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Environmental Reform Boosts Productivity, Reduces Government Spending

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Environmental reform could significantly reduce government expenditure while boosting economic productivity, according to former Treasury Secretary Ken Henry. His recent comments, shared on X and during a National Press Club address, suggest that streamlining Australia's environmental protection laws—particularly the Environment Protection and Biodiversity Conservation (EPBC) Act—could unlock economic

potential without undermining ecological standards. However, the Labor government's current approach has drawn criticism for excessive regulation that may be constraining growth.

Ken Henry, a respected economist and former senior public servant, argues that Australia's environmental laws are outdated and increasingly inefficient. He contends that modernising the EPBC Act could lower compliance costs for businesses, which often face long and complex approval processes. These delays inflate project budgets and discourage investment. Henry stated that reforming environmental regulation could save billions in public spending by cutting bureaucratic waste, allowing funds to be reallocated to productive sectors such as infrastructure and innovation. He also warned that unless productivity improves, Australia will face hard choices between higher taxes and reduced public services.

Independent reviews, including the 2020 Samuel Review, support Henry's assessment. They have called for a comprehensive overhaul of the EPBC Act, recommending enforceable national environmental standards, an independent regulator, better environmental data, and faster, more transparent project assessments. These proposals have attracted broad support from industry, environmental groups, unions, and scientific organisations, who argue that current delays hinder critical infrastructure, energy and resource projects.

The economic rationale for reform is strong. While some studies indicate that environmental regulations can impose short-term costs, particularly in manufacturing and heavy industry, the long-term impact on productivity is often limited when the regulations are designed effectively. Henry supports the adoption of market-based mechanisms, such as emissions

trading schemes, which provide incentives for cleaner practices without relying on excessive government intervention. These tools, he argues, can uphold strong environmental protections while easing financial and administrative pressures on businesses and the public sector.

Critics of the Labor government's environmental policy say it places ideological commitments above practical outcomes. The EPBC Act is frequently cited as a bottleneck that delays important projects and reduces Australia's economic competitiveness. Reforming the law could unlock private investment, generate jobs and stimulate growth, as demonstrated in countries with more flexible but still effective environmental frameworks. Social media posts, including those on X, reflect growing public concern about delays, with many calling for a more balanced and efficient system.

To realise these gains, policymakers will need to pursue reform that is evidence-based and politically durable. Henry's analysis suggests that simplifying environmental regulation could improve productivity, strengthen public finances and build greater economic resilience—all without compromising Australia's commitment to environmental protection. The key challenge is to avoid false choices between the economy and the environment and instead develop legislation that supports both.