



A changing world:  
The thematic influences influencing  
infrastructure investment  
in Australia

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Insight Paper *Extract*

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QIC respectfully acknowledges the Traditional Owners and Custodians of Country throughout Australia and recognises their continuing connection to land, water and community. We pay our respects to Elders past, present and emerging.



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# 1. Executive summary

The secular trends associated with global decarbonisation, decentralisation, deglobalisation and the changing demographics of an ageing population are particularly pronounced in Australia given some of its distinct characteristics relative to the rest of the world.

A confluence of this phenomenon, combined with strong recent political momentum at the Federal Government level to accelerate Australia's decarbonisation pathway, and the country's strong fundamentals as a stable and open economy, reinforce the depth and attractiveness of the Australian infrastructure investment opportunity set over the next ten years.

Australia has a unique geography with a large land mass that is sparsely populated whilst also being a globally dominant primary producer with established export channels. The combination of these distinct characteristics will accentuate the secular trends of decarbonisation and decentralisation in Australia and lead to the electrification of transport systems due to the vast geographical distances in the country.

The global journey to net zero greenhouse gas emissions through an energy transition requires extensive investment in clean energy technologies, driving massive demand for

critical mineral commodities, of which Australia is a globally prominent producer and holder of reserves. This mineral wealth contains metals which are essential for clean energy technologies. Australia is therefore positioned as a dominant world player in facilitating the global energy transition away from fossil fuels.

The new Federal Government's policy package has accelerated Australia's pathway to net zero emissions. It has committed to invest A\$20 billion to modernise Australia's electricity grid in order to accommodate the more than 50 GW of new large-scale renewable energy required by 2042. This "Rewiring the Nation" policy is designed to bring forward the construction of high voltage infrastructure, by lowering financial and planning barriers to unlock the development of large renewable energy resources, which will require an estimated A\$50 billion of private investment.

Australia's access to abundant world leading renewable resources, established export energy supply chains and a skilled workforce also

positions it exceptionally well as one of the key global players, and regional Indo-Pacific leader, in the production and export of green hydrogen.

The electricity value chain is set to decentralise as renewable energy and storage solutions are incorporated to allow more efficient and effective production and usage of energy. Australia is well positioned to leverage extensive efficiency benefits from a decentralised energy grid, as it is relatively more sparsely populated than most developed countries and has the highest per capita penetration of decentralised installed solar photovoltaic capacity in the world<sup>1</sup>. This decentralised energy grid will come in the form of new infrastructure investment, transforming the current electricity value chain.

In the face of rising geopolitical uncertainty and fragility, supply chains will be diversified and resecured for sovereign resilience through deglobalisation. As global supply chains repair and geopolitical risks rise, Australia remains an attractive partner for trade and benefits from

16 free trade agreements, closely linking it to the Asia-Pacific region. This network spans across multiple export sectors, from agriculture to minerals and energy. Australia's openness to trade and investment and its great access node to the fast-growing Asian economies is central to its long-term success.

Ageing demographics, the changing nature of disease, increasing incidence of chronic illness, public funding pressures, technological change and decentralisation are expected to drive strong demand for healthcare services. This has the potential to shape the nature of the Australian healthcare system over the coming decades. Private capital will be required to assist with financing these structural changes across existing healthcare assets and businesses.

<sup>1</sup> International Energy Agency (IEA): *Trends in Photovoltaic Applications 2020 Report*

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## 2. Setting the scene

This QIC Insight examines the key secular trends that will dominate the Australian infrastructure investment landscape going forward and the key elements underpinning Australia's attractiveness as an infrastructure investment destination.

Australia is well positioned to benefit from key long term thematic trends that are shaping infrastructure investment globally.

The pervasive effects of COVID-19, global warming and geopolitics are shifting the bedrock of how countries and companies have operated for a century. The trade and energy status-quo are no longer compatible for the security of supply chains and sustainability of the world.

Three key secular investment thematic trends are emerging for countries to navigate the transition. These are:

- Decarbonisation, from dirty to clean and sustainable;
- Decentralisation, from big monolithic and inflexible to small, distributed, modular and flexible; and
- Deglobalisation, from offshore, 'just in time' to onshore and 'just in case' resilient.

In addition to these thematic trends is the demographics of an ageing population and medical advancements which has implications for the demand and delivery of healthcare services.

Australia is one of the leading suppliers of crucial mineral commodities that has the capacity to secure the journey to net zero greenhouse gas emissions as well as undertaking its own renewable energy transformation. It is also at the forefront of the evolution of the electricity value chain as the take up of distributed solar means it has the highest per capita solar capacity in the world<sup>2</sup>.

Additionally, Australia's geographic and trade ties to the fast-growing Asia-Pacific region represent an attractive node for repositioned supply chains. Finally, demand for healthcare in Australia because of ageing demographics is set to increase investment to match demand.

Underpinning these thematic trends, Australia is supported by the notable fundamentals of a stable and open economy with an infrastructure investment pipeline to execute on long term opportunities.



<sup>2</sup> Source: en:former, "Australia leads world in per capita solar installations", April 2022

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