[$15 billion National Reconstruction Fund: what you need to know](https://www.claytonutz.com/knowledge/2023/april/15-billion-national-reconstruction-fund-what-you-need-to-know)

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The National Reconstruction Fund will assist Australian industry to become more productive, take advantage of opportunities in a net zero economy and address supply chain vulnerabilities.

Projects in seven priority areas will soon be able to seek finance from the Federal Government's $15 billion National Reconstruction Fund, following the passage of the National Reconstruction Fund Corporation Bill 2023 through the Senate on 28 March 2023.

The passing of the Bill is seen as fulfilling an important election commitment to position Australia as an innovator of high value-added products, secure future economic prosperity and drive sustainable economic growth, while also creating secure jobs for Australians and reducing Australia's reliance on imports.

**The projects covered by the National Reconstruction Fund**

The aim of the Fund is to capitalise on Australia's strengths by providing targeted investments to projects across seven priority areas:

1. renewables and low emissions technologies;
2. medical science;
3. transport;
4. value-add in the agriculture, forestry and fisheries sectors;
5. value-add in resources;
6. defence capability; and
7. enabling capabilities.

The Greens negotiated an amendment to ensure the Fund would not be able to finance the extraction of coal or gas, construction of gas pipelines or logging in native forests.

The Minister can declare new priority areas of the Australian economy from time to time, allowing for the Fund to adapt to changes in the Australian economy as needed.

**Getting finance from the National Reconstruction Fund**

The Fund will finance projects that align with the priority areas by providing finance options including loans, equity investments and guarantees.

The Fund is intended to be a co-investment scheme, aiming to encourage separate private investment into such projects which otherwise might not have received such funding. This, in turn, is intended to make it easier for industry to commercialise innovation and technology, support the development of Australia's national sovereign capabilities and drive regional economic diversification and development.

An initial $5 billion will be made available to the Fund from commencement while the remaining $10 billion will be made available by 2 July 2029 in instalments. However, the Government has not yet given an indication as to when we can expect the Fund to become operational.

Currently, $8 billion of the Fund's allocated total of $15 billion will be allocated as follows:

 up to $3 billion for renewables and low emissions technologies;

 $500 million for value-adding in the agriculture, forestry and fisheries sectors;

 $1 billion for value-adding in resources;

 $1.5 billion for medical science;

 transport;

 defence capability; and

 enabling capabilities, including $1 billion for critical technologies and $1 billion for advanced manufacturing.

The Fund will operate largely independently with an appointed CEO and Board of six to eight members and will aim to commercially deliver a positive rate of return as guided by the Board's investment decisions. That revenue will be available to the Fund for reinvestment.

The responsible Ministers will be required to develop an "Investment Mandate" with broad expectations to guide how the Board makes and manages investments. The Board will also have a duty to "take all reasonable steps" to ensure that **all** investments made by the Fund are "solely or mainly Australian-based".

Key takeaways for business

By injecting such significant investments into the priority areas, the Fund will assist Australian industry to seize new growth opportunities and improve productivity and support transformation, rather than enabling expansion of business as usual. The Fund will assist Australian industry to become more productive, take advantage of opportunities in a net zero economy and address supply chain vulnerabilities.

The design and implementation of the Fund will be critical to its success and currently there is no advised timing on when the Fund's Investment Mandate will be released. However, businesses operating in sectors that fall into the seven priority areas should stay abreast of any updates, be aware generally of the Fund's operation and scope, and, in the meantime, consider how they want to engage with it to take advantage of any investment opportunities.