



IN BRIEF: INVESTING IN REGIONS TO UNLOCK THE TRANSITION

Decarbonising and increasing the capacity of the electricity grid

A snapshot of the current landscape, key barriers, where support is most needed and the actions worth backing

March 2026

Key takeaways

- Transmission upgrades are essential to unlock low cost renewable energy
- Renewables and storage technologies are the most cost efficient path to a clean, reliable grid
- Coordinated planning accelerates grid decarbonisation
- Stable, long term climate and energy policy underpins investor confidence and project delivery

Australia's electricity power system or "grid" is the vast transmission and distribution network that transports electricity from generators to consumers. Right now it is undergoing a fundamental transformation from its fossil fuel origins toward a renewable future.

For generations, coal fired power stations provided the foundation of our energy system, feeding electricity into long-distance transmission lines that carried power to substations and then through local distribution networks into homes and industry. But as these ageing plants retire, our grid must evolve.

Today, renewable energy and storage are already delivering clean, reliable and affordable energy for homes and industry. Replacing coal with renewables remains the most cost-effective path to net zero. Continued public and private investment in transmission upgrades, renewable energy generation and storage, like battery energy storage systems (BESS), is essential for enabling the "electrification of everything", reducing national emissions, and securing cheaper power for households and business, including new green export industries.

What's happening

The transformation of Australia's electricity grid is accelerating as it shifts away from ageing coal fired generation toward low cost renewable energy. Upgrading the grid efficiently and predictably to bring new renewable generation and storage projects online is essential. This will help to lower the cost of energy production and help protect existing heavy industries. It will also fuel the growth of new export-oriented industries including green hydrogen, green iron, and value-added critical minerals mining and processing.

Some of the key developments happening in regards to decarbonising the grid include:

- **Storage and stabilisation:** The grid is being strengthened through the rapid deployment of storage and stabilisation technologies and strategies that support variable renewable energy and industrial demand. For instance, utility-scale solar and wind farms are increasingly underpinned by long-term offtake agreements with industrial customers, [including Rio Tinto](#). At the same time, diverse storage technologies – including BESS, pumped hydro and gravity storage – are [being deployed alongside solar and wind projects](#) to stabilise intermittent renewable energy supply and bolster investment returns. Ensuring the grid can decarbonise at the required pace will require addressing project approval bottlenecks and development delays that slow new renewable and storage capacity coming online.

- **Co-location:** Optimising the grid increasingly depends on co-locating renewable generation, transmission infrastructure, and energy intensive industry within well planned zones. This can be through [Renewable Energy Industrial Precincts](#) (also referred to as [Net Zero Industrial Precincts](#)), where high-energy industrial users are clustered alongside renewable energy supply. It can also be through [Renewable Energy Zones](#) (REZs), which coordinate new renewable energy development. While the design and level of government involvement vary between states, REZs generally aim to minimise the social and environmental footprint of new energy developments, leverage the financial efficiencies of shared infrastructure, and maximise community benefits. Regional communities affected within REZs have consistently called for strong government coordination and co-investment, citing the complexity and [need for equitable sharing of costs and benefits](#). This includes calls for [participatory approaches](#) to enable communities to shape planning and development decisions, and for just transitions principles to be integrated into investment strategies to protect and enhance financial returns.
- **Changing transmission plans:** Grid reliability and decarbonisation hinge on the major transmission upgrades outlined in AEMO's Integrated System Plan. This said, the scale of new transmission needed has been reduced in recent planning updates. The proposed CopperString 2.0 link – designed to connect North and North West Queensland to the National Electricity Market – is one example, with the Queensland Government announcing in late 2025 that the project would be significantly scaled back.
- **Electrification anticipation:** There is a growing recognition that future-proofing the grid requires transmission planning that anticipates full decarbonisation electrification, rather than narrowly focusing on short term demand. If infrastructure is sized only for near-term demand, industrial regions risk future constraints and manufacturers risk losing competitiveness without access to clean energy.



Explainer: What is the transmission bottleneck?

The transmission bottleneck refers to the limits of Australia's electricity grid in carrying renewable energy from where it's generated to where it's needed. Australia's grid was built for a world where large coal and gas plants sat close to towns and cities, supplying steady, controllable electricity into a one-directional transmission system. While the benefits clearly outweigh the costs, renewables like solar and wind introduce challenges the old grid wasn't designed for.

The Clean Energy Investor Group's (CEIG) [Transmission Bottleneck Analysis Report](#), released in November 2025, found transmission projects are often delayed by about two years due to complex regulations, supply chain issues and community pushback. These delays lead to serious congestion and wasted energy, especially in New South Wales.

Modelling by CEIG shows that if upgrades are postponed, up to 17% of annual electricity demand could go unmet by low-cost renewables. Each year of delay adds up to \$40 billion in extra costs from fuel, operations, and emissions.

BZE's [Powering up the Hunter](#) and [Powering up Gladstone](#) reports also suggest that transmission will fail to keep pace with the needs of emerging green industries in both locations.

Previous reforms haven't fixed the problem. Key gaps remain in how risks are shared, how confident investors feel, and how reliably projects are delivered. The CEIG report calls for short-term fixes like better coordination and using non-network solutions, as well as long-term changes such as enabling investor-led funding and streamlining regulatory approvals.

What's getting in the way

Barriers slowing grid decarbonisation and expansion include:

- Limited transmission capacity and slow approvals
- Planning based on near-term demand rather than end-state "full decarbonisation" electrification
- Workforce shortages and global supply chain bottlenecks
- Community opposition driven by polarised discourse and poor engagement
- Policy uncertainty undermining investor confidence in emerging industries and key transition regions

Snapshot: The grid transition in Central Queensland

Central Queensland – particularly Gladstone – illustrates how clear policy direction and coordinated planning can accelerate the transformation of the electricity grid and the industries that depend on it. It also shows how sudden political shifts can slow or reverse progress on essential grid upgrades.

Three of the four coal-fired power stations that historically supplied Gladstone's industries are scheduled to close by 2035. Backed by strong local leadership and coordination between Gladstone

Regional Council, industry and community groups, these planned closures helped drive a wave of investment in replacement renewables, storage technologies and green fuel projects.

Between 2022 and 2025, the Queensland Energy & Jobs Plan worked in tandem with the Gladstone Region Economic Transition Roadmap (2022-2032) to attract and coordinate over \$2 billion of investment across Central Queensland. This included renewable generation, storage and green fuel projects, enabling infrastructure, and community readiness programs. These investments, in turn, attracted pilot projects across a range of existing and emerging energy-intensive industries, including alumina refining and value-added critical minerals processing.

While demand for low-cost, reliable and clean energy continues to drive private investment in new renewable energy generation and storage projects in Queensland, the recent overhaul of Queensland energy policy has demonstrated the cost of policy instability.

In October 2025, the now incumbent Queensland Government delivered on an election promise to repeal the [Queensland Energy & Jobs Plan](#), with the [new Queensland Energy Roadmap](#). The Roadmap reflects a significant departure from previous energy policy and public investment priorities. It redirects public funding to extend the life of ageing coal fired power stations and promotes gas amid an east coast supply crunch and soaring gas prices.

Government support for new renewable energy capacity and REZs has been delegated to the private sector, and public funding for several major renewable energy projects [has been withdrawn](#).

These policy reversals have had direct consequences for the grid transition. A [major green hydrogen project collapsed](#) following the withdrawal of public support, [undermining confidence](#) in the region's ability to deliver largescale clean energy dependent industries. Industry leaders warn that the uncertainty has damaged Queensland's reputation with international trade and investment partners and risks slowing the grid upgrades required to keep Central Queensland competitive in a decarbonising global economy.

Despite recent policy uncertainty, the scale of investment already committed to Central Queensland, and the depth of local leadership and coordination, position the region to remain a focus for clean energy development.



What's needed

Drawn from hundreds of conversations with people navigating the transition, the following potential actions stand out as worth backing and exploring. They're not exhaustive – the mix will vary by context – but offer a starting point for what could move the needle. It will require a collective effort from everyone – all levels of government, investors, industry and philanthropy, communities and civil society organisations.

Action

Federal and state governments, and investors, can support renewable generation and storage projects that deliver affordable, reliable, clean energy for Australian households and industries. Utility scale and distributed renewable projects are needed to replace ageing coal fired power stations and expensive gas.

State governments can support carefully planned grid upgrades, to enable new grid connections and improve overall system reliability, and development approvals for energy projects

Federal and state governments can work together to coordinate and invest in REZ developments. This should include readiness programs that support community education and planning processes, allowing host communities to act as partners and identify priorities for investment via benefit sharing arrangements.

Federal and state governments can establish long-term, evidence-based climate and energy policy frameworks. Bipartisan support for climate and energy policy underpins community and investor confidence, both of which are vital for transitioning Australia's energy and industrial systems.



// Industrial regions will only remain competitive if they can access reliable, affordable clean energy. Planning transmission and renewable supply around future electrification demand is essential for attracting investment and securing Australia's clean industrial future. "

Heidi Lee, CEO, Beyond Zero Emissions

Want to dig deeper?

- Explore the 10-year [roadmap helping Gladstone](#) become a renewable energy superpower
- For a practical look at what clean industrial development requires at the regional level read Beyond Zero Emissions' 2024 report [Make it here: Building Australia's clean industrial future](#)
- Learn more about what the transition workforce needs with [The clean energy generation: Workforce needs for a net zero economy](#), released in 2023.

Key sources of federal investment

This list reflects our best knowledge as at March 2026. It's a starting point rather than a definitive guide – funding landscapes shift, so we encourage you to explore further and verify what's current:

Grid decarbonisation				
Federal funding	Announced (FY)	Committed budget	Finance type	Scope
Rewiring the Nation program (delivered via Clean Energy Finance Corporation)	2022-23	\$20bn	Public infrastructure investment	Investment to deliver new and upgraded electricity grid infrastructure , including priority transmission projects and Renewable Energy Zones.
Capacity Investment Scheme	2023-24	Undisclosed (unlocking +\$70bn investment)	Program funding (reverse auctions)	Funding to underwrite 32GW of new renewable energy generation and storage via reverse auctions. Aims to de-risk and accelerate investment in new dispatchable capacity across Australia.
Cheaper Home Batteries Program (delivered via the Small-scale Renewable Energy Scheme)	2024-25	\$7.2bn	Subsidy (consumer discount)	The Small-scale Renewable Energy Scheme (established in 2011) allows households and businesses to claim certificates and a discount on the purchase price of small-scale renewable energy systems like rooftop solar and heat pumps. In 2025, the Scheme was expanded to provide a 30% discount on the upfront cost of installing small-scale battery systems .

About The Next Economy

Australia's regional communities are navigating profound economic change – energy systems, land use, industry structure, workforce and climate impacts among them – all shifting at once. The Next Economy (TNE) works at the frontline of this complexity, partnering with regions, governments, industry and civil society to reimagine and shape economies that are regenerative, climate-safe and socially just.

Unlike organisations that focus on individual sectors or single projects, TNE connects the dots across systems – embedding in communities for the long haul, translating insights across sectors, and lifting what's learned locally to shape national policy, investment and public debate.

TNE is a not-for-profit company and registered charity (ACNC), with Deductible Gift Recipient status through the Foundation for Rural and Regional Renewal. Support from donors and partners directly enables this work — in regions that need it most.

To learn more, get involved or support the transition, visit nexteconomy.com.au

About this series

In Brief: Investing in regions, unlocking the transition offers financial decision-makers across government, investment and philanthropy a high-level entry point into regional investment and its role in Australia's transition to a climate-safe, regenerative and socially just economy.

The series grew from an investor experience in Gladstone in 2024 and has since expanded – in geography and subject matter – drawing on work across regional Australia, desktop research and expert contributions.

Each brief provides a bird's-eye view of a focus area, including key barriers and where support is most needed. Current topics include:

- Decarbonising and increasing the capacity of the electricity grid
- Developing green export industries
- Regional investor insights from Gladstone

These briefs are a starting point – designed to spark conversation, build shared understanding and support deeper discovery. Because these topics are interconnected, effective progress requires a whole-of-system approach and close coordination across sectors.

As this space evolves rapidly, we welcome your feedback to keep the series current and useful.

You can find the series here:

<https://nexteconomy.com.au/work/investing-in-regions-to-unlock-the-transition/>

Acknowledgement of Country

The Next Economy acknowledges the Traditional Custodians of the land and sea in the regions where we work. We pay our respects to their Elders, past and present, and offer our solidarity and support to First Nations groups across the country working towards economic sovereignty and justice.

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