**EXPLANATORY STATEMENT**

Issued by the authority of the Minister for Industry and Science
and the Minister for Finance

*National Reconstruction Fund Corporation Act 2023*

*National Reconstruction Fund Corporation (Priority Areas) Declaration 2023*

**Purpose and Operation**

The *National Reconstruction Fund Corporation Act 2023* (the Act) establishes the National Reconstruction Fund Corporation (the Corporation).

Section 63 of the Act sets out the investment functions of the Corporation, and provides that the Corporation may:

* provide financial accommodation for purposes relating to; and
* acquire equity interests in entities any of the activities of which are in

a priority area of the Australian economy.

Investments must also satisfy other applicable requirements that arise under the Act.

The *National Reconstruction Fund Corporation (Priority Areas) Declaration 2023* (the Declaration) identifies priority areas of the Australian economy for the purposes of the Act.

The Act requires the priority areas of the Australian economy to be declared in a legislative instrument. This allows for timely changes to the Corporation’s investment focus in the event priority areas change, for example because of significant technological or other unforeseen developments that require immediate or prompt changes to the Corporation’s investment focus.

Further details about the Declaration are in Attachment A.

**Authority**

Section 6 of the Act provides authority for the legislative instrument.

**Consultation**

The following Government stakeholders were consulted in relation to this instrument:

Austrade; Australian Space Agency; the Department of Agriculture, Fisheries and Forestry; the Department of Climate Change, Energy, the Environment and Water; the Department of Defence; the Department of Education; the Department of Employment and Workplace Relations; the Department of Foreign Affairs and Trade; the Department of Health and Aged Care; the Department of Home Affairs; the Department of Infrastructure, Transport, Regional Development, Communications and the Arts; the Department of the Prime Minister and Cabinet; the Department of the Treasury and the National Indigenous Australian Agency.

Consultation was conducted with a broad range of industry stakeholders and experts including businesses, peak industry bodies, research institutions and unions, as well as relevant State and Territory Government agencies.

Public consultation was also conducted; a consultation paper was released and the public invited to provide feedback on how the Corporation could support each priority area.

**Statement of Compatibility with Human Rights**

A Statement of Compatibility with Human Rights is set out in Attachment B.

**Attachment A**

**Details of the *National Reconstruction Fund Corporation (Priority Areas) Declaration 2023***

**PART 1 – PRELIMINARY**

**Section 1 – Name**

This section specifies the name of the instrument as the *National Reconstruction Fund Corporation (Priority Areas) Declaration 2023.*

**Section 2 – Commencement**

This section provides that the instrument will commence immediately after the Act commences.

The Act will commence on a single day to be fixed by Proclamation (see subsection 2(1) of the Act). The instrument is made after the Act has been enacted but before its commencement, and will not commence until immediately after the Act commences, relying on section 4 of the *Acts Interpretation Act 1901*.

**Section 3 – Authority**

This section sets out the provision of the Act under which the *National Reconstruction Fund Corporation (Priority Areas) Declaration 2023* is made.

**Section 4 – Definitions**

This section provides definitions of terms used in the instrument.

Although the definitions are largely self-explanatory, the following should be noted:

* + The definition of manufacturing supports a broad understanding of the entire manufacturing process, focussing not just on production, but also on the pre‑production development and post-production services that form part of the manufacturing ‘smile curve’. This approach has been taken because modern manufacturing is supported by a dynamic ecosystem capturing value at every stage of the product cycle.

In making investments, the National Reconstruction Fund Corporation will need to interpret this broad definition of manufacturing while considering requirements in the *National Reconstruction Fund Corporation Act 2023* and the investment mandate issued by the Ministers.

The definition of products includes not only manufactured products for the end user, but the manufactured inputs for use in final products. It includes both tangible and intangible products like software.

**Section 5 – Priority areas of the Australian economy**

This section identifies the seven priority areas of the Australian economythe Corporation can invest in. The priority areas of the Australian economy are to be interpreted broadly and beneficially.

Subsection 5(1) – Value-add in resources

The value-add in resources priority area of the Australian economy is concerned with gaining more value from Australia’s mining industry by:

* manufacturing products for use in or in connection with mining. For example; the manufacture of exploration or drilling technologies, mining safety solutions, or products to assist with transportation of minerals; and
* processing minerals and manufacturing products for use in or connection with processing minerals. For example; the refining and processing of spodumene to lithium hydroxide and then onto cathode active materials for use in battery manufacture as well as the manufacture of technologies and other products used in this processing would be considered part of this area of the economy.

Subsection 5(2) – Value-add in agriculture, forestry, and fisheries

The value-add in agriculture, forestry and fisheries priority area of the Australian economy is concerned with gaining more value from Australia’s primary production industries by manufacturing products for use in or in connection with primary industries and processing their produce, as well as processing the outputs of those industries into higher value goods. For example, it covers the manufacture of fertilisers and farming equipment; technologies to manage crop, tree, and animal health; and improved storage solutions to extend product life. It also covers the manufacture of food, beverage, timber, and fibre products because this manufacturing involves the processing of produce of primary industries. It does not include developing new farms or plantations.

Subsection 5(3) – Transport

The transport priority area of the Australian economy is concerned with manufacturing vehicles, rail vehicles and ships, or products that can be used in, or in connection with aircraft, road vehicles, rail vehicles and ships. For instance, it could include the manufacture of electric vehicles, or components or charging equipment connected with their use. It does not include common use infrastructure such as roads or railways, but may include products for use with or in such infrastructure such as road surfacing solutions, or components for rails.

Subsection 5(4) – Medical Science

The medical science priority area of the Australian economy is concerned with manufacturing a broad range of products for therapeutic use such as medical devices, medicines, personal protective equipment, and vaccines. It does not include products for veterinary purposes and is not intended to include products with possible secondary health applications, for instance, cosmetics or health food.

Subsection 5(5) – Renewables and low emission technologies

The renewables and low emission technologies priority area of the Australian economy is concerned with manufacturing of products for use in or in connection with: renewable energy generation, transmission, distribution, or storage; reducing greenhouse gas emissions; energy efficiency, recycling, waste reduction or resource recovery. This includes opportunities such as manufacturing components of wind turbines, production of batteries and solar panels, hydrogen electrolysers and innovative packaging solutions for waste reduction. It does not cover the installation of standalone renewable energy infrastructure for the generation of power for general use, such as solar or wind farms.

Subsection 5(6) – Defence capability

The defence capability priority area of the Australian economy is concerned with manufacturing products wholly or primarily for use in or connection with defence. It captures the parts of the economy involved in delivering the fundamental inputs to defence capability, such as those involved in the development, manufacturing, and sustainment of relevant products.

Subsection 5(7) – Enabling capabilities

The enabling capabilities priority area of the Australian economy is concerned with the manufacture of technologies and other products that support the advancement of Australia’s industrial capability. This includes advanced manufacturing technologies or materials technologies; artificial intelligence technologies; advanced information or communication technologies; quantum technologies; autonomous systems; robotics technologies; positioning, timing and sensing technologies; biotechnologies; space objects or products for use in, or in connection with, space objects; and other advanced technologies.

Advanced manufacturing or materials technologies refers to technologies such as additive manufacturing, advanced composite materials, high specification machining processes, and semiconductors and advanced integrated circuit manufacture.

The category of “other advanced technologies” is intended to capture emerging technologies, recognising that Australian industry is developing and adopting technology at a rapid rate, and that funding of manufacturing of such new and innovative advanced technologies aligns with the overall policy objective of the Government in establishing the Corporation to diversify and transform Australian industry.

**Attachment B**

**Statement of Compatibility with Human Rights**

*Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*

*National Reconstruction Fund Corporation (Priority Areas) Declaration 2023.*

This instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

**Overview of the Legislative Instrument**

The *National Reconstruction Fund Corporation Act 2023* (the Act) establishes the National Reconstruction Fund Corporation (the Corporation).

Section 63 of the Act sets out the investment functions of the Corporation, and provides that the Corporation may:

* provide financial accommodation for purposes relating to; and
* acquire equity interests in entities any of the activities of which are in

a priority area of the Australian economy.

Investments must also satisfy other applicable requirements that arise under the Act.

The *National Reconstruction Fund Corporation (Priority Areas) Declaration 2023* (the Declaration) identifies priority areas of the Australian economy for the purposes of the Act.

**Human rights implications**

This instrument does not engage any of the applicable rights or freedoms.

**Conclusion**

This instrument is compatible with human rights as it does not raise any human rights issues.

**The Hon Ed Husic MP, Minister for Industry and Science, and
Senator the Hon Katy Gallagher, Minister for Finance**