

The Senate

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Economics Legislation Committee

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Future Made in Australia Bill 2024  
[Provisions] and the Future Made in  
Australia (Omnibus Amendments No. 1)  
Bill 2024 [Provisions]

September 2024

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# Abbreviations and acronyms

ARENA	Australian Renewable Energy Agency
ARENA Act	<i>Australian Renewable Energy Agency Act 2011</i>
The committee	Senate Economics Legislation Committee
CBPs	Community Benefit Principles
DISR	Department of Industry, Science and Resources
DITRDCA	Department of Infrastructure, Transport, Regional Development, Communications and the Arts
EFA	Export Finance Australia
EFIC Act	<i>Export Finance and Insurance Act 1991</i>
EM	Explanatory Memorandum
FMIA	Future Made in Australia
The FMIA bill	Future Made in Australia Bill 2024
ICESCR	<i>International Covenant on Economic, Social and Cultural Rights</i>
The Innovation Fund	The Future Made in Australia Innovation Fund
IRA	<i>The Inflation Reduction Act of 2022 (US)</i>
NIF	National Interest Framework
The Omnibus bill	Future Made in Australia (Omnibus Amendments Bill No. 1) Bill 2024
Scrutiny Committee	Senate Standing Committee on the Scrutiny of Bills
SES	Senior Executive Service



# Chapter 1

## Introduction

- 1.1 On 4 July 2024, the Senate referred the provisions of the Future Made in Australia Bill 2024 (the FMIA bill) and the Future Made in Australia (Omnibus Amendments No. 1) Bill 2024 (the Omnibus bill) to the Senate Economics Legislation Committee (the committee) for inquiry and report by 5 September 2024. On 19 August 2024, the Senate agreed to an extension of time to report to 6 September 2024.
- 1.2 The first chapter of this report outlines the purpose and provisions of the bills. Chapter two examines the objectives and policy design of FMIA more broadly while chapter three looks at specific parts of the FMIA bill and provides the committee view and recommendation.

### **Purpose of the bills**

- 1.3 The FMIA bill and the Omnibus bill provide a legislative framework for parts of the government's Future Made in Australia policy. This policy was first announced by the government as part of the 2024-25 Budget.<sup>1</sup>
- 1.4 The Future Made in Australia policy would provide for an investment of \$22.7 billion over the next ten years to 'help Australia become an indispensable part of the global economy as the world transforms to net zero emissions and undergoes the most significant changes since the industrial revolution'.<sup>2</sup>
- 1.5 The FMIA bill gives effect to the Future Made in Australia policy by creating a National Interest Framework, which will support government decision making for public investment and encourage private sector investment in industries for the national interest.<sup>3</sup>
- 1.6 The Omnibus bill also supports the Future Made in Australia policy by making changes to the *Export Finance and Insurance Act 1991* (EFIC Act) to allow Export Finance Australia (EFA) to make domestic investments in the national interest that are aligned with the National Interest Framework contained in the FMIA bill. It also amends the *Australian Renewable Energy Agency Act 2011* (ARENA Act) to allow the Australian Renewable Energy Agency (ARENA) to support the development and deployment of renewable energy technologies that will assist in Australia's transition to net zero.<sup>4</sup>

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<sup>1</sup> Explanatory Memorandum (EM), p. 5.

<sup>2</sup> EM, p. 5.

<sup>3</sup> EM, p. 14.

<sup>4</sup> EM, pp. 2-3.

## Background

1.7 As mentioned above, the FMIA bill and the Omnibus bill form part of the government's Future Made in Australia policy. A factsheet on the policy explains:

This plan is about maximising the economic and industrial benefits of the move to net zero and securing Australia's place in a changing global economic and strategic landscape.

The global environment is changing rapidly. Supply chains are under pressure, with increasing fragmentation and intensifying global competition. New opportunities in clean energy industries are also emerging that will shape the future of the global economy over the next decade and beyond.

Given our critical and abundant natural endowments and skilled workforce, Australia is well positioned to strengthen priority supply chains and become an indispensable part of the net zero global economy.<sup>5</sup>

1.8 The Future Made in Australia policy includes the following broad aims:

- attracting investment in key industries through the National Investment Framework (discussed further below), streamlining approval processes for investment, and encouraging private sector investment in sustainable industries;
- making Australia a 'renewable energy superpower' through the transition to net zero by establishing the Future Made in Australia Innovation Fund (discussed further below) to invest in net zero industries and increasing the demand for Australia's green exports;
- strengthening resources and economic security by investing in resources and critical minerals supply chains, as well as investing in manufacturing of clean energy technology; and
- investing in new technologies and capabilities, reforming tertiary education and providing a training and skills pipeline for Future Made in Australia priority industries, strengthening defence capability and increasing drought and disaster resilience, among other things.<sup>6</sup>

## Provisions of the bills

### The FMIA bill

1.9 The FMIA bill contains four parts:

- Part 1 contains the objects of the FMIA bill as well as relevant definitions;

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<sup>5</sup> Australian Government, *Budget 2024-25: A Future Made in Australia*, May 2024, <https://budget.gov.au/content/factsheets/download/factsheet-fmia.pdf> (accessed 11 July 2024).

<sup>6</sup> Australian Government, *Budget 2024-25: Investing in a Future Made in Australia*, May 2024, <https://budget.gov.au/content/03-future-made.htm> (accessed 11 July 2024).

- Part 2 sets out the National Interest Framework (NIF) and sector assessments (both of these are detailed further below);
- Part 3 details the provision of Future Made in Australia support and the Community Benefit Principles (CBPs) which a decision-maker must have regard to when making a decision to provide Future Made in Australia support; and
- Part 4 contains miscellaneous sections, including the ability for the Secretary to delegate sector assessment decisions to a Senior Executive Service employee, annual reporting requirements, and the Minister's ability to make rules by legislative instrument.<sup>7</sup>

### ***Part 1***

1.10 Part 1 of the FMIA bill includes the objects of the bill, which are:

- (a) To establish the NIF;
- (b) To enable the NIF to be used for sector assessments which will determine which sectors of the economy are ones where Australia could have a competitive advantage in a net zero economy but require government investment, or where some degree of domestic capacity is required for economic resilience and security; and
- (c) To ensure that the funds provided under the Future Made in Australia policy considers community benefits, such as:
  - (i) Promoting safe, secure and well paid work;
  - (ii) Developing skilled and inclusive workforces;
  - (iii) Working with communities to achieve positive outcomes, in particular First Nations communities and those affected by the transition to net zero;
  - (iv) Strengthening domestic industrial capabilities, including local supply chains; and
  - (v) Demonstrating compliance and transparency to tax law.<sup>8</sup>

1.11 Part 1 also includes several relevant definitions, as well as a simplified outline of the FMIA bill to assist readers in understanding the substantive provisions of the bill.<sup>9</sup>

### ***Part 2***

1.12 Part 2 of the FMIA bill establishes the NIF and the sector assessment process.<sup>10</sup>

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<sup>7</sup> EM, p. 14.

<sup>8</sup> Future Made in Australia Bill 2024 (FMIA Bill), cl. 3.

<sup>9</sup> EM, p. 15.

<sup>10</sup> FMIA Bill, cl. 6–9.

*The National Interest Framework*

1.13 Section 7 in Part 2 of the FMIA bill establishes the NIF, which ‘will support the Australian Government’s consideration and decision making in relation to significant public investment at scale in the public interest’.<sup>11</sup> The framework will have two streams:

- the net zero transformation stream; and
- the economic resilience and security stream.

1.14 As the explanatory memorandum sets out:

The net zero transformation stream will identify sectors which could have a sustained comparative advantage in a net zero economy and where public investment is likely to be needed for the sector to make a significant contribution to emissions reduction at an efficient cost.<sup>12</sup>

1.15 References to ‘significant contribution to emissions reduction’ in the framework include both domestic and global emissions reduction. The references to greenhouse gas emission reduction targets are defined consistently across Australian legislation and includes the targets set out in the *Climate Change Act 2022*.<sup>13</sup>

1.16 A sector can be considered for investment under the net zero transformation stream if it:

- is energy intensive and is able to substantially reduce Australia’s or another country’s greenhouse emissions by making use of Australia’s renewable energy resources;
- has ‘output that embodies low emissions’ or can contribute to emissions reductions in other parts of the economy;
- can leverage Australia’s workforce;
- is able to achieve economies of scale; or
- aligns with either the current or future needs of one of Australia’s international trading partners.<sup>14</sup>

1.17 The economic resilience and security stream relates to sectors where Australia requires a degree of domestic capacity and resilience for domestic economic or security reasons, and there is an absence of private sector investment without government support.<sup>15</sup>

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<sup>11</sup> EM, p. 16.

<sup>12</sup> EM, p. 16.

<sup>13</sup> EM, p. 16; See *Climate Change Act 2022*, s. 10(1)(a) and (b).

<sup>14</sup> EM, p. 17.

<sup>15</sup> EM, p. 17.

1.18 A sector will be considered for investment under the economic resilience and security stream if it:

- forms part of a supply chain which is vulnerable to disruption, requires diversification, or is highly concentrated; or
- is a sector which is required for the maintenance or development of another sector which is necessary for Australia's security or resilience.<sup>16</sup>

1.19 A decision to invest in a sector under the economic resilience and security stream will also give consideration as to whether the Australian economy could prevent or adapt to disruptions in the supply of goods provided by this sector.<sup>17</sup>

#### *Sector Assessments*

1.20 Part 2 of the FMIA bill gives the Minister, after consultation with other Ministers, power to direct the Secretary of a relevant Department to conduct a sector assessment against the NIF to determine if it is suitable for investment under the FMIA policy. This direction is given through a notifiable instrument.<sup>18</sup>

1.21 The term 'sector' as used in the FMIA bill has not been defined and it is intended that the ordinary meaning of the word will be applied. This is to provide the relevant Minister with flexibility to identify sectors either broadly or narrowly, depending on need. The Minister can define the scope of the sector to be assessed in the notifiable instrument to the Secretary. This instrument may also include general instructions to the Secretary for the sector assessment, such as undertaking a public consultation process, and any further considerations which should be taken into account.<sup>19</sup>

1.22 Sector assessments are intended to be robust processes which draw on a variety of information and views.<sup>20</sup> The FMIA bill states clearly that the Minister must not seek to influence or give directions to a Secretary about a particular outcome of a sector assessment.<sup>21</sup>

1.23 The FMIA bill sets out the matters to be considered by the Secretary when performing a sector assessment:

- whether Australia could be competitive in the sector;
- whether the sector could contribute to the transition to net zero, including through the use of renewable energy;

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<sup>16</sup> EM, p. 17.

<sup>17</sup> EM, p. 17

<sup>18</sup> FMIA Bill, cl. 6.

<sup>19</sup> EM, p. 18.

<sup>20</sup> EM, p. 18.

<sup>21</sup> FMIA Bill, cl. 8(4).

- whether the sector could generate employment in the regions and build Australian capability;
- whether supporting the sector could improve Australia's security and resilience; and
- whether supporting the sector could deliver value for money and 'recognise the key role of the private sector'.<sup>22</sup>

1.24 When conducting a sector assessment, the Secretary may take into account whichever of the above factors they consider relevant. The Secretary is not required to consider all the above factors when conducting an assessment.<sup>23</sup>

1.25 To ensure that there is certainty around how sector assessments will be conducted, the legislative instrument to conduct a sector assessment will not be a disallowable instrument. The instrument can be amended or repealed and is intended to remain in place until revoked by the Minister.<sup>24</sup> The Minister may also direct a Secretary to review a sector assessment as policy and market conditions change over time.<sup>25</sup>

1.26 The EM is clear that sector assessments are not intended to replace other policy frameworks or inform all government decisions:

...the National Reconstruction Fund has been tasked to invest in several priority areas to support, diversify and transform Australia's industry and economy. While decisions made by the National Reconstruction Fund may align with priority areas identified through the National Interest Framework, this is not a requirement under the Fund's investment mandate.<sup>26</sup>

1.27 After the completion of a sector assessment, the Secretary will provide the Minister with a report of the assessment which must be tabled in the Parliament within 30 days of being received. The Minister has the power to make redactions in such a sector assessment report in the case of information being personal, confidential or commercially sensitive, or likely to cause damage to security, defence or the relationship of the Commonwealth with the states or territories or an international state.<sup>27</sup>

### **Part 3**

1.28 Part 3 of the FMIA bill details the provision of support provided under the FMIA policy. This includes the CBPs which are contained in section 10 of the bill.

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<sup>22</sup> EM, p. 18.

<sup>23</sup> EM, p. 19.

<sup>24</sup> EM, pp. 18–19.

<sup>25</sup> EM, p. 19.

<sup>26</sup> EM, p. 19.

<sup>27</sup> EM, p. 20.

1.29 Decision makers must have regard to the CBPs when deciding whether to provide ‘Future Made in Australia (FMIA) support’. FMIA support is defined in the FMIA bill as:

- support provided from the FMIA Innovation Fund (administered by ARENA, discussed further below);
- support provided from EFIC under section 23B of the EFIC Act or under its net zero function or its national economy function<sup>28</sup> (changes made to the EFIC Act by the Omnibus bill are discussed further below); or
- support identified as FMIA support under another law of the Commonwealth.<sup>29</sup>

1.30 This support can be from any Commonwealth entity or Commonwealth company and can be in the form of a grant, loan, indemnity, guarantee, warranty, investment of money, or any other form of support.<sup>30</sup>

1.31 In brief, the CBPs that a decision maker should have regard to are:

- promoting safe and secure jobs;
- developing more skilled and inclusive workforces;
- engaging with local communities, including First Nations communities and communities affected by the net zero transition;
- strengthening domestic industrial capabilities; and
- demonstrating transparency and compliance in relation to the management of tax affairs.<sup>31</sup>

1.32 Each of these principles are discussed in more detail below.

*Promoting safe and secure jobs that are well paid and have good conditions.*

1.33 This principle is to ensure that government investment supports the creation of employment consistent with the *Fair Work Act 2009* and the modern award objective of improving access to secure work. According to the EM, the employment promoted by this principle would be characterised by more stable employment (such as employment on a permanent basis and engaged directly by the entity) as well as generally meeting the prevailing industry or sector standard pay and conditions and being compliant with health and safety laws.<sup>32</sup>

1.34 From the EM:

The effect of this principle is to ensure that when assessing applications for Future Made in Australia support, decision makers consider the type and

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<sup>28</sup> EFIC Act, para. 7(1)(df) or (dg).

<sup>29</sup> FMIA bill, cl. 10(2).

<sup>30</sup> EM, p. 21.

<sup>31</sup> FMIA bill, cl. 10(3)(a)(i)–(v).

<sup>32</sup> EM, p. 22.

nature of employment opportunities that might be generated by the application should the support be provided.<sup>33</sup>

*Develop more skilled and inclusive workforces, including by investing in training and skills development and broadening opportunities for workforce participation*

1.35 A decision maker should have regard to the potential for FMIA support to encourage the development of skilled and inclusive workforces. This would include investment in skills and training, such as an applicant's engagement in training partnerships with TAFE, as well as initiatives that improve employment outcomes for First Nations people, youth, women, or people otherwise experiencing barriers to employment in the local area.<sup>34</sup>

*Engage collaboratively with and achieve positive outcomes for local communities, such as First Nations communities and communities directly affected by the transition to net zero.*

1.36 This principle is intended to prioritise 'early and collaborative' engagement with the abovementioned local communities, in order to achieve outcomes aligned with those communities' priorities. This is to ensure that support provided under the FMIA policy contributes to a transition to net zero that is fair and just.<sup>35</sup>

1.37 The decision maker having regard to this principle may consider how the applicant intends to engage with the local community and how they will ensure that these views are taken into account when deciding on the action they will take.<sup>36</sup>

*Strengthen domestic industrial capabilities including through stronger local supply chains*

1.38 This principle is intended to ensure that, where possible, a recipient of FMIA support should provide opportunities for local and Australian businesses to participate in the project and its supply chains for the life of the project. The decision maker should consider whether Australian industry has been given an opportunity to participate in or benefit from a project, and may also consider whether the project will contribute to Australian innovation and knowledge sharing.<sup>37</sup>

*Demonstrate transparency and compliance in relation to the management of tax affairs, including benefits received under Future Made in Australia supports.*

1.39 A decision maker should have regard to an applicant entity's history of tax compliance, including compliance with the policy intent of tax law. The ability

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<sup>33</sup> EM, p. 22.

<sup>34</sup> EM, p. 22

<sup>35</sup> EM, p. 23

<sup>36</sup> EM, p. 23.

<sup>37</sup> EM, p. 23

of an applicant to show compliance with Commonwealth tax law ‘ensures entities are acting in the national interest and ensures that the provision of Future Made in Australia support continues to uphold the integrity of the federal tax system’.<sup>38</sup>

#### *Future Made in Australia rules and plans*

- 1.40 The bill also contains provisions which allow the Minister to make rules in relation to FMIA plans. These rules can detail when a FMIA plan is required, what content such a plan must include, when the plan must be submitted to the Minister and when it will commence or cease to be in effect. It is not intended that all parties or entities that apply for FMIA support would be required to prepare and submit a FMIA plan.<sup>39</sup>
- 1.41 When required by the rules, an entity applying for FMIA support must have a FMIA plan which will explain how the support will provide the community benefits consistent with the community benefit principles listed above.<sup>40</sup>

#### **Part 4**

- 1.42 This part of the bill contains miscellaneous sections. These include the requirement to prepare an annual report on the operation of the bill, the power of the Secretary to delegate their powers and functions under the bill to a member of the Senior Executive Service of their department, and the power of the Minister to make rules.<sup>41</sup>

#### **The Omnibus bill**

- 1.43 The Omnibus bill is made of up two schedules:
- Schedule 1 amends the EFIC Act to allow the EFA to make domestic investments in alignment with the FMIA policy’s NIF;<sup>42</sup> and
  - Schedule 2 amends the ARENA Act to both update and modernise the Act itself, as well as administer the FMIA Innovation Fund (the Innovation Fund).<sup>43</sup>

#### **Schedule 1- amendments to EFA**

- 1.44 As mentioned above, Schedule 1 of the Omnibus bill amends the EFIC Act to allow the EFA to make investments aligning with the FMIA policy where support had not been previously available.

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<sup>38</sup> EM, p. 23.

<sup>39</sup> EM, p. 24.

<sup>40</sup> EM, p. 24.

<sup>41</sup> EM, p. 25.

<sup>42</sup> EM, p. 28.

<sup>43</sup> EM, p. 3.

- 1.45 Various definitions are added to the bill to bring the EFIC Act into line with the NIF's two streams (discussed above), introducing the 'EFIC's net zero function' and 'EFIC's national economy function.' The 'Responsible Minister' definition is also amended to include the Finance Minister as the minister administering the EFIC Act.<sup>44</sup>
- 1.46 Section 7 of the EFIC Act is amended to include the NIF streams to allow the EFA to support these investment priorities. Item 12 of the bill is inserted into the EFIC Act to allow the EFA to use its existing financing tools (providing or guaranteeing finance, entering into contracts for insurance and indemnity) for these NIF streams, subject to the EFA referring the service or product to the responsible Ministers if required.<sup>45</sup>
- 1.47 This schedule of the Omnibus bill also allows EFA to disregard two of its primary duties for the purposes of performing its new national economy and net zero functions. These duties are that it performs its functions so as to best assist Australia's export trade, and to have regard to the desirability of extending the range of financial services and products available to persons who are involved in Australian export trade.<sup>46</sup>
- 1.48 The amendments in the Omnibus bill make changes so that the 'responsible Ministers' includes the Finance Minister as joint minister with the Minister responsible for administering the EFIC Act. This is in line with the government's approach to improving oversight and transparency in its specialist investment vehicle portfolio. Mirror amendments to the *Public Governance, Performance and Accountability Act 2013* are also included in Schedule 1 to give effect to this change.<sup>47</sup>
- 1.49 The Omnibus bill also makes various technical amendments to modernise the EFIC Act, such as replacing 'his or her' with 'the' and ensuring that the roles of Chair and Managing Director are not automatically filled with acting roles when these people are not in Australia.<sup>48</sup>

### ***Schedule 2 – Amendments to ARENA***

- 1.50 ARENA is an independent statutory authority that aims to facilitate Australia's greenhouse gas emission reduction goals and improve competition and supply of renewable energies in Australia. It does this by providing funding to

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<sup>44</sup> EM, pp. 28–29.

<sup>45</sup> EM, p. 29.

<sup>46</sup> EM, pp. 29–30.

<sup>47</sup> EM, p. 30.

<sup>48</sup> EM, p. 30

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researchers and developers in the renewable energy sector as well as sharing knowledge about renewable energy technologies.<sup>49</sup>

- 1.51 Schedule 2 of the Omnibus bill makes wide-ranging changes to the ARENA Act in order to modernise it and to allow it to give effect to the FMIA policy.

*Objects and functions of the ARENA Act*

- 1.52 The objects of the ARENA Act are amended to include that the ARENA Act contribute to the reduction of global greenhouse gas emissions in accordance with the Paris Agreement, ‘including through increasing the supply and competitiveness of renewable energy technologies.’<sup>50</sup>

- 1.53 ARENA’s functions (contained in section 8 of the ARENA Act) are also amended by the bill to include the manufacture of renewable energy. This is mirrored by amendments to section 14 of the ARENA Act (Constitutional limits) to add manufacturing as one of the constitutional bases ARENA may perform its functions under.<sup>51</sup>

- 1.54 According to the EM:

These amendments are intended to support Australia to become a renewable energy superpower and ease supply-chain issues, through enhancing the competitiveness of Australian-made renewable energy technologies and products made with renewable energy.<sup>52</sup>

*Definitions*

- 1.55 The Omnibus bill repeals the definition of ‘Chief Finance Officer’ and inserts a new definition of ‘Deputy Chair’.<sup>53</sup> This forms part of changes to ARENA’s governance which is discussed further below.

- 1.56 The Omnibus bill also amends the ARENA Act by moving two definitions from the ARENA Regulation into the Act: ‘electrification technologies’ and ‘energy efficiency technologies’. These terms are also added to several sections within the ARENA Act so that ARENA’s functions and powers in relation to these technologies remain the same.<sup>54</sup>

- 1.57 The EM states that the movement of these definitions into the ARENA Act from the ARENA Regulation is not intended to change the definitions in question, as they are transposed directly from the Regulation in question. Rather, this change has been made to reflect the important role of electrification and energy

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<sup>49</sup> EM, p. 34.

<sup>50</sup> EM, p. 39.

<sup>51</sup> EM, p. 39.

<sup>52</sup> EM, p. 39.

<sup>53</sup> EM, p. 40.

<sup>54</sup> EM, p. 40.

efficiency technologies in the transition to net zero, as well as address concerns expressed by the Senate Standing Committee on the Scrutiny of Delegated Legislation about the number of regulations made under the ARENA Act.<sup>55</sup>

#### *Governance Arrangements*

1.58 Under the Omnibus bill, several changes are made to ARENA's governance. These include:

- ARENA will now be able to employ staff under its own terms, rather than being assisted by staff employed under the *Public Service Act 1999* or consultants. Other provisions are also amended to allow ARENA to pay salaries and allowances of any staff it employs;
- The membership of the ARENA Board will be increased from six to seven, with the period of appointment being increased from two years to three (allowing a maximum number of years on the Board to be nine years);
- ARENA will be able to employ consultants to assist in the expansion of its functions and capabilities, such as those with expertise in media, communications and administration. Previously ARENA was only able to employ consultants to provide specialist and technical advice; and
- The requirement that ARENA prepare a workplan is repealed.<sup>56</sup>

1.59 The Omnibus bill also allows the Minister, with the agreement of the Finance Minister, to appoint one member of the ARENA Board as Deputy Chair. In cases where the Chair of ARENA is unable to perform their functions, the Minister may appoint an acting Chair, and if no such appointment is made the Deputy Chair is to act as Chair. The Minister also has the power to appoint an acting Deputy Chair.<sup>57</sup>

1.60 The Omnibus bill also introduces a power of sub-delegation for the Chief Executive Officer who may, in writing, delegate a power to a senior member of staff. The ARENA Board will have oversight of any of these sub-delegations. The EM states that it is expected that these sub-delegations will generally be made to senior staff in ARENA, equivalent to at least an Australian Public Service Executive Level 2 officer, and that this will be administratively necessary as ARENA's workload is expanded to meet its role in actioning the Future Made in Australia policy.<sup>58</sup>

#### *Joint Ministerial responsibility*

1.61 Several sections of the ARENA Act are amended by the Omnibus bill to increase the role of the Finance Minister in relation to governance and strategic matters

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<sup>55</sup> EM, p. 40.

<sup>56</sup> EM, pp. 41–42.

<sup>57</sup> EM, p. 42.

<sup>58</sup> EM, pp. 42–43.

of ARENA. This has been done to create a consistent approach to oversight for specialist investment vehicles across government.<sup>59</sup>

1.62 The amendments include:

- requiring the Board of ARENA to have regard to the ARENA Statement of Expectations, which will be jointly issued by Minister and Finance Minister, when developing its general funding strategy;
- requiring the Minister to consult with the Finance Minister prior to the approval or variation of the general funding strategy, appointing or terminating the CEO of ARENA, or determining the terms and conditions of ARENA Board appointments;
- requiring that the Minister act with the agreement of the Finance Minister in making appointments or terminating the appointments of the ARENA Board, Chair and Deputy Chair, as well as requiring the Minister to notify the Finance Minister of any acting appointments to these roles and any absences of the Chair and Deputy Chair; and
- requiring that any interests of the ARENA Board members and the CEO be disclosed to both the Minister and the Finance Minister and that Board member resignations be provided to both the Minister and the Finance Minister.<sup>60</sup>

1.63 The Omnibus bill also allows for the Minister to delegate certain powers for specified projects or programs to other Ministers. These powers delegated to other Ministers must be exercised in accordance with the ARENA Act and only in relation to the project or program that has been specified in the instrument of delegation. This power has been included in the Omnibus bill to reflect ARENA's expanded role under the Future Made in Australia policy.<sup>61</sup>

#### *Funding arrangements*

1.64 The Omnibus bill introduces a requirement for ARENA to have regard to the most recent statement of expectations jointly issued by the Minister and the Finance Minister when developing its general funding strategy. The EM gives more detail in relation this requirement:

The statement of expectations is intended to give greater weight to the Government's priorities and objectives for ARENA and shape how ARENA strategically deploys its funding due to its growing importance in supporting the transition to a net zero economy. This does not diminish ARENA's independence and role in developing the General Funding Strategy under the ARENA Act.<sup>62</sup>

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<sup>59</sup> EM, p. 43.

<sup>60</sup> EM, p. 43.

<sup>61</sup> EM, p. 44.

<sup>62</sup> EM, p. 44.

- 1.65 The Omnibus bill also provides an updated table, in proposed section 64 of the ARENA Act, of funding amounts for ARENA for future financial years from 2025-26 to 2038-39. The money specified in this table does not limit the amount of money ARENA can receive in a financial year and can be increased by regulation.<sup>63</sup>
- 1.66 Any future extra funding amount prescribed by regulation would be subject to normal Federal Budget processes and would be subject to disallowance. The EM states that the intention of allowing these kinds of regulations would be for exceptional circumstances, such as where an increase in funding would be required in order for Australia to meet its greenhouse gas emission reduction targets and ARENA's existing funding arrangements would not be adequate for this purpose.<sup>64</sup>

#### *Consequential amendments*

- 1.67 As mentioned previously in this chapter, the definitions of electrification technologies and energy efficiency technologies have been moved into the ARENA Act by the Omnibus bill. Consequential amendments are made to the ARENA Regulation to remove these definitions to avoid duplication.<sup>65</sup>

### **Consultation**

- 1.68 As the FMIA bill and the Omnibus bill are wide ranging and cover many policy areas there have been a variety of consultations on these bills, both ongoing and completed.
- 1.69 Treasury completed a support paper in May 2024 relating to the FMIA policy and outlining the NIF and the CBPs.<sup>66</sup>
- 1.70 The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) is currently undertaking a consultation on opportunities to support a low carbon liquid fuel in Australia as part of the FMIA policy. Submissions to this consultation closed on 18 July 2024.<sup>67</sup>

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<sup>63</sup> EM, pp. 44–45.

<sup>64</sup> EM, p. 46.

<sup>65</sup> EM, p. 46.

<sup>66</sup> Department of the Treasury, *Future Made in Australia National Interest Framework: Supporting Paper*, 14 May 2024, <https://treasury.gov.au/sites/default/files/2024-05/p2024-526942-fmia-nif.pdf> (accessed 12 August 2024).

<sup>67</sup> DITRDCA, Consultation on Future Made in Australia: Unlocking Australia's low carbon liquid fuel opportunity, <https://www.infrastructure.gov.au/have-your-say/consultation-future-made-australia-unlocking-australias-low-carbon-liquid-fuel-opportunity> (accessed 12 August 2024).

1.71 In addition, the Department of Industry, Science and Resources (DISR) is undertaking consultation on the production of low emission iron, steel, alumina and aluminium and the decarbonisation of the sector. A consultation paper was provided in May 2024 and submissions closed in July 2024.<sup>68</sup>

## Commencement

1.72 Both the FMIA bill and the Omnibus bill would commence the day after receiving Royal Assent.<sup>69</sup>

## Financial impact

### The FMIA bill

1.73 The FMIA bill has been assessed to have nil financial impact.<sup>70</sup>

### The Omnibus bill

1.74 Schedule 1 of the Omnibus bill is estimated to have a financial impact of \$11.4 million for the period of 2024-25 to 2028-29 (see table below) and an ongoing financial impact of \$3.1 million a year from 2028-29 ongoing.<sup>71</sup>

**Table 1.1 Omnibus bill schedule 1 financial impact**

Year:	2023-24	2024-25	2025-26	2026-27	2027-28
Impact:	Nil	2.5	2.9	2.9	3.1

Source: EM, p. 2. Note: All figures in this table represent \$millions.

1.75 Schedule 2 of the omnibus bill reintroduces statutory funding for ARENA (totalling \$6.19 billion for the period of 2025-26 through 2038-39). This funding has already been allocated to ARENA through the Federal Budget process and as such the bill does not provide any new funding for ARENA.<sup>72</sup>

## Legislative scrutiny

1.76 In *Scrutiny Digest 9 of 2024*, the Senate Standing Committee on the Scrutiny of Bills (Scrutiny Committee) raised concerns about the power in the Omnibus bill of the CEO of ARENA to subdelegate their powers to senior staff members.

1.77 As at the time of writing, the Scrutiny Committee has not made any comment on the FMIA bill.

<sup>68</sup> DISR, *Unlocking green metals opportunities for a Future Made in Australia: consultation paper*, <https://consult.industry.gov.au/unlocking-green-metals> (accessed 12 August 2024).

<sup>69</sup> EM, pp. 1–3.

<sup>70</sup> EM, p. 1.

<sup>71</sup> EM, p. 2.

<sup>72</sup> EM, p. 4.

### **Broad delegation of administrative powers**

1.78 As mentioned above, the Omnibus bill amends the ARENA Act to allow the CEO to subdelegate their powers or functions to ‘a senior member of staff referred to in section 61’.<sup>73</sup> Proposed section 61 of the ARENA Act does not define ‘senior members of staff’.<sup>74</sup>

1.79 The EM does provide some guidance on these amendments:

It is expected that, for the purposes of this provision, ‘senior staff’ in ARENA would generally hold managerial positions equivalent to at least an Executive Level 2 officer or higher in the Australian Public Service. It is administratively necessary to allow the CEO to subdelegate their powers or functions to senior staff of ARENA, particularly given the expansion of ARENA’s workload and workforce in its delivery of the FMA agenda. This would ensure that day-to-day operations are not unduly delayed or interrupted where decisions or approvals that are required cannot be made by senior staff holding appropriate subdelegations.<sup>75</sup>

1.80 The Scrutiny Committee has previously raised concerns about subdelegation powers that allow for delegation to a relatively large group of people ‘with little or no specificity as to their qualifications or attributes’.<sup>76</sup> It prefers to see limits set in relation to subdelegations on either the scope of the powers being delegated or on the categories of people who could be delegated to. The Scrutiny Committee also expressed a preference for delegations to be limited to members of the Australian Public Service Senior Executive Service (SES) or nominated office holders. Where these delegates are included in a bill, the Scrutiny Committee considers that an explanation should be included in the EM.<sup>77</sup>

1.81 As noted above, the EM does include an explanation of the reasons for such broad subdelegation powers on behalf of the CEO of ARENA. The Scrutiny Committee raised the following concerns with this explanation:

- While the EM states that the intention of the bill is that ‘senior members of staff’ would mean Executive Level 2 (EL2) or equivalent management positions, this is not captured in the bill and, as the current ARENA Act already allows for subdelegation to SES or EL2 level staff, this seems to indicate that there is an intention to subdelegate to levels lower than EL2.

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<sup>73</sup> The Omnibus bill, cl. 51.

<sup>74</sup> The Omnibus bill, cl. 43.

<sup>75</sup> EM, pp. 42–43.

<sup>76</sup> Senate Standing Committee on the Scrutiny of Bills, *Scrutiny Digest 9 of 2024*, 14 August 2024, p. 16.

<sup>77</sup> Senate Standing Committee on the Scrutiny of Bills, *Scrutiny Digest 9 of 2024*, 14 August 2024, pp. 16–17.

- There is no requirement in the bill for powers and functions to be subdelegated to members of staff with appropriate skills, experience or qualifications to perform those subdelegated functions.<sup>78</sup>

1.82 Because of this, the Scrutiny Committee requested the minister's advice as to:

- why it is necessary and appropriate for any of the CEO's powers to be subdelegated to any 'senior member of staff' under proposed subsection 73(1) of the bill;
- whether proposed section 61 of the bill can be amended to include a definition of 'senior member of staff'; and
- whether proposed subsection 73(1) of the bill can be amended to provide that the CEO's powers or functions can only be subdelegated where the CEO is satisfied that the subdelegate possesses the appropriate skills, qualifications or experience to exercise the powers or perform the functions.<sup>79</sup>

### **Human rights implications**

1.83 As at the time of writing, the Parliamentary Joint Committee on Human Rights has not commented on the bills.

1.84 The EM includes a discussion of the human rights implications of the bills.

### **The FMIA Bill**

1.85 The EM states that the FMIA bill engages positively with the following human rights contained in the International Covenant on Economic, Social and Cultural Rights (ICESCR):

- The right to work; and
- The right to the highest attainable standard of physical and mental health.<sup>80</sup>

1.86 The right to work (contained in articles 6(1), 7 and 8(1)(a) of the ICESCR) states that a person has a right to freely choose their work and to not be unfairly deprived of work. According to the EM, the FMIA bill positively engages with this right through the requirement that the community benefit principles be considered when making decisions about providing Future Made in Australia support. The community benefit principles include promoting safe and secure employment and developing skilled and inclusive workforces.<sup>81</sup>

1.87 By promoting safe and secure employment, this part of the bill addresses the right to freely choose work. The community benefit principles of developing skilled and inclusive workforces and engaging collaboratively with local

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<sup>78</sup> Senate Standing Committee on the Scrutiny of Bills, *Scrutiny Digest 9 of 2024*, 14 August 2024, p. 17.

<sup>79</sup> Senate Standing Committee on the Scrutiny of Bills, *Scrutiny Digest 9 of 2024*, 14 August 2024, p. 18.

<sup>80</sup> EM, p. 49

<sup>81</sup> EM, pp. 49–50.

communities (including First Nations communities and communities affected by the transition to net zero) also addresses the right to not be unfairly deprived of work by encouraging workforce participation.<sup>82</sup>

1.88 Article 12 of the ICESPR recognises the right of all people to ‘the enjoyment of the highest attainable standard of physical and mental health.’<sup>83</sup> Article 12(2) specifies the steps for states to take to fully achieve this right as including ‘the improvement of all aspects of environmental and industrial hygiene.’

1.89 The bill positively impacts this right by:

...encouraging and expanding private investment in sectors of the Australian economy that will make a significant contribution to emissions reduction, and by considering for support sectors which could contribute to an orderly path to net zero transformation.<sup>84</sup>

### **The Omnibus bill – Schedule 1**

1.90 Schedule 1 of the Omnibus bill engages with the right to an adequate standard of living contained in article 11 of the ICESPR. According to the EM, this right is positively engaged by schedule 1 as it will enhance EFA’s ability to increase competition, and by extension supply, of renewable energy in Australia.<sup>85</sup>

1.91 As such, according to the EM, this schedule is compatible with human rights.<sup>86</sup>

### **The Omnibus bill – Schedule 2**

1.92 Similarly, schedule 2 engages with article 11 of the ICESPR. As this schedule allows ARENA to improve competition and supply of renewable energy in Australia, it will help Australia meet its greenhouse gas emission reduction targets and will improve living standards in Australia.<sup>87</sup>

1.93 As with schedule 1, according to the EM, this schedule is compatible with human rights.<sup>88</sup>

## **Regulatory impact**

1.94 The EM offered no discussion about a Regulatory Impact Statement for either the FMIA bill or the Omnibus bill.

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<sup>82</sup> EM, p. 50.

<sup>83</sup> *The International Covenant on Economic, Social and Cultural Rights* (ICESCR), art. 12(1), available at <https://www.ohchr.org/en/instruments-mechanisms/instruments/international-covenant-economic-social-and-cultural-rights> (accessed 17 July 2024).

<sup>84</sup> EM, p. 50.

<sup>85</sup> EM, p. 52.

<sup>86</sup> EM, p. 52.

<sup>87</sup> EM, p. 53.

<sup>88</sup> EM, p. 53.

### **Conduct of the inquiry**

- 1.95 The committee advertised the inquiry on its website and wrote to relevant stakeholders and interested parties inviting written submissions by 26 July 2024.
- 1.96 The committee received 57 submissions as well as answers to questions on notice, which are listed at Appendix 1.
- 1.97 The committee held two public hearings for the inquiry in Canberra on 28 and 29 August 2024. The names of witnesses who appeared at the hearing can be found at Appendix 2.

### **Acknowledgements**

- 1.98 The committee thanks all individuals and organisations who assisted with the inquiry, especially those who made written submissions and participated in the public hearing.

### **Notes on references**

- 1.99 In this report, references to the Committee Hansard are to the Proof Hansard and page numbers may vary between Proof and Official Hansard transcripts.

### **Report structure**

- 1.100 Stakeholder views on the bill have been divided into two chapters. The first of these (chapter 2) examines the objectives and policy design of FMIA more broadly.
- 1.101 Chapter 3 of the report looks at specific parts of the FMIA bill, being the National Interest Framework, Sector Assessments and the Community Benefit Principles. This chapter will also contain the committee view for the FMIA bills.



# Chapter 2

## The objectives and policy design of Future Made in Australia

### Introduction

- 2.1 This chapter examines stakeholder views on the provisions of the Future Made in Australia Bill 2024 (the FMIA bill) and the Future Made in Australia (Omnibus Amendments No. 1) Bill 2024 (the Omnibus bill).
- 2.2 In particular, this chapter outlines evidence addressing the broad objectives and policy design of the Future Made in Australia agenda.
- 2.3 The third and final chapter of this report considers more specific aspects of the legislative framework created by the bills—namely, the National Interest Framework, Sector Assessments, and the Community Benefit Principles. Overall support for the bills
- 2.4 Submissions to the inquiry were broadly positive about the aims of the government’s Future Made in Australia (FMIA) policy and expressed support for the bills facilitating its implementation.<sup>1</sup>

### Supporting Australia’s energy transition to net-zero

- 2.5 Several inquiry participants submitted that the FMIA policy would support Australia’s energy transition to net-zero. A broad range of submitters noted that government support for investment in green technologies and cleaner energy would allow Australia to take advantage of the economic opportunities created by the global energy transition.
- 2.6 Inquiry participants from the mining and minerals exploration industry expressed support for the bills on the grounds that they would facilitate Australia’s transition to net-zero. For example, Fortescue submitted that the Future Made in Australia policy would help unlock investment in Australia in green technologies and clean energy, while enhancing economic and national security.<sup>2</sup> Fortescue, noting its own role as a significant investor in mining infrastructure, green metals, green energy and green technologies, submitted that additional government support will be required to develop additional industries such as green hydrogen and green iron.<sup>3</sup>

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<sup>1</sup> Investor Group on Climate Change (IGCC), *Submission 1*, p. 1;

<sup>2</sup> Fortescue, *Submission 44*, p. 1.

<sup>3</sup> Fortescue, *Submission 44*, p. 1.

- 2.7 The Chamber for Minerals and Energy Western Australia (CMEWA) submitted that the FMIA agenda would strategically unlock private investment at scale in the national interest. The CMEWA argued that the global clean energy transition will provide unique economic opportunities for the resources sector to expand and diversify, particularly in Western Australia. They also noted that Australia has a significant opportunity to diversify and entrench itself in the world's transition to net-zero.<sup>4</sup>
- 2.8 Mr Warren Pearce, the CEO of the Association of Minerals and Exploration Companies (AMEC) made the point that, globally, there are over 1 500 interventions being offered by other countries to attract investment in the critical minerals supply chain and they have seen this investment move overseas. Mr Pearce stated the FMIA bills represent:
- ...a great opportunity for us to make the leap from being a very successful upstream raw materials provider to diversifying that industry, realising greater value from our minerals and taking the opportunity to create those jobs and economic opportunities here in Australia. So we strongly support the initiative and are pleased to be part of a group of companies and industry representatives advocating for this initiative.<sup>5</sup>
- 2.9 In its submission, AMEC expressed support for the bills, noting that Australia has the mineral resources and established mining industry needed to create 'an expanded downstream value-add resources industry' and take advantage of the economic opportunities created by the global transition to net-zero.<sup>6</sup> The AMEC urged the government to act quickly to capture a significant market share of decarbonised minerals and metals processing before capital moves to other emerging markets.<sup>7</sup>
- 2.10 Similarly, BHP suggested the bills would provide new opportunities to build new globally competitive industries in renewable energy and critical minerals processing.<sup>8</sup>
- 2.11 The Australian Industry (AI) Group welcomed the bills' focus on encouraging private investment to support Australia's economic resilience in the net-zero energy transition. AI Group submitted that the private sector possesses the skills, capital, market knowledge, flexibility and other important skills to develop Australia's future industries,<sup>9</sup> while acknowledging that the private

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<sup>4</sup> Chamber for Minerals and Energy Western Australia (CMEWA), *Submission 41*, p. 1.

<sup>5</sup> Mr Warren Pearce, CEO, Association of Mining and Exploration Companies (AMEC), *Committee Hansard*, 28 August 2024, p. 36.

<sup>6</sup> AMEC, *Submission 48*, pp. 1–2.

<sup>7</sup> AMEC, *Submission 48*, pp. 1–2.

<sup>8</sup> BHP, *Submission 17*, p. 1.

<sup>9</sup> Australian Industry Group (AI Group), *Submission 19*, p. 1.

sector is not always able by itself to make the investments fundamental to economic resilience. Accordingly, AI Group stated that targeted and proportionate government support has a role to play in fostering economic resilience by developing new industries in the national interest.<sup>10</sup>

- 2.12 These views were echoed by climate change advocacy groups, thinktanks and research bodies which expressed support for the bills on the grounds that they would support the transition to net-zero.
- 2.13 For example, the Investor Group on Climate Change (IGCC) submitted that by unlocking private capital via public financing mechanisms, the measures in the bills would support the growth of Australia's vital industries accelerate decarbonisation.<sup>11</sup>
- 2.14 Similarly, the Australian Council of Trade Unions (ACTU) submitted that Australia is well placed to become the world's 'green forge', producing decarbonised metal products for domestic use and export to global markets, where demand for green metals is expected to grow. The ACTU characterised the Future Made in Australia agenda as an historic opportunity for the Commonwealth to undertake a step change in policy and investment support for the green metals sector to seize this opportunity.<sup>12</sup> This organisation also noted the Commonwealth's estimate of a green metals sector worth \$120 billion by 2040 is close to the current value of Australia's entire manufacturing sector and observed that any growth approaching that scale would translate to hundreds of thousands of new jobs across the industry.<sup>13</sup>
- 2.15 The Clean Energy Council (CEC) commended the bills, stating that they had the potential to establish Australia as a renewable energy superpower. The CEC submitted that there is a clear and essential role for government to address market failures resulting from the externalisation of carbon emissions.<sup>14</sup> The CEC stated that the Future Made in Australia agenda would accelerate Australia's transition to net-zero, develop renewable energy export industries which promote global decarbonisation and secure Australia's sovereignty in global decarbonisation supply chains.<sup>15</sup>
- 2.16 Further, the Climate Council of Australia (the Climate Council) submitted that Australia is well-placed to take advantage of the economic opportunities created by the net-zero transition, noting Australia's significant mineral deposits,

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<sup>10</sup> AI Group, *Submission 19*, p. 1.

<sup>11</sup> IGCC, *Submission 1*, p. 1.

<sup>12</sup> Australian Council of Trade Unions (ACTU), *Submission 33*, p. 5.

<sup>13</sup> ACTU, *Submission 33*, p. 5.

<sup>14</sup> Clean Energy Council (CEC), *Submission 21*, p. 1.

<sup>15</sup> CEC, *Submission 21*, p. 1.

renewable energy resources and strong manufacturing industry.<sup>16</sup> The Climate Council submitted that growing these new industries would allow Australia to establish itself as an integral part of the global decarbonisation supply chain, charactering this as urgent and essential to securing Australia's future prosperity.<sup>17</sup>

- 2.17 Similarly, the University of New South Wales (UNSW) Energy Institute stated that reestablishing a high-performing manufacturing sector in Australia would enhance Australia's global competitiveness and create a strong national workforce. The UNSW Energy Institute pointed to the opportunity for Australia to assist in diversifying the global supply chain for critical technologies related to the net-zero transformation.<sup>18</sup> It also acknowledged the importance of ensuring adequate funding support and investment in developing domestic capabilities in green industries and capturing a significant share of the global market for green products.<sup>19</sup>
- 2.18 The Australian Academy of Science (the Academy) submitted that the Future Made in Australia framework has the potential to be a crucial roadmap for Australia. The Academy suggested that the success of Future Made in Australia will depend on how well it integrates and uses science to inform public investments.<sup>20</sup>
- 2.19 The Environmental Defenders Office (EDO) expressed support for the inclusion of emissions reduction considerations and growth of the renewable energy industry in the bills.<sup>21</sup> Similarly, the Climate Council submitted that the Future Made in Australia agenda represents the leadership Australia needs to address climate change.<sup>22</sup>
- 2.20 Mr Steven Murphy, National Secretary of the Australian Manufacturing Workers' Union (AMWU), was strongly supportive of the bills, describing them as 'the biggest industrial and economic policy shift that we will see in our lifetimes.' He noted Australia's relatively low level of economic complexity and

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<sup>16</sup> Climate Council of Australia, *Submission 2*, p. 3.

<sup>17</sup> Climate Council of Australia, *Submission 2*, p. 3.

<sup>18</sup> University of New South Wales (UNSW) Energy Institute, *Submission 56*, p. 2.

<sup>19</sup> UNSW Energy Institute, *Submission 56*, p. 2.

<sup>20</sup> Australian Academy of Science, *Submission 45*, p. 1.

<sup>21</sup> Environmental Defenders Office (EDO), *Submission 35*, p. 1.

<sup>22</sup> Climate Council of Australia, *Submission 2*, p. 3.

that policies like FMIA were needed to allow Australia the ‘opportunity to be a trusted neighbour, a trusted partner and a leader in our region's response.’<sup>23</sup>

- 2.21 The Australian Workers’ Union (AWU) was similarly positive with Mr Thomas Mortimer, National Policy Director, noting the possibilities of the FMIA plan for both the net zero transformation and for jobs:

How good can this be for workers? Along with the tens of thousands of workers at current sites, it can deliver tens of thousands more new roles. We estimate that shifting just 13 per cent of our iron ore exports to Australian green iron making facilities would deliver 14,000 direct jobs as well as 11,000 more in renewable energy. For the planet, it's hard to conceive of a bigger single contribution to decarbonisation. Processing of Australian iron ore accounts for around 3.6 per cent of global emissions, so onshoring just some of that work in Australian green iron sites will meaningfully help the global effort to meet the Paris Agreement.<sup>24</sup>

- 2.22 Mr Steven Murphy of the AMWU also stated:

The Future Made in Australia Act is an opportunity that will not only build social licence domestically by giving workers some reassurance that their future is going to be looked after for the hard labour and sacrifices they've made to power our economy and homes for generations but also find Australia its natural place in the world. As the EU moves to introduce carbon border adjustment mechanisms and our region tries to grapple with how we are going to negotiate through those, Australia is well positioned with renewable energy, as well as shifting to green metals and new industries, to supply to our region and trading partners decarbonised steel, decarbonised metals and decarbonised products that they can use in their supply chains.<sup>25</sup>

- 2.23 Mr Tony Wood, Program Director, Energy and Climate Change at the Grattan Institute made note of Australia’s ‘unusual’ and wide range of mineral resources, which, if industry is properly funded, have the opportunity to not only replace fossil fuel industries but could also add ongoing industrial and manufacturing jobs.<sup>26</sup>

- 2.24 Mrs Lucy Nation of BP Australia pointed out that energy transition investments are risky, especially considering the alignment required between ‘suppliers, customers, financiers, infrastructure providers, equipment manufacturers, education providers, government policy and others.’ She said that early government support was highly valuable, particularly in helping to attract and

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<sup>23</sup> Mr Steven Murphy, National Secretary, Australian Manufacturing Workers’ Union (AMWU), *Committee Hansard*, 28 August 2024, p. 17.

<sup>24</sup> Mr Thomas Mortimer, National Policy Director, Australian Workers’ Union (AWU), *Committee Hansard*, 28 August 2024, p. 18.

<sup>25</sup> Mr Murphy, AMWU, *Committee Hansard*, 28 August 2024, p. 21.

<sup>26</sup> Mr Tony Wood, Program Director, Energy and Climate Change, The Grattan Institute, *Committee Hansard*, 29 August 2024, pp. 2-3.

enable private investment and to reduce the risk associated with project development before financing is available.<sup>27</sup>

- 2.25 Other evidence to the inquiry noted that the FMIA plan could have a positive impact on other industries. Mr Scott McGrath, Director of Government and Media Relations at the Australian Food and Grocery Council (AFGC) pointed out that energy transition and move towards a circular economy for packaging for the food and grocery industry could provide to be expensive and capital intensive but support from the FMIA policy could be very helpful for this industry if done right.<sup>28</sup>
- 2.26 This view was echoed by Ms Stephanie Saliba, Director of Corporate and Government Affairs of Mondelez International, who recommended that the FMIA bills include support funding for manufacturing infrastructure for sustainable farming and circular economy projects.<sup>29</sup>

### **Australia as an international climate leader**

- 2.27 Several inquiry participants argued the Future Made in Australia policy would help position Australia as an international climate leader.
- 2.28 For example, the ACTU stated that the bills would help establish Australia as a climate leader globally. The ACTU contended that by maximising growth in new green industries, Australia can drive up to eight per cent of global decarbonisation, despite only representing 0.1 per cent of the global population. The ACTU also argued that Australia has a responsibility to protect its Pacific neighbours from the threat posed by climate change and that these reforms are consistent with that responsibility.<sup>30</sup>
- 2.29 The Smart Energy Council, writing in support of Future Made in Australia, stated that Australia's minerals and renewable energy resources leave it well-placed to be a world-leader on decarbonisation and smart energy.<sup>31</sup> Similarly, Beyond Zero Emissions submitted that the FMIA agenda represents an 'inflection point' for Australia to position itself in global clean energy supply chains and play a pivotal role in bringing down emissions worldwide while simultaneously growing Australia's economic prosperity. Beyond Zero

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<sup>27</sup> Mrs Lucy Nation, Country President and Vice-President, Hydrogen, Australia and Asia-Pacific, BP Australia, *Committee Hansard*, 28 August 2024, p. 36.

<sup>28</sup> Mr Scott McGrath, Director, Government and Media Relations, Australian Food & Grocery Council (AFGC), *Committee Hansard*, 29 August 2024, p. 6.

<sup>29</sup> Ms Stephanie Saliba, Director, Corporate and Government Affairs, Mondelez International, *Committee Hansard*, 29 August 2024, p. 7.

<sup>30</sup> ACTU, *Submission 33*, pp. 4–5.

<sup>31</sup> Smart Energy Council, *Submission 47*, p. 1.

Emissions further characterised the Future Made in Australia agenda as a ‘step off the sidelines’ in the global clean energy race.<sup>32</sup>

- 2.30 Inquiry participants also stressed the importance of Australia developing a response to international efforts in the global energy transition, such as the *Inflation Reduction Act of 2022* (IRA) in the United States and the European Green Deal in the European Union. These submitters argued that Australia could not afford to fall behind the rest of the world in transitioning to a net-zero economy, and stressed the importance of the Future Made in Australia agenda to these efforts.
- 2.31 The Business Council of Australia (BCA) submitted that, in order to remain a competitive investment destination, Australia could not sit still while other countries are enhancing their competitiveness in the net-zero economy by increasing their incentives for the production of green materials and renewable energy resources. The BCA suggested that the Future Made in Australia agenda ‘reflects the intent of the Government to craft an Australian response to the US [IRA], as called for by the BCA’.<sup>33</sup>
- 2.32 Ms Michele O’Neil, President of the ACTU, also spoke about the potential of the FMIA bill to help cut global carbon emissions. Australian exports from FMIA supported industries could cut eight per cent of global carbon pollution, in addition to securing next generation wealth creating industries within Australia.<sup>34</sup>
- 2.33 Ms Alison Reeve of the Grattan Institute gave evidence about the opportunity for assisting industries as they transition to net-zero global economy:

The sorts of businesses that we are talking about own very large assets—not just physically large but worth a lot of money, with very high economic value. When those turn over for replacement, that’s a very big decision for that company to make. The thing is that governments are around for three years at the federal level and four years at the state level. Assets are around for 40 to 50 years. That means that between now and 2050, for those big industrial players, we get one chance to turn those assets over.<sup>35</sup>

### **Creating secure and well-paying jobs for Australians into the future**

- 2.34 Several inquiry participants told the committee that the FMIA agenda would create secure and well-paying jobs for Australian workers into the future. These submitters argued that the reforms would align Australian industry policy with

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<sup>32</sup> Beyond Zero Emissions, *Submission 23*, pp. 1–2.

<sup>33</sup> Business Council of Australia (BCA), *Submission 29*, p. 1.

<sup>34</sup> Ms Michale O’Neil, President, ACTU, *Committee Hansard*, 28 August 2024, p. 16.

<sup>35</sup> Ms Alison Reeve, Deputy Program Director, Energy and Climate Change, The Grattan Institute, *Committee Hansard*, 29 August 2024, p. 3.

other jurisdictions such as the United States and the European Union, and would ensure the economic resilience of Australia's manufacturing sector.

- 2.35 The ACTU submitted that the Future Made in Australia agenda could play an important role in unlocking decades of jobs and national prosperity while supercharging Australia's transition to clean energy. The ACTU declared that the bills will ensure strong investment in growing clean industries that are already generating tens of thousands of jobs for Australian workers. The ACTU noted that these industries are expected to grow exponentially through strategic investments in the FMIA agenda.<sup>36</sup>
- 2.36 The ACTU cited research indicating that the transition to net zero in Australia could create as many as 1 to 2 million new direct jobs by 2050, with reports indicating that 400 000 new jobs could be created by 2040 in clean exports alone.<sup>37</sup> Further, the ACTU noted that the Future Made in Australia agenda would protect Australia's trade sovereignty, noting that several of Australia's major trading partners have implemented a carbon border adjustment mechanism (CBAM) to price carbon emissions into key imports such as steel and aluminium.<sup>38</sup>
- 2.37 The Qantas Group (Qantas) submitted that the Future Made in Australia agenda could create a significant number of secure well-paying jobs in new green fuel industries. Qantas claimed that public investment in a new sustainable aviation fuel (SAF) industry could create 18 000 new direct jobs alone and add \$13 billion to Australia's Gross Domestic Product (GDP).<sup>39</sup> Further, SunDrive Solar submitted that public investment in cost-effective, efficient and environmentally friendly solar panels could create thousands of high-skilled jobs, particularly in regional areas transitioning to the net-zero economy.<sup>40</sup>

### **Role of hydrogen in Australia's net-zero transition**

- 2.38 Several inquiry participants expressed support for the role of the hydrogen industry in the government's Future Made in Australia agenda. These submitters argued that hydrogen has a crucial role to play in ensuring a strong and successful energy transition to net-zero and expressed support for further public investment in the sector.
- 2.39 The Australian Hydrogen Council (AHC) expressed support for the FMIA agenda, and in particular, the government's Hydrogen Production Tax Incentive (HPTI) measure. The AHC submitted that enhanced public

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<sup>36</sup> ACTU, *Submission 33*, p. 3.

<sup>37</sup> ACTU, *Submission 33*, pp. 3–4.

<sup>38</sup> ACTU, *Submission 33*, p. 5.

<sup>39</sup> Qantas, *Submission 57*, p. 1.

<sup>40</sup> SunDrive, *Submission 34*, p. 1.

investment in hydrogen will contribute to the decarbonisation of parts of the Australian economy which are difficult to electrify, and could be used to refine Australia's deposits of iron ore and aluminium.<sup>41</sup> The AHC argued that public investment in hydrogen would diversify Australia's export base for energy and expand Australia's manufacturing capabilities. The AHC stated that the HPTI demonstrated that Australia is 'back in the race for hydrogen developments' and is crucial in Australia's efforts to meet its emissions objectives and enhance energy security.<sup>42</sup> The AHC suggested the growth of Australia's hydrogen industry:

...not only supports domestic decarbonisation but also provides Australia with an opportunity to add value to existing raw exports and creating new export opportunities.<sup>43</sup>

- 2.40 In its submission, Fortescue reiterated its commitment to the development of a green hydrogen industry in Australia and expressed strong support for the Commonwealth's green energy ambitions, particularly the HPTI. Fortescue submitted that the HPTI will play a critical role in incentivising the production of green hydrogen as a decarbonised alternative to oil and gas, and is crucial to Australia's net-zero transition.<sup>44</sup> Fortescue noted that as global demand for steel changes, the steel industries of Australia's main trading partners will move to decarbonise and import decarbonised raw materials such as green iron. Fortescue stated that the development of a domestic green hydrogen industry would position Australia to take advantage of this shift in global demand by producing the world's supply of green iron and other metals.<sup>45</sup>
- 2.41 Similarly, the Climate Capital Forum (CCF) expressed support for public investment in hydrogen production and welcomed the \$6.7 billion in support for the HTPI and an additional \$1.3 billion for Hydrogen Head Start funding.<sup>46</sup> The CCF argued that investment in green hydrogen as a decarbonised alternative to fossil fuels would allow Australia to develop decarbonised metals such as green steel and aluminium. The CCF stated that the development of these manufacturing and refinement capabilities would allow Australia to value-add to its exports and take advantage of new opportunities in a decarbonised global economy.<sup>47</sup>

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<sup>41</sup> Australian Hydrogen Council (AHC), *Submission 25*, pp. 2–3.

<sup>42</sup> AHC, *Submission 25*, p. 3.

<sup>43</sup> AHC, *Submission 25*, p. 6.

<sup>44</sup> Fortescue, *Submission 44*, p. 1.

<sup>45</sup> Fortescue, *Submission 44*, pp. 1–2.

<sup>46</sup> Climate Capital Forum (CCF), *Submission 8*, p. 3.

<sup>47</sup> CCF, *Submission 8*, p. 3.

- 2.42 Other submitters claimed that the development of a domestic hydrogen industry would create a significant number of new jobs, particularly across regional Australia. The ACTU argued that industries such as green metals and green hydrogen are well placed to best leverage Australia's advantages and have great potential to create direct employment in regional areas.<sup>48</sup> The ACTU cited research provided by the Department of Industry, Science and Resources suggesting that the current hydrogen project pipeline can create up to 168 491 jobs while the current critical minerals project pipeline can create up to 42 743 jobs.<sup>49</sup>
- 2.43 Some submitters argued that the role of hydrogen in the Future Made in Australia agenda should be expanded to incorporate additional fuels. INPEX argued that the scope of the government's supports for hydrogen production should be expanded to incorporate non-renewable fuels.<sup>50</sup> INPEX argued that public investment should also be directed to the production of natural gas derived hydrogen using carbon capture and storage, otherwise known as 'blue hydrogen'. Accordingly, INPEX submitted that the HPTI should be broadened to include blue hydrogen and that this would increase hydrogen production and the reduction in carbon emissions for the same amount of public investment.<sup>51</sup>

### **Concerns raised**

- 2.44 Despite receiving broad support from a variety of stakeholders, some inquiry participants expressed concerns with several aspects of the Future Made in Australia agenda. These concerns are summarised in brief below:
- the importance of ensuring that government support for private investment is targeted, informed and flexible and does not encourage wasteful or uncompetitive behaviour;
  - the importance of ensuring that Future Made in Australia support does not amount to a form of trade protectionism and damage Australia's international competitiveness;
  - whether fossil fuel projects should be eligible for support under the Future Made in Australia framework and the role of natural gas in the energy transition to net-zero;
  - whether the need to take action on climate change and reduce emissions should be included as one of the objectives of the bills; and
  - the overall clarity of the legislation.

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<sup>48</sup> ACTU, *Submission 33*, p. 3.

<sup>49</sup> ACTU, *Submission 33*, p. 3.

<sup>50</sup> INPEX, *Submission 11*, p. 2.

<sup>51</sup> INPEX, *Submission 11*, p. 2.

- 2.45 Some inquiry participants also expressed concerns about the scope of the NIF, sector assessments completed under this framework and the CBPs. These matters are discussed in chapter three of this report.

### **Importance of targeted, informed and flexible support**

- 2.46 Several inquiry participants expressed concerns about the risks associated with public investment in private sector projects, warning that poorly designed and inefficient investments could hurt the federal budget, damage Australia's international competitiveness, and distort private markets. Accordingly, these inquiry participants emphasised the importance of ensuring that public investments made under the FMIA agenda are targeted, flexible, and carefully designed to ensure that these risks are avoided and deliver the greatest value for money.
- 2.47 In its submission, the Productivity Commission stated that careful policy design will be critical to the management of key risks, noting that the bills are proposed in the context of major shifts in the global economy. It warned that, if poorly designed, industry policies such as the FMIA agenda can be costly for governments, act as a form of trade protection, and distort the allocation of Australia's scarce resources in a way that runs counter to the national interest.<sup>52</sup> The Productivity Commission expressed support for the NIF outlined in the bills, stating that the inclusion of a clear framework to guide these public investments will help ensure that support is targeted to policy goals and more likely to be an effective use of public money.<sup>53</sup>
- 2.48 However, the Productivity Commission stated that the NIF could be enhanced to better direct government interventions under FMIA towards their most valuable use. The Commission recommended that the NIF be amended to limit public investments to projects that pass sector assessments, and that programs already announced under the NIF should also be subject to these assessments. Further, the Productivity Commission recommended that the data and reasoning behind sector assessments should be made public and that these assessments should be periodically evaluated and reviewed in an independent process.<sup>54</sup>
- 2.49 Similarly, while expressing support for a modern industry policy in Australia, the Grattan Institute expressed concerns that the FMIA agenda risked falling into known industry policy traps, such as overreaching for a competitive advantage, picking losers, and short-term policy thinking.<sup>55</sup> To avoid these risks,

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<sup>52</sup> Productivity Commission, *Submission 43*, p. 2.

<sup>53</sup> Productivity Commission, *Submission 43*, p. 2.

<sup>54</sup> Productivity Commission, *Submission 43*, p. 3.

<sup>55</sup> The Grattan Institute, *Submission 27*, pp. 6–7.

it recommended that the ‘Improving the net-zero transition’ stream be amended to more clearly articulate the reasons industry policy is needed. Further, the Grattan Institute recommended that the ‘Improving the economic resilience and security stream’ be amended to include more strident descriptions of the circumstances that would justify government support for an investment under this stream.<sup>56</sup> It expanded on this point in its submission:

Governments need to be much better informed about which facilities have a future and which don’t, and clear-eyed about whether facilities in distress are worth saving. As well, governments should apply stricter funding criteria, to ensure funding reaches the industrial facilities with the most potential to contribute to a resilient net-zero economy. In particular, governments should not assist companies that aren’t prepared to make the same commitment that they have.<sup>57</sup>

- 2.50 Dr Jeffrey Wilson, Director of Research and Economics at the AI Group pointed out that one of the challenges of the FMIA framework is that, while there is guidance on who will receive support, there is less guidance on what kind of support will be received.<sup>58</sup>
- 2.51 The BCA also recommended that guardrails should be built into the legislative framework of the Future Made in Australia agenda to ensure that public investment in the private sector was judicious, sustainable and effective.<sup>59</sup>
- 2.52 The Institute of Public Affairs (IPA) claimed the Future Made in Australia agenda would put Australia’s most competitive industries at risk and gradually remove Australia’s comparative advantage in the export of minerals and raw materials.<sup>60</sup> The IPA also claimed that Australia is unlikely to develop a comparative advantage in the manufacture of green technologies, arguing that the market for renewable manufacturing is already too concentrated for Australia to compete globally.<sup>61</sup>
- 2.53 BP Australia submitted that the incorporation of ‘guardrails’ in the legislative framework could ensure efficient and effective use of public funds. BP Australia recommended the inclusion in the legislation of the following:
- Clear and transparent selection criteria for sector inclusion, with a key focus on ‘sustainable comparative advantage’ or (security based) ‘critical needs’.

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<sup>56</sup> The Grattan Institute, *Submission 27*, pp. 10–11.

<sup>57</sup> The Grattan Institute, *Submission 27*, p. 6.

<sup>58</sup> Dr Jeffrey Wilson, Director, Research and Economics, AI Group, *Committee Hansard*, 28 August 2024, p. 6.

<sup>59</sup> BCA, *Submission 29*, pp. 3–4.

<sup>60</sup> Institute of Public Affairs (IPA), *Submission 4*, pp. 1–2.

<sup>61</sup> IPA, *Submission 4*, pp. 4–5.

- Clear and transparent project selection criteria to ensure funding is driven toward initiatives that deliver the best returns.
- For each program - a requirement to demonstrate how a project's commerciality is constrained by the current and near-term operating environment, and how this will change over time to ensure 'offramps' are established to end government support.
- Program administration, including selection, to be conducted by subject matter experts.
- Subject matter experts being able to operate at arm's length from government, addressing the recently reported concerns from the OECD.<sup>62</sup>

2.54 The Minerals Council of Australia (MCA) stressed the importance of ensuring that the Future Made in Australia framework was clear and unambiguous, and able to provide an effective assessment and assurance mechanism for policy initiatives still under development, and that the application of these policy measures.<sup>63</sup> The MCA recommended that the Productivity Commission conduct a comprehensive cost benefit analysis of the framework, including the level of risk within three years of the enactment of the legislation, arguing that this would provide a baseline for evaluating new government liabilities as well as fostering trust in fiscal decisions made under the framework.<sup>64</sup>

2.55 Similarly, the CMEWA expressed in-principle support for the bills, but stated that the framework must be well-designed, well-administered and provide a significant degree of flexibility to ensure that public investments are targeted and deliver a sustained comparative advantage for Australia at an efficient cost.<sup>65</sup> The CMEWA expressed concerns that a narrow focus on providing financial support is unlikely to enhance Australia's international competitiveness in the net-zero economy and called for coordinated, substantive and long-term support from all levels of government to achieve the policy objectives of the Future Made in Australia agenda. To this end, the CMEWA recommended that policy settings be informed by consultation with industry to enhance the effectiveness of public investments.<sup>66</sup>

2.56 Similarly, the Australian Chamber of Commerce and Industry (ACCI) expressed concerns that public money would be allocated to projects which have no reasonable long-run prospects, resulting in a poor allocation of government resources.<sup>67</sup> The ACCI noted that the United States and the European Union are

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<sup>62</sup> BP Australia, *Submission 14*, p. 3.

<sup>63</sup> Minerals Council of Australia (MCA), *Submission 54*, p. 2.

<sup>64</sup> MCA, *Submission 54*, p. 2.

<sup>65</sup> CMEWA, *Submission 41*, p. 1.

<sup>66</sup> CMEWA, *Submission 41*, p. 2.

<sup>67</sup> Australian Chamber of Commerce and Industry (ACCI), *Submission 20*, p. 1.

investing heavily in their own net-zero industry policies and warned that Australia cannot expect to compete with the high level of public funds invested in programs such as the IRA and the European Union Green Deal. Accordingly, the ACCI submitted that Future Made in Australia investments must be targeted and focused in sectors where Australia has a comparative advantage.<sup>68</sup> The ACCI also called on the Government to demonstrate that projects already announced are internationally competitive and that any government support represents an effective use of taxpayers' money.<sup>69</sup>

- 2.57 In response to this, Ms Mohita Zaheed, First Assistant Secretary at Treasury, pointed out that Treasury is undertaking consultation on proposed tax incentives that would come into effect in relation to the FMIA plan and the legislation that comes out of that consultation will provide clarity in relation to these incentives. She also stated that Treasury had studied the US's IRA in drafting these bills and there are fundamental differences between the US and Australia's economies which had led to the creation of a very different bill from the US's equivalent Act.<sup>70</sup>
- 2.58 Ms Zaheed was aware of the needs of industry for transparency and certainty when it came to, in particular long term investment, but emphasised that the FMIA bills would establish an assessments framework and the legislation providing the support framework was still to come. She noted the support required for different industries will differ depending on sector and that consultations are currently ongoing:

Once government determines what the appropriate supports are for a sector, that will then need to be transparent. If it's a production tax incentive or is another vehicle that needs legislation, that is the point at which that transparency is really critical in that market. In some senses, that's currently under development in a number of these sectors.<sup>71</sup>

### **Role of natural gas and other fossil fuel projects**

- 2.59 Several inquiry participants expressed concerns about the role of natural gas and other fossil fuels in the FMIA agenda. Some inquiry participants argued that the scope of the policy should be expanded to allow for public investments to be made in natural gas projects, claiming that investments in natural gas would support the net-zero transition.
- 2.60 For example, Australian Energy Producers (AEP) recommended that the Future Made in Australia agenda adopt a least-cost, technology neutral approach to the decarbonisation of the economy and accommodate the direct and indirect use of

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<sup>68</sup> ACCI, *Submission 20*, p. 4.

<sup>69</sup> ACCI, *Submission 20*, p. 1.

<sup>70</sup> Ms Mohita Zaheed, First Assistant Secretary, Treasury, *Committee Hansard*, 29 August 2024, p. 29.

<sup>71</sup> Ms Zaheed, Treasury, *Committee Hansard*, 29 August 2024, p. 29.

natural gas and carbon capture and storage. AEP argued that natural gas will play a crucial role in supporting Australia's future manufacturing, critical minerals processing, and other green technologies, enhancing Australia's transition to the net-zero economy.<sup>72</sup> Accordingly, AEP recommended that the agenda be used to leverage Australia's comparative advantage in the natural gas sector to support the economic viability of the net-zero transition.<sup>73</sup>

2.61 Mr David Fallon, General Manager, Energy Transition, of Chevron Australia echoed this, stating that gas will continue to play a role in Australia's energy usage for some years:

A stable and predictable energy transition framework will provide us with the certainty that's needed to enable ongoing investment in projects to ensure energy security both for Australia and the region as, collectively, governments and industries work towards a lower carbon future.<sup>74</sup>

2.62 Similarly, the ACCI expressed concerns that the bills would not provide the Australian Renewable Energy Agency (ARENA) with the ability to provide financial assistance to natural gas projects. The ACCI stated that natural gas will have a role to play in the transition to net-zero<sup>75</sup> and submitted that Future Made in Australia support should be available to projects which use a combination of renewable energy sources and natural gas.<sup>76</sup>

2.63 The CMEWA submitted that the liquefied natural gas (LNG) industry could support global decarbonisation as a replacement interim fuel source for coal or provide energy security and affordability for Australia's key trading partners. The CMEWA argued that until other firming and storage technologies with sufficient duration length and lower costs become commercially viable at scale, natural gas could provide firming capacity to support the expansion of renewable power generation and Australia's energy-intensive, value-adding opportunities. The CMEWA also claimed that regional cooperation on carbon capture and storage would also be an opportunity for Australia to strengthen its trading relationships.<sup>77</sup>

2.64 Ms Mia Schlicht, Research Fellow at the IPA was firm in noting that Australia should focus on its competitive advantage in coal and gas, noting that attempting to compete with China on the processing of critical minerals like

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<sup>72</sup> Australian Energy Producers (AEP), *Submission 38*, pp. 1–2.

<sup>73</sup> AEP, *Submission 38*, pp. 1–2.

<sup>74</sup> Mr David Fallon, General Manager, Energy Transition, Chevron Australia, *Committee Hansard*, 29 August 2024, p. 11.

<sup>75</sup> ACCI, *Submission 20*, p. 3.

<sup>76</sup> ACCI, *Submission 20*, p. 3.

<sup>77</sup> CMEWA, *Submission 41*, p. 3.

lithium and cobalt and the production of renewable energy sectors would not be economically viable.<sup>78</sup>

- 2.65 However, other inquiry participants expressed strong opposition to public investments being made in the natural gas or fossil fuel industry under the FMIA agenda.
- 2.66 For example, the Environmental Defenders Office (EDO) expressed strong support for the bills but argued that the Future Made in Australia framework must not be used to provide public investment for fossil fuel projects. The EDO submitted that supporting renewables while continuing to finance new fossil fuel projects will not result in the emissions reductions needed to mitigate the effects of climate change.<sup>79</sup> The EDO acknowledged that the bills prevent ARENA from providing finance to fossil fuel projects but noted that this prohibition does not extend to the Board of Export Finance Australia.<sup>80</sup>
- 2.67 The Smart Energy Council (SEC) recommended that the bills should be amended to add a 'prohibited sectors' clause which would ensure that Future Made in Australian funding is not used to support fossil fuel projects. The SEC argued that this prohibition should be extended to other energy sources, such as nuclear power and carbon capture and storage technology.<sup>81</sup>
- 2.68 The Australian Conservation Fund (ACF) also recommended that the bills be amended to include a 'prohibited sectors' clause to the same effect.<sup>82</sup>
- 2.69 The IGCC recommended that the bills be amended to include safeguards protecting against public funds allocated under the National Interest Framework from being used to support projects in legacy industries such as fossil fuels, warning that investments in these industries would be uneconomic and costly.<sup>83</sup>
- 2.70 Similarly, Fortescue submitted that no funds allocated under the National Interest Framework should be given to projects in fossil fuel industries. Fortescue argued that this prohibition must include technologies for carbon capture and storage and hydrogen production using other than renewable energy. Fortescue submitted that this prohibition should apply as a matter of

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<sup>78</sup> Ms Mia Schlicht, Research Fellow, IPA, *Committee Hansard*, 29 August 2024 p. 2.

<sup>79</sup> Environmental Defenders Office (EDO), *Submission 35*, p. 2.

<sup>80</sup> EDO, *Submission 35*, p. 2.

<sup>81</sup> Smart Energy Council (SEC), *Submission 47*, p. 6.

<sup>82</sup> Australian Conservation Fund (ACF), *Submission 37*, p. 6.

<sup>83</sup> IGCC, *Submission 1*, p. 3.

principle even where projects purport to fall within the net zero transition principles or the economic security and resilience stream.<sup>84</sup>

- 2.71 Still other submitters made the point that, while there may be a desire within their industry to make the switch to renewable energy sources, the technology is not available at this time. Ms Saliba of Mondelez International elaborated on the chocolate-making process, which requires the use of gas boilers for which there is currently no renewable energy equivalent, and which have a 40 to 50 year lifespan. When there are opportunities for switching these boilers to a renewable energy equivalent, this will require significant investment costs. Ms Saliba pointed out that some financing instruments, such as instant asset tax write-offs, may be more appropriate for encouraging businesses to make these kinds of switches.<sup>85</sup>
- 2.72 Ms Zaheed of Treasury made the point that the FMIA plan and the National Interest Framework were only one tool in the government's toolkit for achieving Australia's global and domestic decarbonisation goals and should be looked as one aspect of a broader set of policies and frameworks to achieve net zero.<sup>86</sup>
- 2.73 Ms Zaheed went on to say that the current period is one of transition to renewables and there are various sectors where the technology to operate entirely on a fully renewable energy load is not feasible. She said that while that technology is being developed (which is one of the areas the FMIA plan is intended to provide support for) there would continue to be a need for fossil fuels as part of the Australian energy mix.<sup>87</sup>

### **Action on climate change as an objective of the bill**

- 2.74 Several submitters expressed concerns that action on climate change is not included as one of the official Objects of the legislation.
- 2.75 For example, the Climate Council submitted that the Objects should clearly address the need to reduce greenhouse gas pollution and decrease carbon emissions.<sup>88</sup> The Climate Council recommended that the bills be amended to make it explicit that public investments made under the FMIA agenda be directed towards achieving the twin objectives of taking action on climate change and enhancing Australia's economic resilience.<sup>89</sup> The Climate Council submitted:

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<sup>84</sup> Fortescue, *Submission 44*, pp. 3–4.

<sup>85</sup> Ms Saliba, Mondelez International, *Committee Hansard*, 29 August 2024, p. 8.

<sup>86</sup> Ms Zaheed, Treasury, *Committee Hansard*, 29 August 2024, p. 24.

<sup>87</sup> Ms Zaheed, Treasury, *Committee Hansard*, 29 August 2024, p. 24.

<sup>88</sup> Climate Council, *Submission 2*, p. 5.

<sup>89</sup> Climate Council, *Submission 2*, pp. 5–6.

If policy-makers must choose between supporting two sectors or industries, one which would create additional greenhouse gas emissions and the other which would have a neutral impact on domestic emissions or reduce these, it would clearly be to the community's benefit for public funds to flow to the lowest-emitting option, all else being equal. It is important that the Future Made in Australia Bill explicitly acknowledges this point, to help direct future public investments to the cleanest emerging sectors or industries.<sup>90</sup>

- 2.76 Similarly, the ACF submitted that the bills be amended to more explicitly centre the need to decarbonise Australia's energy and industrial systems as a key objective of the Future Made in Australia agenda.<sup>91</sup>
- 2.77 As an alternative, or in addition to, including action on climate change within the Objects of the bill, several submitters expressed support for including a direct reference to action on climate change within the community benefit principles.<sup>92</sup>

### **Importance of positive outcomes for First Nations peoples**

- 2.78 A number of inquiry participants called on the government to ensure that the benefits of public investments made under FMIA translate into improved outcomes for First Nations communities.
- 2.79 For example, the First Nations Clean Energy Network (FNCEN) submitted that the FMIA agenda provides a valuable opportunity to deliver positive outcomes for First Nations communities. FNCEN noted that similar industry policies in comparative jurisdictions such as the IRA and the Green Deal have incorporated First Nations consent, partnerships, and ownerships and have recognised the value of First Nations participation in these programs.<sup>93</sup>
- 2.80 Similarly, the Australian Council of Social Service (ACOSS) expressed support for putting in place systems and structures to ensure that First Nations peoples could participate and benefit from Australia's transition to clean energy.<sup>94</sup> ACOSS noted that climate change directly threatens the human rights of First Nations peoples and communities, including the right to water, food, health, housing, employment and cultural practice. ACOSS called on the government to support and resource First Nations peoples' decision-making, self-determination, and free, prior and informed consent rights in climate change mitigation and adaptation, and environmental management.<sup>95</sup>

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<sup>90</sup> Climate Council, *Submission 2*, p. 5.

<sup>91</sup> ACF, *Submission 37*, p. 9.

<sup>92</sup> ACF, *Submission 37*, pp. 14–15; Climate Council, *Submission 2*, p. 10.

<sup>93</sup> First Nations Clean Energy Network (FNCEN), *Submission 18*, pp. 4–5.

<sup>94</sup> Australian Council of Social Service (ACOSS), *Submission 50*, p. 4.

<sup>95</sup> ACOSS, *Submission 50*, p. 4.

- 2.81 The National Native Title Council (NNTC) noted that the scale of the Future Made in Australia agenda calls for deep consultation with First Nations communities. The NNTC cited research indicating that 57.8 per cent of critical minerals projects will be located in areas where First Nations communities have a legal right to negotiate, with this figure increasing to 79.2 per cent if native title claims are included.<sup>96</sup>
- 2.82 The NNTC stated that the Future Made in Australia agenda presents a unique opportunity to set benchmark for First Nations leadership of and participation in the economic benefits of decarbonisation<sup>97</sup> and recommended that Traditional Owners be provided with funding to engage directly with project proponents:
- Resourcing Traditional Owners, through their representative institutions, is crucial for the investment certainty needed for the myriad renewable energy and critical minerals projects Australia needs to achieve its net zero targets. Proponents and investors currently face considerable delays and various legal, financial and reputational risks due to Traditional Owners' inability to meaningfully engage. This includes risks to cultural heritage and environmental destruction and a project's social licence to operate.<sup>98</sup>
- 2.83 Inquiry participants expressed support for an additional CBP to enhance the inclusion of First Nations communities in the establishment, operation and benefits of the FMIA agenda.<sup>99</sup>

### **Importance of developing strategic trade partnerships**

- 2.84 Several inquiry participants stressed the importance of developing strategic trade partnerships with like-minded governments alongside the Future Made in Australia agenda.
- 2.85 For example, the MCA noted that in addition to global economic uncertainty, the world is experiencing an escalation of geopolitical instability.<sup>100</sup> It argued that countries like Australia must act insulate themselves from the risks of increased geopolitical tension, and that this must include developing strategic international partnerships to deliver end-to-end supply chain security.<sup>101</sup>
- 2.86 Similarly, the ACCI submitted that Australia should continue to develop strong trading partnerships to benefit from low-cost technologies manufactured in other countries with highly competitive manufacturing bases.<sup>102</sup> The ACCI

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<sup>96</sup> National Native Title Council (NNTC), *Submission 31*, p. 1.

<sup>97</sup> NNTC, *Submission 31*, pp. 1–2.

<sup>98</sup> NNTC, *Submission 31*, p. 2.

<sup>99</sup> FNCEN, *Submission 18*, pp. 5–6; NNTC, *Submission 31*, p. 3.

<sup>100</sup> MCA, *Submission 54*, p. 2.

<sup>101</sup> MCA, *Submission 54*, p. 2.

<sup>102</sup> ACCI, *Submission 20*, p. 5.

noted that the United States, EU and China have invested heavily in the production of solar panels, and that rather than attempting to compete with these jurisdictions, Australia should strengthen its trade agreements with these countries to guarantee supply of these products. The ACCI claimed that enhanced strategic trading partnerships would reduce the cost of renewable energy in Australia and free up public money for investment in other areas where Australia may have a greater comparative advantage.<sup>103</sup>

- 2.87 Professor Alex Robson, Deputy Chair of the Productivity Commission, warned that one of the secondary risks of this kind of industry policy is that it can distort trade and foreign investment. He pointed out that Australia, as a small and open economy, should take this kind of risk seriously.<sup>104</sup>

### **Funding consistency and the ‘single front door’**

- 2.88 Several submissions also provided input on the implementation of the FMIA plans, in particular around funding consistency and accessibility for investors. Although not contained within the bills, a ‘single front door’ or single point of contact for major investors in the FMIA plan has been proposed by the government as part of the FMIA package.<sup>105</sup>

- 2.89 Both the IGCC and the Centre for Policy Development made recommendations that the FMIA bills be aligned with the Australian Sustainable Finance Taxonomy, with the IGCC noting:

This would provide a sophisticated and standardised approach to which technologies should be prioritised, and ensure consistency with finance industry expectations.<sup>106</sup>

- 2.90 The Centre for Policy Development stated that the Sustainable Finance Taxonomy has done significant work to define which economic activities are capable of decarbonising the economy, and the FMIA bill should be clear that eligibility for funding should align with the final version of the Taxonomy when it becomes available.<sup>107</sup>

- 2.91 In relation to the ‘single front door’ proposal, the IGCC was also supportive of this proposal being extended to all project proponents, rather than those worth over \$100 million, stating:

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<sup>103</sup> ACCI, *Submission 20*, p. 5.

<sup>104</sup> Prof Alex Robson, Deputy Chair, Productivity Commission, *Committee Hansard*, 29 August 2024 p. 18.

<sup>105</sup> The Hon Dr Jim Chalmers MP, Treasurer, ‘Establishing a single front door for major investors’, *Media Release*, 14 May 2024.

<sup>106</sup> IGCC, *Submission 1*, p. 3.

<sup>107</sup> Centre for Policy Development, *Submission 3*, p. 8.

Ensuring that capital appropriately flows to all parts of the capital stack, from R&D to commercialisation, is critical for a pipeline of investible opportunities to emerge. Government will be better able to see gaps within sectors when all nodes of innovation ecosystems are accounted for within the one platform. Embedding linkages from ARENA, EFA and others such as the Clean Energy Finance Corporation (CEFC) will result in better supports for industry to incubate and deploy innovation.<sup>108</sup>

- 2.92 The Centre for Policy Development was also supportive of the ‘single front door’, noting that this kind of mechanism would, over time, help coordinate investment for investments of different sizes and at differing stages of industry development. They advocated for ‘different divisions within the door’ to assist these different sizes and scales of project.<sup>109</sup>
- 2.93 Ms Zaheed of Treasury provided an update on the ‘single front door,’ stating that Treasury will be undertaking consultation soon.<sup>110</sup> She went on to say that the purpose of the ‘single front door’ will be to provide a transparent and concrete point of entry into government and that a lot of the processes needed for the ‘single front door’ currently already exist but need to be made more efficient and coherent.<sup>111</sup>

### **Omnibus bill**

- 2.94 Some submissions did provide comment on the Omnibus bill, particularly in relation to the expansion of ARENA’s role.
- 2.95 The ACCI was supportive of the amendments in the Omnibus bill expanding the role of EFA but stressed that EFA’s existing role should not be rolled back or diluted by its expanded role in providing FMIA project funding.<sup>112</sup> The ACCI also noted the significant expansion of ARENA’s existing role to support the FMIA Innovation Fund and emphasised the need to provide adequate funding and resourcing to ARENA in order to properly administer this new role. They suggested that, although ARENA is an independent agency, there could be value in allowing the Finance Minister to have oversight of some of ARENA’s governance arrangements in order to ensure governance integrity.<sup>113</sup>
- 2.96 Similarly, the Grattan Institute recommended that the Joint Committee of Public Accounts and Audit request that the Auditor-General undertake a performance

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<sup>108</sup> IGCC, *Submission 1*, p. 2.

<sup>109</sup> Centre for Policy Development, *Submission 3*, p. 10.

<sup>110</sup> Ms Zaheed, Treasury, *Committee Hansard*, 29 August 2024, p. 25.

<sup>111</sup> Ms Zaheed, Treasury, *Committee Hansard*, 29 August 2024, p. 28.

<sup>112</sup> ACCI, *Submission 20*, p. 2.

<sup>113</sup> ACCI, *Submission 20*, pp. 2–3.

audit of ARENA in order to ensure its readiness for this larger, and more commercially oriented role.<sup>114</sup>

- 2.97 The National Native Title Council made a different recommendation, suggesting that the Omnibus bill be amended to include statutory requirements that both EFA and ARENA include First Nations representations on their respective boards. They made note of existing structures where First Nations presence was required as part of the governance structure of organisations, such as the Australian Heritage Council, the Murray Darling Basin Authority and the Wet Tropics Management Authority.<sup>115</sup>
- 2.98 The ACTU and the Community and Public Sector Union (CPSU) also expressed concerns about the changes to the ARENA Act proposed by the Omnibus bill which would allow ARENA to engage consultants. The CPSU questioned the need for this specific change to the ARENA Act, noting that the Act already allowed for the engagement of consultants if they provide specialist expertise.<sup>116</sup>
- 2.99 Mr Chris Faris, the Chief Operating Officer of ARENA reassured the committee that the Omnibus bill wouldn't change the way ARENA employs consultants, and he was hopeful that the passage of the FMIA bills would reduce the number of consultants employed by ARENA substantially. He made the point that 'the material change for [ARENA] in the legislation is to grant ARENA, for the first time, the general right to employ.'<sup>117</sup>
- 2.100 Mr Darren Miller, CEO of ARENA, was highly supportive of the changes to the ARENA proposed by the Omnibus bill and stated that ARENA 'remains focused on accelerating the energy transition to assist Australia's emissions reduction and renewable energy targets.'<sup>118</sup> He further said that ARENA is looking forward to collaborating with other government agencies as the FMIA plan is operationalised.<sup>119</sup>

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<sup>114</sup> Grattan Institute, *Submission 27*, p. 14.

<sup>115</sup> NNTC, *Submission 31*, pp. 3–4.

<sup>116</sup> ACTU, *Submission 33*, p. 2; Community and Public Sector Union (CPSU), *Submission 13*, p. 1.

<sup>117</sup> Mr Chris Faris, Chief Operating Officer (COO), ARENA, *Committee Hansard*, 29 August 2024, p. 28.

<sup>118</sup> Mr Darren Miller, CEO, ARENA, *Committee Hansard*, 29 August 2024, p. 21.

<sup>119</sup> Mr Darren Miller, CEO, ARENA, *Committee Hansard*, 29 August 2024, p. 22.

# Chapter 3

## The National Interest Framework, Sector Assessments and the Community Benefit Principles

3.1 This chapter provides detailed views on the following aspects of the Future Made in Australia Bill (the FMIA bill): the National Interest Framework (NIF), Sector Assessments, and the Community Benefit Principles (CBP).

### Support for National Interest Framework

3.2 There was broad support for the two streams of the NIF—the net zero transformation stream, and the economic resilience and security stream—and the use of the framework itself to direct investment to areas where market failures are common.<sup>1</sup>

3.3 Dr Gareth Bryant of the University of Sydney, appearing in a personal capacity, was also supportive of the NIF and the broader goals of the FMIA plan, noting the need for acceleration of the clean energy transition in order for Australia to meet its climate obligations. Dr Bryant also recommended that FMIA initiatives be expanded to climate adaptation and resilience in Australia and the Pacific.<sup>2</sup>

3.4 Mr Tony Wood of the Grattan Institute described the NIF as the basis for a ‘more cooperative arrangement between industry and government’. He went on to say there are risks to this kind of cooperative industry policy, but these can be mitigated by having focused investment strategies and sharing risk between government and industry, which the NIF provides.<sup>3</sup>

3.5 Other submitters outlined how the NIF will support their industry. Ms Shahana McKenzie, CEO of Bioenergy Australia stated that the NIF would be helpful to the low-carbon liquid fuels industry, in particular the economic resilience and security stream:

This is really setting us up to be able to not only provide that resilience domestically but also potentially support decarbonisation within the region, for other countries that are unable to access the sorts of feedstocks that we can. There's also an export opportunity there.<sup>4</sup>

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<sup>1</sup> ACCI, *Submission 20*, p. 3; Centre for Policy Development, *Submission 3*, p. 3; AHC, *Submission 25*, p. 3; Mr Bran Black, Chief Executive Officer, BCA, *Committee Hansard*, 28 August 2024, p. 4

<sup>2</sup> Dr Gareth Bryant, Private capacity, *Committee Hansard*, 28 August 2024, p. 12.

<sup>3</sup> Mr Tony Wood, Program Director, Energy and Climate Change, The Grattan Institute, *Committee Hansard*, 29 August 2024 p. 3.

<sup>4</sup> Ms Shahana McKenzie, CEO, Bioenergy Australia, *Committee Hansard*, 29 August 2024, p. 11.

- 3.6 Ms McKenzie further emphasised the need for her industry to be supported in a timely fashion and at scale and argued the NIF would align with these objectives.<sup>5</sup>
- 3.7 Professor Robson of the Productivity Commission was also positive about the NIF, describing it as a good framework, even if ‘there are a number of enhancements that could be made.’<sup>6</sup>
- 3.8 Despite the broad support expressed by inquiry participants, some submitters raised concerns about the National Interest Framework, particularly calling for increased clarity and certainty within the Framework and minimising the compliance burden for industry.

### **Clarity and consistency of the National Interest Framework**

- 3.9 The Grattan Institute suggested that the FMIA bill needed more clarity on how the NIF would guide future funding and policy decisions, saying:
- ...without specifying the role these assessments will play and how they will factor into decision-making, there is a risk of falling into three classic industry policy traps: overreaching for competitive advantage, picking losers, and short-term policy thinking.<sup>7</sup>
- 3.10 The Grattan Institute suggested the economic security and resilience stream is particularly open to flexible interpretations for assessing proposals and would need strong boundaries to avoid unnecessary spending.<sup>8</sup>
- 3.11 The AI Group submitted that the extent to which Future Made in Australia support will change investment patterns will depend on the ‘form and quantum of support offered, and the obligations that accompany it,’ and that until additional detail is provided, increased private investment is unlikely to eventuate.<sup>9</sup> It compared the FMIA bills to similar measures in the United States, and suggested the government clarify the supports which will be made available under the FMIA plan.<sup>10</sup>
- 3.12 The CMEWA called for greater clarity about the interaction between the two streams of the National Interest Framework—that is, the net zero transformation stream and the economic resilience and security stream—in the Minister’s rules and Treasury guidance. This would, the CMEWA argued, help reduce

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<sup>5</sup> Ms McKenzie, Bioenergy Australia, *Committee Hansard*, 29 August 2024, p. 11.

<sup>6</sup> Prof Robson, Productivity Commission, *Committee Hansard*, 29 August 2024, pp. 17-18.

<sup>7</sup> The Grattan Institute, *Submission 27*, p. 2.

<sup>8</sup> The Grattan Institute, *Submission 27*, p. 3.

<sup>9</sup> AI Group, *Submission 19*, p. 3.

<sup>10</sup> AI Group, *Submission 19*, p. 3.

ambiguity, particularly around how different subsections of the FMIA bills would interact with each other.<sup>11</sup>

- 3.13 Fortescue also called for consistency of policies developed to support the National Interest Framework and submitted that these policies should be applied across all funding bodies, including the EFA, ARENA, the Clean Energy Finance Corporation and the National Reconstruction Fund Corporation. It reasoned that strong consistency would provide certainty for both private investors and project owners under both streams of the Framework.<sup>12</sup>
- 3.14 The AI Group added that the FMIA bills would benefit from additional principles which would explicitly address the kind of support which would be offered under the scheme. The AI Group suggested that these principles could be included in the National Interest Framework, alongside criteria for sectoral assessments. This would increase policy certainty and transparency for both the public and potential project participants.<sup>13</sup>

### **Minimising the compliance burden for industry**

- 3.15 The CMEWA also commented that any new or existing policies, fiscal settings or regulations are consistent with FMIA policy and not create an increase in costs or compliance for businesses in Australia. They noted the importance of transparent industry consultation 'to maintain and attract investment in Australia, while also facilitating efficiency in both the public and private sectors.'<sup>14</sup>
- 3.16 The IGCC expressed similar concerns, recommending that the sector assessments outlined under the National Interest Framework not duplicate work already being undertaken as part of existing sector plan consultations. The IGCC was supportive of such assessments as long as they added value and did not delay financial support for projects aligned with the goals of FMIA policy.<sup>15</sup>

### **Sector Assessments**

- 3.17 Inquiry participants were generally positive about the sector assessments which would be conducted against the NIF. For example, the Productivity Commission describing them as 'an essential component of the FMIA Bill'.<sup>16</sup>

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<sup>11</sup> CMEWA, *Submission 41*, p. 3.

<sup>12</sup> Fortescue, *Submission 44*, p. 3.

<sup>13</sup> AI Group, *Submission 19*, p. 6.

<sup>14</sup> CMEWA, *Submission 41*, p. 2.

<sup>15</sup> IGCC, *Submission 1*, p. 2.

<sup>16</sup> Productivity Commission. *Submission 43*, p. 3.

3.18 The Productivity Commission went as far as to submit that FMIA support should be limited only to sectors that have undergone the sector assessment process, noting that this is not currently required in the FMIA bill, stating:

As currently drafted, sector assessments are only required if requested by the Minister. Subsection 9 (1) of the FMIA Bill requires that the sector assessment be provided to the Minister but this does not explicitly preclude FMIA support from being provided to sectors not found by an assessment to satisfy the NIF tests. Allowing sectors to bypass the NIF process would undermine its role in disciplining spending.<sup>17</sup>

3.19 A similar recommendation was made by the Australian Conservation Foundation in its submission.<sup>18</sup>

3.20 Some submitters, such as the Grattan Institute, raised concerns that a completed sector assessment would not be a prerequisite for receiving funding under the NIF and was not built into the funding assessment process. The Grattan Institute also noted that one of the streams of the NIF, economic resilience and security, was very broadly defined.<sup>19</sup>

3.21 In response to these concerns, Treasury outlined that the sector assessment process would consider a variety of factors, such as the availability of a particular resource, supply chains, the energy intensity of a particular resource and how that would impact decarbonisation goals, and whether Australia could be competitive in that sector.<sup>20</sup>

3.22 Ms Zaheed of Treasury went on to say that sector assessments will not look at specific projects, such as the Middle Arm Gas Project. Individual projects will sit outside the NIF assessment process. She went on to say:

What the sector assessment does is to create a robust and transparent assessment and fact base on which to shape how government can think about those issues: to what extent it's needed for economic resilience and security, what the barriers are and what strategies government can employ, including investing public funds or other resources, to address those barriers.<sup>21</sup>

### **Accountability and transparency of sector assessments**

3.23 A common theme in evidence received throughout the inquiry process relating to sector assessments was increasing the accountability and transparency of these assessments.

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<sup>17</sup> Productivity Commission. *Submission 43*, p. 3.

<sup>18</sup> ACF, *Submission 37*, p. 5.

<sup>19</sup> Mr Wood, The Grattan Institute, *Committee Hansard*, 29 August 2024, p. 1.

<sup>20</sup> Ms Zaheed, Treasury, *Committee Hansard*, 29 August 2024, p. 25.

<sup>21</sup> Ms Zaheed, Treasury, *Committee Hansard*, 29 August 2024, p. 27.

- 3.24 The Productivity Commission advocated for sector assessments to be independently evaluated and reviewed on a periodic basis, noting this was not explicitly required in the FMIA bill. They went on to say that periodic reviews would enhance transparency and public confidence in the program.<sup>22</sup>
- 3.25 The Productivity Commission was also in favour of the data and reasoning underlying sector assessments being made public. They noted that there was a requirement for tabling sector assessments in Parliament, and that ensuring that the data and reasoning for a sector assessment was also made public would further enhance transparency.<sup>23</sup>
- 3.26 The Business Council of Australia made the argument that the independence of sector assessments could be improved by having the Productivity Commission complete this analysis, noting that this would complement the government's recently issued Statement of Expectations for Productivity Commissions. This Statement of Expectations includes expectations that the Productivity Commission will consider economic resilience and the net zero transformation.<sup>24</sup>
- 3.27 The Business Council of Australia also submitted that sector assessments should follow best practice public policy principles, including:
- ...well-defined identification of the problem to be solved, a range of genuine policy options capable of addressing the problem (with ranked preferences), adequate third-party consultation, and clearly defined indicators for success.<sup>25</sup>
- 3.28 Professor Robson commented that the Productivity Commission does have a strong capability for performing assessments of the kind anticipated by the FMIA bill's sector assessments as well as any periodic review or evaluation of sector assessments which, as mentioned above, the Productivity Commission was in favour of instituting.<sup>26</sup>
- 3.29 Offering compromise between fully independent sector assessments and assessments conducted by Treasury, the Grattan Institute suggested that the assessments be conducted by Treasury but that the Secretary be required to invite independent bodies to take part in the assessment process, as 'this should bring more rigor to the process, without establishing an extra bureaucracy.'<sup>27</sup>
- 3.30 The Clean Energy Council called for sector assessments to include public consultation as this would ensure that the assessments contain relevant and

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<sup>22</sup> Productivity Commission. *Submission 43*, p. 4.

<sup>23</sup> Productivity Commission, *Submission 43*, pp. 3–4.

<sup>24</sup> BCA, *Submission 29*, p. 5.

<sup>25</sup> BCA, *Submission 29*, p. 6.

<sup>26</sup> Prof Robson, Productivity Commission, *Committee Hansard*, 29 August 2024, p. 19.

<sup>27</sup> The Grattan Institute, *Submission 27*, p. 12.

most up to date information, something particularly important for rapidly evolving industries like clean energy.<sup>28</sup>

- 3.31 Taking a more cautious approach, the CMEWA was supportive of redacting information within sector assessments, noting the importance of protecting commercial and confidential information, and recent cyber attacks on critical minerals. They also suggested that reporting requirements on sector assessments be regularly reviewed ‘to ensure it is an effective and efficient use of Treasury resources.’<sup>29</sup>
- 3.32 Other submitters made the point that sector assessments should be conducted for all areas critical for net-zero transformation or economic resilience, regardless of whether they were new or established industries in Australia. This would help extend the focus of the FMIA plan to supporting existing industries transition to net zero and resilience.<sup>30</sup>
- 3.33 The CMEWA suggested the power within the FMIA bill for the Minister to order a sector assessment when such an assessment has previously been completed may lead to duplication. To avoid duplication, the CMEWA recommended ‘flexibility instead to update and leverage an existing assessment’.<sup>31</sup>
- 3.34 Mr Wood of the Grattan Institute stated that, while his organisation welcomed the transparency of requiring that the sector assessments be tabled in Parliament, the current legislation required greater rigour. He suggested that the Treasurer or other relevant Minister be required to consider the sector assessments in making funding decisions about a particular sector.<sup>32</sup>
- 3.35 This recommendation was seconded by Ms Reeve, also of the Grattan Institute, who contended that without tying decision-making to the sector assessments there was a risk of Ministers making ‘captain’s picks’.<sup>33</sup>
- 3.36 Ms Zaheed of Treasury sought to allay some of the concerns raised by submitters in relation to the sector assessment process, confirming that sector assessments will be developed through a rigorous public process. This process, she advised, will involve consultation with a variety of stakeholders and experts from academia, the Productivity Commission and other relevant government departments. She also stated that, although a formal sector assessment hasn’t been undertaken, she expects that these assessments will include a public

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<sup>28</sup> CEC, *Submission 21*, p. 4.

<sup>29</sup> CMEWA, *Submission 41*, p. 4.

<sup>30</sup> AI Group, *Submission 19*, p. 7.

<sup>31</sup> CMEWA, *Submission 41*, p. 3.

<sup>32</sup> Mr Wood, The Grattan Institute, *Committee Hansard*, 29 August 2024, p. 4.

<sup>33</sup> Ms Reeve, The Grattan Institute, *Committee Hansard*, 29 August 2024, p. 4.

consultation process and drawing on both domestic and international data. Ms Zaheed also noted that Treasury is currently working across government, including with the Productivity Commission, to create detailed guidelines to support the sector assessment process.<sup>34</sup>

### **Community Benefit Principles**

3.37 Broadly, inquiry participants expressed support for the Community Benefit Principles (CBPs), included in Part 3 of the FMIA bill. For example, the Centre for Policy Development (CPD) submitted that the Community Benefit Principles would help build local capabilities, enhance supply chains and skills, and promote diverse workplaces and secure jobs.<sup>35</sup>

3.38 Dr Gareth Bryant, appearing in a private capacity, described the CBPs as 'essential for ensuring that benefits of Future Made in Australia are broadly shared.'<sup>36</sup>

3.39 Ms Beth Mitchell, Head of Beyond Zero Emissions stated that the CBPs and community benefit sharing can be highly beneficial to communities affected by decarbonisation. The key to unlocking these benefits could be found through early communication with affected communities by project proponents:

This can be key infrastructure like sewage treatment works that are required by that industry as part of its construction activities but that can actually leave a long-term legacy for that community. We've also heard of examples where proponents have gotten together and, instead of building temporary accommodation, they've built purpose-built accommodation that can be used by the community as aged care once those workers are gone<sup>37</sup>

3.40 However, other inquiry participants expressed some concerns with the CBPs, as explained further below.

### **Expanding the scope and application of the community benefit principles**

3.41 Several inquiry participants supported increasing the scope of the CBPs by adding further principles concerning consultation with First Nations communities, protections for workers, social equity and inclusion and action on climate change, among other matters.

3.42 For example, the IGCC recommended that the legislative framework be amended to provide that regardless of which body provides financing, the CBPs are required to be considered. The IGCC noted that ARENA and Export Finance Australia are explicitly mentioned as delivering Future Made in Australia

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<sup>34</sup> Ms Zaheed, Treasury, *Committee Hansard*, 29 August 2024, p. 23.

<sup>35</sup> Centre for Policy Development, *Submission 3*, p. 3.

<sup>36</sup> Dr Gareth Bryant, *Committee Hansard*, 28 August 2024, p. 12.

<sup>37</sup> Ms Beth Mitchell, Head, Engagement, Beyond Zero Emissions, *Committee Hansard*, 28 August 2024, p. 28.

support, but that the Minister may award other bodies funding to deliver industry-building projects. They argued that policy objectives should be aligned across government, regardless of the body coordinating financial support, as investors need clarity around what risks and returns they may expect from an investment.<sup>38</sup>

3.43 The ACTU recommended that the CBPs should apply to all forms of government support under the broad banner of the FMIA agenda. They noted that given the breadth of specialist investment vehicles and other Government mechanisms that fall within the scope of the NIF streams of support, the actual list in the legislative framework should be broader to include ARENA, the National Reconstruction Fund, Powering the Regions Fund, the Northern Australia Infrastructure Facility and the Net Zero Economy Agency.<sup>39</sup>

3.44 Mr Jamie Lowe, CEO of National Native Title Council advocated for a separate CBP relating to engagement with First Nations communities, noting the large amounts of critical minerals on land where First Nations communities have a right to negotiate.<sup>40</sup>

3.45 Mr Lowe stated:

We estimate that about 60 per cent of critical minerals reside on First Nations lands where they have a right to negotiate, and that could increase to around 80 per cent if the native title claims that are on the books at the moment are resolved through determinations. We think that if they're not separated it does run a risk not only for governments but also for proponents in their operations when they're negotiating these agreements with First Nations peoples, particularly for those traditionally enshrined as native title holders. We need to ensure that safeguards are put into the legislation. That means separating the First Nations communities out from the general communities, so they're identified and so we can create good policy, particularly backed up by good legislation.<sup>41</sup>

3.46 This view was echoed by Ms Karrina Nolan, Co-Chair of the First Nations Clean Energy Network, who stated:

One of the other things that we're seeing with the whole range of other initiatives being rolled out at a federal level—hydrogen, the Critical Minerals Strategy and others—is a lot of resources going to proponents, and what we would be arguing is that, if we want to actually see our communities negotiating equally at the table, some of those resources also need to come to our communities. We need to specifically call that out. We need to signal to industry and to the market that, actually, it derisks projects if First Nations communities are involved, and it's not the same as other

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<sup>38</sup> IGCC, *Submission 1*, p. 2.

<sup>39</sup> ACTU, *Submission 33*, p. 6.

<sup>40</sup> Mr Jamie Lowe, CEO, NNTC, *Committee Hansard*, 28 August 2024, p. 31.

<sup>41</sup> Mr Lowe, NNTC, *Committee Hansard*, 28 August 2024, p. 31.

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stakeholders. We actually have a specific right and interest, so we should actually have a specific community benefit principle.<sup>42</sup>

- 3.47 Ms Nolan also observed that there was a need for proper resourcing of First Nations traditional owner entities to ensure that agreements made between project proponents and traditional owners were done with free, prior and informed consent<sup>43</sup>

### **Protections and conditions for workers**

- 3.48 Several inquiry participants called for enhanced protections and conditions for workers in the CBPs to ensure that the net-zero transformation brings prosperity to Australia's workers and communities.
- 3.49 For example, the ACTU argued that businesses receiving support under the Future Made in Australia agenda should be investing in their workforces and the communities which they are operating in. The ACTU noted that similar net-zero policies internationally, such as the IRA in the United States and the EU Green Deal, 'are being paired with strong labour social conditionalities to help ensure public money delivers genuine public benefits'.<sup>44</sup>
- 3.50 The ACTU also noted the importance of creating a 'social license' for Australia's energy transition to net-zero and stressed the importance of ensuring that public investments in clean energy projects deliver tangible and consistent benefits to the community.<sup>45</sup>
- 3.51 The Centre for Future Work (CFW) supported efforts to ensure that Future Made in Australia promotes community benefits, particularly in providing safe, secure, well-paid jobs with good conditions and pathways to skills development. The CFW submitted that conditionality relating to employment practices in public industrial support is common practice and that Australian state governments frequently consider job quality as an important factor when granting financial assistance to private investment.<sup>46</sup> The CFW stated that incorporating this approach in the FMIA framework would attract and maintain the skilled workforce necessary to develop an advanced green manufacturing capability.<sup>47</sup>
- 3.52 Similarly, the Electrical Trades Union (ETU) welcomed the inclusion of CBPs which would enable social conditions and fair labour standards to apply to all

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<sup>42</sup> Ms Karrina Nolan, Co-Chair, FNCEN, *Committee Hansard*, 28 August 2024, p. 33.

<sup>43</sup> Ms Karrina Nolan, FNCEN, *Committee Hansard*, 28 August 2024, p. 32.

<sup>44</sup> ACTU, *Submission 33*, p. 4.

<sup>45</sup> ACTU, *Submission 33*, p. 4.

<sup>46</sup> Centre for Future Work (CFW), *Submission 28*, p. 2.

<sup>47</sup> CFW, *Submission 28*, p. 2.

investments receiving support under the Future Made in Australia agenda.<sup>48</sup> The ETU argued that conditionalities and labour standards are crucial to ensuring ongoing social license for an historic, economy-wide transition and properly used, would ensure that government investment is used to develop the workforce of the future.<sup>49</sup>

### **Expanding the Australian shipping and transport industries**

- 3.53 Some inquiry participants expressed support for including an additional CBP to expand the strength of the domestic and international shipping and transport industry.
- 3.54 The Maritime Union of Australia (MUA) emphasised the significant role of the Australian shipping industry in supporting the FMIA agenda. Accordingly, the MUA recommended that ‘strengthening domestic and international transport resilience and capability, across all modes including Australian shipping’ should be included as one of the CBPs. The MUA submitted that this would encourage applicants for Future Made in Australia support to consider how to better structure their projects to strengthen Australia’s supply chains.<sup>50</sup>
- 3.55 Similarly, the ACTU also recommended that an additional CBP on transport resilience and capability be added to the FMIA legislative framework. The ACTU submitted that the FMIA agenda provides an opportunity to revitalise Australian shipping and that transport services, which will play a key role in underpinning the the transition to net-zero.<sup>51</sup> The ACTU concluded that drawing on an enhanced domestic shipping industry will create more jobs in Australia and substantially increase the domestic footprint and economic return of any export projects received under the FMIA agenda.<sup>52</sup>

### **Equity and inclusion as a community benefit principle**

- 3.56 The Australian Council of Social Service (ACOSS) recommended that the objectives in the FMIA framework be amended to ensure that the community benefits are ‘equitable and inclusive’.<sup>53</sup> ACOSS expressed concerns that poorly targeted and inequitable policies, which are ostensibly to reduce emissions, often disproportionately benefit wealthy people with significant choice and control. ACOSS claimed that these policies often leave people and communities experiencing disadvantage worse-off. ACOSS submitted that adding equity and

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<sup>48</sup> Electrical Trades Union (ETU), *Submission 42*, p. 2.

<sup>49</sup> ETU, *Submission 42*, p. 2.

<sup>50</sup> Maritime Union of Australia, *Submission 46*, pp. 9–10.

<sup>51</sup> ACTU, *Submission 33*, pp. 7–8.

<sup>52</sup> ACTU, *Submission 33*, pp. 7–8.

<sup>53</sup> ACTU, *Submission 50*, pp. 2–3.

inclusion to the objective would help ensure that people experiencing disadvantage are considered in projects receiving support under the FMIA agenda and will help create social license for the energy transition.<sup>54</sup>

### **Ensuring the quality and proper enforcement of the CBPs**

- 3.57 Several inquiry participants expressed concerns that the FMIA framework did not provide for adequate enforcement of the CBPs and called for the bills to be amended to ensure strict adherence to these principles.
- 3.58 For example, the ACF acknowledged the inclusion of accountability mechanisms within the FMIA bill to ensure beneficiaries of public investments are held accountable for the delivery of community benefits through FMIA project plans.<sup>55</sup> However, they also expressed concerns that the legislation lacks detail concerning when these plans will be required, whether they are a precondition for government support and how they will ensure accountability.<sup>56</sup>
- 3.59 The ACF recommended that the bills be amended to ensure that FMIA plans enforce adherence to the CBPs by making sure that they are public, operate as a precondition of all public investments and provide an avenue for beneficiaries of the CBPs to seek redress for non-compliance with FMIA plans.<sup>57</sup>
- 3.60 Similarly, the Centre for Policy Development (CPD) welcomed the CBPs in the legislative framework, but argued that they could be strengthened by specifying minimum activities that recipients of FMIA support would need to undertake to satisfy the CBPs. The CPD also argued that government entities should be able to select projects for funding based on whether they satisfy the CBPs.<sup>58</sup>
- 3.61 The Australian Manufacturing Workers' Union (AMWU) also recommended that the framework should impose requirements on recipients of FMIA support to provide regular information on their performance against the CBPs. The AMWU also recommended that the intended beneficiaries of the CBPs should be able to seek a remedy where the CBPs have been breached or have not been met.<sup>59</sup>
- 3.62 The Clean Energy Council (the CEC) expressed support for amending the FMIA framework to make it easier for the CBPs to be amended over time. The Council noted the possibility that the Parliament may wish to amend the CBPs in the future to reflect the evolving expectations and priorities of communities,

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<sup>54</sup> ACOSS, *Submission 50*, pp. 2–3.

<sup>55</sup> ACF, *Submission 37*, p. 11.

<sup>56</sup> ACF, *Submission 37*, p. 11.

<sup>57</sup> ACF, *Submission 37*, p. 11.

<sup>58</sup> Centre for Policy Development, *Submission 3*, p. 8.

<sup>59</sup> AMWU, *Submission 36*, p. 4.

industry, and government.<sup>60</sup> Accordingly, the Council recommended that the CBPs as defined in paragraph 10(3)(a) be removed and that the CBPs be moved to subordinate legislation in accordance with the rule making powers outlined in paragraphs 10(3)(b) and 12. The CEC submitted that these changes would ensure that the CBPs are fit for purpose, reflect the desires of the groups they are designed to support, and are consistent with the need for further consultation to operationalise relevant standards for the meeting of the CBPs.<sup>61</sup>

- 3.63 The IGCC also expressed support for greater clarity on how the CBPs would be measured when deciding whether to allocate financing under the FMIA agenda. The IGCC claimed that principle-level support is outlined in the bill, but mechanisms that standardise good community outcomes are absent. The IGCC suggested that options may include workforce, training and apprenticeships, and local content requirements on financing, noting that a secure workforce increases investor certainty that industries will be durable.<sup>62</sup>
- 3.64 The ACTU expressed concerns about the independence of the enforcement of the CBPs under the legislative framework. The ACTU noted that paragraph 10(3)(b) may be an unnecessary catch-all clause at the Minister's discretion and submitted that the preceding subparagraphs 10(3)(a)(i) to (v) were broadly sufficient in encapsulating the community benefit principles. The ACTU stressed the importance of ensuring that these provisions are read in conjunction with paragraph 9(4)(b) to ensure both assessment and enforcement are conducted independently without influence.<sup>63</sup>

### **Compliance burden of the CBPs on industry**

- 3.65 Several inquiry participants expressed concerns that the CBPs and the requirement to develop a 'Future Made in Australia Plan' would impose a compliance burden on recipients of government support under the policy.
- 3.66 For example, the BCA submitted that there is significant uncertainty concerning the compliance burden or costs which the CBPs would impose on recipients of FMIA support. The BCA argued that investment is more than just the capital needed to fund projects to allow businesses to grow and expand, delivering considerable economic benefits.<sup>64</sup> In this context, the BCA noted that any additional cost arising from the CBPs would undermine the viability of these projects and threaten the economic benefits of the FMIA agenda. The BCA cited evidence that similar industry policies in other jurisdictions have materially

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<sup>60</sup> CEC, *Submission 21*, p. 2.

<sup>61</sup> CEC, *Submission 21*, p. 2.

<sup>62</sup> IGCC, *Submission 1*, pp. 1–2.

<sup>63</sup> CMEWA, *Submission 41*, p. 5.

<sup>64</sup> BCA, *Submission 29*, pp. 6–7.

increased project costs.<sup>65</sup> The BCA expressed concerns that the CBPs would create barriers for small and medium sized businesses participating in the Future Made in Australia agenda. The BCA expanded on this point in their written submission:

The Community Benefit Principles must be fit for purpose, while also objective and clear to provide certainty for taxpayers to at least initially self-assess eligibility for final investment decision deliberations. If the conditions are too onerous, it will become a disincentive. Similarly, the proposed legislative instrument allows for additional Community Benefit Principles to be introduced.<sup>66</sup>

- 3.67 Mr Bran Black, CEO of the Business Council expressed concerns that the CBP relating to ‘promoting safe and secure jobs’, saying that in some jurisdictions this kind of CBP had been interpreted as investment proposals requiring support from unions and that this has added significant costs to projects. He did concede however that this outcome had only been put to him through anecdotal feedback.<sup>67</sup>
- 3.68 The BCA recommended that the CBPs be designed to avoid undermining the eligibility and competitiveness of projects, recognise the significant broader economic benefits of current projects, minimise the compliance costs related to the CBPs, and clarify how the CBPs will apply in practice on an ongoing basis.<sup>68</sup> In particular, the BCA expressed concerns about the CBP relating to promoting ‘safe and secure jobs that are well paid and have good conditions’. The BCA argued that elements of this principle remained unclear and that it could create significant uncertainty for businesses, imposing a significant compliance burden. The BCA claimed that the definitions of ‘safe’ and ‘secure’ jobs would mean that the principle would be implemented in a way which significantly increased labour costs for projects in receipt of FMIA support. The BCA submitted that a clearer, more coherent and objective approach to this principle is needed to minimise the compliance costs for businesses.<sup>69</sup>
- 3.69 The MCA also expressed concerns about the workplace relations and labour standards elements of the CBPs, claiming that they would increase compliance costs for entities receiving FMIA support. The MCA submitted that unlocking value along the materials supply chain requires productive workplaces that allow for businesses to continue to provide the most competitive terms and

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<sup>65</sup> BCA, *Submission 29*, p. 7.

<sup>66</sup> BCA, *Submission 29*, pp. 7–8.

<sup>67</sup> Mr Bran Black, BCA, *Committee Hansard*, 28 August 2024, p. 6.

<sup>68</sup> BCA, *Submission 29*, pp. 8–9.

<sup>69</sup> BCA, *Submission 29*, pp. 8–9.

conditions to attract and retain new workers.<sup>70</sup> It expressed concerns that the workplace relations elements of the CBPs could be used to make particular workplace arrangements a condition of government support under the FMIA agenda. The MCA submitted that inappropriate government conditions which reduce productivity and impose unnecessary workplace burdens will deter new investments in Australia and recommended that the workplace relations and labour standards elements of the CBPs be removed.<sup>71</sup>

- 3.70 Similarly, the CMEWA expressed concerns about the compliance burden which the CBPs may impose on recipients of FMIA support. The CMEWA submitted that it was unclear how the CBPs would be contractually enforced or have 'regard' to the National Interest Framework and sector assessments.<sup>72</sup> The CMEWA also suggested that the legislation and the explanatory memorandum were ambiguous on whether it will seek to establish new requirements that could duplicate existing regulations. Noting the reporting requirements and regulations already applying to its members, the CMEWA disagreed with the explanatory memorandum's assertion that the bills do not have any impact on compliance costs.<sup>73</sup> Accordingly, the CMEWA recommended that the committee consider whether the CBPs would create a net increase in compliance costs for applicants and recipients, including whether the existing requirements can be adopted to satisfy compliance.<sup>74</sup>
- 3.71 The AMEC also expressed concerns about the compliance costs associated with adherence to the CBPs. AMEC noted that to obtain state and Commonwealth approval for minerals exploration projects, the proposing entity must satisfy multiple pre-existing social, environmental and community benefit tests and that proposing entities invest considerable sums of money to establish projects in Australia.<sup>75</sup> Given these substantial pre-existing requirements, AMEC expressed concerns that the CBPs would create a duplicative administrative burden. To mitigate this, AMEC recommended that the whole corporation of the proposing entity be considered when receiving support under the FMIA agenda.<sup>76</sup> AMEC brought the committee's attention to difficulties associated with apportioning adherence to the CBPs between different aspects of a project

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<sup>70</sup> MCA, *Submission 54*, p. 6.

<sup>71</sup> MCA, *Submission 54*, pp. 6–7.

<sup>72</sup> CMEWA, *Submission 41*, p. 4.

<sup>73</sup> CMEWA, *Submission 41*, pp. 4–5.

<sup>74</sup> CMEWA, *Submission 41*, p. 5.

<sup>75</sup> AMEC, *Submission 48*, p. 3.

<sup>76</sup> AMEC, *Submission 48*, p. 3.

such as the mine and the downstream processing component. AMEC expanded on this point in their submission:

Industry understands and provides a wide range of community benefits back to the community beyond substantial royalty and taxation payments. However, the purpose of the Future Made in Australia legislation is to incentivise downstream processing that has not occurred before. The risk of this community benefit test is that downstream processing may not occur because of the difficulties in meeting these requirements. This is an unintended consequence that must be avoided.<sup>77</sup>

- 3.72 Fortescue recommended that the FMIA framework be amended to align the CBPs and rules relating to the provision of government support with current, accepted and applied Commonwealth and industry policies, regulations and processes. Fortescue noted that infrastructure, resources and energy companies are currently required to produce and report on numerous community benefits and argued that incorporation of these existing community benefits would provide clarity and limit costs to projects which receive Future Made in Australia support.<sup>78</sup>
- 3.73 The Productivity Commission submitted that the CBPs should be applied in a transparent way which supports the efficient achievement of the NIF objectives. It argued that the subordinate role of the CBPs in assessing sectoral FMIA support could be more clearly articulated and that the CBPs should be implemented to support the efficient achievement of the primary policy goals of the FMIA program. The Productivity Commission submitted that to achieve this outcome, the CBPs should be applied using eligibility rather than merit criteria and be focused on achieving appropriate standards which are not overly prescriptive.<sup>79</sup>
- 3.74 The Clean Energy Council (CEC) expressed concerns that the CBPs would impose a significant compliance burden on projects involving the construction industry. The CEC argued that flexibility is required for employers to attract talent for time-bound projects, without the requirement for jobs to be made permanent, also noting that clean energy construction jobs will also be in remote and regional locations. They submitted that these jobs and the projects that create them should not be devalued because of these characteristics and should remain eligible for FMIA support.<sup>80</sup>
- 3.75 Ms Reeve of the Grattan Institute made the following point generally about the CBPs:

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<sup>77</sup> AMEC, *Submission 48*, p. 3.

<sup>78</sup> Fortescue, *Submission 44*, pp. 2–3.

<sup>79</sup> Productivity Commission, *Submission 43*, pp. 3–4.

<sup>80</sup> CEC, *Submission 21*, p. 3.

I think the thing about the community benefit principles is that they look like they're trying to achieve things, which might be quite laudable, through quite an indirect route. If people are concerned about working conditions, the best way to do that is to change the IR legislation. If they're concerned about environmental protection, they should reform the EPBC Act. If we're concerned about Indigenous participation, we should fund programs within Indigenous affairs. In our view, there's nothing wrong with those principles per se, but the best way to address the issues behind them is not to build them into this act; it's to build them into the actual areas of portfolio responsibility.<sup>81</sup>

### **Committee view**

- 3.76 The committee is encouraged by the government's commitment to unlock investment in industries critical to decarbonising the economy and securing Australia's national advantage in the face of strategic challenges.
- 3.77 The committee is further encouraged by the significant level of interest, support, and enthusiasm that has been received across the economy and community for these bills and the Future Made in Australia agenda more broadly.
- 3.78 The committee draws attention to the role Future Made in Australia will play among the suite of initiatives from the government to realise Australia's economic opportunities in the net zero global economy, including its legislated renewable energy targets the Safeguard Mechanism, the Next Zero Economy Authority, the Capacity Investment Scheme, and the National Reconstruction Fund, among others.
- 3.79 The committee further notes these Bills form just one part of the government's significant Future Made in Australia Agenda and looks forward to the implementation of this policy and the positive impact it will have on industries and communities in Australia.
- 3.80 The committee particularly welcomes the approach in these bills to introduce a higher level of rigour and accountability to the decision-making processes of public support and investment, facilitated by the National Interest Framework and the Sector Assessment processes.
- 3.81 The committee considers that the National Interest Framework will be an important and useful tool in signalling to investors locally and globally the Australian Government's industrial priorities. The two priority streams of net zero transformation and economic security and resilience are an appropriate and important focus.
- 3.82 The committee is heartened by the requirement in the bills for Sector Assessments undertaken by the Treasury to be done consultatively, and agrees with submitters that the tabling of Sector Assessments in Parliament will allow for an appropriate level of public analysis, that will assist government decision-

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<sup>81</sup> Ms Reeve, The Grattan Institute, *Committee Hansard*, 29 August 2024, p. 5.

making. The Committee considers that this transparency will strengthen the rigor of public investment without it being necessary for sector assessments to be a precondition for all supports, as such a requirement could be duplicative of existing research undertaken by government and delay investments.

- 3.83 The committee is strongly of the view the Community Benefit Principles are an integral aspect of the Future Made in Australia agenda. In particular, the requirement to have regard to them during government decision-making and for recipients of Future Made in Australia Support to adhere to them will ensure that the public benefit of the Future Made in Australia agenda is genuinely felt in the community and the economy.
- 3.84 The committee appreciates views shared by First Nations organisations and Traditional Owners on the bills, and in particular their advocacy to be further incorporated into the Community Benefit Principles in a way that meaningfully recognises their unique role and experiences and their rights and interests as native title holders and under other land schemes. The committee is of the view this could be addressed during the further consultation on operationalising of the Community Benefit Principles.
- 3.85 The committee does not agree with some views that the Community Benefit Principles could have an adverse impact on investment, and particularly notes that Future Made in Australia Support should be awarded to good corporate citizens, which includes offering safe, secure and well paid jobs, complying with tax obligations and undertaking genuine consultation – all of which are set out in the Community Benefit Principles.
- 3.86 The committee notes the wide variety of views from witnesses on what industries and sectors should receive Future Made in Australia Support and believes the bill is an appropriate framework to align investment with the net zero transformation and economic security and resilience priorities in the National Interest Framework.

### **Recommendation 1**

- 3.87 The committee recommends that the bills be passed.**

**Senator Jess Walsh**  
**Chair**  
**Labor Senator for Victoria**



# Coalition Senators' Dissenting Report

## Background

- 1.1 The Bill establishes a 'Future Made in Australia' Framework to be administered by the Treasury, with project initiatives financed via ARENA and Export Finance Australia.
- 1.2 It establishes a 'National Interest Framework' with two streams: a net zero transformation stream, and an economic resilience and security stream. It is proposed that this framework would dictate what programs, industries, or businesses are eligible for Commonwealth financial assistance.
- 1.3 The Bill also empowers the Treasury to direct the Treasury Secretary to conduct an 'independent sector assessment', analysing the extent to which a sector aligns with the National Interest Framework and opportunities to address barriers to private investment.
- 1.4 Furthermore, the Bill also establishes that any 'Future Made in Australia' funding would be contingent on the alignment with 'community benefit principles', which include "promoting safe and secure jobs that are well paid and have good conditions". Putting such vague principles in primary legislation will have the effect of establishing government funded and mandated compulsory unionism by stealth.
- 1.5 Labor's 'Future Made in Australia' is a highly flawed, incoherent and ineffective policy proposal, which risks entrenching union involvement in government funded projects and businesses.
- 1.6 At a total cost of \$23 billion, this policy is another example of Labor's big spending inflationary agenda. Instead of getting the basic economic policy settings right, Labor instead wants to pick winners and force taxpayers to subsidise uneconomic industries for their union fellow travellers.

## Creeping compulsory unionism

- 1.7 The Bill establishes that any Future Made in Australia funding would be contingent on alignment with so-called 'Community Benefit Principles (CBP)', which include "promoting safe and secure jobs that are well paid and have good conditions".
- 1.8 Ai Group submitted that the "CBP definitions provided in the FMIA Bill remain vague and difficult to interpret in the context of a specific investment proposal".<sup>1</sup>

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<sup>1</sup> Ai Group, *Submission 19*, p. 8.

They concluded that “the CBPs as presently defined in the FMIA Bill may reduce policy certainty and increase investment risk”.<sup>2</sup>

- 1.9 At the public hearing, the Business Council of Australia (BCA) set out why it was concerned that such a seemingly innocuous line in the legislation could result in mandatory union involvement in investment decision-making:

What I am particularly worried about is this. If you take a look at the community benefit principles set out in the draft legislation, there are five of them on page 12 in clause 10(3). The first one is 'promoting safe and secure jobs that are well paid and have good conditions'. As I mentioned before, that is an innocuous enough statement and nobody would object to that on its face. However, what we're worried about is that we have seen in some overseas jurisdictions like the US that that's been interpreted to mean that particular proposals for investment need to be supported by unions.

... if you are saying that a union endorsement is required in order for a particular proponent to succeed with a grant application you are creating an inherent risk of corruption, and we think that needs to absolutely be avoided.<sup>3</sup>

- 1.10 In their submission, the BCA warned that:

... setting government procurement requirements for union endorsed agreements can limit competition, and subsequently increase costs. It also creates a 'honey pot' and the potential incentive for side deals to secure these union agreements to gain access to contracts/benefits.<sup>4</sup>

- 1.11 When asked about the 'community benefit principles', the Australian Manufacturing Workers Union (AMWU) said at the public hearing that they think all jobs borne from 'Future Made in Australia' investments must be unionised:

We at the AMWU want well-paid, safe, secure jobs, and that's why the jobs from this should have union agreements; they should be unionised.<sup>5</sup>

- 1.12 The AMWU submission recommended that the Bill be made more explicit on mandatory union control, by recommending the following:

Firms receiving finance, grants or equity investment in their firm should be required to have an enterprise agreement with the relevant trade union/s registered or enter the relevant multiemployer bargaining stream.<sup>6</sup>

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<sup>2</sup> Ai Group, *Submission 19*, p. 9.

<sup>3</sup> Mr Bran Black, Chief Executive Officer, Business Council of Australia, *Committee Hansard*, 28 August 2024, p. 6.

<sup>4</sup> Business Council of Australia, *Submission 29*, p. 3.

<sup>5</sup> Mr Steven Murphy, National Secretary, Australian Manufacturing Workers Union, *Committee Hansard*, 28 August 2024, p. 21 & AMWU, *Submission 36*, p. 5.

<sup>6</sup> AMWU, *Submission 36*, p. 5.

1.13 The Maritime Union of Australia also submitted that “the Community Benefit Principles are an important aspect of the Bill which we strongly support”.<sup>7</sup>

1.14 In their submission, the Minerals Council of Australia (MCA) noted how conditions such as the ‘Community Benefit Principles’ could be used to impose union control over successful funding recipients, noting the example of the Queensland’s ‘Best Practice Industry Conditions’:

For example, the current Queensland Government has a program called the Best Practice Industry Conditions (BPICs), which, amongst other things, make tendering on government funded construction projects conditional on compliance with the BPICs. The stated objectives of the BPICs purport to be ‘to ensure that the Queensland Government projects conform with best practice industrial relations.’ However, in reality, the BPICs have been used by the Queensland Government and the Construction Forestry Mining and Energy Union to leverage the financial power of government funding to impose the union’s own preferred form of control over which businesses receive such funding, and the terms on which they conduct their operations.<sup>8</sup>

1.15 The MCA noted that the BPIC policy “is not about pay and conditions but about union control”.<sup>9</sup>

1.16 Given the ‘community benefit principles’ will have the force of legislation, the MCA expressed strong concern that similar arrangements with unions will be made effectively mandatory under ‘Future Made in Australia’, and represent a serious risk to the economy:

The workplace relations elements of the ‘community benefit principles’ in paragraph 10(3)(a)(i) of the Bill are unnecessary and will be economically damaging. **They are not about improving working conditions but are a government-mandated attempt at union control of both policy decisions and workplaces.**<sup>10</sup>

1.17 At the public hearing, the MCA outlined how this approach would damage productivity:

If, in adopting this framework, the government went down that path, which is contrary to what they've been saying they are going to do, it would materially affect the ability of companies to engage creatively and innovatively with their workforce and create the highest productivity in their workplace, which is essential for both return on investment and higher wages.<sup>11</sup>

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<sup>7</sup> Maritime Union of Australia, *Submission 46*, p. 12

<sup>8</sup> Minerals Council of Australia, *Submission 54*, p. 6.

<sup>9</sup> Minerals Council of Australia, *Submission 54*, p. 7.

<sup>10</sup> Minerals Council of Australia, *Submission 54*, p. 7.

<sup>11</sup> Mr Sid Marris, Deputy Chief Executive Officer, Minerals Council of Australia, *Committee Hansard*, 28 August 2024, p. 38.

1.18 In their submission, the Australian Chamber of Commerce and Industry (ACCI), expressed concern that ‘Future Made in Australia’, through the ‘community benefit principles, could be used to promote “other agendas”, with the cost borne by Australians:

Mandated labour arrangements will only increase the cost of projects and reduce the economic benefits of these projects to the wider community. ... Mandating union-friendly inflexible contracting arrangements will only increase the cost of projects and exacerbate productivity problems.<sup>12</sup>

1.19 Referring to the ‘community benefit principles’, the Grattan Institute submitted that they were “against the formal incorporation of these principles in the assessment process for funding support”.<sup>13</sup>

1.20 On notice, ACCI noted that the ‘community benefit principles’ are more aligned with the government’s political priorities and would increase cost to the taxpayer:

... the Community Benefits Principles go well beyond sound investment decision-making into a range of other areas, that are more aligned with the government’s political priorities than the efficient delivery of projects. They simply represent additional regulatory requirements on the project proponents that will reduce the potential returns on investment, while increasing the cost to the taxpayer. They are likely to discourage both domestic and international companies from investing in Australia, due to the heavy hand regulatory burden they represent.<sup>14</sup>

### **Risky industry policy that will entrench rent-seeking through picking winners**

1.21 ‘Future Made in Australia’ represents a risky and potentially wasteful expenditure of tax-payers’ money through a ‘picking winners’ approach to industry support.

1.22 In their submission to the inquiry, the Productivity Commission warned the Committee about the potential pitfalls of such a policy:

... industry policy such as the FMIA can be costly for governments, act as a form of trade protection, and distort the allocation of Australia's scarce resources towards activities that Australia is not best placed to undertake.<sup>15</sup>

1.23 At the hearing, Productivity Commission Deputy Chair, Professor Alex Robson, explained the risks of the ‘Future Made in Australia’ scheme, explaining how it could constitute a waste of taxpayer funds and reintroduce trade protection:

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<sup>12</sup> Australian Chamber of Commerce and Industry, *Submission 20*, p. 6.

<sup>13</sup> Grattan Institute, *Submission 27*, p. 13.

<sup>14</sup> Australian Chamber of Commerce and Industry, *002: Answers to questions on notice asked by Senator Andrew Bragg on 30 August 2024*, p. 4.

<sup>15</sup> Productivity Commission, *Submission 43*, p. 2.

The first risk is that you could spend money or tax expenditures on programs whose costs may exceed their benefits, directly. ... Then there's a secondary class of risks and opportunities around Australia's position with respect to the rest of the world. The pattern of these sorts of policies around the world—and we outline this in the Trade and assistance review—is that there is a risk that they could distort trade with the rest of the world, or they could distort foreign investment with the rest of the world. For a small, open economy like Australia, that is a risk that we have to take seriously, because trade matters to us. It's a source of jobs and higher living standards and all of those things that we value highly.<sup>16</sup>

- 1.24 On notice, the Productivity Commission confirmed it had not been consulted on the policy:

The Productivity Commission was not consulted on the design of the Future Made in Australia policy before it was announced ...<sup>17</sup>

- 1.25 The Chair of the Productivity Commission, Danielle Wood, has previously described the policy as risking forever subsidies to certain sectors, noting that “we risk creating a class of businesses that is reliant on government subsidies, and that can be very effective in coming back for more”.<sup>18</sup>

- 1.26 The Grattan Institute, in their submission, described the Bill as not up to the task, in terms of being appropriate industry policy.<sup>19</sup> They’ve noted that the lack of clarity in the legislation creates the risk of “picking losers”:

But, without specifying the role these assessments will play and how they will factor into decision-making, there is a risk of falling into three classic industry policy traps: overreaching for competitive advantage, picking losers, and short-term policy thinking.<sup>20</sup>

- 1.27 Furthermore, the Grattan Institute explained how Australia’s comparative advantage does not lie in certain manufacturing, which is not acknowledged by this policy:

An abundance of raw materials does not necessarily translate into an advantage as a manufacturer. Our analysis of battery supply chains shows Australia’s advantages in energy and materials are maintained when

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<sup>16</sup> Professor Alex Robson, Deputy Chair, Productivity Commission, *Committee Hansard*, 29 August 2024, p. 18.

<sup>17</sup> Productivity Commission, *002: Answers to questions on notice asked by Senator Andrew Bragg – PC Consultation about FMIA*, p. 1.

<sup>18</sup> Michael Read & Phillip Coorey, ‘PM’s Made in Australia plan risks forever subsidies’, *Australian Financial Review*, 11 April 2024, <https://www.afr.com/politics/federal/made-in-australia-plan-risks-forever-subsidies-20240411-p5fiy7>.

<sup>19</sup> Grattan Institute, *Submission 27*, p. 2.

<sup>20</sup> Grattan Institute, *Submission 27*, p. 2.

turning ores to metals and metals to active materials, but shrink when turning active materials to cells.<sup>21</sup>

1.28 By going down this path, we risk subsidisation of un-commercial industries:

... Australia may find itself propping up uneconomic industries for no material increase in security, just as happened for car manufacturing.<sup>22</sup>

1.29 The Australian Chamber of Commerce and Industry (ACCI) agreed, noting that poorly designed industry policy “risks allocating support to industries that may not have reasonable long run prospects, redirecting scarce resources away from sectors that do have comparative advantage”.<sup>23</sup>

1.30 In their submission, ACCI laid out the industries where Australia does have a comparative advantage:

Australia has significant comparative advantage in areas such as agriculture and food processing, mining and minerals processing (beyond critical minerals), as well as significant potential in advanced manufacturing such as artificial intelligence (AI) and robotics, due to our highly educated and skilled workforce.<sup>24</sup>

1.31 Furthermore, ACCI strongly warned against a “picking winners” approach, according to government priorities:

...trying to ‘pick winners’ in sectors that are a priority for the government, but don’t have a long-term comparative advantage for Australia. Further, FMA should not be used to develop industries that are not sustainable over the long-term without continuing government financial support.<sup>25</sup>

1.32 ACCI spoke to the example of the subsidisation of solar panel manufacturing, explaining how Australia is not cost-competitive with competitor manufacturers in other economies:

Australia should continue to develop strong trading partnerships to benefit from low-cost technologies manufactured in other countries with highly competitive manufacturing cost bases for reasons including economies of scale. For example, the European Union, United States and Canada are investing heavily in the production of solar photovoltaic (solar PV) sectors, to derisk their reliance on production in China, which currently meets 80 per cent of global demand for solar PV panels. Australia cannot compete with the considerable public investment by these countries and the scale of their domestic market to support the economies of scale needed for these industries.<sup>26</sup>

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<sup>21</sup> Grattan Institute, *Submission 27*, p. 6.

<sup>22</sup> Grattan Institute, *Submission 27*, p. 7.

<sup>23</sup> Australian Chamber of Commerce and Industry, *Submission 20*, p. 1.

<sup>24</sup> Australian Chamber of Commerce and Industry, *Submission 20*, pp. 3–4.

<sup>25</sup> Australian Chamber of Commerce and Industry, *Submission 20*, pp. 4–5.

<sup>26</sup> Australian Chamber of Commerce and Industry, *Submission 20*, pp. 4–5.

- 1.33 The Business Council of Australia submitted that based on experiences in other countries, subsidy schemes like 'Future Made in Australia' could actually increase costs to the market:

There is evidence emerging in other countries that providing subsidies has materially increased project costs and introduced additional delays, particularly when labour and product markets are tight.<sup>27</sup>

- 1.34 Appearing at the public hearing, Grattan Institute Deputy Program Director, Alison Reeve, noted that the failure of the legislation to link sector assessments and funding decision-making could result in pork-barrelling by Labor Ministers:

The legislation brings into play the sector assessments, but there's nothing that formally links those to decision-making. That is what gives you the risk of pork barrelling. It is both a strength and a weakness of the Westminster system that ministers are allowed to just make decisions. That sometimes gives us tremendous flexibility, as it did during COVID, but it can also mean you get captain's picks.<sup>28</sup>

- 1.35 On the issue of funding for solar panel manufacturing, Grattan Institute Program Director, Tony Wood, explained how it would be nonsensical to use subsidies to try to compete with countries like China:

It goes partly to the comments we made about batteries and solar panels. ... We just think that would be, again, a waste of an opportunity for serious government funding in areas which will be of importance strategically to net zero in the future and also to Australia's advantage. That's where it really plays out. Right now, China has twice the total capacity that Australia and the world needs for solar panels. Competing with China is obviously nonsensical. Yet, there's been the suggestion that we might have a go at that.<sup>29</sup>

- 1.36 The FMIA framework gives enormous power to the Treasurer, Treasury Secretary and the Department without increasing the accompanying scrutiny. This is because the sector assessments will be run through the Department of the Treasury, which is part of the executive. Despite purporting to be an independent process, funding decisions will be decided by Labor Ministers:

Senator BRAGG: Who makes the final decisions on spending taxpayer funds on these projects?

Ms Zaheed: That's a decision for government. It goes through ERC processes and is a decision of government.<sup>30</sup>

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<sup>27</sup> Business Council of Australia, *Submission 29*, p. 2.

<sup>28</sup> Ms Alison Reeve, Deputy Program Director, Energy and Climate Change, Grattan Institute, *Committee Hansard*, 29 August 2024, p. 4.

<sup>29</sup> Mr Tony Wood, Program Director, Energy and Climate Change, Grattan Institute, *Committee Hansard*, 29 August 2024, p. 5.

<sup>30</sup> Ms Mohita Zaheed, First Assistant Secretary, Treasury, *Committee Hansard*, 29 August 2024, p. 25.

- 1.37 Furthermore, there is a lack of clarity and transparency on which Ministers will ultimately make funding decisions, as demonstrated by the Australian Renewable Energy Agency's (ARENA) evidence provided at the public hearing:

Senator BRAGG: Let's say, for example, I want to build solar panels somewhere in south-west Sydney and I apply to the single front door for money from the taxpayer. Who makes the decision if I get access to that money or not?

....

Mr Miller: ... So decisions are made by ARENA. There are obviously delegation limits there. When we are approving a grant above \$50 million, that's in the minister's delegation, so we would take that back to the responsible minister. It might be Minister Bowen, Minister Husic or Minister King depending on how those delegations are divided up between the ministers, because the program spans across different portfolios. But that's generally how we would see it working.

...

Mr Miller: It's a decision that ARENA makes. Where it would be a grant above \$50 million, we would be recommending to the minister to approve that funding. So it goes through our usual delegation process. But it's the ARENA process, correct.

Senator BRAGG: Which minister?

Mr Miller: By default, it would be the responsible minister for ARENA, which is Minister Bowen. I understand that, through the legislative amendments, the minister would have the ability to delegate his decision-making to other relevant ministers. So, if we were looking at a low carbon liquid fuel project, we perhaps would be asked to take that to Minister King, for example, in the infrastructure and transport portfolio. Or, if it's a battery thing, it might be Minister Husic. But it's really up to our minister then to essentially nominate the responsible minister for particular grants.<sup>31</sup>

- 1.38 The legislation creates a shambles of a process for funding decision-making, which clearly lacks transparency. It will hand decision-making to a to-be-determined Labor Minister, who will then decide which industries and businesses receive taxpayer subsidies.
- 1.39 Furthermore, it has been confirmed by the Department of Industry, Science and Resources that previous government funding decisions, retrospectively grouped together with Labor's 'Future Made in Australia' agenda, will not be subject to the 'National Interest Framework' or sector analysis proposed by this Bill. When asked on notice whether the Government's \$1 billion investment in U.S. computer company PsiQuantum would be subject to scheme's proposed probity processes, the Department said the decision "pre-dated the introduction of the Future Made in Australia Bill 2024 to Parliament, so could not be governed

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<sup>31</sup> Dialogue between Senator Bragg and Mr Darren Miller, Chief Executive Officer, Australian Renewable Energy Agency, *Committee Hansard*, 29 August 2024, p. 26.

by the FMiA Act.”<sup>32</sup> Questions from Coalition Senators were dismissed as “hypothetical”.

- 1.40 On notice, ACCI expressed concern that such significant expenditures would not be subject to the purported rigour proposed by the Bill:

ACCI is concerned that previously announced as FMA projects, including Solar SunShot and PSI Quantum, have not been assessed under the NIF, or subjected to a thorough sector assessment process.

...

In announcing these projects before they have been thoroughly assessed, the government risks investing in industries that may not be internationally competitive in the long term.<sup>33</sup>

- 1.41 The ‘Future Made in Australia’ framework lacks all credibility, because the ‘National Interest Framework’ has not been applied to two \$1 billion Labor Government investments; PsiQuantum and Solar Sunshot.

### **The Government needs to get the basics right**

- 1.42 While the Government’s focus is on expensive and inefficient industry subsidies, they are failing to address the essentials of Australian manufacturing. Energy costs and cumbersome industrial relations settings are making it difficult for manufacturers to succeed in Australia.

- 1.43 The Government needs to get the basic rights, instead of focusing its attention on schemes that sound good in media releases.

- 1.44 Bran Black, Chief Executive of the BCA, explained at the public hearing what the key economic fundamentals for manufacturers are, noting that they aren’t currently being addressed by the government:

The fundamentals are a combination of all of those things. It's our workplace settings. It's how we can go about making sure we are working with states to improve their planning processes. It's reducing red tape. It's making sure that we have reliable, dispatchable, affordable energy and security and a long-term plan in that regard. Of course, it's our workplace settings as well. It's not one single thing. It's working towards making sure, as I mentioned before, we have the scope to genuinely raise the tide that floats all boats rather than the selected few. ... from our perspective, one of the challenges is that the fundamentals I mentioned before simply aren't being addressed right now.<sup>34</sup>

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<sup>32</sup> Department of Industry, Science and Resources, 002: *Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024* (received 4 September 2024), p. 4.

<sup>33</sup> Australian Chamber of Commerce and Industry, 002: *Answers to questions on notice asked by Senator Andrew Bragg on 30 August 2024*, pp. 4-6.

<sup>34</sup> Mr Bran Black, Chief Executive Officer, Business Council of Australia, *Committee Hansard*, 28 August 2024, p. 5.

1.45 On notice, ACCI stressed the importance of addressing these fundamentals:

Addressing these fundamentals is the most important priority, and critical for supporting investment and growth in emerging sectors.<sup>35</sup>

1.46 The Committee heard from manufacturers like Mondelez International about the difficulties they are facing in Australia:

Like businesses of all sizes in the Australian economy, Mondelez is impacted by the rising cost of manufacturing, driven by rising energy costs, labour shortages, delays and price rises in logistics and supply chains, additional reporting requirements and inefficiencies of complying with different regulations across multiple jurisdictions.<sup>36</sup>

Mondelez acknowledges the need for new industries to develop and grow, and we want to be able to take advantage of the opportunities to transition energy in terms of hydrogen or critical minerals. However, we have present costs in Australian manufacturing, which are here and now.<sup>37</sup>

1.47 Mondelez confirmed that energy costs are compromising their ability to invest and modernise:

Energy is our No. 1 challenge at the moment. As I said, gas prices increasing 100 per cent over a 12-month period has had a significant impact on our ability to invest in our business and continue to modernise.<sup>38</sup>

1.48 At the public hearing, the Minerals Council of Australia spoke to the increasing labour costs due to Labor's industrial relations changes:

Senator BRAGG: What is the major barrier that is holding back more investment in Australian mining?

Mr Marris: Investment in Australian mining has plateaued over the last five to 10 years. That is true. I think there are a range of factors which contribute altogether. I wouldn't sit here and say that there is one alone. ... There might be long delays in duplication of environmental approvals, which are very important, but simplicity and clarity and understanding matter to investors so they know what is going on. On workplace relations, flexibility is obviously something that we've been very concerned about, and we're worried about the outlook, bearing in mind that the changes have only just been made. We are concerned that investors will look at that and not be able to ascertain what it will cost them to invest in a project.<sup>39</sup>

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<sup>35</sup> Australian Chamber of Commerce and Industry, *002: Answers to questions on notice asked by Senator Andrew Bragg on 30 August 2024*, p. 1.

<sup>36</sup> Mondelez International, *Submission 51*, p. 1.

<sup>37</sup> Mondelez International, *Submission 51*, p. 6.

<sup>38</sup> Mrs Stephanie Saliba, Director, Corporate and Government Affairs, Mondelez International, *Committee Hansard*, 29 August 2024, p. 8.

<sup>39</sup> Mr Sid Marris, Deputy Chief Executive Officer, Minerals Council of Australia, *Committee Hansard*, 28 August 2024, p. 37.

- 1.49 BHP submitted that investment in the resources sector is not certain in Australia, and that a competitiveness agenda is necessary:

Australia's success in capturing the next wave of resource investment is not assured. Many countries are endowed with vast quantities of minerals essential to decarbonisation and are aggressively competing for private sector investment to develop these projects. For this reason, BHP believes a comprehensive competitiveness agenda should be implemented ... strengthening Australia's attractiveness as a critical minerals investment destination.<sup>40</sup>

- 1.50 The BCA submitted that a competitiveness agenda involves a "focus on getting the fundamentals right to make Australia an attractive investment destination".<sup>41</sup> This looks like improving planning approvals and streamlining regulation, becoming a world leader in the digital economy, reducing red tape and ensuring our workplace relations settings support productivity.

- 1.51 Witnesses made it clear that Australia's production environment was not keeping pace with other jurisdictions.<sup>42</sup>

- 1.52 Referring to the US, European Union, Canada and Japan, the Chamber of Minerals and Energy of Western Australia noted:

... a narrow focus on providing financial support is unlikely to shift the dial for Australia's international competitiveness. For example, many of these economies score higher than Australia on both government efficiency (i.e., corporate tax policy, foreign investment and labour regulations) and business efficiency (i.e., entrepreneurship and workforce productivity), while the pace of our energy transition is a key cited challenge.<sup>43</sup>

- 1.53 The Treasury has confirmed that gas, blue hydrogen and carbon capture and storage were not considered under the 'National Interest Framework', despite their alignment with net zero and domestic capability objectives.

- 1.54 At the public hearing, the Food and Grocery Council noted the cost and reliability of energy as an immediate challenge for manufacturers:

... energy's a big challenge. I think there's the immediate supply and reliability, but then, in the longer term, it's transitioning to a renewable source and what that looks like. Labour shortages are another challenge, and then, as I think I closed off on, ineffective transport is another. Shipping and logistics around the country, as well as globally, to get Australian products

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<sup>40</sup> BHP, *Submission 17*, p. 1.

<sup>41</sup> BCA, *Submission 29*, p. 2.

<sup>42</sup> Association of Mining and Exploration Companies, *Submission 48*, p. 2.

<sup>43</sup> The Chamber of Minerals and Energy of Western Australia, *Submission 41*, p. 2.

out of the country and into other markets is a real challenge. I'd probably close with those three as being the bigger challenges.<sup>44</sup>

- 1.55 Food manufacturer Mondelez International explained how gas supply would remain important to their viability as a business, and how simple tax solutions such as the instant asset write off could help them upgrade to other renewable options:

The chocolate-making process starts with gas boilers that melt the cocoa down into liquid form at very high temperatures. We have looked at whether the technology is ready to transition from gas boilers to renewable electricity, and the technology is not there. Similarly to what we heard from a previous witness around the cost of capex, and some of these capex decisions having 40- to 50-year life spans, that is the case with these gas boilers. We have a once-in-a-lifetime opportunity to switch those over, but they are significantly costly and don't provide the business with the commercial payback, which needs to be carefully considered, hence why we believe that there are some finance instruments, such as an instant asset tax write-off, which can make those more attractive to businesses.

...

I think that certainty of the instant asset tax write-off is quite attractive to a business such as ours and doesn't necessarily cost the government. It just changes the flow of money.<sup>45</sup>

- 1.56 Rather than squandering taxpayer funds on American computer companies, or picking winners through risky industry policy, the Government should focus on getting the economic and tax settings right for manufacturers already conducting business in Australia.
- 1.57 To do this, the Productivity Commission has pointed to productivity-enhancing reforms the government could adopt to improve Australia's comparative advantage:

I think the best things to do if you're trying to maximise Australia's comparative advantage more broadly are all of the productivity-enhancing policies that we generally think about. We've advocated for 71 of those in the five-year productivity review, but there are likely to be others as well.<sup>46</sup>

## **Recommendation 1**

### **1.58 That the Bills not be passed.**

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<sup>44</sup> Mr Scott McGrath, Director, Government and Media Relations, Australian Food and Grocery Council, *Committee Hansard*, 29 August 2024, p. 7.

<sup>45</sup> Mrs Stephanie Saliba, Director, Corporate and Government Affairs, Mondelez International, *Committee Hansard*, 29 August 2024, p. 8.

<sup>46</sup> Professor Alex Robson, Deputy Chair, Productivity Commission, *Committee Hansard*, 29 August 2024, p. 18.

**Senator Andrew Bragg**  
**Deputy Chair**  
**Liberal Senator for New South**  
**Wales**

**Senator Dean Smith**  
**Liberal Senator for Western**  
**Australia**



# Australian Greens' dissenting report

- 1.1 The government's Future Made in Australia (FMIA) policy is notable, because it is the first time in over three decades that there potentially is an active policy decision to depart from the neoliberal consensus that has led to recent record levels of wealth and income inequality<sup>1</sup> and corporate profits reaching the highest share of the economy ever recorded.<sup>2</sup>
- 1.2 This policy on its own will not reverse those trends, but having government directing the flow of capital into desired areas of the economy could - if done right - be the first step at dismantling the dominant economic thinking that has shrunk Australia's economic diversity, starved the capability of the public service to improve people's lives and contracted out the public interest to private motivations.
- 1.3 Embedding a 'mission-oriented' economy into our statute books is also an implicit recognition that it is the shape of the economy, more than its size, that is the true measure of social well-being.
- 1.4 Despite this, the intended shape of the economy under a Future Made in Australia remains unclear and in dispute. This needs to be resolved before the legislation passes the Senate.
- 1.5 The Albanese Government has made clear its intention to pursue its Future Gas Strategy which envisages a role for gas in our domestic and export economies beyond 2050.<sup>3</sup> New coal projects have been approved by the Environment Minister beyond 2070<sup>4</sup> and the Resources Minister has opened up 46,758 square kilometres of ocean to new gas fields.<sup>5</sup>

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<sup>1</sup> UNSW and ACOSS Poverty and Inequality Partnership, 'Sharp jump in wealth inequality over last 20 years: Report', *Media Release*, 27 September 2023, available at <https://www.unsw.edu.au/newsroom/news/2023/09/sharp-jump-in-wealth-inequality-over-last-20-years--report-> (accessed 6 September 2024).

<sup>2</sup> Australian Bureau of Statistics, *Australian System of National Accounts: Total Factor Income*, 27 October 2023, <https://www.abs.gov.au/statistics/economy/national-accounts/australian-system-national-accounts/2022-23> (accessed 6 September 2024).

<sup>3</sup> Department of Industry, Science and Resources (DISR), *Future Gas Strategy Analytical Report*, 9 May 2024, pp. 3, 42, 44 and 60.

<sup>4</sup> Department of Climate Change, Energy, the Environment and Water (DCCEEW), *EPBC Act Public Portal: Gregory Crinum Coal Mine M-Block Extension Project*, available at <https://epbcpublicportal.awe.gov.au/all-notices/project-decision/?id=edd2abd3-4ded-ed11-8849-00224818a80f> (accessed 6 September 2024).

<sup>5</sup> The Hon Madeline King MP, Minister for Resources and Minister for Northern Australia, *Speech to NT Resources Week conference*, 24 August 2024.

- 1.6 In total 23 coal and gas projects have been approved since the Labor government came to office in mid-2022.<sup>6</sup>
- 1.7 The government's dangerous Future Gas Strategy can be delivered through this Future Made in Australia and hasten the expansion of fossil fuels which in turn will accelerate the collapse of our climate system.
- 1.8 For the Australian Greens, it is non-negotiable: a Future Made in Australia cannot be a future for coal, oil and gas.
- 1.9 However, under the Bills, there are no limitations on what will be funded by the Treasury or Export Finance Australia as necessary to advance our 'economic security and resilience'.
- 1.10 This could mean manufacturing weapons to send into occupied territories and war zones. It could finance the building of import LNG regasification terminals in developing countries so they become hooked on Australian gas. It could mean kickstarting a petrochemical industry that locks in dependency on new gas fields for decades to come.
- 1.11 These possibilities were aired in the hearing, with the conclusion that 'As to petrochemicals, there's nothing in that legislation that would preclude the minister from tasking Treasury to do that work':

Senator HODGINS-MAY: For Treasury, the concept of economic resilience and what could be funded under this stream could mean a lot of things. I'm hoping we can work through another example. We don't currently make any petrochemical products here, so would making items such as plastics, soaps, detergents, solvents and those sorts of things qualify as supporting our economic resilience?

Ms Zaheed: The short answer is that, without undertaking the sector assessment, it's hard for me to say yes or no. But it could be something that Treasury is asked or tasked to undertake a sector assessment in, and we would then follow through the standard process. We would look at things such as concentration of the supply chains, impact on Australian economic resilience and security, what those products feed into and what the broader market looks like. Concentrated supply chains aren't a problem in and of themselves. It depends on where the supply chains are concentrated and what risks those concentrations pose for the domestic economy. As well, it's not necessarily the case that the solution to everything is the need for domestic manufacturing. There are a range of strategies. Regulations, encouraging domestic industries that are reliant on those supply chains to

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<sup>6</sup> See for example: Lake Vermont coal mine, Isaac River coal mine, Star coal mine, Ensham coal mine, Gregory Crinam coal mine, Varanus Island Spartan Gas Project, Wheatstone and Lago gas field, Beach Energy's Otway gas, Towrie Arcadia CSG project, Dorado gas project, Scarborough, Crux, Barossa and Atlas gas projects. Esso (ExxonMobil) were granted exploration permits for 4 gas basins (3 in the Otway Basin in Victoria and 1 in Sorell Basin in Tasmania) and Beach Energy - Otway Basin (Vic), Chevron - Northern Canarvon Basin (WA), Melbana - Northern Canarvon Basin (WA), Woodside - Northern Canarvon Basin (WA), Inpex - Bonaparte Basin (NT)

diversify supply chains—those are all the factors we would consider if we were tasked to look at something. As to petrochemicals, there's nothing in that legislation that would preclude the minister from tasking Treasury to do that work.<sup>7</sup>

- 1.12 The Albanese Government has already committed \$1.5 billion to develop common-use infrastructure at Middle Arm.<sup>8</sup> US Gas company Tamboran - who previously received public funding through the Coalition and Labor parties voting together to protect the Beetaloo Co-operative drilling program<sup>9</sup> - have exclusive rights to build a 6.6 million tonne gas export terminal at the site.<sup>10</sup>
- 1.13 The Northern Territory Government has also promoted the site as a petrochemicals hub,<sup>11</sup> in keeping with the gas-fired-recovery report to the Federal Government that intends to turn the region into a 'gas-based manufacturing industry for Northern Australia.'<sup>12</sup>
- 1.14 Since then, the Northern Territory Government has submitted its stage 2 business case to Infrastructure Australia seeking total federal funding of \$3.6 billion.<sup>13</sup>
- 1.15 All of these developments taken together make the gas processing and petrochemical hub at Middle Arm a prime candidate for Future Made in

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<sup>7</sup> Ms Zaheed, Treasury, *Committee Hansard*, 29 August 2024, pp. 26–27.

<sup>8</sup> David Crowe, 'Labor backs 1.5 billion plan for Darwin port in contest over NT seats', *The Sydney Morning Herald*, 12 April 2022, available at <https://www.smh.com.au/politics/federal/labor-backs-1-5-billion-plan-for-darwin-port-in-contest-over-nt-seats-20220412-p5ad01.html> (accessed 6 September 2024).

<sup>9</sup> The Hon Keith Pitt MP, Minister for Resources and Water, '\$7.5m grant to support gas exploration in Beetaloo Sub-Basin', *Media Release*, 7 March 2022.

<sup>10</sup> Tamboran Resources, 'Tamboran secures land at Middle Arm Sustainable Development Precinct for proposed Northern Territory LNG (NTLNG) Development', *ASX Announcement/Media Release*, 9 June 2023, available at <https://www.investi.com.au/api/announcements/tbn/c2224152-5fb.pdf> (accessed 6 September 2024)

<sup>11</sup> Jano Gibson, 'NT Government deletes references to 'petrochemicals' from Middle Arm website, rejects 'greenwashing' claims', *ABC News*, 26 November 2022, available at <https://www.abc.net.au/news/2022-11-26/nt-petrochemicals-deleted-middle-arm-website-greenwashing/101700374> (accessed 6 September 2024).

<sup>12</sup> Anne Davies and Lisa Cox, 'Revealed: documents detail key players behind vast Australian fossil fuel expansion', *The Guardian*, 19 June 2023, available at <https://www.theguardian.com/australia-news/2023/jun/19/revealed-documents-detail-key-players-behind-vast-australian-fossil-fuel-expansion> (accessed 6 September 2024)

<sup>13</sup> Michael Slezak, Darwin Harbour Middle Arm expansion plan slammed by critics as 'extraordinary fossil fuel subsidy', *ABC News*, 15 December 2023, available at <https://www.abc.net.au/news/2023-12-15/darwin-harbour-extension-plan-slammed-as-fossil-fuel-subsidy/103215782> (accessed 6 September 2024).

Australia support. Public funding to expand the gas industry cannot be supported in the middle of a climate crisis.

### **Recommendation 1**

**1.16 The \$1.5 - \$3.6 billion federal subsidy for the proposed Middle Arm gas and petrochemical precinct be redirected to support clean industries under a Future Made in Australia**

### **Recommendation 2**

**1.17 Funding streams under Future Made in Australia must be restricted to prevent public financial support for coal, oil and gas, associated infrastructure and other sectors that would lock in a long-term dependency on fossil fuels.**

### **Recommendation 3**

**1.18 To avoid diverting much needed investment and labour away from key growth areas envisaged in the Future Made in Australia package, the Government must stop approving new coal and gas projects.**

1.19 Treasury forecasts that under the critical minerals tax incentive, 2.7 million tonnes of refined critical mineral output will be created.<sup>14</sup> This increase in remote mining and processing will lift our emissions unless pre-emptive actions are taken.

1.20 As current lithium miner, Pilbara Minerals state: 'The majority of the [company's] emissions can be attributed to the use of diesel, which is the main energy source used to power the two facilities, associated mine fleet and supporting mine and camp infrastructure.'<sup>15</sup>

1.21 The \$41.4 billion to be spent by the government on Fuel Tax Credits<sup>16</sup> will grow substantially above this forecast under a Future Made in Australia. This is because mining companies operating in a remote area will be paid 50.6 cents for every litre of diesel burned in a generator. This fossil fuel subsidy massively discourages capital investment in off-grid solar, wind or hybrid energy sources to power a mine.

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<sup>14</sup> DISR, answer to written question on notice asked by Senator McKim, 29 August 2024 (received 5 September 2024).

<sup>15</sup> Pilbara Minerals, *2022 Annual Report*, 22 August 2022, p. 46, available at: <https://1pls.irmau.com/site/pdf/84195c02-1519-47cb-8e0b-8ef4322bfa5b/2022-Annual-Report.pdf> (accessed 6 September 2024).

<sup>16</sup> Commonwealth of Australia, *Budget Paper No. 1: Budget Strategy and Outlook 2025-25*, p. 198.

## Recommendation 4

**1.22 End the Fuel Tax Credits scheme for mining projects. This will remove the financial incentive to burn subsidised diesel instead of making capital investments in off-grid renewable energy systems.**

1.23 Adding value and jobs by processing minerals in Australia will also create additional emissions and gas demand unless plans are put in place before the passage of this legislation to prevent the need to open new gas fields.

1.24 Most lithium mining done globally is processed using brine which is far less emissions intensive than hardrock lithium mining which is the type of lithium predominant in Australia. Hardrock mining is particularly emissions intensive with whole life cycle emissions at 16.4 t CO<sub>2</sub>e/t LiOH.H<sub>2</sub>O.<sup>17</sup> However this level of emissions intensity can be reduced significantly by deploying renewable energy and alternative processing technologies.<sup>18</sup>

1.25 However as AEMO's WA Gas Statement of Opportunities quantifies for projects being established now, gas use appears to be the default energy source being deployed for mining and processing:

Eleven resources projects are expected to add a net 23 TJ/day to gas demand by 2026. Three of these are demand reduction projects. – Six are mining projects, including gold and lithium, and account for a net 12 TJ/day of increased demand. – Four projects are minerals processing – two lithium and two rare earths, totalling 10 TJ/day of additional demand.<sup>19</sup>

1.26 If gas demand is expected to increase under FMIA, then to prevent opening new gas fields, large scale electrification needs to be implemented across homes, businesses, industry and most importantly within our LNG terminals. Australia's 11 terminals currently use 450 petajoules of gas a year. This is more than in the entire energy network and more than all Australian manufacturers use.<sup>20</sup>

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<sup>17</sup> Pilbara Minerals, *2022 Annual Report*, 22 August 2022, p. 99, available at: <https://1pls.irmau.com/site/pdf/84195c02-1519-47cb-8e0b-8ef4322bfa5b/2022-Annual-Report.pdf> (accessed 6 September 2024).

<sup>18</sup> Pilbara Minerals, *2022 Annual Report*, 22 August 2022, p. 99, available at: <https://1pls.irmau.com/site/pdf/84195c02-1519-47cb-8e0b-8ef4322bfa5b/2022-Annual-Report.pdf> (accessed 6 September 2024).

<sup>19</sup> Australian Energy Market Operator, *2023 Western Australia Gas Statement of Opportunities: Market outlook to 2033*, December 2023, p. 9, available at [https://aemo.com.au/-/media/files/gas/national\\_planning\\_and\\_forecasting/wa\\_gsoo/2023/2023-wa-gas-statement-of-opportunities-wa-gsoo.pdf?la=en](https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/wa_gsoo/2023/2023-wa-gas-statement-of-opportunities-wa-gsoo.pdf?la=en) (accessed 6 September 2024).

<sup>20</sup> DEECCW, *Australian Energy Update 2023*, September 2023, p. 9, available at [https://www.energy.gov.au/sites/default/files/Australian%20Energy%20Update%202023\\_0.pdf](https://www.energy.gov.au/sites/default/files/Australian%20Energy%20Update%202023_0.pdf) (accessed 6 September 2024),



- 1.33 While those countries pursued FMIA-esque policies to achieve their social and economic objectives, the Australian public have been short-changed and left with no lasting public benefit in this deal.
- 1.34 Traditional economic analyses of government-led industrial policy have historically focused narrowly on tariffs and protectionist policies to conclude that industrial policy leads to poor economic outcomes. However more recent research has incorporated a more detailed account of the institutional context and utilises modern statistical techniques and more robust empirical methods.<sup>26</sup>
- 1.35 The results of this research have been much more favourable to industrial policy, tending to find that such policies have often led to large, seemingly beneficial long term effects in the structure of economic activity, particularly when focused on upstream economic activity.<sup>27</sup>
- 1.36 Indeed the economic success of South East Asian and Scandinavian countries should be justification in and of itself that government-directed deployment of capital is not the persuasive neoliberal boogeyman that it was in the 1970s and 80s.

## Recommendation 6

- 1.37 The use of industrial policy to guide capital should also be complemented with enforceable domestic reserve and processing requirements where appropriate so that we can create manufacturing and processing jobs in Australia and not keep on exporting our wealth overseas like we have done for decades past.**
- 1.38 In much the same way that East Asian nations have retained the returns on their investments as they invested to create the jobs and industries they identified as necessary to their prosperity, in Sweden the government owns iron ore mining<sup>28</sup> and steel -making companies.<sup>29</sup>

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<sup>26</sup> R Juhasz, N Lane and D Rodrik, 'The New Economics of Industrial Policy', *John F Kennedy School of Government, Harvard University*, August 2023, available at <https://drodrik.scholar.harvard.edu/publications/new-economics-industrial-policy> (accessed 6 September 2024).

<sup>27</sup> Dani Rodrik, Reka Juhasz and Nathan Lane, 'Economists Reconsider Industrial Policy', *Policy Syndicate*, 4 August 2023, available at <https://www.project-syndicate.org/commentary/new-economic-research-more-favorable-to-industrial-policy-by-dani-rodrik-et-al-2023-08> (accessed 6 September 2024).

<sup>28</sup> See for example: Luossavaara-Kiirunavaara Aktiebolag (LKAB), *Homepage*, available at <https://lkab.com/en/> (accessed 6 September 2024).

<sup>29</sup> See for example: Svenskt Stal AB (SSAB), *Homepage*, available at <https://www.ssab.com/en> (accessed 6 September 2024).

- 1.39 This has allowed these companies to be best placed to now lead the pack in the race to develop green steel.<sup>30</sup> Rather than adopting this approach, Australia instead produced a handful of obscenely wealthy iron-ore billionaires and created mining companies so powerful they brought down a Prime Minister when they didn't like the idea of their excessive profits being taxed.
- 1.40 Rather than continuing to hand over all wealth and political influence to corporations, this FMIA framework should depart from this tried-and-failed precedent and ensure that the Australian public gets to share in the returns on public investments.
- 1.41 When Qantas and Virgin were bailed out during the covid pandemic, the financial support should have been in the form of equity and therefore, ownership like occurred in Singapore.<sup>31</sup> Instead aviation companies were given \$5.6 billion<sup>32</sup> in the form of cash grants and fee and tax waivers with no strings attached.
- 1.42 Once these airlines became profitable again, the shares could have been liquidated and the public receive a return on their financial support. Instead these companies tucked our money into their bottom line and promptly proceeded to fleece their customers.<sup>33</sup>
- 1.43 Future Made in Australia cannot continue the tradition of public money being used to socialise the losses of corporations while their profits are exclusively privatised.

### **Recommendation 7**

- 1.44 The legislation should include a directed preference by the Parliament that FMIA investments should generate a return on investment for the Commonwealth, particularly through public equity or grants with contractual terms that deliver a lasting public benefit.**
- 1.45 Public ownership can bring competitive pressure to Australia's many concentrated markets. They can pursue social and climate benefits alongside

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<sup>30</sup> Hild-Gunn Bye and Birgitte Annie Molid Martinussen, 'SSAB with new billion euro investment in fossil-free steel in Northern Sweden', *High North News*, 2 April 2024, available at <https://www.highnorthnews.com/en/ssab-new-billion-euro-investment-fossil-free-steel-northern-sweden> (accessed 6 September 2024).

<sup>31</sup> The McKell Institute Victoria, *Australia Aviation after COVID-19: The urgent need for an Australian Aviation Plan*, June 2020, p. 37, available at [https://mckellinstitute.org.au/wp-content/uploads/2022/02/McKell\\_VIC\\_Australian-Aviation\\_V6.pdf](https://mckellinstitute.org.au/wp-content/uploads/2022/02/McKell_VIC_Australian-Aviation_V6.pdf) (accessed 6 September 2024).

<sup>32</sup> Australian National Audit Office, *COVID-19 Support to the Aviation Sector*, Audit Report No. 40, 2021-2022.

<sup>33</sup> Australian Competition and Consumer Commission, 'ACCC takes court action alleging Qantas advertised flights it had already cancelled,' *Media Release*, 31 August 2023.

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economic objectives. Importantly, public ownership carries a huge amount of public support.

- 1.46 Australia already has publicly-owned companies in our markets, it is just that none of them are Australian. For example Optus is majority owned by the Singapore government, electricity distribution company Jemena and the Port of Darwin are owned by the Chinese government and energy retailer Powershop was, until recently, owned by the New Zealand government.
- 1.47 In combination with LNG terminal ownership outlined above, if there are no objections with state-owned companies operating in competitive markets in Australia, then Australian state-owned companies should also be part of a Future Made in Australia.

### **Recommendation 8**

- 1.48 **Where there is a competitive advantage in doing so, and in compliance with the five criteria laid down in the Future Made in Australia framework, Australia should adopt the approach of our trading partners and create publicly owned companies to advance the public interest.**
- 1.49 Finally, The Australian Greens share First Nation stakeholders concerns that the Community Benefit Principles are not tightly defined enough to guarantee benefits for First Nations communities under a Future Made in Australia.
- 1.50 First Nations communities should hold a financial stake in projects on their land, and the Australian Government must ensure that this occurs by providing support to bodies corporate and other community-based organisations during negotiations.
- 1.51 Similarly, the Government must support communities to negotiate on an even playing field with companies who are looking to mine for critical minerals on First Nations land. Support for negotiators should include provision for legal representation and should be independent of the positions taken by the negotiators. At all times the principle of free, prior, and informed consent must be upheld. Real outcomes should be measured through First Peoples' equity in projects and through the wellbeing, financial and otherwise, of communities and Country, and the preservation of culturally important sites.

### **Recommendation 9**

- 1.52 **Better defined and more expansive Community Benefit Principles are required to ensure that First Nations people benefit from the projects delivered under Future Made in Australia.**

**Senator Nick McKim**  
**Member**  
**Greens Senator for Tasmania**

# Senator David Van's additional comments

- 1.1 While supporting a Future Made in Australia (FMIA) in concept, Senator David Van maintains that the FMIA in its present state requires significant refinement to elicit his support.
- 1.2 To that end, he makes the following seven recommendations:

## Recommendation 1

- 1.3 Refinement of sector assessments for greater transparency, effectiveness and rigor**
- 1.4 Sector assessments must remain independent and provide clear, impartial advice to identify competitive sectors that will deliver against the National Interest Framework.
- 1.5 Assessments must not predetermine “winners” nor prop up sectors that have no long-term viability without ongoing subsidies.
- 1.6 Given historic failures in supporting sectors such as automobile manufacturing, proper regard must also be given to areas where Australia has a clear comparative advantage.
- 1.7 Finally, sector assessments must be mandatory and apply equally to all areas that may require funding, as opposed to merely being required at the discretion of the Minister.
- 1.8 Sector assessments must be tabled in Parliament within 30 days of being received by a Minister. They should also be accountable to the public via Senate Estimates.

## Recommendation 2

- 1.9 Clear identification of the opportunities and limits associated with transnational cooperation**
- 1.10 Given the dominance of the Chinese PV industry, Australia’s only chance to set up a competitive solar and battery industry is by partnering with Chinese companies.
- 1.11 Concurrently, these opportunities must remain in areas where Australia has a clear comparative advantage in such as poly-silicon production or wafer processing as opposed to only module assembly, which is often the vision presented for solar manufacturing.
- 1.12 Despite this, clear limits must be recognised in cooperating with overseas firms. Our national interest and security must be paramount with clear guidelines on foreign investment controls.

- 1.13 Maintaining good relationships with other countries in the region is essential, as it will enable us to diversify our export market and further assist us in acquiring relevant manufacturing equipment at a competitive price.
- 1.14 The Government must recognise the importance of retaining our lead on PV technology, by ensuring that relevant IP is protected and only exchanged based on terms supported in the NIF. Existing research developed by agencies such as ARENA is essential to developing the next generation of technologies and creating a competitive industry based on this research.

### **Recommendation 3**

#### **1.15 Acknowledgment of the role of REIPs and batteries in efficiently decarbonising Australia relative to transmission.**

- 1.16 In areas such as the “rhombus of regret”, excess energy is being curtailed, resulting in significant waste of unexploited clean energy while creating sub-optimal economics for clean energy investors.
- 1.17 Co-location of energy-intensive industries alongside renewable energy infrastructure in the form of Renewable Energy Industrial Precincts (REIPs), should be undertaken immediately to reverse curtailment of excess energy being produced in various Renewable Energy Zones (REZs), while limiting dependence on transmission lines.
- 1.18 The Government should therefore incentivise the setting up of REIPs under FMIA, by mandating that companies co-locate with renewable energy generation.
- 1.19 According to the Australian Conservation Foundation (ACF), effective co-location of renewable infrastructure can be achieved by integrating top-down and bottom-up approaches for the planning and development of REIPs nationwide.
- 1.20 Top-down or whole of system modelling focuses on the optimal development of Australia’s electrical system at a national scale, but lacks a regional focus. Bottom-up modelling in contrast focuses on a specific region and is therefore more effective for utilising stakeholder input, but falls short on a larger scale.
- 1.21 Optimally, the two modelling approaches would be combined to inform each other in a feedback loop, which would enable key players such as AEMO to develop future integrated systems plans which better reflect the energy needs of REIPs.
- 1.22 Transmission meanwhile is a costly and outdated technology that must be relegated in favour of energy storage systems. Rather than attempting to solve Variable Renewable Energy (VRE) hosting capacity limits through the expenditure of billions of dollars in transmission assets, VRE generators should

be incentivised to co-locate storage solutions to achieve a time phase shift from the uneconomic glut to deficit times of day.

- 1.23 Australian battery manufacturing not only holds numerous export and security advantages considering growing international demand, but will enable us to secure our own supply, form more REIPs and decarbonise faster.
- 1.24 Transmission infrastructure should only expand where other more economic solutions cannot be found. Given that existing transmission and distribution assets are currently underutilised according to the AER, care must be taken to utilise existing transmission efficiently. According to the ACF to that end, the Government must consider a form of planning mechanism which will ensure that green metals projects are co-located within REIPs that are integrated with REZs to limit transmission loss.

#### **Recommendation 4**

##### **1.25 Tailored support for the production of green metals such as aluminium**

- 1.26 Considering that green metals production are, rightly, a priority area under the National Interest Framework (NIF), the sector should receive greater Government support, especially in light of the numerous challenges faced by producers.
- 1.27 The Australian Aluminium Council (AAC) for instance notes the high cost of transitioning to green smelters, which currently exceeds its historic profits. The Government must incentivise production by implementing a production credit similar to those offered under the Inflation Reduction Act.
- 1.28 Greater large-scale funding will be required to deal with additional challenges cited by the AAC, such as the high cost of capital needed to operate alumina refineries as well as developing the clean technology needed to turn bauxite into green alumina.
- 1.29 Additional funds should build off the Powering the Regions model, but should be adjusted substantially to account for the required scale.
- 1.30 The states should contribute reasonably to these new, green export opportunities.

#### **Recommendation 5**

##### **1.31 Greater and more refined support for the production of Low Carbon Liquid Fuels for Australian use.**

- 1.32 While FMIA recognises the importance of LCLFs and to that end has allocated \$1.7 billion to supporting the sector, green fuel production requires more extensive support.

- 1.33 As per Bioenergy Australia, this \$1.7 billion sum will most likely attract projects to Australia, but this does not automatically mean that the fuel they produce will be retained within the country. Instead, it is more likely that this fuel will be sold to jurisdictions where it can achieve the highest price point.
- 1.34 To keep fuel within the country thus assisting with our decarbonisation, Bioenergy Australia has stated that firms must be assured that there is a minimum level of demand. This in turn requires a government procurement policy to guarantee offtake agreements. For example, offtake agreements for the Australian Defence Force (ADF) which consumes approximately 500 million litres per year, would be sensible.
- 1.35 In recent years, companies have been seeking to accelerate the development of Sustainable Aviation Fuels (SAF) in Australia. Qantas for instance, has previously co-invested \$200 million in line with their commitment to reaching a 10% SAF to overall fuel mix by 2030.

### **Recommendation 6**

#### **1.36 Acknowledgment of the dual potential for LCLFs to be used domestically and as an international export.**

- 1.37 To balance the need to retain some low-carbon fuel for domestic use while having excess capacity to export, the Government should focus on the production of biofuels.
- 1.38 Due to the substantial reserves of biomass in Australia's possession, there is effectively no ceiling for the amount of biofuels that we can produce using sugarcane, algae and tallow to name a few potential feedstocks.
- 1.39 Australia has a history of substantial innovation in the feedstock field. Biofuels according to Energy Australia can play a significant role in the ongoing effort to decarbonise by replacing conventional jet fuel, which Qantas has estimated can reduce direct aviation emissions by up to 90%.
- 1.40 FMIA must acknowledge and support the growing LCLF industry considering its potential environmental and economic benefits.

### **Recommendation 7**

#### **1.41 Refinement of the NIF to better reinforce current defence priorities.**

- 1.42 Apart from a brief mention on page 2 of the NIF, defence is largely absent despite geopolitical concerns such as the disruption of our sea lines of communication by a hostile neighbouring power. This is clearly in the national interest to counter.
- 1.43 The NIF should be informed by the current set of Defence strategic papers including the 2024 National Defence Strategy (NDS), the 2023 Defence Strategic Review (DSR) and the 2024 Defence Industry Development Strategy (DIDS).

- 1.44 The NIF's economic resilience and security stream must therefore be redefined to reference the importance of supporting our sovereign defence manufacturing capability, by identifying opportunities to manufacture locally, to reduce our dependence on foreign military sales as set out by the NDS.
- 1.45 The need for a sovereign defence industrial base was previously pushed by the DSR, which recommended "the establishment of a domestic manufacturing capability".
- 1.46 The stream must further make explicit note of Export Finance Australia (EFA)'s role in assisting defence exports with the aim of growing a sovereign defence industrial base, particularly with reference to the domestic manufacture of guided weapons, explosive ordnance and munitions as outlined by the DIDS.
- 1.47 The NDS has since echoed the DSR and noted the need to "maintain a domestic footprint for local manufacturing" by cooperating with international partners where appropriate to help bolster the resilience of the Australian defence industry.
- 1.48 Despite it being in our national interest to build a sovereign defence industrial base, the DIDS has only allocated an unenviable \$130 million towards realising this goal. In stark contrast, FMIA as a whole has received an allocation of \$22.7 billion.
- 1.49 Expansions to EFA's national interest account meanwhile are necessary but must also have a transparent and consistent process for subsequent expansions, to account for changing priorities as noted in our ADF strategic papers.

**Senator David Van  
Member  
Independent Senator for Victoria**



# Senator David Pocock's additional comments

## Introduction

- 1.1 Australia needs a policy framework to drive industrial success as we transform our economy and become a renewable energy superpower. We need settings that will promote a manufacturing industry with secure, well-paid local jobs based on renewable energy, hydrogen and critical minerals.
- 1.2 Other countries have moved with greater pace and ambition to seize the opportunity on offer as the world moves away from fossil fuels and builds the industry and sectors of the future. In the United States, the Inflation Reduction Act (IRA) and the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (CHIPS Act) have seen hundreds of billions of dollars invested to grow the industries we need to transition. In the European Union, the Green Deal also sees hundreds of billions of Euros invested to reduce emissions and foster green industry success.
- 1.3 The Future Made in Australia (FMIA) framework is a positive step towards creating a strong industrial base in an energy-transitioning world. However, significant improvements are needed to improve transparency and accountability under the framework, to clarify that economic benefits will be retained in Australia, and ensure that funding under the framework is not used to subsidise the fossil fuel industry.
- 1.4 I thank the committee and the secretariat for the work done on this inquiry. I also thank my colleagues in the lower house for the work they have done highlighting potential improvements to the bills. In particular, I would like to thank Dr Helen Haines MP, Mr Andrew Wilkie MP, Ms Kate Chaney MP, Ms Allegra Spender MP, Dr Monique Ryan MP, Ms Zali Steggall MP and Ms Zoe Daniel MP.

## **Electrification: Australian households and small businesses overlooked again**

- 1.5 Electrification is an opportunity for Australian households and small businesses to reduce energy bills and lower their carbon footprint. In a cost of living crisis and a climate crisis, the case for electrification is overwhelming.
- 1.6 Despite this, the government has again missed an opportunity to supercharge the transition and put households at the centre. It is an opportunity seized in jurisdictions already ahead of Australia in enacting transformative industry policies.

- 1.7 Many submitters acknowledged that the FMIA framework is largely an Australian response to the IRA.<sup>1</sup> The IRA contains billions of dollars in rebates and subsidies for rooftop solar, batteries, heat pumps, induction cooktops and many other consumer items.
- 1.8 The IRA is more than two years old now, and household electrification has been heralded as a significant success.<sup>2</sup> Despite this, the Australian government has chosen to overlook this success.
- 1.9 It is beyond time for the Australian Government to seize the opportunity that electrification presents in reducing cost of living pressures and achieving emissions reduction.
- 1.10 The drafting of this bill does not lend itself to amendment to realise this opportunity. The Australian Government should bring forward a separate and substantial package to support electrification of households, particularly low-income households, rental properties and apartments.

### **Provide transparency and accountability in sector assessments**

- 1.11 Strong governance structures are necessary to build public confidence in the framework and to give industry the certainty required to invest in building industries of the future. Australians must be assured that the \$22.7 billion in public money invested under the framework archives value for money. Of particular importance is ensuring that the National Interest Framework is applied through sector assessments before funding is allocated.
- 1.12 The allocation of billions of dollars to PsiQuantum and SunDrive without a sector assessment has threatened to undermine public confidence. To rebuild trust, additional transparency and accountability mechanisms should be included in the bill.
- 1.13 Submitters raised concerns around the need for greater transparency and accountability in Sector Assessments. The Grattan Institute identified ambiguity in how assessments fit into the decision making process. They believe that:

Without specifying the role these assessments will play and how they will factor into decision-making, there is a risk of falling into three classic industry policy traps: overreaching for competitive advantage, picking losers, and short-term policy thinking. The bill needs to be more explicit about how the National Interest Framework will inform and guide future policy and funding decisions so these traps can be avoided.<sup>3</sup>

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<sup>1</sup> See for example: Australian Industry Group, *Submission 19*; Australian Chamber of Commerce and Industry, *Submission 20*.

<sup>2</sup> Atlantic Council, Julia Pyper, 14 August 2023, [www.atlanticcouncil.org/blogs/energysource/the-ira-is-transforming-the-us-energy-system-starting-with-homes/](https://www.atlanticcouncil.org/blogs/energysource/the-ira-is-transforming-the-us-energy-system-starting-with-homes/) (accessed 6 September 2024).

<sup>3</sup> Grattan Institute, *Submission 27*, p. 2.

- 1.14 The Grattan Institute went on to recommend that the bills must ‘...make explicit how and where the Framework will guide future policy and funding decisions.’<sup>4</sup>
- 1.15 Similarly, the Australian Conservation Foundation:
- ...strongly recommends amendment to s 9 of the FMIA Bill to make it clear that a Future Made in Australia support (as defined by s 10(2) of the FMIA Bill) is only available to projects or entities that fall within the scope of a sector for which a sector assessment has occurred. It should be a precondition of any FMIA support that the government decision-maker consider and determine that the person or project applying for that FMIA support properly falls within the scope of a sector that has been the subject of a sector assessment, and further where the sector assessment identified that the FMIA support was appropriate.<sup>5</sup>
- 1.16 This approach is also supported by the Smart Energy Council, which recommends that ‘to be eligible for Future Made in Australia support, a sector assessment must be completed and presented to Parliament. This ensures that the National Interest Framework is followed and that the support is appropriate for the sector.’<sup>6</sup>
- 1.17 In addition to requiring sector assessments as a prerequisite for support under the Future Made in Australia framework, there must be a high level of confidence in the sector assessments themselves. Several submitters voiced concerns that sector assessments may be vulnerable to political interference and that further safeguards are necessary.
- 1.18 The Australian Chamber of Commerce and Industry (ACCI) submitted that ‘The sector assessments need to be independent, robust and informed by a range of views, expert advice, information sources and future market conditions that could impact the sector’s transition.’<sup>7</sup>
- 1.19 This was supported by the Business Council of Australia (BCA), which highlighted the need for sector assessments to be independent in order to achieve the confidence of the business community.<sup>8</sup> The BCA recommended that sector assessments be conducted by the Productivity Commission, rather than by the Treasury. This recommendation has some merit, but could limit the breadth of input into sector assessments.

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<sup>4</sup> Grattan Institute, *Submission 27*, p. 3.

<sup>5</sup> Australian Conservation Foundation, *Submission 37*, p. 10.

<sup>6</sup> Smart Energy Council, *Submission 47*, p. 3.

<sup>7</sup> Australian Chamber of Commerce and Industry, *Submission 20*, p. 5.

<sup>8</sup> Business Council of Australia, *Submission 29*, p. 2.

1.20 To allow breadth and increase independence in the sector assessment process the Grattan Institute recommended that the Treasury Secretary be required to ‘invite the following agencies to provide input to the sector assessment:

- Productivity Commission;
- CSIRO;
- Australian Competition and Consumer Commission;
- Infrastructure Australia;
- Climate Change Authority; and
- Net Zero Economy Authority<sup>9</sup>

There may be other agencies that should have input into the assessments, and this could be achieved in rules under the legislation.

### **Ensure adherence to the Community Benefits Principles**

1.21 The Community Benefits Principles must not be a ‘tick box exercise’, they must have teeth to ensure lasting benefit to Australian industry.

1.22 Submitters raised concerns that adherence to the community benefits principles may not be promoted through the availability of appropriate remedies.

1.23 The Australian Council of Trade Unions (ACTU) recommended that section 12 of the bill be amended to require the rules made by the Minister to include a requirement for regular publication about performance in meeting Community Benefit Principles, and remedies where there is an actual or potential breach of the principles.<sup>10</sup>

### **Ensure economic benefit flows to Australian businesses and is retained in Australia**

1.24 The 2024-45 Federal Budget makes a significant investment of \$22.7 billion in the Future Made in Australia framework. Concerns have already been raised that funding committed to under FMIA is flowing to foreign-owned entities.<sup>11</sup> This has undermined public confidence that FMIA funding is squarely directed at increasing economic benefit to Australian businesses and workers.

1.25 With such a commitment of taxpayer money, it is imperative that economic benefit must flow to Australians and Australian businesses. To achieve this, there needs to be a definition of an ‘Australian company’ that reflects Australian ownership and control. Under the current Commonwealth Procurement Rules,

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<sup>9</sup> Grattan Institute, *Submission 27*, p. 12.

<sup>10</sup> Australian Council of Trade Unions, *Submission 33*, p. 10.

<sup>11</sup> The Australian, *Foreign cloud over \$1bn solar plan*, Geoff Chambers and Noah Yim, 4 September 2024, [www.theaustralian.com.au/nation/politics/foreigners-can-plug-into-pms-future-made-in-australia-solar-fund/news-story/36c4bbbd82c1b662605b54902e249984](https://www.theaustralian.com.au/nation/politics/foreigners-can-plug-into-pms-future-made-in-australia-solar-fund/news-story/36c4bbbd82c1b662605b54902e249984) (accessed 6 September 2024).

foreign owned and operating firms with an Australian Business Number (ABN) qualify as 'Australian companies'.

- 1.26 The government should develop a definition of 'Australian company' that reflects real ownership and management in Australia. A starting point for the definition should include requirements that an 'Australian company':
- Has a valid ABN;
  - Is headquartered in Australia;
  - Is at least 51 per cent owned by Australian shareholders;
  - Is at least 51 per cent governed by Australian directors; and
  - Is not a subsidiary of a company that is not a sovereign Australian company.
- 1.27 This definition should be integrated into the FMIA framework and used to promote retained economic benefit and allow Australian companies to compete on the global stage.
- 1.28 Further, the government should look to strengthen the Community Benefits Principles to provide sharper focus on retained economic benefit. Maximising economic benefit retained in Australia must be a key pillar in the FMIA framework.

### **Put the achievement of emissions reductions goals at the heart of the framework**

- 1.29 Climate change provides the imperative for the FMIA framework. It should be clarified as the guiding object of the legislation. Submitters supported amending either or both of the objects of the bill and the Community Benefits Principles to achieve this.
- 1.30 The ACF recommended that the bill:
- ...be amended to more explicitly centre the urgent need to decarbonise Australia's economy, as the galvanising mission that justifies the public-private partnerships envisaged by Future Made in Australia. This should be implemented through amendment to both the objects and community benefits sections of the bill, to ensure the decarbonisation imperative is included at both a structural and support-specific level.<sup>12</sup>
- 1.31 The Climate Council also made the case for amendments to the objects and Community Benefits Principles to highlight the imperative for climate action. They recommended that 'the Objects of the [bill] be amended to explicitly incorporate the urgent imperative to cut greenhouse gas emissions domestically and globally.'<sup>13</sup> Further that the scope of community benefits be augmented

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<sup>12</sup> Australian Conservation Foundation, *Submission 37*, p. 5.

<sup>13</sup> Climate Council, *Submission 2*, p. 3.

‘to recognise that new industries should also seek to minimise their own climate impact.’

1.32 The Environmental Defenders Office (EDO) agreed that the bill:

1.33 ...should be amended to ensure Australia’s emissions reduction targets and obligations under the Paris Agreement are included in the legislative Objects, to provide an overarching goal for the scheme in line with the need to urgently decarbonise. The need to reduce emissions – through both supply and demand – must be at the heart of the FMIA framework.<sup>14</sup>

1.34 Similarly, the Climateworks Centre recommended the addition of ‘a Community Benefits Principle reflecting Australia’s emissions reduction targets and its commitments under the Paris Agreement.’<sup>15</sup>

### **Sector Assessments should include a consideration of contribution to emissions or emissions reductions**

1.35 To properly integrate the imperative for climate action in the framework, there must be an analysis of emissions integrated into sector assessments.

1.36 The EDO recommended that ‘analysis of the sectors’ contribution to Australia’s greenhouse gas emissions reduction targets and net zero transformation must be a mandatory consideration for all sector assessments.<sup>16</sup>

1.37 This recommendation was supported by the Climate Council, which made a recommendation ‘to incorporate a further requirement for sector assessments to consider the direct emissions impacts of operation at scale by any sector or industry for which such an assessment is to be conducted.’<sup>17</sup>

### **The framework should not allow support to be given to the fossil fuel industry**

1.38 The Future Made in Australia framework is designed to assist Australians to shift away from fossil fuels and towards the green industries of the future powered by renewable energy. The door to funding the fossil fuel industry should be closed.

1.39 This shift was supported by many submitters. The ACF submitted that ‘...the federal government must impose guardrails on the FMIA framework and restrictions on eligibility for FMIA supports to ensure that FMIA funding does

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<sup>14</sup> Environmental Defenders Office, *Submission 35*, p. 2.

<sup>15</sup> Climateworks Centre, *Submission 53*, p. 3.

<sup>16</sup> Environmental Defenders Office, *Submission 35*, p. 3.

<sup>17</sup> Climate Council, *Submission 2*, p. 3.

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not flow to climate wrecking fossil fuels.’<sup>18</sup> This recommendation was supported by the Australian Council of Social Services (ACOSS).<sup>19</sup>

- 1.40 The EDO recommended that ‘the legislation should make clear that all FMIA supports cannot be used to support fossil fuel projects, infrastructure or related entities or industry.’<sup>20</sup>
- 1.41 Similarly, the Investor Group on Climate Change (IGCC) recommended ‘That no funds that are allocated on the basis of principles under the National Interest Framework are given to projects in legacy industries such as fossil fuels.’<sup>21</sup>
- 1.42 It makes no sense to develop a framework around reducing emissions and allow the possibility of funding fossil fuels. To do so would risk allowing FMIA to be greenwashed and undermine confidence in the framework.

### **Concluding comments**

- 1.43 The FMIA framework is a positive reorientation of industry policy in recognition of the urgent need to reduce emissions and the opportunities presented by abundant renewable energy critical mineral resources. But it is far from perfect.
- 1.44 Amendments are necessary to improve transparency and accountability around sector assessments, sharpen the focus on emissions reduction, and ensure that support achieves community benefits.
- 1.45 More than that, the Australian Government should urgently bring forward a package for household electrification that will support Australians to get off gas, reduce energy bills and lower their emissions.

### **Recommendations**

#### **Recommendation 1**

- 1.46 The Australian Government should urgently fund a package to support the electrification of Australian households, with a focus on low-income households, rental properties and apartments.**

#### **Recommendation 2**

- 1.47 The Minister should be required to consider Sector Assessments before allocating funding to a sector.**

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<sup>18</sup> Australian Conservation Foundation, *Submission 37*, p. 11.

<sup>19</sup> Australian Council of Social Services, *Submission 50*, p. 6.

<sup>20</sup> Environmental Defenders Office, *Submission 35*, p. 2.

<sup>21</sup> Investor Group on Climate Change, *Submission 1*, p. 3.

**Recommendation 3**

**1.48 The Treasury Secretary should be required to invite input on Sector Assessments from the Productivity Commission, the Commonwealth Scientific and Industry Research Organisation, the Australian Competition and Consumer Commission, Infrastructure Australia, the Climate Change Authority, the Net Zero Economy Authority and anyone else specified in the rules.**

**Recommendation 4**

**1.49 The Australian Government should promote adherence to Community Benefit Principles by requiring rules made by the Minister to include a requirement for regular publication about performance in meeting Community Benefit Principles, and remedies where there is an actual or potential breach of the principles.**

**Recommendation 5**

**1.50 The objects and Community Benefits Principles sections of the bill should be amended to explicitly incorporate the urgent imperative to cut greenhouse gas emissions.**

**Recommendation 6**

**1.51 The Australian Government should develop a definition of 'Australian company' that reflects Australian ownership and control over the company and integrate the definition into the Future Made in Australia framework.**

**Recommendation 7**

**1.52 The Community Benefit Principles should be amended to sharpen the focus on retained economic benefit.**

**Recommendation 8**

**1.53 Sector assessments should be required to include an analysis of direct and indirect contribution to emissions or emissions reduction.**

**Recommendation 9**

**1.54 The Australian Government should provide clarity that neither the net zero transformation or economic resilience and security streams of the National Interest Framework will be used to support fossil fuel industries or associated infrastructure.**

**Senator David Pocock  
Independent Senator for the ACT**

# Appendix 1

## Submissions and answers to questions on notice

- 1 Investor Group on Climate Change
- 2 Climate Council of Australia
- 3 Centre for Policy Development
- 4 Institute of Public Affairs'
- 5 Clean Energy Regulator
- 6 Bioenergy Australia
- 7 Liontown Resources
- 8 Climate Capital Forum
- 9 Australian Aluminium Council
- 10 Caravan Industry Association of Australia
- 11 INPEX Australia
- 12 Chevron Australia Pty Ltd
- 13 The Community and Public Sector Union
- 14 bp Australia
- 15 Institute of Energy Economics and Financial Analysis
- 16 Universities Australia
- 17 BHP
- 18 First Nations Clean Energy Network
- 19 Australian Industry Group
- 20 Australian Chamber of Commerce and Industry
- 21 Clean Energy Council
- 22 Queensland Conservation Council
- 23 Beyond Zero Emissions
- 24 Manufacturing Industry Skills Alliance
- 25 Australian Hydrogen Council
- 26 The Superpower Institute Ltd
- 27 Grattan Institute
- 28 Centre for Future Work
- 29 Business Council of Australia
- 30 Arafura Rare Earths
- 31 National Native Title Council
- 32 Hysata
- 33 Australian Council of Trade Unions
- 34 SunDrive
- 35 Environmental Defenders Office
- 36 Australian Manufacturing Workers' Union
- 37 Australian Conservation Foundation
- 38 Energy Producers Australia
- 39 Australian Land Conservation Alliance

- 40 Australian Information Industry Association
- 41 The Chamber of Minerals & Energy of Western Australia
- 42 Electrical Trade Union of Australia
- 43 Productivity Commission
- 44 Fortescue
- 45 Australian Academy of Science
- 46 Maritime Union of Australia
- 47 Smart Energy Council
- 48 Association of Mining and Exploration Companies
- 49 Business Council for Sustainable Development Australia
- 50 Australian Council of Social Service
- 51 Mondelez International
- 52 Australian Food and Grocery Council
- 53 Climateworks Centre
- 54 Minerals Council of Australia
- 55 Sell & Parker
  - Attachment 1
  - Attachment 2
  - Attachment 3
- 56 UNSW Energy Institute
- 57 Qantas Airways Limited

#### **Answer to Question on Notice**

- 1 Productivity Commission - 001: Answers to questions on notice asked by Senator Andrew Bragg at a Public Hearing in Canberra on 29 August 2024. (Received 30 August 2024).
- 2 Chevron - 001: Answers to questions on notice asked by Senator David Pocock at a Public Hearing in Canberra on 29 August 2024. (Received 30 August 2024).
- 3 Australian Chamber of Commerce and Industry - 001: Answers to questions on notice asked by Senator David Pocock at a Public Hearing in Canberra on 28 August 2024. (Received 30 August 2024).
- 4 Australian Renewable Energy Agency - 001: Answers to written questions on notice asked by Senator Nick McKim on 29 August 2024. (Received 30 August 2024).
- 5 Business Council of Australia - 001: Answers to questions on notice asked by Senator David Pocock at a Public Hearing in Canberra on 28 August 2024. (Received 30 August 2024).
- 6 Australian Council of Trade Unions - 001: Answers to questions on notice asked by Senator David Pocock at a Public Hearing in Canberra on 28 August 2024. (Received 30 August 2024).

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- 7 Australian Renewable Energy Agency - 002: Answers to written questions on notice asked by Senator Nick McKim on 29 August 2024. (Received 30 August 2024).
  - 8 Australian Renewable Energy Agency - 003: Answers to questions on notice asked by Senator Steph Hodgins-May as a public hearing in Canberra on 29 August 2024. (Received 30 August 2024).
  - 9 AI Group - 001: Answers to questions on notice asked by Senator David Pocock at a Public Hearing in Canberra on 28 August 2024. (Received 30 August 2024).
  - 10 Department of Climate Change, Energy, the Environment and Water - 001: Answers to questions on notice asked by Senator Dean Smith at a Public Hearing in Canberra on 29 August 2024. (Received 30 August 2024).
  - 11 Department of Climate Change, Energy, the Environment and Water - 002: Answers to written questions on notice asked by Senator Nick McKim on 29 August 2024. (Received 30 August 2024).
  - 12 Australian Conservation Council - 001: Answers to questions on notice asked by Senator David Van at a Public Hearing in Canberra on 28 August 2024. (Received 30 August 2024).
  - 13 Export Finance Australia - 001: Answers to questions on notice asked by Senator Dean Smith at a Public Hearing in Canberra on 29 August 2024. (received 2 September 2024)
  - 14 Export Finance Australia - 002: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 2 September 2024)
  - 15 Productivity Commission - 002: Answers to questions on notice asked by Senator Andrew Bragg at a Public Hearing in Canberra on 29 August 2024. (received 2 September 2024)
  - 16 Productivity Commission - 003: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 2 September 2024)
  - 17 Aluminium Council Australia - 001: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 3 September 2024)
  - 18 bp Australia - 001: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 3 September 2024)
  - 19 Australian Chamber of Commerce and Industry - 002: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 3 September 2024)
  - 20 Investor Group on Climate Change - 001: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 4 September 2024)
  - 21 Department of Industry, Science and Resources - 001: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 4 September 2024)

- 22 Business Council of Australia - 002: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 4 September 2024)
- 23 BHP - 001: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 4 September 2024)
- 24 Department of Foreign Affairs and Trade - 001: Answers to written questions on notice asked by Senator Nick McKim on 29 August 2024. (received 4 September 2024)
- 25 Department of Foreign Affairs and Trade - 002: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 4 September 2024)
- 26 Department of Industry, Science and Resources - 002: Answers to written questions on notice asked by Senator Nick McKim on 27 August 2024.(received 5 September 2024)
- 27 Liantown - 001: Answers to written questions on notice asked by Senator Andrew Bragg on 30 August 2024. (received 5 September 2024)

## Appendix 2

### Public hearings and witnesses

*Wednesday 28 August 2024*

Committee Room 2S3

Parliament House

Canberra

*Business Council of Australia*

- Mr Pero Stojanovski, Deputy Chief Economist
- Mr Bran Black, Chief Executive

*Australian Industry Group*

- Dr Jeffrey Wilson, Director of Research and Economics
- Ms Louise McGrath, Head of Industry Policy & Development

*Australian Chamber of Commerce and Industry*

- Mr Peter Grist, Principal Economist
- Mr Andrew McKellar, CEO
- Mr David Alexander, Chief of Policy and Advocacy

*UNSW Energy Institute*

- Ms Dani Alexander, CEO
- Professor Renate Egan
- Dr Chris Menictas
- Dr Rahman Daiyan
- Professor Iain MacGill

*Dr Gareth Bryant, Private capacity*

*Australian Council of Trade Unions*

- Ms Michele O'Niel, President
- Mr Ben Moxham, Director, Industrial & Policy

*Australian Workers' Union*

- Mr Thomas Mortimer, National Policy Director

*Australian Manufacturing Workers' Union*

- Mr Steven Murphy, National Secretary

*Beyond Zero Emissions*

- Ms Beth Mitchell, Head of Engagement
- Mr Tejesh Kashyap, Policy and Research Officer

*Australian Conservation Foundation*

- Mx Annika Reynolds, National Climate Policy Advisor
- Dr Paul Sinclair, Acting Chief Executive Officer and Campaigns Director

*Investor Group on Climate Change*

- Mr Erwin Jackson, Managing Director, Policy

*National Native Title Council*

- Mr Jamie Lowe, Chief Executive Officer

*First Nations Clean Energy Network*

- Mr Jonathan Kneebone, Director, Policy and Engagement
- Ms Karrina Nolan, Co-Chair

*Minerals Council of Australia*

- Mr Sid Marris, Deputy CEO
- Mr Demus King, General Manager Trade and Investment

*Australian Aluminium Council*

- Ms Marghanita Johnson, CEO

*bp Australia*

- Mr David Stuart, External Affairs
- Mrs Lucy Nation, Country President & Vice President Hydrogen – Australian & Asia Pacific

*Association of Mining and Exploration Companies*

- Mr Neil Van Drunen, Director - Western Australia, South Australia, Northern Territory & Commonwealth Policy
- Mr Warren Pearce, Chief Executive Officer

*Thursday 29 August 2024*

Committee Room 2S1

Parliament House

Canberra

*Grattan Institute*

- Mr Tony Wood, Program Director Energy and Climate Change
- Ms Alison Reeve, Deputy Program Director, Energy and Climate Change

*Institute of Public Affairs'*

- Ms Mia Schlicht, Research Fellow
- Mr Daniel Wild, Deputy Executive Director

*Australian Food and Grocery Council*

- Mr Scott McGrath, Director, Government and Media Relations

*Mondelez International*

- Ms Stephanie Saliba, Director Corporate and Government Affairs

*Chevron Australia Pty Ltd*

- Mr David Fallon, General Manager – Energy Transition

*Bioenergy Australia*

- Mrs Shahana McKenzie, Chief Executive Officer

*Productivity Commission*

- Prof Alex Robson, Deputy Chair
- Mr Cameron Eren, Public Policy Manager

*Department of the Treasury*

- Ms Mohita Zaheed, First Assistant Secretary, National Interest Framework Division
- Mr Brian Healey, Director, National Interest Framework Division
- Ms Jessica Robinson, Assistant Secretary, Law Division
- Catherine Brant, Assistant Director, Law Division

*Australian Renewable Energy Agency*

- Mr Darren Miller, Chief Executive Officer
- Mr Christopher Faris, Chief Operations Officer

*Export Finance Australia*

- Mrs Felicity Shaw, General Counsel
- Mr John Hopkins, Managing Director and CEO

*Department of Foreign Affairs and Trade*

- Mr Marcus Henry, Assistant Secretary, Green Economy Branch

- Ms Erika Thompson, Assistant Secretary, Export Finance and Strategic Investment Branch

*Department of Climate Change, Energy, the Environment and Water*

- Mr Shane Gaddes, Division Head, Net Zero Industries Division
- Ms Bronwyn Ray, Branch Head, Decarbonisation Initiatives Branch
- Mr Sam Lowe, Branch Head, Renewable Superpower Strategy Branch