementation should be identified.
<b>3.3 Risks associated with the policy change were identified and mitigated.</b>	Policymakers should consider indirect impacts, effects for other users, groups or portfolios, and possible constraints in delivering outcomes, as well as communication risks in explaining policy choices.

### Domain 4 – Evidence for the solution

<b>4.1 Rigorous analysis was conducted in consideration of a range of evidence.</b>	Policy solutions should be based on the best available information and evidence. Evidence sources may include lived experience, cultural knowledge, data analytics, cost-benefit analysis, academic research, and testing. Good practice would involve analysis of a range of evidence, including conflicting evidence, and acknowledging and testing any assumptions.
<b>4.2 Learnings from adjacent practices were acknowledged and incorporated into policy design.</b>	Policymakers consider learnings from adjacent practices alongside considerations of current contextual factors. Learnings include past practice, current practice, interjurisdictional / international practice, practice in other industries / sectors, and baseline data for future evaluation purposes.
<b>4.3 Multiple policy options were considered.</b>	Policymakers should consider a range of policy options against defined criteria to ensure that there is the strongest possible link between policy and the problems it was trying to solve, that all relevant implementation issues were considered and to avoid undue influence from interested parties.
<b>4.4 The assumptions and sensitivities of the evidence and analysis were acknowledged and tested.</b>	Assumptions made by policymakers should be reasonable. This might include documenting a theory of change or formal comparative analysis of policy options, using an appropriate method (e.g. cost-benefit analysis, regulatory impact analysis, social impact assessment, efficacy trail). Good practice would involve documenting and testing any assumptions, with policy design changes evident after a testing process.

### Domain 5 – Design and communication

<b>5.1 There was evidence of policy refinement.</b>	Could refer to either a pilot or the initial roll-out of an urgent policy solution. Good practice would indicate the reasoning behind the policy refinement and the details of the changes.
<b>5.2 Unintended consequences and emerging issues which arose during the testing phase were identified and addressed.</b>	As more information becomes available, policymakers should consider and address risks, unintended consequences, and trade-offs, with particular regard to implementation considerations and impact on stakeholders.
<b>5.3 The policy detail is communicated to stakeholders and partners.</b>	Policymakers should clearly explain why policy was adopted in an appropriate and accessible manner to affected parties. Good practice would demonstrate tailored communication of key information as appropriate to different stakeholders and partners with respect to the language, method, and frequency of communication and the provision of transparent data about policy into public and research spaces. This includes communication plans that identify who is responsible for decision making and what decisions are required and when.

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