

Future Made in Australia

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3 December 2024



Agenda

- ✓ Overview of the Future Made in Australia agenda
- ✓ The Future Made in Australia Bill and the Community Benefit Principles
- ✓ The Front Door Function
- ✓ The National Interest Framework
- ✓ Example: Renewable Hydrogen

The importance of evidence-based industry policy



Industrial policy can be a useful tool to address challenges that markets alone cannot resolve – but there are risks and costs that mean these policies require careful design.

Clearly identified externalities or other market failures

Narrowly targeted and designed with clear 'off ramps'

Maintain competitiveness, transparency and integrity

A Future Made in Australia

The Australian Government is investing A\$22.7 billion over the next decade through its Future Made in Australia agenda to maximise the economic and industrial benefits of the move to net zero and secure Australia's place in a changing global economic and strategic landscape.

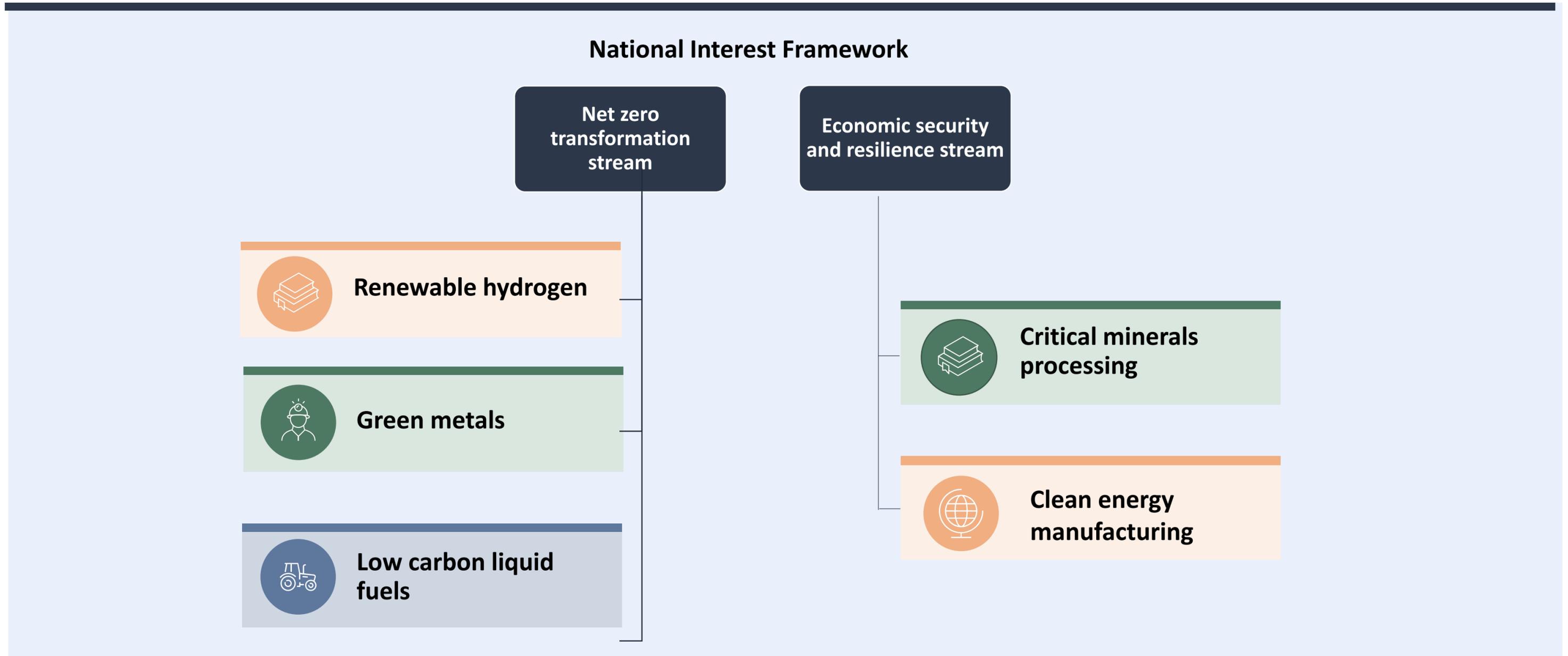


- The net zero transition and heightened geopolitical competition are transforming the global economy. These factors are changing the value of countries' natural endowments, disrupting trade patterns, creating new markets, requiring heightened adaptability and rewarding innovation.



- The Future Made in Australia agenda will help Australia build a stronger, more diversified and more resilient economy powered by renewable energy, create more secure, well-paid jobs and encourage and facilitate the private sector investment required to make the most of this structural shift.

In the 2024-25 Budget, five sectors were aligned with the Future Made in Australia National Interest Framework:



Note: Assessments have been made at a point in time and are subject to review as policy circumstances and market conditions evolve. Consistent with the purpose of the National Interest Framework, they are not intended to inform all government decisions or replace other policy frameworks.

Future Made in Australia Bill 2024

The Bill includes: a **National Interest Framework** to support better alignment of economic incentives with our national interests, and

Community Benefit Principles to ensure public investment and the private investment it attracts flows to communities in ways that benefit local workers and businesses.



Community Benefit Principles

- The Bill sets out six Community Benefit Principles.
- Government decision-makers must have regard to these principles when deciding whether to provide Future Made in Australia support.

Future Made in Australia Plans

- The Bill will also establish Future Made in Australia Plans.
- Some recipients of Future Made in Australia support may be required to produce a Plan, setting out how the Community Benefit Principles will be achieved.

Community Benefit Principles



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



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



Engaging collaboratively with and achieving positive outcomes for local communities, such as First Nations communities and communities directly affected by the transition to net zero



Strengthening domestic industrial capabilities, including through stronger local supply chains



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



Supporting First Nations communities and traditional owners to participate in, and share the benefits of, the transition to net zero

A 'front door' for major, transformational investment

The current Commonwealth investment ecosystem provides a range of services to support investment in a robust and diverse economy. However, the complexity of navigating these services efficiently can impede proponents' decisions to invest in major projects in Australia.

The Front Door will:

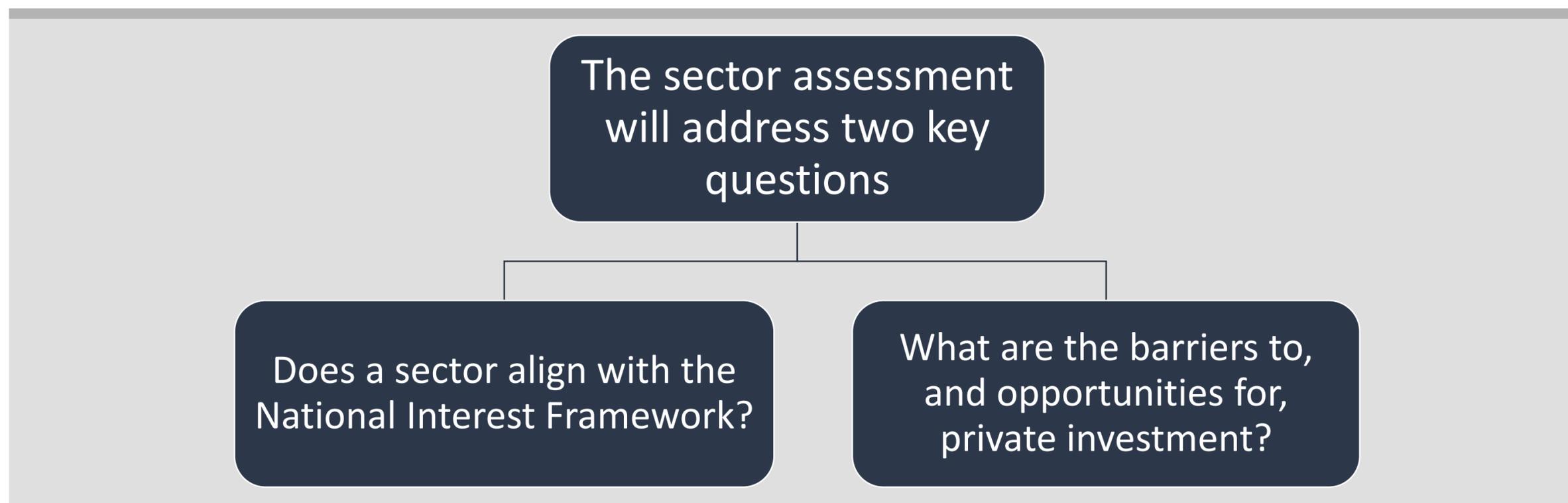
- Be a single-entry point for investors and proponents with major investment proposals, across all sectors of the economy.
- Identify priority projects related to the Government's Future Made in Australia agenda.
- Provide regulatory facilitation functions as well as investment concierge.
- Connect investors with the Government's Specialist Investment Vehicles (SIVs).
- Establish an Investor Council to support the Front Door to prioritise proposals and support coordination of public financing.

The Front Door will initially be established within the Treasury Portfolio, to commence interim functions from September 2025.

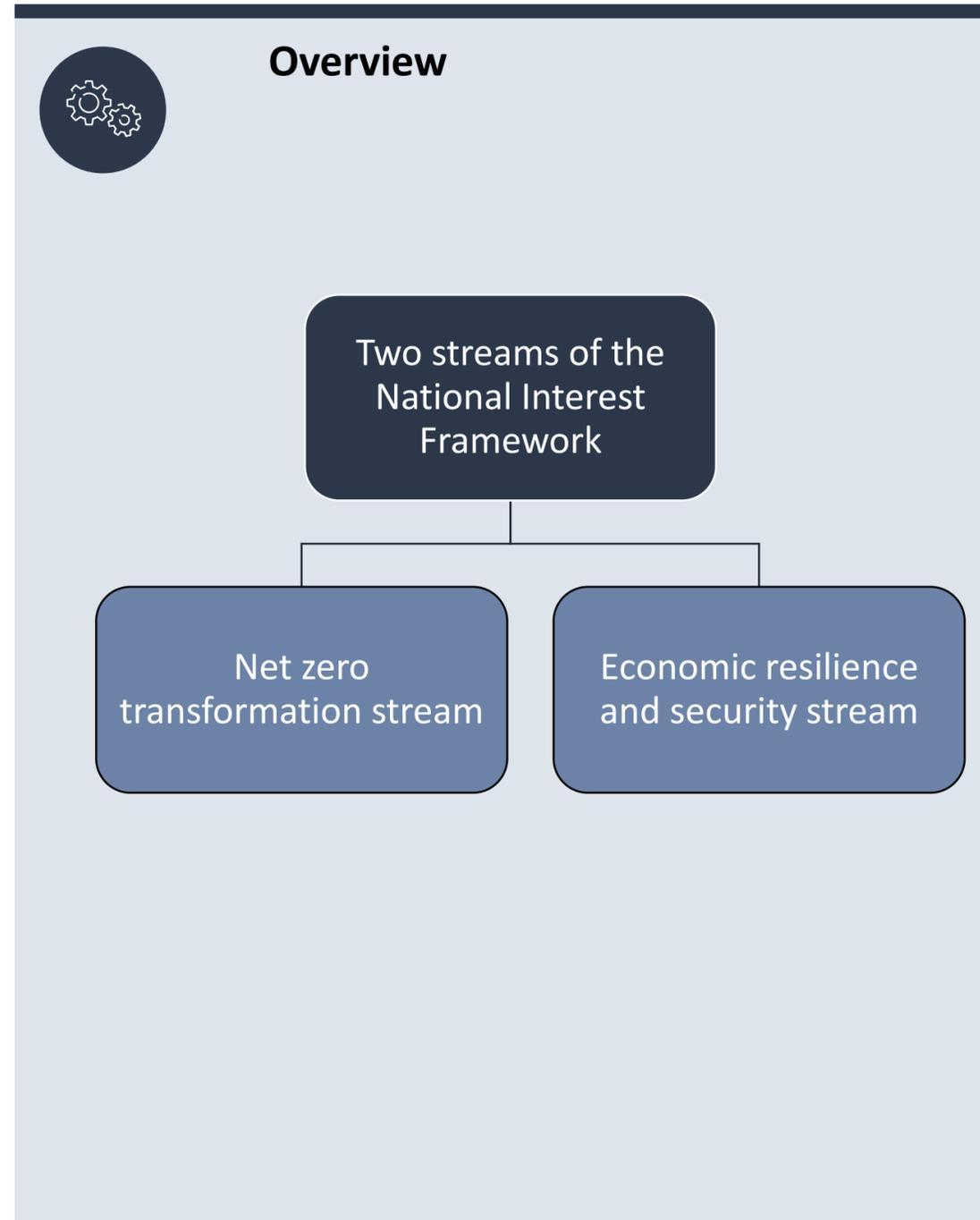
Sector assessments: Introduction

The Future Made in Australia Bill enables the Treasurer to direct Treasury to undertake an assessment of a nominated sector of the economy.

'Sector' is not defined in the Bill, allowing the Treasurer appropriate flexibility to identify a sector in a broad or narrow sense.



Sector Assessments Process (continued)



Streams

A sector aligns with the National Interest Framework in the **net zero transformation stream** if:

1. the sector could have a sustained comparative advantage in a net zero global economy; and
2. public investment is likely to be needed for the sector to make a significant contribution to emissions reduction at an efficient cost.

A sector aligns with the National Interest Framework in the **economic resilience and security stream** if:

1. some level of domestic capability in the sector is a necessary or efficient way to deliver economic resilience and security; and
2. the private sector will not deliver the necessary investment in the sector in the absence of government support.

Sector assessments: Process

The legislation requires that Treasury's sector assessments are independent of ministerial influence on the content and direction of the report.

Treasury's sector assessment report must be tabled in Parliament within 30 sitting days of it being provided to government, with appropriate protections in place for sensitive information.

- The Treasurer, in consultation with relevant ministers, will determine which sectors Treasury will assess under the Future Made in Australia framework.
- Treasury will then conduct an evidence-based and consultative assessment of the extent to which a sector aligns with the National Interest Framework and the opportunities and barriers for private investment.
- This will involve consultation with a wide range of local and international academics, policy institutes, industry representatives, and government departments.
- Sector assessments are not intended to inform all government decisions or replace other policy frameworks.
- Any decision on support for a sector following a sector assessment is a matter for Government on a case-by-case basis to ensure any support provided is appropriate and targeted.

Comparative advantage

An industry's comparative advantage in a net-zero world will be a key consideration in any assessment in the 'net zero' stream of the framework.

Traditional methods to measure comparative advantage often rely on historical data and export performance, which may not exist or be meaningful for new industries. As such, we expect to focus our assessment on fundamental factors that may support comparative advantage.

Resource endowments

- Availability of primary inputs and sustainable management and efficient use of resources support competitiveness.

Energy use

- Energy intensity of production, potential to draw on renewable energy resources

Labour and skills

- Skilled, adaptable workforce and reskilling will drive sustainable productivity.

Capital

- Investment in green technologies and efficient resource use ensures self-sufficiency.

Land

- Strategic location and suitable land enable low-carbon, efficient operations.

Market alignment and trade

- Alignment to future domestic consumer needs and trading partner needs

Example: Renewable Hydrogen

In the 2024-25 Budget, the Government identified Renewable Hydrogen as aligned with the Net Zero Transformation Stream of the National Interest Framework.

There is a strong case for including renewable hydrogen as a priority industry under the Net Zero Transformation Stream.

Hydrogen is expected to play a key role in the net zero transformation as it can be produced in ways that have limited or no emissions and replace emissions-intensive fuels in other processes.

Australia holds several key advantages that suggest that we will have a comparative advantage in producing renewable hydrogen. Principally, Australia has world class renewable energy resources at prices that should be internationally competitive

Renewable Hydrogen's alignment with the Net Zero Transformation Stream

- ✓ is highly energy intensive and can take advantage of our abundant renewable resources;
- ✓ can make a major contribution to decarbonisation in other areas of the economy; and
- ✓ it aligns with our international trading partners current and future needs.
- ✓ Japan is targeting using 3 million tonnes per year of hydrogen including 1 million tonnes of imports by 2030.
- ✓ Republic of Korea is targeting the use of 3.9 million tonnes of hydrogen per year by 2030, up from 220,000 tonnes in 2021.

Barriers and challenges

- ✓ **High Costs:** Energy costs making up over half of production expenses. Transporting, converting, and storing hydrogen or its derivatives is currently more expensive than handling fossil fuels for long-distance exports.
- ✓ **Export Challenges:** Exporting hydrogen faces logistical and cost barriers, making it less competitive.
- ✓ **Technological and Market Uncertainty:** Hydrogen markets and technologies are still developing.
- ✓ **Workforce Scaling:** Australia's skilled workforce needs scaling up to meet the demands of a renewable hydrogen industry.

Lessons learned

Industrial policy should be targeted and evidence-based.

- Fiscal constraints require policy to be evidence-based.
- Industrial policy should address market failures and minimise market distortions.
- Any intervention should have clear off ramps and balance support with open market principles.

Developing the sector assessment process required targeted consultation and adaptation to the Australian context.

- Consultation with academia allowed us to refine our sector assessment methodology.
- Adapting our process meant that factors specific to Australia's economy were accounted for.

Quantifying future scenarios for the global economy is challenging.

- Existing methods for assessing comparative advantage are backwards looking.
- Comparative advantage, and other key variables, are difficult to assess in a forward-looking way.

Supporting the development of a domestic renewable hydrogen industry has been challenging.

- There are several barriers that still have to be overcome: costs and uncertainty remain high for investors.
- Two major projects have recently failed in Australia.
- The role of policy will be to address unpriced externalities and other barriers.

Questions?