

Future Made in Australia Act

On 3 July 2024, Treasurer Jim Chalmers introduced the Future Made in Australia Bill 2024 to the House of Representatives. The Bill ties together a number of previously announced policies from the budget and elsewhere, and forms the centrepiece of the Albanese Government's economic policy.

There are three main provisions of the Bill, the National Interest Framework, the ability for the government to commission Treasury to make assessments with respect to the Framework, and the Community Benefit Principles.

National Interest Framework

On 14 May 2024, the Treasury published the National Interest Framework, which outlines the tests and criteria that Treasury will use to provide rigour to public investment decisions. The Framework is used to assess whether a particular industry is suitable for government investment.

The Framework applies five broad tests to potential industries

1. Australia's grounds for lasting competitiveness
2. The role the industry will play in securing an orderly path to net zero
3. The role the industry will play in building Australia's economic resilience and security
4. Whether the industry will build key capabilities
5. Whether the barriers to private investment can be resolved through public investment in a way that delivers compelling public value

From these tests, two streams under which an industry might warrant government intervention were devised, the Net Zero Transformation Stream, and the Economic Resilience and Security Stream.

The Net Zero Transformation Stream will identify industries where Australian industry is expected to have a sustained comparative advantage in a net zero global economy, and where public investment is needed for the sector to make a significant contribution to emissions reduction at an efficient cost.

The Economic Resilience and Security Stream will identify industries where some level of domestic capacity is a necessary or efficient way to protect Australia's economic resilience and security, and the private sector will not provide this capacity in the absence of government support

The Framework also outlines a broad policy approach to targeted public investment. In short, public investment in the shorter term should lead to an economic environment

that is more hospitable to private investment in the longer term. Such policies should therefore aim to align the incentives of individual investors and businesses with the national interests. The three common examples it uses are

1. a failure to price in externalities, meaning a circumstance where a market price does not, or does not fully reflect costs and benefits not borne by the buyer or seller
2. non-financial barriers such as uncertainty of approvals, access to skilled labour, and a lack of regulation which might enable a market to function
3. financial barriers, such as high upfront costs, or price differences between a new products with better emissions efficiency compared to more emissions-intense, incumbent products

The Bill provides the ability for the government to commission the Treasury to conduct assessments pursuant to the Framework.

Assessment

The Bill gives the Treasurer the power to direct the Secretary of the Treasury to conduct a sector assessment. This sector is defined by the Treasurer, and the assessment is to determine the extent to which investment in that sector is in the national interest, as per the National Interest Framework.

The assessment will use an evidence-based and consultative process, drawing on the insights of various stakeholders, and tying in other policy frameworks.

Community Benefit Principles

The Bill introduces five high level principles, which decisionmakers must consider when determining whether to provide support under the Future Made in Australia program.

- Promote safe and secure jobs that are well paid and have good conditions; and
- Develop more skilled and inclusive workforces, including by investing in training and skills development and broadening opportunities for workforce participation; and
- 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; and
- Strengthen domestic industrial capabilities including through stronger local supply chains; and
- Demonstrate transparency and compliance in relation to the management of tax affairs, including benefits received under Future Made in Australia Supports.

The Bill gives the Treasurer the ability to create new principles through legislative instrument.

Future Made in Australia Plans

The Bill provides the Treasurer with the ability to make rules about how and when Future Made in Australia Support can be provided. Specifically, it allows for the Treasurer to create rules around Future Made in Australia Plans, which are essentially explanations, provided by the recipient, of how the support will lead to community benefits, and how that community benefit aligns with the Community Benefit Principles.

Future Made in Australia Innovation Fund

The Bill will establish a \$1.7 billion fund, administered by ARENA, called the Future Made in Australia Innovation Fund, to fund the deployment of new technologies for the benefit of priority sectors. The fund will support commercialisation, as well as early stage pilot and demonstration projects. Specifically, the budget papers single out renewable hydrogen, green metals, low carbon liquid fuels, and clean energy manufacturing, though it is not necessarily limited to these fields.

National Interest Account

Export Finance Australia administers the National Interest Account, which represents funds invested by EFA that allow it support transactions that are determined to be in the national interest by the government. The Bill will expand the scope of the Account, and allow it to make investments that have a domestic focus.

ARENA Funding

The Bill restores statutory funding to ARENA, providing a limited special appropriation mechanism. This allows ARENA access to funds in the future, beyond its existing pool.

The Bill does not add any funding itself, however, the budget did, allocating an additional \$7.1 billion, inclusive of the Innovation Fund, through to 2038-39.

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