Australian Government
Department of Industry, Science and Resources

Ministerial Submission

MS25-000895

FOR ACTION – National Reconstruction Fund Corporation Statement of Expectations

TO: Minister for Industry and Innovation; Minister for Science

CC: Assistant Minister for Science, Technology and the Digital Economy

TIMING

Urgent: 21 July – as agreed with the Minister for Finance

Recommendation

- That you **sign** the Statement of Expectations for the National Reconstruction Fund Corporation (NRFC) and joint letter to the Chair of NRFC, which will be provided to you for co-signature by the Finance Minister's Office.

Signed / Not signed

Signature	Date: / /2025

KEY POINTS

- This brief seeks your agreement to issue a Statement of Expectations (SoE) to the National Reconstruction Fund Corporation (NRFC), jointly with Senator the Hon Katy Gallagher, Minister for Finance.
  - A copy of the SoE is at Attachment A. An accompanying cover letter is at Attachment B. The letter and SoE must be co-signed by both you and the Minister for Finance.
  - The Minister for Finance will sign first. Her office will work with yours to arrange co-signature of both the SoE and a joint cover letter to the Chair of the NRFC Board, s22 , conveying the SoE.
  - Do not sign the attached copies of the SoE and cover letter.
- This is the first SoE to be provided to the NRFC since its establishment in 2023. Ministerial SoE are issued by the responsible Minister(s) to a body to provide greater clarity about relevant government policies and objectives, and the priorities the Minister(s) expect it to observe in conducting its operations.
- The attached SoE reflects the Government's priorities and vision for Australia's economic future; the broader strategic environment the NRFC is operating in; and the Government's expectations for the NRFC's risk appetite and level of ambition.
  - Note that the Schedule attached to the SoE outlines the current Government priorities most relevant to the work of the NRFC. This is to further guide the NRFC in their investment approach but is not to be published with the SoE. This means the Schedule can be updated and provided to the NRFC again to reflect new Government priorities if needed, without having to issue a new SoE.
- The SoE requests that the NRFC respond within three months with a Statement of Intent (SoI) outlining how they will meet Ministers' expectations.
- The letter conveying the SoE requests that the NRFC make both the SoE and SoI publicly available.
  - Usual practice for Specialist Investment Vehicles (SIVs) is for SoEs and SoIs to be published on the SIV's website. The cover letter notes that consistent with usual practice, the NRFC should make the SoE publicly available as soon as practicable followed by the SoI in due course.
  - The department's website will publish a link to the SoE and SoI on the NRFC's website.

CONSULTATION

International Strategy and National Security; Industry and Manufacturing; Strategic Policy; Commercialisation; Science; Technology and Digital; Sovereign Capability and Supply Chains; National Reconstruction Fund Corporation; Department of Finance.

Clearance Officer
Jocelyn Cooper
A/g Head of Division
Sovereign Capability & Supply Chains
s22
16 July 2025

Contact Officer
Esther Harvey
A/g General Manager
NRF Policy & FMA Liaison Branch
s22

ATTACHMENTS

A: NRFC Statement of Expectations – DO NOT SIGN

B: Joint letter to the Chair – DO NOT SIGN

SENATOR THE HON KATY GALLAGHER
Minister for Finance

SENATOR THE HON TIM AYRES
Minister for Industry and Innovation

STATEMENT OF EXPECTATIONS FOR THE NATIONAL RECONSTRUCTION FUND CORPORATION

The National Reconstruction Fund Corporation (NRFC) plays a vital role in strengthening Australia's manufacturing capability, building a skilled workforce, and diversifying the economy. Its work is central to the Government's long-term vision to grow industrial capabilities, enhance productivity and bolster economic security and resilience. This mission is now more important than ever.

As Australia navigates an increasingly complex global and regional economic environment, the NRFC must remain focused on making investments that support our national interests.

The Government expects the NRFC to deliver investments that align with national priorities and strengthen Australian production and investment capabilities, drive productivity and competitiveness, and create secure, sustainable and well-paid jobs for Australians.

This is a time of great opportunity for new and emerging technologies and industries in Australia. It is essential that the NRFC embraces this opportunity with aspiration and ambition.

Aspiration and ambition are also essential to addressing emerging challenges for Australian industry – geopolitical tensions, structural changes to the global economy, rapid technological change and environmental pressures are presenting new hurdles. The Government expects the NRFC to meet these challenges head-on by building on its early momentum and accelerating its investments to support genuine nation building projects.

The Prime Minister has outlined the Government's second term priorities[1]. We expect the NRFC to contribute towards these priorities using available levers and with a renewed focus on:

- The Future Made in Australia agenda, including lifting the productive capacity of Australia's industrial regions;
- Harnessing technologies that will underpin Australia's ongoing economic resilience and security, such as artificial intelligence (AI) and quantum; and
- Growing a thriving advanced manufacturing industry that contributes towards productivity growth, including in the clean energy, housing and construction sectors.

1. ***Investment Mandate***

We are pleased to see the NRFC's initial investments and strong pipeline. The NRFC must ensure that its risk appetite meets Government objectives for the National Reconstruction Fund. Whilst the NRFC is required to deliver a positive return to the Government over time, we expect the Corporation to prioritise national impact over short term profit. We want to see the NRFC accelerate investment and adopt an ambitious approach to fully deliver on its mandate to build Australia's industrial capability. We expect the Corporation to set its aspirations high and place significant emphasis on nation building projects with a focus on long term outcomes for Australia.

We congratulate the NRFC for investing into Australian capability beyond the original 2024-25 estimate. Noting the forward estimates, we expect the NRFC to achieve a similarly ambitious investment rate of $1.5 billion in (2025-26).

2. ***The strategic environment***

At a time of global economic uncertainty, the NRFC must consider risks to Australian industry, economic security and resilience, and identify ways to mitigate these risks to preserve and foster sectoral agility, growth and innovation.

The Government has committed to deliver an Economic Resilience Program through the NRFC. The Economic Resilience Program will allocate $1 billion from existing NRF funding to provide zero-interest loans to businesses impacted by market disruptions. Investments made under this program should focus on building Australia's sovereign capability, enhancing economic security and strengthening national resilience. This could include supporting investment in industrial facilities in regional Australia that are at risk of closure, such as in smelting.

Sector specific missions could also be used by the NRFC to build industrial capability and support supply chain diversification. For example, the NRFC could invite proposals from industry in clean energy manufacturing supply chains. Noting the opportunity to amplify investment impacts across Australian industry, the NRFC could consider an early focus on wind tower supply chains.

3. ***Collaborating with other government agencies and advisory bodies***

The NRFC plays an important role in advancing priority industry areas, with policy levers shared across the Commonwealth and States and Territories. We thank the NRFC for its collaboration with relevant departments, agencies, and other government bodies to date, and encourage this to continue. Similarly, the NRFC should continue to advise on obstacles to promising investments that align with the Government's objectives.

We ask that the NRFC continues to actively engage with the Net Zero Economy Authority (NZEA). The NZEA is playing a key role in supporting Australia's transition to net zero by:

- promoting orderly and positive economic transformation;
- facilitating emissions reductions; and
- supporting regions, communities and workers to manage the impacts and share in its benefits.

The NZEA is prioritising regions most at risk from decarbonisation, as well as those best positioned to benefit from emerging industries. Its six current focus regions are: Collie (WA), Central Queensland (QLD), the Hunter (NSW), Latrobe Valley (VIC), Pilbara (WA) and Upper Spencer Gulf (SA). To align with and complement these efforts, where possible the NRFC should consider investment opportunities in these regions that support economic diversification and transformation.

We encourage leveraging the expertise of the Department of Industry, Science and Resources, and agencies and bodies such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the National Science and Technology Council.

When entering into investments or partnerships with other Commonwealth entities, the NRFC should consider the Government's broader financial exposure to avoid overcommitment to any single proponent or investment. In particular, it should consider the objectives and scope of other Special Investment Vehicles (SIVs) and investment bodies, ensuring that its investments are complementary and not duplicative.

4. ***Ensuring effective governance and reporting***

We acknowledge the NRFC's independence as a corporate Commonwealth entity and that its functions are defined in relevant legislation. The expectations outlined in this letter provide the NRFC with context on the Government's policy intent and apply to the extent permitted by relevant legislation and regulation.

The NRFC must continue to operate in a proper, efficient and effective manner in its use of Commonwealth funds, consistent with its obligations under the *Public Governance, Performance and Accountability Act 2013* and the *Special Investment Vehicles Resource Management Guide (RMG) 127*. This includes provision of biannual SIV Portfolio Dashboard reports. We expect the NRFC to work with the Department of Industry, Science and Resources and the Department of Finance to develop a quarterly performance report for submission to departments.

We note the recent findings of the Auditor General in its first audit of the NRFC, including that the design of the NRFC by the Department of Industry, Science and Resources and the Department of Finance was largely effective and the NRFC's governance arrangements are largely sound. We welcome the NRFC's acceptance of the seven recommendations made by the Auditor General. We expect these recommendations to be implemented by the NRFC in a timely manner.

We look forward to receiving the NRFC's Statement of Intent (SoI), which should outline how the Corporation will deliver on this SoE. We expect the SoI be provided within three months of receipt of this SoE.

We look forward to your response and to working together on the NRFC's next chapter – one in which it makes bold and meaningful investments that deliver real policy outcomes for industry and for Australia.

Yours sincerely

Senator the Hon Katy Gallagher

Minister for Finance

Senator the Hon Tim Ayres

Minister for Industry and Innovation

Schedule 1 – Government Priorities

Future Made in Australia

The Government's Future Made in Australia (FMA) agenda seeks to maximise industrial opportunities arising from the net zero transition and to secure Australia's position in a rapidly changing global landscape. As the world undergoes significant transformation, the FMA agenda aims to build a more diversified, resilient and sustainable economy.

Like the NRF, the FMA agenda is designed to encourage private sector investment to enhance industry competitiveness and commercialisation in the national interest.

Under the National Interest Framework established by the *Future Made in Australia Act 2024,* priority industries are identified across two streams:

- **Net zero transformation:** industries where Australia has grounds to build enduring competitive advantage in a net zero global economy (for example, hydrogen, green metals, and low carbon liquid fuels).
- **Economic security and resilience:** sectors critical to national resilience or vulnerable to supply disruptions (for example, critical minerals and clean energy manufacturing).

Additional industries may be identified through the sector assessments process outlined in the *Future Made in Australia Act 2024.*

In giving effect to a Future Made in Australia, we expect the NRFC to engage with other Special Investment Vehicles, the Industry Growth Program, the Net Zero Economy Agency, the Commonwealth Scientific and Industrial Research Organisation, and Cooperative Research Centres and other Commonwealth, State and Territory government initiatives, to drive alignment of programs and investment. The NRFC should maintain complementarity and avoid duplication with these initiatives.

In delivering the Future Made in Australia agenda, we are seized of the opportunity for NRFC to support industrial uplift in our regions. The NRFC should consider opportunities to invest in innovative projects that will help grow productivity in regional Australia.

Through the Future Made in Australia Community Benefit Principles and obligations under section 17 of the NRFC Act, the NRFC should consider how its investments promote diverse workforces, secure quality jobs and deliver outcomes for First Nations Australians.

Harnessing technologies to increase productivity

Artificial intelligence (AI) presents an enormous opportunity to improve the wellbeing, quality of life and economic prosperity of Australians. Harnessing the power of AI will help grow our economy, support local industry, maximise our comparative advantages, and create a more productive and prosperous future for all Australians.

Australia must secure a stake in global digital and AI development, to shape the digital future rather than have a future shaped for us at the end of global digital supply chain. The NRFC should consider opportunities for investment in projects that allow Australia to capitalise on the opportunities of AI development and diffusion.

Quantum technologies are poised to shape Australia's economic and security future—creating jobs, lifting productivity, and delivering strategic advantages. Australia maintains a competitive advantage in the development of key quantum technologies. As global competition intensifies, Australia must grow its quantum ecosystem while safeguarding intellectual property.

The NRFC should consider opportunities to support promising quantum projects aligned with the Government's National Quantum Strategy.

Housing and Construction

The Government has agreed to a National Housing Accord with the States and Territories, local government, institutional investors and the construction sector. The Accord sets a target of 1.2 million new, well-located homes to be built over five years from mid-2024. This forms part of a broader housing agenda that includes significant investment in social and affordable housing, and additional support for renters and homebuyers. The NRFC should explore opportunities to invest in innovative technologies that improve and accelerate construction.

SENATOR THE HON KATY GALLAGHER
Minister for Finance

THE HON TIM AYRES MP
Minister for Industry and Innovation

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s22
Chair
National Reconstruction Fund Corporation
GPO Box 2447
Canberra ACT 2601

Dear s22 ,

We are pleased to provide the NRFC with a Statement of Expectations. The Statement reflects the Government's priorities and vision for Australia's economic future; the broader strategic environment the NRFC is operating in; and our expectations for the NRFC's risk appetite.

In response to the enclosed Statement of Expectations, we look forward to receiving the NRFC's Statement of Intent, outlining how the NRFC intends to meet these expectations. Consistent with usual practice, the NRFC should make the Statement of Expectations publicly available as soon as practicable followed by the Statement of Intent in due course. The Schedule attached to the Statement of Expectations is designed to help build the NRFC's understanding of current Government priorities, but is not to be published.

The NRFC has an important role in delivering on the Government's vision for a Future Made in Australia. Its investments can help build Australian industrial capability, drive productivity and improve economic security and resilience. We look forward to continuing to work collaboratively to achieve these goals and deliver on the Government's ambitions.

Yours sincerely

Katy Gallagher
Minister for Finance

Tim Ayres
Minister for Industry and Innovation