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Southeast Asian Free Trade Agreements (FTAs) upgrade and modernisation agenda

Department of Foreign Affairs and Trade

Climateworks Centre submission on Southeast Asia Free Trade Agreements modernisation review

Climateworks Centre welcomes the opportunity to provide input on the modernisation of Australia's Free Trade Agreements (FTAs) with Southeast Asian economies. This submission outlines the need for these FTAs to be strengthened to support accelerated deployment of clean energy technologies, liberalise trade in renewable energy goods and services and deepen economic linkages that underpin both regions' clean energy transitions.

Climateworks bridges the gap between research and climate action, operating as an independent not-for-profit within Monash University. Climateworks accelerates ambitious, evidence-based action for net zero in Australia and Southeast Asia.

Submission summary

Southeast Asia is one of the world's fastest-growing regions and is rapidly building out renewable energy systems to meet rising energy demand and net zero commitments. Australia, with its strong clean energy technology base and strategic trade partnerships, can play a pivotal role in supporting this transition.

There are opportunities for existing FTAs to reflect emerging trade and investment opportunities in clean energy technologies and related value-added exports. Trade policy is also underutilised as a tool for climate mitigation despite renewable energy goods and services being central to most countries' climate strategies.

This submission recommends priority areas for FTA modernisation that can be explored and considered:

- Reduce tariff and non-tariff barriers to trade in environmental goods and services
- Embed sustainability and green economy principles into FTA chapters

- Strengthen regulatory coherence, standards alignment and market access
- Support the utilisation of FTAs by Australian businesses engaged in clean energy trade.

Summary of recommendations

Recommendation 1: Expand liberalisation of environmental goods and services. Extend tariff elimination or reduction schedules to cover a broader range of clean energy technologies and services.

Recommendation 2: Include dedicated clean energy and sustainability chapters in modernised FTAs that promote trade in low-carbon technologies, align with common standards and support green growth objectives.

Recommendation 3: Improve regulatory coherence and standards alignment. Facilitate mutual recognition of clean energy technology standards and certifications to reduce compliance costs for exporters.

Recommendation 4: Strengthen trade facilitation measures. Simplify customs procedures, improve transparency of rules of origin and enhance clarity around technical regulations that affect clean energy goods.

Recommendation 5: Boost FTA utilisation among Australian businesses in green sectors. Support small and medium-sized enterprises (SMEs) and exporters with information tools, trade facilitation services and targeted guidance on opportunities that can be unlocked through FTAs in Southeast Asia.

Strategic context

Australia has set ambitious goals to become a renewable energy superpower, supported by initiatives such as Future Made in Australia (Australian Government, 2024). Southeast Asia's energy demand is projected to grow rapidly, with renewable energy expected to play a major role in meeting future needs. The region is expected to account for about 25 per cent of global energy demand growth by 2035 (IRENA, 2025). Stronger trade linkages in clean energy goods and services can accelerate renewable deployment and support both regions' emissions reduction commitments. Southeast Asia's total energy demand is projected to double by 2050 from 2020 levels (Australian Government, 2023), highlighting the urgent need for expanded renewable supply chains and cross-border clean technology trade to meet this growth sustainably.

However, trade policy currently plays a limited role in many national climate strategies. Despite renewable energy and related technologies being common elements of Nationally Determined Contributions (NDCs), trade considerations are not routinely integrated into climate policy frameworks (UNCTAD, 2023). This gap indicates a missed opportunity to harness trade agreements as instruments for climate action and green growth.

International best practice shows that FTAs can be structured to incentivise trade in green goods, strengthen compliance with sustainability standards and support broader cooperation in environmental and climate objectives. Preferential trade agreements increasingly include environmental provisions (OECD, 2025) and practical mechanisms to facilitate trade in environmental goods and technologies (Gisselman et al., 2025).

Modernising Australia's FTAs with Southeast Asian partners offers a pathway to unlock these opportunities and strengthen bilateral and regional trade in low-carbon technologies.

Barriers to green trade and investment

- **Tariff and non-tariff barriers** persist for key clean energy technologies, increasing costs and limiting competitiveness. Even though Australia and ASEAN countries participate in agreements that reduce tariffs (e.g. the ASEAN–Australia–New Zealand Free Trade Area eliminates tariffs on most goods traded between the parties), non-tariff measures have become a dominant form of trade barrier in ASEAN markets, often diluting the benefits of tariff liberalisation. For example, non-tariff measures are applied on about 27.4 per cent of product lines in ASEAN member states (ITD, 2025) and include a wide range of regulatory and certification requirements that affect a broad spectrum of traded goods
- **Complex regulatory environments** and inconsistent standards across Southeast Asian markets create compliance challenges. For example, Australian exporters frequently face duplicate or overlapping regulatory processes in different ASEAN markets (Parliament of Australia, 2025), which can discourage trade in advanced goods and technologies, including those relevant to clean energy supply chains.
- **Limited use of FTAs** due to a lack of awareness and practical guidance on navigating rules of origin and certification requirements. For example, over 30 per cent of Australian businesses in ASEAN reported they were aware of FTAs but not using them, and only 17 per cent were making significant use of them (Australia ASEAN Chamber of Commerce, 2024).

As such, modernised FTAs have the potential to significantly enhance opportunities for Australian clean energy exporters by deepening tariff liberalisation and improving market access across Southeast Asia. They can also promote alignment on technical standards for renewable energy goods, helping to reduce barriers to entry and simplify compliance for exporters. For example, by incorporating sustainability provisions, such as commitments to eliminate tariffs on environmental goods and cooperation on eco-labelling and green certification standards, these agreements can elevate trade policy as a strategic tool to advance climate and environmental objectives. This is particularly relevant given Southeast Asia's renewable energy manufacturing and deployment market could generate between US\$90 billion and US\$100 billion in revenue by 2030 (ADB, 2023), driven by demand for solar photovoltaic cells, batteries and electric mobility technologies, highlighting the scale of opportunities for suppliers, including Australian clean technology exporters.

FTA modernisation priorities

Trade liberalisation of environmental goods and services

Research suggests that average tariffs on solar and wind components are higher in Asia and Oceania than in developed markets (UNCTAD, 2025), and that non-tariff barriers may further exacerbate export costs. This will not only hinder the pace of energy transition but also be a barrier to competitiveness for Australian clean technology businesses.

We encourage the government to consider how trade agreements could explicitly cover a wider range of environmental goods and services that could foster green trade in Australia and Southeast Asia, including but not limited to clean technology equipment, critical minerals, and environmentally friendly services such as sewage, refuse disposal, sanitation, engineering, financial and maintenance. These sectors are among those that Australia and Southeast Asia have shared economic interests. Initial attempts have been made in the Singapore-Australia Green Economy Agreement (GEA)

Sustainability and green growth chapters

We recommend that sustainability and green trade and services considerations be embedded in both existing FTA chapters (e.g. investment, services or trade in goods) to ensure practical integration across sectors, and also in a dedicated chapter, such as Trade and Sustainable (TSD), that specifies commitment to environmental protection and sustainability solutions. Initial precedents exist in several agreements. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) includes a separate Environmental Chapter, while the upgraded Australia–ASEAN–New Zealand FTA 2025 introduced a standalone TSD chapter focused on renewable energy, capacity building and broader sustainable development cooperation. Similarly, European Union (EU) FTAs feature TSD chapters that establish commitments to implement environmental laws, promote regulatory alignment and facilitate cooperation on green technology and capacity-building initiatives (European Commission, n.d.). The Organisation for Economic Co-operation and Development (OECD) has also provided analysis on how FTAs can incorporate environmental objectives in chapters (OECD, 2022).

Regulatory coherence and standards

Aligning regulatory frameworks and standards can reduce compliance burdens and foster green exports. This can be done through harmonising or enhancing interoperability of environmental standards, increasing data sharing and fostering mutual recognition agreements. Harmonised certification processes will help Australian and Southeast Asian exporters trade more effectively, avoiding duplicated testing and lengthy approval processes.

Trade facilitation

Streamlined and efficient customs procedures, transparent rules of origin and simplified documentation can be prioritised to reduce transaction costs for clean energy exporters, particularly for SMEs. Additionally, embedding mechanisms for business consultations and dialogue within FTA implementation can deliver on-the-ground feedback and identify persistent issues.

Supporting FTA utilisation

To maximise the benefits of modernised FTAs:

- Provide targeted guidance and tools for Australian exporters providing environmental goods and services on how to leverage FTA provisions.
- Engage with industry groups and SMEs in Australia and ASEAN to raise awareness of green trade opportunities.
- Offer capacity-building support to help businesses in both regions navigate technical and regulatory requirements in targeted green sectors.

Conclusion

Modernising Australia’s FTAs with Southeast Asian partners to support trade in clean energy technologies represents a strategic opportunity to accelerate both regional decarbonisation and economic growth. By expanding market access, embedding sustainability provisions and improving regulatory coherence, FTAs can become powerful instruments for green growth.

Beyond formal provisions, actively convening businesses in dialogues, identifying practical trade and regulatory issues and integrating their feedback into FTA implementation are also critical to ensuring that the agreements deliver real, on-the-ground benefits for exporters and investors.

Given that FTA modernisation and negotiation processes are typically lengthy, action is needed now to avoid future revisions and to position Australian clean energy businesses with a sustained competitive advantage.

Climateworks is well-placed to provide further analysis and engagement to support the Australian Government's FTA modernisation process.

We would be pleased to discuss our submission further or provide additional evidence and case studies upon request.

Yours sincerely,



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