

Net Zero Programs Funding Principles

Introduction

The NSW Government is committed to reducing emissions by 50 per cent on 2005 levels by 2030 and to achieving net zero emissions by 2050. To assist in meeting these objectives, the NSW Government is investing almost \$1 billion from the Climate Change Fund between 2020 and 2030 under the Net Zero Plan Stage 1: 2020-2030.

NSW Government financial assistance to businesses, research organisations and community groups through Net Zero Programs will seek to leverage private sector skills and investment and accelerate the research, development and deployment of low carbon technologies across the State. Net Zero Programs should promote decarbonisation across emissions sectors and do so in ways that are economically and socially beneficial.

Governance

The Net Zero Emissions and Clean Economy Board (the Board) has been established under the *Energy and Utilities Administration Regulation 2021*. As part of its role, the Board will provide advice to the Department on funding guidelines and merit assessment criteria for grant applications and awarding of funding for key Net Zero Programs funded through the Climate Change Fund.

Approval of expenditure within Net Zero Programs funded from the Climate Change Fund has been delegated to the Department under s34H of the *Energy and Utilities Administration Act*. Details of delegated functions and their limitations are set out in Table A of the *Energy and Utilities Administration Act (Climate Change Fund) Instrument of Delegation 2022*.

Strategic principles

Net Zero Program design, development and delivery are guided by six strategic principles to ensure best practice and outcomes.

1. Net Zero Programs and funding should maximise permanent reductions in emissions for the available funding, consistent with the NSW Government's commitment to achieve net zero emissions by 2050 and a 50 per cent reduction on 2005 levels by 2030. Given the need to progress decarbonisation across the economy, consideration should be given to the decarbonisation effects of the proposal on all sectors of the economy.
2. A holistic approach should be adopted to ensure Net Zero Programs are mutually reinforcing. Programs should complement and where possible leverage the work of other Net Zero Programs and other relevant government initiatives.
3. The Programs should encourage third party funding recipients to model decarbonisation best practice. This could include through supporting low carbon technologies and processes across their supply chains or using best practice climate related risk reporting frameworks.
4. Financial assistance should only be provided to support activities which will produce abatement which is additional to abatement that would have occurred otherwise. Additionality can include shortening timeframes for deployment of abatement

technologies, increasing the scale of deployment, creating new markets and contributing to lasting sectoral change.

5. Where practicable, financial assistance should be recovered where a project leads to significant returns having regard to its investment risk. Consideration of recoverability will be particularly relevant where a Program is likely to provide \$10 million or more of co-funding to a single company.
6. Where possible, Net Zero Program design should consider whole-of-community impacts which support sustainable jobs, growth and communities and contribute to a stronger industrial skills base for NSW and its citizens. Programs should also encourage social and environmental co-benefits.

Eligibility and merit

Each Net Zero Program must be designed having regard to the particular policy objectives the Program seeks to achieve. Notwithstanding this point, all programs and streams should also set clear eligibility and merit criteria in line with the guidance provided below.

All programs should set minimum eligibility criteria relating to:

1. The financial viability of the applicant
2. The technical and financial feasibility of the project/s for which funding is sought.
3. The importance of NSW Government funding for the success of the project including the likelihood that the project would go ahead without NSW Government funding, with potential minimum requirements for co-contributions from project partners.

To assess the best eligible applicants, Programs will set criteria to assess the merit of applicants. Where appropriate, merit assessment criteria should be set relating to:

1. Demonstrating greenhouse gas emissions reductions to be achieved through the project. Assessment of this criteria must consider the type of project (for example, research and development, commercialisation or deployment) and the cost-effectiveness and timeline of expected emissions reductions. Emission reduction calculation methods should be developed for individual programs in line with the Greenhouse Gas Emissions and Energy Modelling, Monitoring and Reporting Guidelines for Net Zero Plan Programs.
2. The applicant's broader decarbonisation disclosures, objectives and plans.
3. The impact of the project on upstream and downstream decarbonisation.
4. How the project supports the objectives of other Net Zero Programs and / or other NSW Government environmental sustainability objectives.
5. Demonstrating how a project supports sustainable jobs and economic growth.

Where relevant, Programs should request information from applicants regarding any significant delays or obstacles to their proposed projects posed by planning system processes and approvals or other regulatory processes. Programs will work with the Net Zero Emissions and Clean Economy Board to investigate these barriers and may provide advice to Government on options to address them.

Financial assistance

Decision-makers must carefully consider the most appropriate form of financial assistance for Net Zero Programs and streams. This financial assistance will most likely take the form of grants, recoverable grants or underwriting. To identify the best form of financial assistance, decision-makers should consider how best to meet Program objectives while efficiently using taxpayer funding and demonstrating shared benefits.

Time critical proposals

Financial assistance provided under Net Zero Programs should be provided through a competitive process to ensure highest probity standards and value for money.

There may be circumstances where it is justified for the NSW Government to provide financial assistance outside regular competitive funding cycles. The Guide to Time Critical Net Zero Proposals sets out the process for assessing such proposals and the criteria they must meet for consideration.