



Key Messages

The inaugural Australia-China Energy Transition Forum (ACETF) and the 15th ISETS Energy Transition Forum, took place on August 1-2, 2024, hosted by the University of Technology Sydney (UTS) and the International Society for Energy Transition Studies (ISETS). Organised by the Australia-China Relations Institute and the Faculty of Engineering and IT at UTS, the forum centred on advancing cooperation in the electric vehicle (EV) industry.

The highlighted several key messages.

Adoption of EVs

The forum underscored the significant potential for increased EV uptake in Australia, emphasising the need to create a supportive environment that addresses safety, convenience, and range anxiety to facilitate a transition beyond early adopters. Concerns were raised about the potential discontinuation of quality services from EV manufacturers amid industry changes and geopolitical uncertainties. However, participants were optimistic that learning from international experiences and addressing information and education gaps could foster consumer confidence and create a more favourable climate for EV adoption.

Insights from the forum suggested that non-fiscal policies, such as Chinese infrastructure development and public awareness campaigns, could be more effective than purchase subsidies in promoting mass-market EV adoption. The forum highlighted the importance of fleet electrification, emphasizing its significance alongside that of passenger vehicles. The successful integration of EVs in Singapore's taxi fleet was cited as an example of how electrifying high-mileage

vehicles, such as ride-share and taxi services, can lead to cleaner air, a healthier environment, and notable savings for operators due to lower fuel and maintenance costs. Additionally, the importance of policy continuity was highlighted.

It was noted that building a comprehensive national EV infrastructure and a coordinated policy framework across all government levels is needed for accelerating Australia's transition to EVs. Significant opportunities exist for Australia-China public-private partnerships in developing this infrastructure.

Australia's Value-Added Opportunities

The forum noted that Australia has substantial opportunities to contribute to the global EV supply chain, given its large deposits of critical raw materials (CRMs), abundant renewable energy sources, high-skilled workforce, and strong regulatory environment.

However, the forum recognised the challenges Australia faces in developing major EV components. Instead, Australia's strengths lie in providing high-skilled labour and export services, particularly in IT and software development related to the automotive sector. By focusing on these peripheral products, Australia could capitalise on the significant opportunities associated with EVs.

The forum emphasised the benefits of market-driven instruments and the importance of developing a robust supply chain for critical minerals essential for EV production. Implementing a carbon border adjustment mechanism (CBAM) and associated carbon pricing could benefit Australia's value-added export industries, particularly in the supply of refined critical minerals for export and battery manufacturing. An Asian CBAM would also enhance Chinese exports to the EU market, despite challenges to other sectors.

Partnership and Collaboration

The forum highlighted the mutual benefits of cooperation between Australia and China. Concerns were raised about the rapid expansion of Chinese production of lithium, rare earths, nickel, and other CRMs worldwide, which could weaken prices and undermine the sustainability of Australia's CRM sector. This could prompt a political response from the Australian government, potentially impacting cooperation between Australia and China. Building partnerships and long-term offtake agreements, as well as mid-cycle pricing agreements between the two countries, were suggested as solutions.

The forum noted several successful examples in the past. One example was cooperation with market-driven energy markets in Australia helped Chinese companies understand their commercial viability in different environments. Another example was that best practices in mining and community development in

Australia offer valuable lessons for Chinese companies implementing these standards in China.

In the EV industry, while Australia may not lead in core EV technology, it can offer valuable contributions to both Australia and China in enabling technologies, including safety software and testing. Australia's high standards in project management and manufacturing can aid Chinese companies in international market expansion. Australia's cutting-edge research in battery technology presents further collaboration opportunities. Joint efforts in battery recovery technologies and standards can enhance supply chain sustainability, making EVs more attractive to consumers.

Conversely, China's advancements in clean energy technologies, robotics, and battery recovery present significant learning opportunities for Australia.

Given the advanced state of battery recycling in China, the forum discussed the benefits of collaborating on battery recovery technologies and standards to enhance supply chain sustainability and make EVs more attractive to consumers. It was suggested that China should work with the EU to enhance standards regarding battery recovery and the EU Battery Passport to improve ESG standing globally. The integration of international standardisation will benefit China and European markets, as well as Australia, which follows ECE (Economic Commission for Europe) guidelines for Electric Vehicle standards.

The forum also discussed the possibility of collaboration in establishing a competitive lithium market with transparent price signals. Such a market does not necessarily need to be China-based but rather a global market. For example, the London Metal Exchange (LME), despite being owned by Chinese investors, could be enhanced to serve as a global market and lead in developing quality ESG price benchmarks for the battery supply chain globally.

Investment Regulations and Political Climate

Australia remains an attractive destination for investment due to its abundant resources, political stability, highly skilled workforce, and industrial capabilities. Clarity and positive engagement regarding Chinese investments in Australia are crucial for fostering a conducive environment for collaboration. Establishing transparent and welcoming policies for Chinese investment in value-added partnerships will provide certainty and encourage mutual investments supporting the clean energy transition.

The forum cited a single case of forced divestment of Chinese investment as a cautionary example, highlighting the potential political risks associated with Chinese investments in critical infrastructure like EVs. However, this case was due

to the foreign entity breaking established Australian takeover laws. There is a cautious observation to avoid exaggerated sovereignty risks is essential for maintaining a balanced approach.

Building Regional Ecosystems

The concept of building a regional ecosystem was discussed, with Australia leveraging its excellence in education and soft connections to assist Chinese investors in understanding Southeast Asian markets. Australia's capabilities in critical mineral extraction, processing, and export, particularly in lithium, position it as a key player in the EV sector in Southeast Asia. Bilateral cooperation in third countries such as Southeast Asia could deliver significant benefits for both nations, enhancing bilateral economic ties and promoting sustainable development in the region. By fostering a collaborative approach, Australia and China can jointly navigate and capitalise on opportunities in the high-growth Southeast Asian/Pacific markets. The ASEAN market, with a population 20 times that of Australia, offers a mutually beneficial focus for both nations.

Continuous Dialogue

The forum encouraged the regularisation of such assembly backed by joint research efforts. Building dialogue among business, government, and academia through international business delegations was recommended to advance cooperation in Australia-China EV development. Institutionalising these discussions can ensure continuous collaboration, addressing emerging challenges and opportunities in the EV sector and energy transition. This platform can also help facilitate two-way communication and exchange of ideas, fostering mutual understanding.

The forum suggested that ISETS could play an instrumental role in this process by leveraging its expertise and network to facilitate ongoing discussions. Further collaboration could explore the application models from the Chinese market, particularly in promoting the electrification of commercial vehicles, which significantly contribute to carbon emissions. This topic is currently a major focus in Sino-U.S. dialogue activities.

By fostering mutual understanding and leveraging each nation's strengths, the forum aims to advance the shared goals of energy transition and sustainable development.

[Finalized on 12 August 2024. Comments may be sent to: isets@isets.org]