



Climate change and energy – expanding the Capacity Investment Scheme

Party: Australian Greens

Summary of proposal:

The proposal would expand the national target of the Capacity Investment Scheme (CIS) from 82% renewable electricity by 2030 to 100% by 2030 and accelerate the staged closure of coal plants before 31 December 2030, in the National Electricity Market (NEM) and the South West Interconnected System (SWIS).

- The management of the coal closure timeline would be undertaken by the Australian Energy Market Operator (AEMO), who would be empowered to develop a plan to accelerate the closure of coal capacity to 2030.
- Below is the proposed timeline for closure:

Year	NEM Coal Fired Capacity (MW)	SWIS Coal Fired Capacity (MW)
2025	21,255	1,366
2026	18,375	1,173
2027	18,375	1,173
2028	12,945	856
2029	9,066	856
2030	0	0

The proposal would start on 1 July 2025.

Costing overview

The components of the proposal that are quantifiable would be expected to decrease the fiscal and underlying cash balances by around \$14.5 million over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in administered and departmental expenses to deliver auctions, undertake contract management activities for new clean energy projects, and continue work on a national rollout of the scheme. These totals do not include values that are unquantifiable, and there would be an additional unquantifiable impact associated with underwriting renewable energy investments.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

The Parliamentary Budget Office (PBO) has assessed the financial implications for underwriting additional renewable energy investments under the proposal as unquantifiable due to a lack of information and expertise to forecast potential market bids in future auctions and tender processes, and the high degree of uncertainty and sensitivities associated with estimating the underwriting costs and investment returns for selected projects.

Table 1: Climate change and energy – expanding the Capacity Investment Scheme – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	10.9	0.7	1.0	1.9	14.5
Underlying cash balance	10.9	0.7	1.0	1.9	14.5

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

Key assumptions

The PBO has made the following assumptions in costing the quantifiable components of this proposal.

- The proposal would require AEMO to deliver additional auctions to replace the existing capacity of the coal plants whose closure will be brought forward under the proposal and undertake contract management activities for selected projects.
 - The timing and size of auctions under the Capacity Investment Scheme, to support investment into replacement capacity, would align with an accelerated coal plant closure in the NEM and SWIS, as specified in the proposed timeline for coal-fired capacity closure.
 - Administered funding, including ongoing funding beyond the 2025-26 Budget forward estimates period, would be required and would be proportional to the additional renewable capacity to be delivered under the proposal, compared to the expansion of the CIS under the 2023-24 Budget measure *Capacity Investment Scheme*.
 - Administered expenses would be incurred in proportion to the magnitude of electricity production from the coal plants being closed and renewable energy capacity to be delivered.
- The proposal would require the Department of Climate Change, Energy, the Environment and Water to design the auction process to operate in New South Wales, Queensland and Western Australia, in addition to South Australia and Victoria which have been covered under the 2023-24 Budget measure.
 - Departmental funding would be required in 2025-26 and would be proportional to the number of states in which the auction process would be operated, compared to the 2023-24 Budget measure *Capacity Investment Scheme*.
- Auctions would occur in the same states where the coal plants to be closed before 2030 under the proposal are located.
- Under the proposal, clean dispatchable capacity would also increase and would be in the same ratio to the additional renewable capacity as that for the expansion of the CIS under the 2023-24 Budget measure *Capacity Investment Scheme*.

Methodology

The administered expenses were estimated based on the administered funding provided under the 2023-24 Budget measure, proportionate to the increases in renewable capacity, and growing in line with the Consumer Price Index (CPI).

The departmental expenses were estimated based on the departmental funding provided under the 2023-24 Budget measure, proportionate to the number of additional states in which the auction processes would be operated, and growing in line with the Wage Cost Index 3 (WCI-3).

Underwriting expenses and returns for additional renewable underwriting projects were deemed to be unquantifiable.

Financial implications were rounded consistent with the PBO's rounding rules.¹

Data sources

Commonwealth of Australia (2023) *2023-24 Budget, Budget Paper No. 2*, [Capacity Investment Scheme](#), page 66, Commonwealth of Australia.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

Department of Climate Change, Energy, the Environment and Water (2023) [Media Releases: Delivering more reliable energy for all Australians](#), Australian Government, accessed 22 May 2025.

Department of Climate Change, Energy, the Environment and Water (2025) [Capacity Investment Scheme](#), Australian Government, accessed 22 May 2025.

¹ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Attachment A – Climate change and energy – expanding the Capacity Investment Scheme – Financial implications

Table A1: Climate change and energy – expanding the Capacity Investment Scheme – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Expenses													
Administered													
<i>Administered expenses – auctions and contract management activities</i>	0.7	0.7	1.0	1.9	3.2	2.3	0.4	0.4	0.4	0.4	0.4	4.3	11.8
<i>Administered expenses – underwriting costs and investment returns</i>	*	*	*	*	*	*	*	*	*	*	*	*	*
Total – administered	0.7	0.7	1.0	1.9	3.2	2.3	0.4	0.4	0.4	0.4	0.4	4.3	11.8
Departmental													
<i>Departmental expenses</i>	10.2	-	-	-	-	-	-	-	-	-	-	10.2	10.2
Total – departmental	10.2	-	-	-	-	-	-	-	-	-	-	10.2	10.2
Total – expenses	10.9	0.7	1.0	1.9	3.2	2.3	0.4	0.4	0.4	0.4	0.4	14.5	22.0
Total (excluding PDI)	10.9	0.7	1.0	1.9	3.2	2.3	0.4	0.4	0.4	0.4	0.4	14.5	22.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) This costing includes an unquantifiable aspect.

- Indicates nil.

* Unquantifiable – not included in totals.

Table A2: Climate change and energy – expanding the Capacity Investment Scheme – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)(c)}

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<i>Fiscal balance</i>	0.2	0.5	0.6	0.7	0.8	1.0	1.1	1.1	1.2	1.3	1.4	2.0	9.9
<i>Underlying cash balance</i>	0.2	0.4	0.6	0.6	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.8	9.5

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (c) This costing includes an unquantifiable aspect.

² [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/)