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WHAT'S NEXT IN APAC'S ENERGY TRANSITION? Q2 2025

The latest energy, resources and infrastructure updates across Australia and APAC

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1 Australia recommitting to energy transition and foreign investment post federal election

Key takeaway

The re-election of the Australian Labor Government in the May 2025 federal election has reinforced the government's commitment to energy transition including through its capacity investment scheme (CIS) and other incentives to support investment into green metals and clean energy manufacturing. The government is also establishing a new 'front door' for investors with major transformational projects to make it easier to invest in Australia from September 2025.

Key details

The outcome of the federal election and the announcement of the Australian Federal Budget for 2025-26 has offered policy certainty to investors for the next term of government.

Some of the key energy policy initiatives that renewable energy developers and investors should keep on their radar include:

- **Unlocking private investment in priority areas:**
  - General: The government has legislated A$13.7 billion in hydrogen and critical minerals production tax incentives, A$1.5 billion in support for priority areas through the Future Made in Australia Innovation Fund (including A$750 million for green metals, A$500 million for clean energy technology and manufacturing capabilities) and A$250 million for low carbon liquid fuels.
  - Green Metals: The government is helping to decarbonise heavy industries and build future competitiveness and the new A$2 billion Green Aluminium Production Credit will support Australian aluminium smelters to transition to renewable energy and A$1 billion Green Iron Investment Fund to accelerate development of a green iron industry.
  - Renewables: The government's CIS has been expanded to deliver 32 GW of new capacity (23 GW renewable and 9 GW dispatchable).
- **'Front door' for investors:** The government is establishing a new 'front door' for investors with major transformational proposals to make it simpler to invest in Australia and attract more global and domestic capital. From September 2025 the 'front door' will begin to act as a single-entry point for investors providing priority projects with coordinated facilitation services guided by an Investor Council.
- **CEFC funding:** An additional A$2 billion has been allocated to the Clean Energy Finance Corporation, increasing its total investment capacity to A$32.5 billion.

2 Australia’s gas market under review

Key takeaway

In June 2025 the federal government announced its Gas Market Review which aims to consider long-term policy settings and reforms for domestic gas markets to support investment and energy security for Australia. There may be implications for investors in export-oriented projects in Australia, and opportunities for investment into identified ‘gaps’ in gas-related infrastructure including storage and transmission.

Key details

The Department of Climate Change, Energy, the Environment and Water has published a paper inviting consultation on key regulatory instruments which govern the Australian gas market, being the Gas Market Code, the Australian Domestic Gas Security Mechanism, and the Heads of Agreement with east coast LNG exporters. In particular, the consultation seeks feedback on key themes of supply, security and trade, contracting and bargaining conduct, market transparency, pricing and efficient wholesale markets.

The consultation has been announced against a backdrop of increasing concern in relation to long term gas supply in Australia (such as the ACCC’s June 2025 gas inquiry interim report which continues to emphasise the risk of gas supply shortfall) and comes a little over a year following the release of the Future Gas Strategy which highlighted the importance of energy security and affordability and entrenching Australia’s reputation as an attractive trade and investment destination. See our previous briefing on this topic here.

The consultation period will remain open until 15 August 2025.

3 Regulatory reforms to streamline grid access for renewables and introduce new standards for data centres

Key takeaway

The Australian Energy Market Commission (AEMC) is implementing a two-stage reform package to modernise grid connection rules under the National Electricity Rules (NER) to address the growing energy demand from data centres and ensure grid stability in the face of increasing electrification and AI-driven infrastructure expansion. The reforms aim to streamline access for renewable energy projects and introduce new standards for large energy users such as data centres. It is important for investors to be aware of these changes to avoid future regulatory risk.

Key details

The reforms respond to the surge in energy demand from data centres and other large-scale users. They aim to reshape the technical and regulatory landscape for connecting such facilities to the National Electricity Market (NEM), ensuring faster, cheaper, and more secure integration.

- **Package 1 – Effective 21 August 2025:**
    - Focuses on simplifying and accelerating grid connection for renewable energy sources including solar, wind, and battery projects.
    - Clarifies technical requirements to reduce delays and costs associated with connection approvals.
    - Expands the scope of the rules to apply to synchronous condensers and HVDC links to improve system stability and broaden investment opportunities.
    - Provides flexibility for projects that are ‘in progress’ to choose to adopt the new standards.
    - Removes inconsistencies by applying standards based on technology type rather than registration status.
- **Package 2 – Under Consultation:**
    - Proposes new technical standards for large energy users like data centres and hydrogen electrolysers.
    - Aims to enhance grid resilience during power disturbances by ensuring these users can respond appropriately to system events.
    - Investors in high demand facilities will need to plan for compliance with new operational standards to avoid future regulatory risks.

4 ASFI launches Australian Sustainable Finance Taxonomy

Key takeaway

Australian Sustainable Finance Institute (ASFI) has launched its Australian Sustainable Finance Taxonomy in June 2025, providing a common language classification and definitions system for green and transition finance in Australia. This is a Paris-aligned voluntary framework aimed at supporting financial institutions with their allocation of capital towards activities that enable Australia's net zero ambitions.

Key details

Australia's taxonomy has been created to be interoperable and aligned with leading global taxonomies like the EU's, ensuring international compatibility. To be considered internationally credible but also locally relevant, the taxonomy includes specific details for sectors such as minerals, mining and metals, whilst also being the first in the world to set out expectations for engagement with First Nations peoples and cultural heritage management.

The taxonomy is intended to provide confidence in the claims of counterparties in Australia, support the classification of Australian assets in green and transition investment portfolios, facilitate comparisons of investment products and supplement sustainability disclosures both within Australia and across jurisdictions, and to also mitigate greenwashing concerns.

The development of an Australian taxonomy for climate change mitigation was a joint initiative between the Australian Government and the finance sector (led by ASFI), informed by broad-based collaboration and extensive public consultation from July 2023 to February 2025.

Before additional market guidance is produced, ASFI is initially working with some of Australia's leading financial institutions to pilot the taxonomy in real world investment decisions and explore its practical applications for several months. Piloting participants include ANZ, the Clean Energy Finance Corporation (CEFC), Commonwealth Bank of Australia, HESTA, Moody's Ratings, NAB, Rabobank, Rest Super and Westpac.

5 Implications of US tariffs for Australian mining and metals sectors

Key takeaway

The recent imposition of a 10% tariff by the US on Australian goods presents both challenges and opportunities for investors in the mining and metals sectors in Australia and the broader APAC region. While certain sectors, such as copper and critical minerals, are exempt, the broader implications of these tariffs are substantial. The tariffs underscore the importance of diversifying export markets beyond the US and place a premium on a company's ability to remain agile and updated on fast-moving and unpredictable political developments.

Key details

The federal government has introduced a five-point plan to mitigate the impact of the tariffs.

Relevantly to investors in the mining and metals sectors:

- The A$1 billion zero-interest loan scheme and establishment of a critical minerals reserve offers a strategic pathway to mitigate tariff impacts. This initiative could provide mining companies with the financial support needed to explore new markets and strengthen domestic capabilities.
- Mandated Australian-made products in procurement policies could boost local demand for metals and minerals, fostering growth within the domestic market and the introduction of stronger anti-dumping laws could protect Australian industries from unfair competition, ensuring a level playing field.
- Economists have viewed Australia's smaller tariff increase in comparison to other countries as an opportunity to position Australian exports more competitively than other economies. Investors may consider leveraging government initiatives to enhance market resilience and explore new trade opportunities, particularly in Europe and Asia.

6 Broader APAC round-up

China: China widens carbon market and champions Virtual Power Plants

In April 2025 China formally announced that it would extend its national emissions-trading scheme beyond power generation to cover the steel, cement and aluminum sectors. Simultaneously, the government rolled out a Virtual Power Plant (VPP) Programme – an operating model that uses advanced information and communication technologies and integrated control platforms to aggregate distributed generation, flexible demand and energy storage into a single, dispatchable resource, enabling these assets to stabilise the grid and compete in the electricity market.

Japan: New areas designated for offshore wind – floating offshore wind power poised for growth

The Japanese government has designated five new areas as “preparation zones” under the Act on Promoting the Utilisation of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities. These zones serve as a preliminary stage prior to being designated as “promotion zones”, which are subject to a bidding process for occupancy rights. As such, the newly designated areas are expected to become key sites for offshore wind power development. In addition, these five zones have been set up for the deployment of floating offshore wind power, and this showcases a significant step toward the broader adoption of floating offshore wind power in Japan in the coming years.

Malaysia: New carbon capture law

In March 2025, the Malaysian Parliament passed the Carbon Capture, Utilization and Storage Bill 2025. Though not yet in force at this time (and it is currently not clear when this will come into effect), this new law aims to support Malaysia’s transition to cleaner energy sources. It is applicable to Malaysia, excluding the States of Sabah and Sarawak (which regulate their own carbon sectors). A new regulatory agency will be established to, among others, oversee the entire value chain for carbon capture, transportation, utilisation, and storage. It will also regulate the granting of licences and permits for related activities, including the import of carbon dioxide and the operation of storage sites for carbon dioxide in onshore and offshore locations in Malaysia.

New Zealand: 2025 Budget implications

The New Zealand government recently announced its 2025 Budget, with two key initiatives aimed at boosting energy investment. The “Investment Boost” initiative offers businesses a 20% immediate tax deduction on the cost of new assets bought or constructed on or after 22 May 2025, in addition to standard depreciation. Renewable energy, oil and gas projects are all included within the initiative’s scope and there is no limit on the value of eligible assets that can be claimed. In addition to tax incentives, the Government announced that it will allocate NZ$200 million of contingency funding over four years for co-investment in new gas fields.

South Korea: New administration to prioritise energy transition

Lee Jae-Myung won South Korea’s 21st presidential election on 3 June 2025, with his administration prioritising carbon neutrality and climate change as core policies. Given South Korea’s limited land and high population density, large-scale offshore wind projects have been designated a national priority. The new administration plans to ease regulatory barriers and lay the foundation for renewable energy distribution channels through the construction of the West Coast Energy Highway by 2030 and the U-shaped Korean Peninsula Energy Highway by 2040. Additional initiatives include establishing the Ministry of Climate and Energy to improve policy efficiency, enacting the Carbon Neutrality Industry Act, and developing industry complexes powered by 100% renewable energy. These measures are set to increase corporate demand for renewable energy, reshape the private PPA market, and create new opportunities for domestic and international investors.

Thailand: Legislative update on solar power

The government continues to promote renewable energy through the draft Promotion of Solar Power Usage Act, which passed a public hearing on 30 May 2025. The draft Act seeks to ease regulatory requirements for self-consumption systems – such as exemptions from licensing requirements under the Energy Industry Act and Building Control Act – and introduces a simple 30-day prior notification to the competent authority. The legislation is expected to proceed to the Cabinet and Parliament later this year.

Vietnam: New regulations to boost offshore wind and DPPAs

On 3 March 2025, the government of Vietnam introduced two significant decrees to boost foreign investment in its renewable energy sector. Decree No. 58/2025/ND-CP permits foreign investors to hold up to 95% of the charter capital in companies developing offshore wind power projects, substantially increasing foreign ownership limits. On the same day, Decree No. 57/2025/ND-CP established a legal framework for Direct Power Purchase Agreements (DPPAs), allowing renewable energy generators and large electricity consumers to enter into direct transactions, either through private transmission lines (off-grid) or the national grid (grid-connected). These developments mark major progress in Vietnam’s move towards a competitive electricity market, enhancing regulatory transparency and supporting foreign-invested enterprises in meeting sustainability and carbon reduction targets.

Key Contacts

Australia

Nadia Kalic
Partner, Corporate
Global Co-Head of Energy & Resources
Sydney
T: +61 2 8922 8095
E: nadia.kalic@cliffordchance.com

Chad Bochan
Partner, GFM
Sydney
T: +61 2 8922 8501
E: chad.bochan@cliffordchance.com

Elizabeth Richmond
Partner, Antitrust
Sydney
T: +61 2 9947 8011
E: elizabeth.richmond@cliffordchance.com

Cameron Hassall
Partner, APAC Head of L&DR
Sydney
T: +852 2825 8902
E: cameron.hassall@cliffordchance.com

Robert Tang
Partner, L&DR
Sydney
T: +61 2 8922 8502
E: robert.tang@cliffordchance.com

Katie Joukadjian
Counsel, Corporate
Sydney
T: +61 4 0121 3245
E: katie.joukadjian@cliffordchance.com

Sunny Jong
Counsel, GFM
Sydney
T: +61 2 8922 8030
E: sunny.jong@cliffordchance.com

Mark Grime
Counsel, Antitrust
Sydney
T: +61 2 8922 8072
E: mark.grime@cliffordchance.com

Emily Yung
Senior Associate, Corporate
Sydney
T: +61 2 8922 8507
E: emily.yung@cliffordchance.com

Spencer Flay
Partner, L&DR
Perth
T: +61 8 9262 5554
E: spencer.flay@cliffordchance.com

Mark Gillgren
Partner, GFM
Perth
T: +61 8 9262 5543
E: mark.gillgren@cliffordchance.com

Pat Saraceni
Director, L&DR
Perth
T: +61 2 9262 5524
E: pat.saraceni@cliffordchance.com

Kristian Maley
Counsel, L&DR
Perth
T: +61 2 9262 5582
E: kristian.maley@cliffordchance.com

William Lucas
Associate, Corporate
Sydney
T: +61 2 8922 8558
E: william.lucas@cliffordchance.com

Chantelle Masters
Associate, Corporate
Sydney
T: +61 2 8922 8587
E: chantelle.masters@cliffordchance.com

Please contact us for an introduction to our broader APAC energy transition team.

Key contributors this quarter:
Jane Chen (Senior Associate, GFM, Beijing); Joshua Banks (Senior Associate, L&DR, Perth); Keisuke Otsuka (Senior Associate, GFM, Tokyo); Mathew Kambos (Senior Associate, GFM, Sydney); Jae-Ho Kim (Associate, Corporate, Sydney); Siewy Yong (Associate, GFM, Perth); Julia Hegarty (Graduate, Corporate, Sydney); Isabel Lovisi (Graduate, Corporate, Sydney); Ashleigh Won (Graduate, GFM, Sydney)

Malaysia: Kadir Andri & Partners team led by partner Samuel Hong; New Zealand: Chapman Tripp team led by partners Lauren Curtayne and Tom Jemson; South Korea: Kim & Chang team led by Daehyuk Choi, Seungheon Oh and Shawn Seung Min Lee; Thailand: Weerawong, Chinnavat & Partners Ltd. team led by partner Siregran Sakuliampaiboon; Vietnam: LNT & Partners team led by partners Vu Thanh Minh and Le Net.