

Submission to Treasury consultation on Future Made in Australia 'Front Door'

Australian Sustainable Finance Institute | October 2024

About ASFI

The Australian Sustainable Finance Institute (ASFI) is a not-for-profit organisation committed to realigning the Australian financial system to be sustainable, resilient, and inclusive. ASFI's members are large Australian financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms – that support ASFI's mission. ASFI members collectively hold over AU\$22 trillion in assets under management and are committed to allocating capital in a way that creates positive social and environmental outcomes.

Introduction

ASFI welcomes the opportunity to respond to consultations on the establishment of a new 'Front Door' for major transformational investments, announced as part of the Future Made in Australia package. We support the Future Made in Australia agenda, in particular its focus on maximising the economic and industrial benefits of the move to net zero. We also welcome the proposed establishment of a front door, which can play an important role in addressing some of the regulatory barriers to investing in the transition identified by ASFI members.

Summary of recommendations

To ensure the front door delivers on its potential to help unlock significant domestic and global capital in support of the transition, we make the following recommendations:

1. *Projects that would be inconsistent with the Government's net zero by 2050 commitment should not be eligible for front door support – supporting these projects through the front door would send mixed signals to investors and undermine efforts to crowd in capital for the transition.*
2. *In assessing the types of projects that should be eligible for front door support, consideration should be given to smaller scale projects that have potential to be transformation through their collective, catalytic or shared benefits.*
3. *Front door eligibility criteria should include consideration of the potential adverse social and environmental impacts of a project. In assessing project eligibility, reference could be made to the [Australian sustainable finance taxonomy](#) which defines those activities and assets that are aligned with Australia's net zero ambitions and consider broader environmental and social factors.*
4. *The front door should provide guidance to investors and project proponents on good community engagement practices and support initiatives that build multistakeholder capability in relation to First Nations engagement and participation in major projects. In parallel, the Government should explore options for providing access to capital to support First Nations to invest in major projects on their traditional lands.*
5. *The front door should act as a coordinating mechanism to help proponents and investors navigate approvals and licensing requirements, and over the medium-term work with State and Territory governments to harmonise approvals where there is overlap.*
6. *The front door should assist project proponents to navigate competition law considerations - for example, by working with project proponents to secure an authorisation to collaborate on major, transformational projects.*
7. *The front door should be adequately resourced with personnel equipped to deliver on the proposed front door functions.*
8. *The front door should clarify to investors and project proponents the most appropriate provider of public finance for particular projects and facilitate their engagement with relevant SIVs. In parallel, the Government should review the current effectiveness of SIVs to ensure they encourage, rather than crowd out, private investors.*

Detailed recommendations

Identifying and prioritising ‘major transformational projects’ (consultation paper questions 5-7 and 8-14)

Strategic priorities for the front door

We welcome the fact that one of the strategic priorities for the front door, as identified in the National Interest Framework for Future Made in Australia, is supporting the net zero transformation. This is one of the most pressing economic, social and environmental challenges facing Australia. Investors, lenders and insurers are increasingly looking for opportunities to finance businesses and projects that contribute to the net zero transition.

The front door can play an important role in unlocking this finance by simplifying and streamlining regulatory and approval processes and helping project proponents understand how to access relevant funding from Specialist Investment Vehicles (SIVs) including coordinating among relevant SIVs. The success of these functions, however, will rely on there being clearly identified, consistent policy objectives for the front door. As such, we recommend that projects that would be inconsistent with the Government’s net zero by 2050 commitment should not be eligible for front door support. Supporting such projects through the front door would send mixed signals to investors and undermine efforts to crowd in capital for the net zero transition. To assess project alignment with the Government’s net zero commitments, reference should be made to Australia’s Nationally Determined Contributions, the Net Zero by 2050 Plan and Sector Plans.

We understand that the front door is intended to support major, transformational projects. We note, however, that some smaller projects may be transformational – for example because there are many of them and collectively they are significant, because they have a catalytic impact as first-of-a-kind or demonstration projects, or because they have strong co-benefits (e.g. local community renewable energy projects). To demonstrate this, the 2024 Integrated Systems Plan indicates that nearly half of all electricity in the National Electricity Market may come from distributed energy resources like rooftop solar, supported by household and community batteries. Unlocking these types of avenues for decarbonisation would have significant impact. The front door could play a role in aggregating such projects in order to receive support, helping to meet the risk-return profiles that private institutional investors are required to work within. As such, we recommend that in assessing the types of projects that should be eligible for front door support, consideration should be given to smaller scale projects that have potential to be transformative through their collective, catalytic or shared benefits.

Social license, community benefits and avoidance of environmental harm

Ongoing community support (or ‘social licence’) will be critical to ensuring the success of projects supported by the front door. To ensure this support, we recommend front door eligibility criteria should include consideration of the potential social and environmental impacts of a project, both positive and negative. Such an approach would be consistent with best practice internationally for public and private finance, as well as the Government’s commitment to ensuring that communities, including First Nations, benefit from the Future Made in Australia vision and Government policy in relation to nature, including the Nature Positive Plan. Projects could be prioritised, for example, where they have limited negative environmental impacts, and where project proponents demonstrate commitment to high quality First Nations engagement, and provide economic opportunities for communities (including First Nations).

In assessing project eligibility for front door assistance, reference could be made to the voluntary industry standards currently being developed in the [Australian sustainable finance taxonomy](#), particularly the ‘Minimum Social Safeguards’ standards. These standards draw on international practice and cover basic expectations in relation to corporate governance, human rights, First Nations engagement (including the principles of Free, Prior and Informed Consent), and protection of Indigenous heritage. They will be finalised by the end of 2024 and are expected to be adopted voluntarily across industry and the finance sector. Promotion of these standards through the front door would also support consistent practices and expectations across both public and private finance.

Similarly, we welcome questions 11 and 12 in the consultation paper, which relate to how the front

door can ensure community benefits are delivered through major, transformational projects, including supporting Government commitments in relation to Closing the Gap and building the First Nations business and service sector. We recommend there are several roles the front door could play in this regard.

First, the front door should provide project proponents with guidance and support regarding appropriate community engagement including with First Nations. Consistent with the principles of Free, Prior, and Informed Consent (FPIC), project proponents could be required to demonstrate (i) how they have considered impacts on First Nations communities, including through engagement with First Nations representatives, and (ii) how, based on the above engagement, they are providing (or planning to provide) benefits to First Nations communities for example through equitable partnerships that may include equity stakes in projects, employment opportunities, procurement, community development initiatives or other means. The approach to First Nations rights, impacts and engagement being developed in the Australian sustainable finance taxonomy and ASFI's broader work on First Nations and Finance could be a suitable reference here.

Second the front door should also play a role in supporting project proponent capability to engage with key stakeholders (incl. communities and First Nations representatives) – and vice versa. Together with a First Nations partner organisation, ASFI is currently supporting scoping work to develop a First Nations-led organisation to support a range of stakeholders to drive equitable participation by First Nations in major projects. This is based on a similar model in operation in Canada - the First Nations Major Project Coalition. The front door could direct project stakeholders to this organisation, once established, or similar high quality service providers as and when they might be established.

Third, ideally the front door could play a role in directing First Nations communities to relevant sources of capital to enable equity stakes in projects. We note however that at present the investment mandates of SIVs do not include a focus on access to capital for First Nations. This is a barrier to First Nations participation and investment in the transition. In parallel with front door support, we recommend the Government consider options for providing access to capital to support First Nations to invest in major projects on their traditional lands.

Approvals, licensing and other regulatory considerations (consultation paper questions 18-21)

Approvals and permitting challenges have been cited by ASFI members as barriers to timely development of projects critical for the net zero transition. This is in large part due to coordination challenges between multiple approval agencies. We recommend the front door act as a coordinating mechanism to help proponents and investors navigate approvals and licensing requirements, and over the medium-term work with State and Territory governments to harmonise approvals where there is overlap. This includes helping to provide information to project proponents and investors on approval processes and expected timeframes

Relatedly, in some cases, major projects might require collaboration between industry competitors - for example, where there is a need for shared infrastructure arrangements for renewable and industrial precincts. Currently, concern about the application of competition law is a constraint on these and types of collaboration, notwithstanding their public benefits. ASFI has made submissions to the ACCC and Treasury consultations on this topic proposing reforms to the ACCC process and mandate. Alongside this, we recommend the front door assist project proponents to navigate competition law considerations - for example, by working with project proponents to secure an authorisation to collaborate on major, transformational projects.

Finally, we note that capability building within approval agencies (and the front door) will be important so that individuals assessing projects are familiar with newer types of projects and their implications. This is particularly relevant in the context of the net zero transition, where an understanding of both new technologies as well as social, environmental and economic factors is important to enable timely decision making. We recommend the Government ensure the front door is adequately resourced with personnel equipped to deliver on the proposed front door functions.

Coordination of public financing (consultation paper questions 22 and 23)

We welcome the fact that the current design for the front door, as set out in the consultation paper, includes a role in coordinating public financing. We note that some SIVs have overlapping mandates, and their respective roles and functions can be unclear to investors and market participants (for example, both CEFC and NRF have a mandate for net zero related investments). It can be a challenge for financial institutions to navigate the various SIVs. We recommend the front door play a role in clarifying to investors and project proponents the most appropriate provider of public finance for particular projects and facilitate their engagement with relevant SIVs.

Additionally, ASFI Members have provided feedback that some existing SIVs at times compete with rather than enable private sector capital. In parallel to the process to establish the front door, we recommend the Government consider reviewing the current effectiveness of SIVs to ensure they encourage, rather than crowd out, private investors. This could include developing guidance to support SIVs to ensure their activities are 'additional' to private sector activity wherever possible. For example, some projects may be potentially transformative in the context of the net zero transition because they are testing or scaling an emerging technology. In some such cases, however, the risk-adjusted return profile for investing in the project may not fit within commercial investors' typical investment parameters. In such cases, SIVs could play a role (e.g. through various blended finance approaches) in mitigating risk for commercial investors.