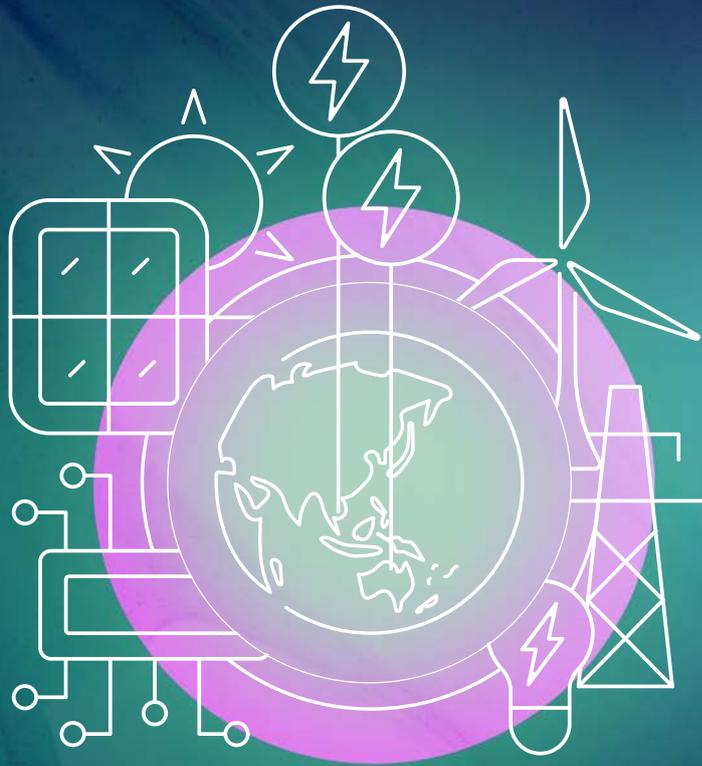


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REENERGISING INDO-PACIFIC RELATIONS: AUSTRALIA'S CLEAN ENERGY OPPORTUNITY

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EXECUTIVE SUMMARY

The Indo-Pacific sits at the heart of the global shift from fossil fuels to clean energy systems. The region is home to many of the world's most energy-intensive economies and this will only increase over time. Many Indo-Pacific countries are also key providers of the materials required for clean energy systems. Progress on climate change will depend on meeting the region's needs and maximising its abilities.

The energy transition will transform future regional relations. Renewable energy could provide many countries with enhanced self-sufficiency and diminish the problematic interdependencies that fossil fuels sustain. However, a whole new set of relationships is already arising around the critical minerals, technologies, resources, and industrial goods that underpin clean energy systems.

Clean energy supply chains and relationships must be diversified. China currently dominates many Indo-Pacific and global clean energy sectors and reaps most of the associated economic and strategic benefits. This has created vulnerabilities for the energy transition and broader system of Indo-Pacific relations. Other countries have untapped potential to improve supply chain resilience and create a fairer, more equitable, and well-governed Indo-Pacific transition. Australia and its allies and partners – particularly its Quad partners the United States, India, and Japan – could play a key role in this.

The Indo-Pacific requires a new multilateral framework for managing the energy transition. It is vital that developing states in sub-regions such as the Pacific and South and Southeast Asia are included in clean energy networks. It is also vital to guard against geopolitical risks from the energy transition, including harmful new interdependencies, difficult national transitions, and new 'resource curses'. A broad-based framework for guiding future development would best ensure these needs are met.

The time is right to accelerate clean energy and associated climate action. Energy market chaos caused by Russia's war in Ukraine has consolidated the affordability and availability advantages of clean energy over fossil fuels in many regions. A well-resourced and highly coordinated response could turn crisis into opportunity. Placing more emphasis on the energy security and economic and strategic advantages of clean energy could see these become important drivers of decarbonisation.

Australia has vast potential to become a clean energy superpower. Australia has been a major beneficiary of the Indo-Pacific's fossil fuel dependence. Yet it is also well-placed to play a major role in the region's decarbonised future due to its clean energy assets and geopolitical alignments.

Key actions could secure Australia's economic and strategic advantage in the Indo-Pacific's clean energy future. These include developing a dedicated clean energy diplomacy program, providing developing countries with assistance in accessing and participating in supply chains, and helping to develop and lead a truly multilateral framework for meeting regional clean energy needs.

POLICY RECOMMENDATIONS

- 1 Promote the energy security and economic and strategic benefits of clean energy.** Clean energy is increasingly more affordable and accessible than fossil fuels in many parts of the world. This is particularly true in the context of spiking fossil fuel prices caused by Russia's war in Ukraine. Strong clean energy supply and value chain positions are also a source of increasing economic and strategic advantage. Efforts to develop Indo-Pacific clean energy systems should emphasise these alongside climate benefits to enhance regional prosperity and stability.
- 2 Strike a balance between supply chain uncoupling and parallel building.** The Indo-Pacific energy transition is vital to the global fight against climate change. Many regional economies are also highly vulnerable to the effects of global warming and have a strong interest in responding to it. Australia and its allies and partners should cooperate to introduce greater resilience to the most critical regional clean energy supply chains, while pursuing a fairer, more equitable, and better governed distribution of opportunities. They should, however, avoid a rushed uncoupling from China that could hamper progress on the overriding priority of regional decarbonisation.
- 3 Develop a clean energy diplomacy program.** Australia has major advantages in the clean energy space and strong motivations to exploit them. The new federal government has pledged to make the country a clean energy superpower. This could entail the creation of new trade and investment opportunities in the key sectors of critical minerals, technologies, resources, and green industrial goods. There will also be opportunities to strategically leverage the regional ties that develop in these sectors. A new clean energy diplomacy program overseen by the Department of Foreign Affairs and Trade could realise this potential.
- 4 Expand the focus of clean energy outreach.** Most Indo-Pacific clean energy interactions focus on connecting countries with high economic and political capacity. Greater attention should be paid to providing developing countries access to, and participation in, clean energy supply chains. High-capacity governments should also respond to potential challenges arising from the energy transition, including harmful interdependencies, difficult transitions, and resource curses. Developing countries across the Pacific and South and Southeast Asia need particular support.
- 5 Work with partners to develop a truly multilateral Indo-Pacific clean energy program.** An inclusive and well-managed energy transition depends on moving beyond bilateral and minilateral channels of engagement. Australia should work with its regional allies and partners to develop and lead a truly multilateral framework for engaging with and helping to meet the broader Indo-Pacific's clean energy needs. The Quad is well-equipped to lead this process. Its members have a range of complementary clean energy interests and abilities and regional outreach in this area is already an established area of activity.

About the author



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