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National Reconstruction Fund  
Department of Industry, Science and Resources  
Industry House  
10 Binara Street  
Canberra ACT 2601

### **INPEX Submission | Net Zero Fund: Proposed Design Consultation**

INPEX appreciates the opportunity to contribute to the Australian Government's consultation on the proposed design of the Net Zero Fund. We recognise climate change as a critical global challenge that demands coordinated action from governments, civil society, and industry. We believe the Australian Government has a vital role to play in supporting industrial decarbonisation efforts, especially in advancing offshore carbon capture and storage (CCS).

INPEX CORPORATION is Japan's leading exploration and production company and has been a proud member of the Australian business community since 1986. As the largest Japanese investor in Australia, INPEX operates Ichthys LNG—one of the country's most significant and complex energy developments—and holds interests in Prelude FLNG, Van Gogh, Coniston, Ravensworth, and Bayu-Undan/Darwin LNG.

We operate the Bonaparte CCS Project (INPEX Browse E&P Pty Ltd 53%; TotalEnergies CCS Australia Pty Ltd 26%; Woodside Energy Ltd 21%), which was recently granted Major Project Status by the Australian Government in recognition of its strategic importance to national net zero objectives.

INPEX also holds a 50% stake in Potentia Energy, a joint venture with Enel Green Power Italy. Potentia Energy has grown to become one of Australia's largest renewable energy platforms, with substantial wind, solar, and battery energy storage system (BESS) operations across WA, NSW, SA, ACT, and Victoria.

#### **Commitment to Decarbonisation: CCS as a Key Enabler**

Earlier this year, we released our 10-year strategic roadmap, *INPEX Vision 2035*<sup>1</sup>, which outlines our corporate growth and decarbonisation strategy. Central to this vision is our "60-60" target: a 60% expansion of our global business scale by 2035, and a 60% reduction in net carbon intensity across our operations by 2035 over 2019 levels.

To achieve this, INPEX is focused on reducing emissions by implementing carbon capture and storage to decarbonise the Ichthys LNG onshore facility.

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<sup>1</sup> [INPEX Vision 2035](#)

We believe CCS is the most effective and scalable technology for reducing emissions in the LNG sector and other hard-to-abate industries such as cement and steel manufacturing. The International Energy Agency (IEA) has affirmed that CCS is “crucial for achieving net zero emissions by 2050.”

Despite its potential, current Australian policy frameworks do not adequately support CCS deployment. The exclusion of oil and gas from funding mechanisms such as the Clean Energy Finance Corporation and the National Reconstruction Fund stands in contrast to the inclusion of other decarbonisation technologies like renewables and green hydrogen.

We urge the Government to recognise CCS as a critical decarbonisation tool and to adopt international best practices. In jurisdictions such as the United States, European Union, and Japan, government-industry collaboration has been key to establishing viable CCS industries. These partnerships offer financial, fiscal, and regulatory certainty—elements essential to unlocking private sector investment.

### **Global Examples of CCS Support**

- **Japan:** The Japanese government, through JOGMEC, has allocated a ¥3.5 billion (\$23 million USD) budget for advanced CCS projects in the 2023-24 fiscal year and has secured ¥32 billion (\$209 million USD) to assist with various projects, including Metropolitan CCS where INPEX has an 85% interest. Nine Japanese CCS projects were selected for funding to support full value chain engineering and CO<sub>2</sub> storage assessments.

In 2022, INPEX’s Bonaparte Carbon Capture and Storage project secured subsidies from JOGMEC for studies on CCS development. These arrangements have provided financial support through to the Front-End Engineering Design (FEED) phase of the project.

- **United States:** 45Q Tax Credit provides incentives of \$85 USD per metric ton of CO<sub>2</sub> captured and stored and US\$180 per metric ton by direct air capture.
- **Norway:** Committed NOK 16.8 billion (~\$1.68 billion USD) to the Longship CCS project.
- **United Kingdom** – the UK has committed £20 billion (~\$25 billion USD) over 20 years to support CCS projects including the HyNet and the East Coast Cluster Hub.

Australia stands at a critical juncture in the global race to scale CCS. According to the Global CCS Institute<sup>2</sup>, the number of CCS facilities in the development pipeline worldwide surged from 628 to 734 in just one year—yet Australia accounts for only 18 projects in early to advanced development, with only two operational. This stark contrast underscores a growing gap between global momentum and domestic progress.

As outlined in our submission to the Future Gas Strategy, meeting the ambitions of the Commonwealth’s emissions reduction target will be impossible without bold investment in industrial-scale abatement technologies like CCS. This includes shifting from on-site thermal generation to renewable energy imports and accelerating the deployment of emerging low-carbon solutions.

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<sup>2</sup> Global Status of CCS 2025, Global CCS Institute

To remain globally competitive, Australia must act with urgency, or it will miss the opportunity to attract new foreign investment to support its new Nationally Determined Contribution (NDC) emission reduction target.

Building a viable CCS industry at scale demands more than innovation—it requires coordinated funding to overcome complex barriers in CO<sub>2</sub> transport, storage, and market creation.

We support the Government’s commitment to regulatory certainty and recommend further measures, including:

- A **National CCS Strategy** to set capture and storage targets, identify priority sectors, and coordinate infrastructure development.
- Continued **acreage releases** with clear stakeholder engagement guidance tailored to CO<sub>2</sub> storage exploration.

These steps will reduce uncertainty for first movers and enable the development of investable business cases, ultimately increasing capital flow into CCS projects.

### **Australia’s Strategic Opportunity**

Beyond domestic decarbonisation, Australia is uniquely positioned to become a global CCS leader. The Indo-Pacific region is exploring CO<sub>2</sub> import-export markets, with countries like Japan, South Korea, Singapore, and the Philippines seeking storage solutions. A 2022 Global CCS Institute study identifies Australia as a potential “anchor nation” due to its superior storage potential.

Industry engagement in Japan and South Korea confirms that CO<sub>2</sub> export for storage is a viable near-term solution. Japan’s long-term CCS roadmap includes overseas CO<sub>2</sub> storage as a strategic priority.

Please refer to Appendix 1 for INPEX’s responses to specific consultation questions.

We appreciate the opportunity to contribute to this important consultation. For further engagement, please contact John Williams, Government Affairs and Regulatory Approvals Manager, at +61 412 422 636 or john.w@inpex.com.au.

Yours sincerely,



Tetsu Murayama

Managing Director, Country Chair Australia | INPEX

## Appendix 1: INPEX Responses to Consultation Questions

**Questions 1:** *What are the types of projects or capital expenditure that should be supported to achieve the Net Zero Fund's objectives?*

- *Consider the level of investment required for large industrial decarbonisation and/or manufacturing renewable and low emissions technologies. This includes the relevant structure and combination of funding sources from government and the private sector.*
- *What are the existing commercial barriers to these investments reaching final investment decision?*

To meet the Fund's objectives, INPEX recommends prioritising:

- **Large-scale abatement projects** using proven technologies such as Carbon Capture and Storage (CCS), which are essential for deep emissions reductions in hard-to-abate sectors including LNG, mining, steel, cement, and chemicals.
- **Renewable energy integration**, particularly projects that replace on-site thermal generation with renewable power imports.

These projects typically require multi-billion-dollar investments and long development timelines. A **blended finance model**—combining government grants, concessional loans, equity, and private capital—is essential to de-risk early-stage projects and attract foreign investment. Australia must act decisively to remain competitive with jurisdictions such as the United States and Europe, which offer robust policy and funding frameworks.

In the short to medium term, **government financial support** will be necessary for early-mover, commercial-scale CCS projects. Such support could include:

- **Capacity reservation** to aggregate future demand and improve project economics.
- **Co-investment models** to reduce timing and offtake risk.
- **Support for multi-user hub infrastructure** to enable economies of scale.

A challenge CCS projects face is the timing for demand and utilisation of the infrastructure. Aggregating customer demand to obtain the necessary economies of scale required for commercial scale CCS projects is challenging. The timing of offtake demand can vary and often not align with project execution timeframes, resulting in poor project economics; the potential for projects to be delayed; or projects not being developed at all.

Key barriers to reaching final investment decisions include:

- **Policy and revenue uncertainty:** Lack of long-term clarity and stable revenue mechanisms undermines investor confidence.
- **Cross-chain and liability risks:** Complex risks across capture, transport, and storage phases, including long-term liability for CO<sub>2</sub> storage.
- **Limited scope of existing support mechanisms:** Exclusion of CCS from programs like the Safeguard Transformation Stream and CEFC funding discourages investment.

The Net Zero Fund must provide **fit-for-purpose business models** that reduce risk and build investor confidence, particularly for early-stage CCS developers.

**Question 2:** *What financing mechanisms are best suited for these investments, based on the mechanisms available to the National Reconstruction Fund e.g. loans, equity, guarantees?*

- *Should corporate financing be within the scope of the fund? For example equity financing of companies or convertible options.*
- *Consider the specific parameters of any concessional support required. For example interest rates, risk tolerances, forgiveness clauses, equity or debt structures, repayment periods.*
- *Consider current barriers to the National Reconstruction Fund investment in large industrial decarbonisation and/or manufacturing renewable and low emissions*

INPEX believes the Net Zero Fund should adopt a flexible and strategic financing approach to accelerate industrial decarbonisation, particularly for capital-intensive technologies such as CCS.

Among the financing mechanisms available under the National Reconstruction Fund, equity financing would be the most appropriate for technologies like CCS. These projects typically involve high upfront capital requirements, long development timelines, and uncertain early-stage revenue streams.

Equity investment enables the government to share risk with the private sector, thereby improving the investment case and attracting private capital. While loans can be effective for later-stage projects with more predictable revenue models, they are generally less viable for early-stage CCS without additional support. Government-backed guarantees can also play a valuable role by reducing credit risk and improving access to finance, particularly for projects that are approaching bankability.

INPEX supports the inclusion of corporate-level financing within the scope of the Net Zero Fund. In addition to project-level support, the Fund should be able to invest directly in companies developing decarbonisation technologies. This could include convertible instruments, such as convertible notes or preferred equity, which offer a hybrid approach—providing downside protection for the government while allowing it to participate in the upside if the company succeeds. Supporting companies at the corporate level, rather than only individual projects, can enable broader strategic development and long-term decarbonisation outcomes.

Given the diversity of technologies and risk profiles involved, it is essential that the Net Zero Fund maintains a high degree of flexibility in its support. Financing structures should be tailored to the specific characteristics of each project, including interest rates, repayment terms, and risk-sharing mechanisms. In some cases, forgiveness clauses or staged equity structures may be appropriate to reflect the high-risk nature of early-stage decarbonisation technologies.

While the NRF provides valuable financing tools, INPEX notes that certain structural limitations reduce its effectiveness in supporting large-scale industrial decarbonisation. For example, the NRF does not currently offer grant funding, which limits its ability to support projects that are not yet commercially viable. Additionally, the NRF's mandate to deliver commercial returns can sometimes conflict with the need to support technologies that offer long-term environmental benefits but limited short-term profitability.

To address these barriers, the Net Zero Fund should be designed to complement and build upon the NRF's existing strengths. It should also provide targeted support for early-stage projects, even where commercial returns are uncertain, recognising their strategic importance to Australia's net zero ambitions. Most importantly, the Fund should enable risk-sharing by developing business models in which the government shares risk with the private sector to unlock investment and accelerate deployment.

**Question 3:** *How can the Net Zero Fund complement established financing vehicles such as the Clean Energy Finance Corporation?*

- *Consider the best ways to leverage existing capabilities of the Clean Energy Finance Corporation to help rapid, effective implementation of the Net Zero Fund.*

To maximise impact and avoid duplication, the Net Zero Fund should:

- **Expand the scope of CEFC** to include industrial decarbonisation and CCS.
- **Adopt a technology-agnostic approach**, recognising CCS as a critical enabler of emissions reduction.
- **Leverage CEFC's existing capabilities** while addressing gaps in support for early-stage, high-risk technologies.

Current CEFC arrangements exclude CCS, limiting Australia's ability to decarbonise key sectors. INPEX recommends that CEFC funding criteria be revised to support all viable decarbonisation technologies.