

15 November 2024

Media release

NSW can reach its 2050 net zero emissions target

A pathway to a cost-effective transition to NSW's 2050 net zero emissions target is outlined in a new paper by the NSW Productivity and Equality Commission.

The *Ensuring a cost-effective transition* research paper sets out key principles for future government decision-making that deliver cost-effective emission reductions while maintaining productivity and living standards.

NSW has legislated ambitious emissions reduction targets: 50 per cent below 2005 levels by 2030, 70 per cent by 2035, and net zero by 2050.

The paper emphasises that:

- Rapidly decarbonising electricity generation is crucial for enabling other sectors to electrify and reduce their own emissions. All four remaining NSW coal generators are scheduled to close by 2040, requiring careful coordination of renewables, firming capacity, and transmission infrastructure.
- Smart technology and pricing reforms will be essential for managing costs, with the research highlighting the importance of cost-reflective pricing, accelerated smart meter rollout, and virtual power plants to help manage peak demand and grid stability.

Meeting these targets while maintaining living standards will require careful coordination of policy, investment, and technology deployment.

The paper also highlights the risks to the target from severe capacity constraints in the construction sector, with record infrastructure investment and housing construction competing for limited capital and skilled workers.

This paper is the first in a three-part series exploring NSW's pathway to achieving net zero emissions by 2050.

The second paper will focus on buildings, mining, manufacturing, and waste and the third on agriculture, transport, and land use.

Read the full paper here: <https://www.productivity.nsw.gov.au/achieving-net-zero-research-series>

NSW Productivity and Equality Commissioner, Peter Achterstraat AM said:

“Protecting the future without damaging the present is the approach we took in the *Ensuring a cost-effective transition* research paper.

“Our concern is that based on the current policy settings, the state is projected to miss its net zero emissions targets, not only for 2050 but also for 2030 and 2035.

“Missing our early targets will leave us squeezing bigger, more dramatic, and more costly change into a shorter time to reach net zero by 2050.

“By focusing on the policies and solutions that will drive this change we will ensure that we can reach our targets while keeping productivity and living standards high.

“If we’re going to meet our legislated targets, we need significant changes in how we consume, do business, and deliver public services.

“This job is not for governments alone. It is a task for governments, businesses, and households making evidence-based consumption and investment decisions to help reach our net zero targets.

“I believe that NSW can seize the opportunities presented by the net zero transition and emerge by 2050 as an even better place to live, work, and invest.”

The paper details a series of key principles for future decision-making:

- Focus on maximising emissions reductions per dollar spent to minimise costs passed to households and businesses
- Ensure policy certainty to support efficient private investment in long-lived assets
- Remain technology-neutral and avoid duplicative policies across jurisdictions
- Expand price-based mechanisms where emissions are not currently covered
- Evaluate all interventions through rigorous cost-benefit analysis

The paper also identifies a series of key priorities

- Coordinate renewables, storage, and transmission deployment as coal generators close
- Implement cost-reflective pricing and accelerate smart meter rollout to better manage peak demand
- Support virtual power plants and grid upgrades to maintain reliability at lower cost
- Provide clear investment signals for manufacturing, transport, and gas use

Contact: Hayley Corbett | 0414 671 630 | hayley.corbett@treasury.nsw.gov.au