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STATEMENT OF EXPECTATIONS FOR THE NATIONAL RECONSTRUCTION FUND CORPORATION

Following the introduction of the Economic Resilience Program, Net Zero Fund and Forestry Growth Fund, we are pleased to provide the National Reconstruction Fund Corporation (NRFC) with an updated Statement of Expectations. This Statement builds on the statement provided in July 2025 and outlines Government's ongoing priorities, objectives and expectations of the NRFC's operations.

The NRFC plays a vital role in strengthening Australia's manufacturing capability, building a skilled workforce, and diversifying the economy. The National Reconstruction Fund's work to grow domestic industrial capabilities is central to Australia's economic security and resilience. This role is now more important than ever.

Global conflict and uncertainty are creating challenges for Australian industry, with disruptions being felt across a number of industries and supply chains. The NRFC is well placed to assist the Government to minimise these impacts through timely investments in industries most exposed to disruptions and in those that build Australian sovereign capability, economic independence and resilience.

We expect the NRFC to deliver investments that align with national priorities, strengthen Australian production and investment capabilities, drive manufacturing productivity and competitiveness, create secure, sustainable and well-paid jobs for Australians, and deliver on the Future Made in Australia agenda.

We expect the NRFC to continue to make investments that contribute towards the Government's second term priorities as outlined in the previous statement as follows:

- 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 Activities

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 across the General Portfolio and new sub-funds. 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 NRFC to set its aspirations high and place significant emphasis on nation building projects with a focus on long term outcomes for Australia.

2. The strategic environment

At a time of heightened global economic uncertainty, the NRFC must consider risks to Australian industry, economic security and resilience, and identify ways to mitigate these risks through its investment decisions.

The Government expects the NRFC to accelerate its investments to address the challenges currently faced by industry, including by prioritising investments that support Australia's critical supply chains to bolster economic resilience.

3. Sub-funds

The Government has introduced three new sub-funds within the NRF. The \$1 billion Economic Resilience Program, \$5 billion Net Zero Fund, and \$150 million Forestry Growth Fund will provide a greater scope of support to Australian businesses to ensure Australia's ongoing economic security and resilience. These funds will support local manufacturing and supply chain businesses manage market disruptions, contribute to Australia's sovereign capabilities, and support investments in increased production capability, capacity and decarbonisation efforts.

All updates to the NRFC's Investment Mandate and Priority Areas Declaration are intended to ensure effective implementation of the new sub-funds, especially the Economic Resilience Program, and should be read in that context.

Economic Resilience Program

Through the \$1 billion Economic Resilience Program, the NRFC will provide zero interest loans to manufacturing or logistics businesses to respond to market disruption or maintain and build industrial capabilities that contribute to Australia's national interests, particularly Australia's strategic or economic resilience. This includes fuel, fertiliser, plastics and other critical supply chain businesses to support Australia's domestic industries impacted by market disruptions.

The Economic Resilience Program has been designed to ensure the broadest range of supports can be provided to Australian industry in the context of the evolving economic environment. It is designed to assist businesses to manage costs associated with supply chain disruption including rising fuel costs, keep Australia's industries moving, and secure and scale critical production activities. We expect the NRFC to exercise a level of flexibility in response to changes in the global economy to support Australia's industry and critical supply chains.

Net Zero Fund

The \$5 billion Net Zero Fund supports the Government's Net Zero Plan, and associated Industry Sector Plan, published in 2025. We expect the NRFC to provide concessional finance under the Net Zero Fund to achieve one or both of the following two outcomes:

- (a) support industrial firms decarbonise energy-intensive parts of their operations, and
- (b) support the scale-up of domestic manufacturing of low emissions technologies – such as wind, solar and energy storage solutions – and the production of low carbon liquid fuels.

The Net Zero Fund has a lower benchmark rate of return to enable the NRFC to invest in earlier-stage proposals, first-of-a-kind projects, or those with large upfront capital requirements

and longer repayment periods compared to investments made under the NRFC's General Portfolio. This will help Australian industry adopt or manufacture net zero-related technologies, and crowd in private capital.

Forestry Growth Fund

Through the Forestry Growth Fund, the NRFC will provide \$150 million in concessional finance to support the wood product manufacturing sector to modernise and develop advanced processing capabilities. We also expect the NRFC to embrace opportunities to improve the sustainability of the industry.

The Forestry Growth Fund has a lower benchmark rate of return to enable the NRFC to invest in earlier-stage proposals, first-of-a-kind projects, or those with large upfront capital requirements and longer repayment periods compared to investments made under the NRFC's General Portfolio. This will help Australian industry increase the value of wood product manufacturing outputs, process timber for use in housing construction, invest in mills and processing facilities to move up the value chain, and crowd in private capital.

General Portfolio

In addition to delivering the sub-funds, we expect the NRFC to maintain and increase momentum of investments through its General Portfolio, including in pursuit of the existing investment targets set out in the Investment Mandate. We appreciate that the sub-funds represent new lines of work for the NRFC and thank you for your commitment to standing up the sub-funds while continuing to make meaningful investments across the priority areas.

4. 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 continue to actively engage with Export Finance Australia (EFA) to ensure alignment and complementarity with its objectives, particularly in relation to its new capabilities to support economic resilience. Where synergies exist between the NRFC and EFA objectives, we encourage collaboration on investment opportunities to achieve the greatest policy outcomes.

We ask that the NRFC also work closely with the Clean Energy Finance Corporation and the Australian Renewable Energy Agency to develop a pipeline of investments in relation to the delivery of the Net Zero Fund.

We ask that the NRFC continues to actively engage with the Net Zero Economy Authority (NZEa). 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 direct Investment Vehicles (SIVs) and investment bodies, ensuring that its investments are complementary and not duplicative. We also expect that the NRFC will work closely with the Government's Investor Front Door on major projects in the national interest to improve coordination across SIVs and government more broadly, so as to better align strategic deployment of capital with Government priorities.

In line with the NRFC's establishing legislation, Investment Mandate and the Government's First Nations economic empowerment agenda, we expect the NRFC to consider investments that support First Nations economic outcomes. In giving effect to this, we expect the NRFC to pursue investments with First Nations ownership, governance, employment, skills or local economic participation. We expect the NRFC to adopt culturally appropriate engagement and assessment practices that are transparent and can identify and support First Nations investment opportunities.

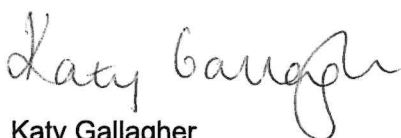
5. Ensuring effective governance and reporting

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*. The Investment Mandate includes a new section requiring the NRFC to provide us with information about the performance of its investment functions and powers. Enhanced visibility of capital deployment and investment outcomes, in particular in relation to the sub-funds, will help to underpin their success. We look forward to receiving these regular briefings and being kept informed of the progress being made towards achieving the investment goals. Please work with the Department of Industry, Science and Resources and Department of Finance to ensure relevant information is captured in a timely manner.

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

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



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