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General Review of the Regional Comprehensive Economic Partnership Agreement, October 2026

The Superpower Institute (TSI) welcomes the opportunity to contribute to the General Review of the Regional Comprehensive Economic Partnership Agreement (RCEP).

TSI supports open trade, deeper regional economic integration and a predictable, rules-based trading system. These principles have supported economic development across the Indo-Pacific and will remain important as the region invests in new energy systems, industrial capacity and supply chains.

The transition to net zero will reshape international energy trade. Increasingly, energy will be traded embodied in goods, rather than solely as a commodity in its own right. Major industrial economies will require access to competitively priced clean energy that, in many cases, cannot be produced domestically at sufficient scale or cost. Economies with abundant renewable energy and natural resources can supply that energy through exports of energy-intensive products.

This is the central argument of TSI's report: *The New Energy Trade*.[1]

The report's logic runs in three steps. First, the major industrial economies will face large shortfalls of zero carbon energy. In China, Japan, Korea, India and Germany, the gap is equal to 37 to 66 per cent of future electricity demand by mid-century, and other zero-emissions options such as nuclear cannot close it at the scale required. Second, Australia's wind and solar resources are far superior to theirs, especially at scale, and Australia has the land available for this. Supplying the shortfall would take around 3.4 terawatts of wind and solar, directly using about 0.6 per cent of Australia's land. Third, it is cheaper for these economies to import the energy embodied in green commodities than to generate the clean electricity at home. The most energy-intensive stages of production, such as making iron, aluminium, urea, transport fuels and polysilicon, would move to where clean

[1] See https://www.superpowerinstitute.com.au/work/the-new-energy-trade

energy is cheapest, while importing economies continue the manufacturing that uses these inputs. Three of the five economies the report examines, China, Japan and Korea, are RCEP members.

The report estimates that Australia could generate around $700 billion a year in revenue from energy-intensive exports at current levels of global output, rising towards $1 trillion by 2060. If realised, this new trade could contribute to reductions in global emissions equivalent to as much as 9.6 per cent of 2021 global emissions.

RCEP brings together major industrial economies and energy consumers with economies that have substantial renewable energy and mineral resources. Open regional trade allows production to occur where energy, resources and industrial capabilities make it most economically efficient, while providing importing economies with access to competitively priced, low-emissions inputs.

For Australia, abundant renewable energy and resources create a comparative advantage in energy-intensive products, including iron, aluminium, ammonia, fertilisers and low-carbon liquid fuels. RCEP partners bring complementary strengths in manufacturing, technology, capital and industrial demand.

The General Review provides an opportunity to strengthen the conditions for this emerging trade. TSI recommends that Australia pursue five priorities:

1. Maintain open markets for trade and investment.
2. Enable regional specialisation based on comparative advantage.
3. Improve interoperability between emissions-accounting and certification systems.
4. Reduce barriers to trade in low-emissions goods and services.
5. Strengthen practical regional cooperation on new energy trade.

1. Maintain open markets

RCEP should continue to reduce barriers to trade and investment across the region.

The transition to net zero will require substantial investment in energy systems, industrial production and supply chains. Governments are introducing policies to support energy security, industrial development and decarbonisation. These measures will influence where investment occurs, how industries develop and the cost of the transition.

RCEP members should ensure that these policies are transparent, predictable and do not impose unnecessary restrictions on regional trade and investment.

Restrictive trade settings would increase costs, limit access to technology and capital, and weaken the commercial case for new low-emissions industries. Open markets allow resources, investment and industrial production to move towards their most productive uses. They also give emerging industries access to markets of sufficient scale to support major investment.

Targeted government support may be necessary to establish new industries and address market failures. However, such measures should support internationally competitive production rather than protect industries from competition indefinitely.

The energy transition strengthens the economic case for open regional trade. Australia should use the General Review to reinforce RCEP's existing commitments to market access, transparent regulation and predictable investment conditions.

2. Allow comparative advantage to operate

Comparative advantage should remain central to the region's approach to industrial development and the energy transition.

Renewable energy resources, mineral endowments, industrial capabilities, technology, capital and demand are unevenly distributed across the region. No economy will hold a comparative advantage across every stage of emerging low-emissions industrial supply chains.

Regional trade allows economies to specialise where they are most competitive and combine their respective strengths through international production networks.

Attempts to replicate complete clean-energy and industrial supply chains within individual economies would duplicate investment, raise production costs and, in some cases, slow emissions reductions.

Australia's renewable energy and mineral resources provide opportunities to produce energy-intensive industrial inputs at internationally competitive costs. Other RCEP economies bring manufacturing capabilities, technology, capital and substantial industrial demand.

These strengths are complementary. For example, Australian production of low-emissions industrial inputs can support manufacturing and industrial development in regional economies where renewable energy is more costly or constrained.

The economic benefits depend on investment flowing to competitive locations and on reliable access to regional markets. Trade and industrial policies should enable these commercial relationships rather than encourage unnecessary duplication of production.

Australia should use the General Review to reinforce the importance of comparative advantage in regional industrial development and resist measures that unnecessarily restrict access to competitively priced energy, resources and industrial inputs.

3. Improve interoperability and limit regulatory fragmentation

Differences in emissions-accounting and certification systems are an emerging risk to new energy trade.

As the emissions intensity of production becomes more important to market access, procurement and investment decisions, producers will increasingly need to demonstrate the emissions embodied in traded goods.

National approaches to measuring, reporting and verifying emissions are developing at different rates. Significant differences between methodologies, product standards, certification arrangements and guarantees of origin could increase compliance costs and create new non-tariff barriers.

Exporters operating across several markets may be required to demonstrate compliance with different systems for substantially similar products. These costs could be particularly significant for emerging industries seeking to establish commercial markets and attract investment.

RCEP provides an opportunity for practical cooperation to reduce these risks.

Australia should use the General Review to encourage greater interoperability between credible national and international emissions-accounting methodologies, product standards and certification systems.

Priorities should include improving transparency, identifying unnecessary differences between national requirements, and exploring mutual recognition or equivalence arrangements where appropriate.

A single regional standard is unlikely to be necessary or practical. The objective should be to ensure that credible systems can operate together, while maintaining the integrity of emissions reporting and certification. To facilitate and promote clean trade, standards should measure the actual emissions embodied in a product, including the emissions of imported inputs such as low-emissions iron.

RCEP members should examine how existing cooperation mechanisms can support this work and identify areas where differences in regulatory requirements create material barriers to trade.

In this regard, one area for progress is carbon pricing arrangements in the region. Carbon pricing is spreading across the region, including in China, Japan and Korea, and the European Union's Carbon Border Adjustment Mechanism now applies to imports from RCEP economies. Carbon prices, and border adjustments that apply them equally to domestic and imported goods, are consistent with open trade. RCEP could provide a forum for promoting a regional system or

solution for recognising carbon prices and embedded emissions, such as a regional border carbon adjustment mechanism.

4. Facilitate trade in the green economy

RCEP's existing trade rules and procedures should support the development of new regional supply chains for low-emissions industrial products.

These supply chains will often involve production across several economies. A product may combine Australian minerals and renewable energy with technology, components, processing or manufacturing undertaken elsewhere in the RCEP region before reaching its final market.

Rules of origin, customs procedures and administrative requirements should facilitate these production networks rather than impose unnecessary costs or complexity.

Australia should use the General Review to identify practical barriers affecting trade in emerging energy-intensive products, clean-energy technologies and associated goods and services.

Priorities should include simplifying customs procedures, improving access to trade information, and ensuring that rules of origin can accommodate increasingly complex regional production arrangements without undermining their purpose.

Australia should support further liberalisation of environmental goods and services, including the reduction of tariffs and unnecessary non-tariff barriers. RCEP should also facilitate emerging trade in low-emissions industrial products, where differences in production methods and emissions intensity are becoming increasingly important to international competitiveness.

These measures should complement existing RCEP commitments and broader regional efforts to improve trade facilitation.

The practical objective is to make it easier for businesses to invest in, produce, certify and trade low-emissions products across RCEP markets.

5. Use RCEP as a platform for practical regional cooperation

RCEP brings together economies with different resource endowments, industrial capabilities and stages of development. This diversity creates opportunities for regional specialisation and economic cooperation.

The development of new energy trade will depend not only on market access, but also on investment, infrastructure, credible standards and the emergence of commercially viable markets for low-emissions products.

Australia's opportunity as an exporter of energy-intensive products will depend in part on the growth and competitiveness of industries elsewhere in the Indo-Pacific. Regional partners, in turn, have an interest in securing reliable access to competitively priced energy, resources and industrial inputs as they decarbonise and expand their economies.

RCEP can support these shared interests by providing a forum for cooperation on the practical barriers to new energy trade.

Australia should seek a defined program of cooperation among RCEP members focused on clean industrial supply chains, emissions accounting and certification, investment, environmental goods and services, and trade facilitation.

This work should draw on existing RCEP institutional arrangements and prioritise issues where regional cooperation can deliver practical benefits. Initial activities could include identifying regulatory barriers, exchanging information on emerging standards and certification requirements, and examining opportunities to improve interoperability.

The program should complement, rather than duplicate, existing bilateral and regional initiatives. RCEP's value lies in its broad membership and its capacity to connect work already underway between individual economies.

Australia should encourage members to establish clear priorities and practical deliverables, with progress considered through RCEP's existing review and cooperation processes.

Conclusion

RCEP rests on a sound economic proposition: deeper regional integration, lower trade barriers and predictable rules support investment, productivity and economic growth.

The transition to net zero does not change that proposition. It does, however, change what the region will trade.

Energy that has traditionally been traded directly as coal, oil and gas will increasingly also be traded embodied in iron, aluminium, fuels, chemicals and other energy-intensive products. This will change investment patterns, industrial production and regional supply chains.

Australia has a substantial economic interest in how this new trade develops. Its renewable energy and mineral resources can support globally competitive export industries while providing regional partners with access to lower-emissions industrial inputs.

Realising this opportunity will require open markets, substantial investment and trade rules that allow comparative advantage to operate. It will also require cooperation between governments to ensure that emerging regulatory and certification arrangements facilitate trade rather than fragment regional markets.

Australia should use the RCEP General Review to reinforce these foundations and pursue practical measures that reduce barriers to new energy trade.

The objective should be clear: a regional trading system that allows economies to make the most of their respective advantages, supports internationally competitive production and enables the transition to lower emissions at the lowest cost.

About The Superpower Institute

The Superpower Institute is an independent policy organisation focused on the economic opportunities arising from Australia's transition to a net zero global economy.

Founded by economist Professor Ross Garnaut AC and former ACCC Chair Professor Rod Sims AO, TSI undertakes practical research and policy development on how Australia can use its renewable energy and resource advantages to build globally competitive, low-emissions industries and contribute to global decarbonisation.

TSI's work covers renewable energy, minerals processing and emerging export industries including green iron, aluminium, hydrogen and low-carbon fuels, as well as the economic, fiscal, trade and regional policy settings required to support their development.

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