

National Reconstruction Fund Corporation Bill 2022 Hawker Britton Occasional Paper

On Wednesday 30 November 2022, the Albanese Labor Government introduced the National Reconstruction Fund Corporation Bill 2022 to the Australian Parliament. The Bill establishes the \$15 billion National Reconstruction Fund (NRF), a key election commitment of the Labor Party at the 2022 Federal Election.

In the October Budget, the Government allocated \$15.0 billion over 7 years from 2023–24 to establish the NRF to support, diversify and transform Australian industry and the economy through targeted co-investments in seven priority areas. The Bill does not lock in or define the priority areas of the Australian economy, that is to be done by declaration of the Ministers. The investment mandate, including the setting of the rate of return and limits on investment, is also to be set by Ministerial direction.

The Government has identified the following priority areas:

- renewables and low emissions technologies
- medical science
- transport
- value-add in the agriculture, forestry and fisheries sectors
- value-add in resources
- defence capability
- enabling capabilities (technologies such as artificial intelligence, robotics, quantum).

The Government has also announced the following target investment levels:

- **Up to \$3 billion** for renewables and low emissions technologies
- **\$1.5 billion** for medical manufacturing
- **\$1 billion** for value-adding in resources
- **\$1 billion** for critical technologies
- **\$1 billion** for advanced manufacturing
- **\$500 million** for value-adding in:
 - agriculture
 - forestry
 - fisheries
 - food
 - fibre



Modelled on the Clean Energy Finance Corporation, the NRF will be governed by an independent board and will be able to use various financing methods including loans, equity, and guarantees, to invest in projects that create secure, well-paying jobs, and drive economic growth.

The Bill sets out the NRF Corporation as a corporate Commonwealth entity that may acquire, hold and dispose of assets, and may sue and be sued.

The functions of the Board are:

- to decide the strategies and policies to be followed by the Corporation; and
- to ensure the proper, efficient, and effective performance of the Corporation's functions.

The Ministers appoint Board members, including the Chair. The Board consists of the Chair and at least 4, and no more than 6, other members.

There is to be a Chief Executive Officer of the Corporation, responsible for the day-to-day administration. The CEO is to be appointed by the Board after consultation with the Ministers, and is to act in accordance with policies determined by the Board. The Corporation can engage staff and consultants.

As well as introducing the Bill, the Government has released a consultation paper to seek input on questions relating to the seven priority areas, and the investment mandate. The investment mandate will be made up of directions from the Ministers, particularly on matters of:

- risk and return
- limits and conditions on types of financial instruments utilised by the Corporation
- governance requirements, including ESG
- the influence of Government policy priorities on investment decisions
- managing national security risks

The two major elements for discussion are the benchmarking of a rate of return and placing limits on investment. The consultation paper raises the possibility of the rate of return being set at the 10-year Australian Government bond rate plus a margin over the medium to long-term.

Consultation opened on 30 November 2022 and will close on 3 February 2023.

More information on the consultation process, including the consultation paper, can be found [here](#).

Further information

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