



## **Northern Australia Infrastructure Facility Investment Mandate Direction 2023**

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We, MADELEINE KING, Minister for Northern Australia, and KATY GALLAGHER, Minister for Finance, give the following Direction under subsection 9(1) of the *Northern Australia Infrastructure Facility Act 2016*.

Dated 8 December ~~2027~~ 2023 MK

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MADELEINE KING  
Minister for Northern Australia

KATY GALLAGHER  
Minister for Finance



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# Part 1—Preliminary

## 1 Name

This Direction is the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023*.

## 2 Commencement

This Direction commences the day after it is registered.

Note 1: Section 42 of the Legislation Act 2003, which deals with the disallowance of legislative instruments, does not apply to this Direction (see table item 2 in section 9 of the *Legislation (Exemptions and Other Matters) Regulation 2015* and section 44 of the *Legislation Act 2003*).

Note 2: This Direction is exempt from sunseting (see table item 3 in Section 11 of the *Legislation (Exemptions and Other Matters) Regulation 2015* and section 54 of the *Legislation Act 2003*).

## 3 Authority

This Direction is made under subsection 9(1) of the Act.

## 4 Definitions

Note: A number of expressions used in this instrument are defined in section 5 of the Act, including the following:

- (a) consideration period;
- (a) Facility;
- (b) Finance Minister;
- (c) Minister for Northern Australia.

In this instrument:

**Act** means the *Northern Australia Infrastructure Facility Act 2016*.

**Alternative Financing Mechanism** means financial assistance other than financial assistance that is only a loan.

Note 1: Examples of financial assistance that is not a loan include: letters of credit, the purchase of primary-issue bonds, debentures and other debt-like instruments, and equity and equity-like instruments such as ordinary shares, units in trusts, interests in joint ventures, convertible notes and preference shares.

Note 2: If, for example, financial assistance includes both a loan and an equity component, then that financial assistance is not ‘only a loan’, and so is an Alternative Financing Mechanism.

**Commercial Financier** means a private sector body that provides finance or investment into economic infrastructure projects.

**Commonwealth entity** has the same meaning as in the *Public Governance, Performance and Accountability Act 2013*.

**direct assistance** has the meaning given by subsection 13(2).

**Finance Department** means the Department of State of the Commonwealth administered by the Finance Minister.

**Government Policy Priorities** means the Government priorities described in the first column of the table in Schedule 2.

**Indian Ocean Territories** means the Territory of Christmas Island and the Territory of Cocos (Keeling) Islands.

**Infrastructure Australia** has the same meaning as in the *Infrastructure Australia Act 2008*.

**Investment Decision** means a decision by the Facility to offer financial assistance for a Project, and includes a decision to offer financial assistance conditional on the negotiation and execution of legal documentation, or on the satisfaction of conditions precedent to funding.

Note: The making of an Investment Decision results in a proposal by the Facility to provide financial assistance, within the meaning of section 11 of the Act.

**Investment Proposal** means an application for financial assistance submitted to the Facility.

**Mandatory Criteria** means the mandatory criteria described in Schedule 1.

**Project** means a project the subject of an Investment Proposal or an Investment Decision.

**Project Proponent** means the entity responsible for a Project.

**Risk Appetite Statement** has the meaning given by subsection 15(1).

**State** includes the Northern Territory.

**Target Portfolio Return** has the meaning given by paragraph 14(5)(a).

## 5 Repeal

The *Northern Australia Infrastructure Facility Investment Mandate Direction 2021* is repealed.

## 6 Purpose

The purpose of this Direction is to direct the Board in relation to the performance of the functions of the Facility.

# Part 2—Directions about all Investment Decisions

## 7 Making Investment Decisions

- (1) When the Facility makes a decision not to offer financial assistance, it must notify the Project Proponent of that decision as soon as practicable.
- (2) After the Facility has made an Investment Decision, the Facility must as soon as practicable:
  - (a) if the Minister gives the Facility a rejection notice under subsection 11(4) of the Act—notify the Project Proponent of the rejection notice; or
  - (b) if the consideration period has expired and no rejection notice was given to the Facility, or if the Facility has received a notice under subsection 11(3A) of the Act—notify the Project Proponent that the Project is proposed to be offered financial assistance and the terms of that financial assistance.

## 8 Matters to be considered when making Investment Decisions

- (1) Before making an Investment Decision, the Facility must take into account such views on the proposed Investment Decision as are notified to the Facility under section 16 and subsections 17(1) and 17(2).

- (2) Before making an Investment Decision, the Facility must be satisfied of all of the following matters:
- (a) the Investment Proposal meets all applicable Mandatory Criteria;
  - (b) there is alignment between the Investment Proposal and one or more of the Government Policy Priorities;
  - (c) the return on any financial assistance provided under the Investment Decision is likely to cover at least the Facility's administrative costs and the Commonwealth's cost of borrowing;
  - (d) the Facility will not be the sole holder of financial risk in the Project;
  - (e) there is a reasonable allocation of risk for the Project between the Facility and other sources of finance for the Project;
  - (f) it can appropriately manage the Facility's risk exposure in the Project, including via methods such as covenants or reporting mechanisms;
  - (g) the Facility's risk exposure in the Project, as identified through its due diligence, amounts to an acceptable level of risk in the Project.
- (3) Before making an Investment Decision, the Facility must have regard to all of the following matters:
- (a) the Risk Appetite Statement;
  - (b) the extent of any concession that may be offered for the Project, in accordance with section 10 of this Direction;
  - (c) an appropriate interest rate or target rate of return for the financial assistance to be offered;
  - (d) the inherent risk of the Project and its capital structure;
  - (e) the potential effect of the Project on other economic infrastructure;
  - (f) the potential effect of the investment on the Australian infrastructure financing market;
  - (g) the potential effect of the investment on the activities of other Commonwealth entities;
  - (h) the potential of the investment to encourage private sector participation in financing the Project;
  - (i) the costs and benefits of the Investment Decision as compared with other Investment Proposals the Facility has under consideration;
  - (j) the advantages of a diversified portfolio of investments, including with respect to industry sector and geographic spread across the jurisdictions that comprise Northern Australia;
  - (k) the extent to which the Project addresses identified economic infrastructure needs, as noted through Commonwealth, State or Territory assessment processes, pipelines, or priority lists;
  - (l) the extent to which the Project contributes, or would contribute to, the material improvement to the infrastructure of a region;
  - (m) the extent to which the Project contributes, or would contribute to, the provision of public benefit to the residents of a region.

## 9 Discretion

- (1) The Facility may at any time before entering into an arrangement to provide financial assistance in relation to an Investment Proposal, decide not to provide financial assistance for that Project.
- (2) The Facility may receive and consider Investment Proposals from any sector.

- (3) The Facility must notionally set aside \$500 million from the amount appropriated by section 41 of the Act to support projects which:
  - (a) materially contribute to Priority 4 of the Government Policy Priorities; or
  - (b) contribute to the delivery or operation of a project that satisfies paragraph (a); and must not use any of that \$500 million to support other projects.
- (4) To avoid doubt, subsection (3) does not prevent the Facility from using more than \$500 million from the amount appropriated by section 41 of the Act to support projects aligned with Priority 4 of the Government Policy Priorities.

## **Part 3—Directions about specific types of Investment Decisions and derivatives**

### **10 Determining loan conditions and concessions**

- (1) Loans are to be the primary form of financial assistance considered by the Facility for all Investment Proposals.
- (2) Subject to section 13, the Facility may offer loans on non-concessional terms where appropriate.
- (3) The Facility must limit concessions offered to the minimum concessions the Facility considers necessary for a Project to proceed.
- (4) The Facility must not provide loans on concessional terms unless the Facility has done an assessment, and on the basis of that assessment is satisfied that:
  - (a) the provision of loans on a concessional basis would be the most appropriate way of achieving a particular public benefit that the Facility is seeking to achieve; and
  - (b) the level of concessionality is reasonable given the expected economic and public benefit of the investment; and
  - (c) the concessionality provided is the minimum that would achieve those benefits.
- (5) Where the Facility is satisfied of the things mentioned in subsection (4), the Facility may propose loan concessions including but not limited to any or all of the following:
  - (a) longer loan tenor than offered by Commercial Financiers, not exceeding the longest term of Commonwealth borrowings;
  - (b) lower interest rates than offered by Commercial Financiers, which must not be lower than the rate at which the Commonwealth borrows;
  - (c) extended periods of capitalisation of interest beyond construction completion;
  - (d) deferral of loan repayments or other types of tailored loan repayment schedules;
  - (e) lower or different fee structures than those offered by Commercial Financiers;
  - (f) subordination.
- (6) When negotiating loan concessions for a Project, the Facility should consider proposing and utilising contract terms or conditions which reduce or remove the concessions over time, or which enable the Facility to seek early exit from an investment, where the Project becomes viable on non-concessional terms.
- (7) To avoid doubt, subsections (3)-(6) do not apply in relation to direct assistance for a Project in one or more States.

## 11 Alternative Financing Mechanisms

- (1) The Facility may only offer an Alternative Financing Mechanism for a Project if the Facility is satisfied that, unless an Alternative Financing Mechanism is used, the Project would either:
  - (a) not proceed; or
  - (b) would proceed, but the public benefits able to be achieved would be considerably lower than can be achieved with an Alternative Financing Mechanism.
- (2) Where the Facility considers an Alternative Financing Mechanism is preferable to a loan, it must give the Minister for Northern Australia, with the proposal notice required under subsection 11(2) of the Act, the following information:
  - (a) an explanation as to why the Facility considers the Alternative Financing Mechanism is necessary; and
  - (b) the estimated commercial value of any concession proposed with the Alternative Financing Mechanism; and
  - (c) an explanation as to alignment between the Alternative Financing Mechanism and the Risk Appetite Statement (see section 15 of this Direction); and
  - (d) an assessment of any impacts on the appropriation in section 41 of the Act; and
  - (e) the proposed exit strategy for the Alternative Financing Mechanism.
- (3) At no time may the total potential liability under outstanding guarantees exceed the amount of the uncommitted balance of the appropriation in section 41 of the Act.
- (4) Criterion 6 in the Mandatory Criteria applies only where the proposed Alternative Financing Mechanism includes equity or an equity-like investment.

## 12 Derivatives

The Facility may only acquire a derivative where:

- (a) it is a more effective means of achieving an effective hedge than less complex mechanisms; and
- (b) the costs of derivative risk are considered and priced into the Alternative Financing Mechanism; and
- (c) the counter-party's credit profile is considered appropriate; and
- (d) the expected benefits, financial or otherwise, are sufficient to outweigh the level of risk and associated costs of acquiring a derivative.

Note: The limitations in this section may apply in addition to those in subsection 7(1C) of the Act.

## 13 Direct funding

- (1) The Facility will seek to provide financial assistance primarily through grants of financial assistance to a State.
- (2) The Facility may, as a funder of last resort, choose to provide financial assistance to an entity other than a State in accordance with subsection 7(1A) of the Act (***direct assistance***).
- (3) The Facility must consult the Department as soon as practicable on any Investment Proposal which might result in a decision by the Facility to provide direct assistance.
- (4) The Facility must not provide direct assistance in relation to a Project in one or more States on a concessional basis.
- (5) The Facility may only provide direct assistance if all of the following criteria are met:



- (a) for Projects in one or more States—that State or those States support the proposed direct assistance;
  - (b) the Facility has consulted the responsible Ministers on the proposal to provide direct assistance, and the Facility has considered the views of those Ministers;
  - (c) the Facility is satisfied the potential returns and benefits of providing the direct assistance significantly outweigh the costs and risks of doing so;
  - (d) the Facility is satisfied there is no reasonable prospect of the Project proceeding in any form unless direct assistance is provided.
- (6) To avoid doubt, this section does not apply to Projects that are solely in the Indian Ocean Territories.

## 14 Limits on equity investments

- (1) The Facility must not provide financial assistance in the form of an equity investment in an entity under subsection 7(1A) of the Act if doing so would result in the Facility or the Commonwealth, or Commonwealth entities either alone or together:
  - (a) holding a majority of the equity interests in the entity; or
  - (b) being in a position to control the entity.
- (2) Subsection (3) applies if:
  - (a) the Facility holds one or more equity interests in an entity; and
  - (b) the Facility becomes aware that holding those equity interests results in the situation referred to in subsection (1).
- (3) The Facility must, as soon as reasonably practicable in the circumstances, realise sufficient equity interests so the situation no longer exists.
- (4) In this section, **control** has the same meaning as in the definition of “subsidiary” in the *Public Governance, Performance and Accountability Act 2013*.
- (5) In deciding whether to offer financial assistance in the form of an equity investment, the Facility must:
  - (a) target a portfolio return for the Facility’s equity or equity-like investments before Facility operating expenses, over the medium to long term, which is at least the five-year Australian Government bond rate plus a premium of 3 per cent per annum (the **Target Portfolio Return**);
  - (b) apply all of the Mandatory Criteria except for criterion 4.
- (6) Unless exempted by written agreement of the responsible Ministers, the Facility must not make:
  - (a) Investment Decisions that would result in the Facility providing more than \$500 million in equity investments overall; or
  - (b) an Investment Decision that would result in the Facility providing an equity investment for a Project of less than \$5 million or more than \$50 million.

## Part 4—Directions about risk, governance and consultation

### 15 Investment risk and monitoring

- (1) The Facility must develop a statement outlining the risk strategy that will guide its decisions whether to offer financial assistance for Projects (**Risk Appetite Statement**).

- (2) The Risk Appetite Statement must be developed in consultation with the responsible Ministers, and be approved by the Board.
- (3) The Risk Appetite Statement must:
  - (a) preference a diversified portfolio, including industry and geographic spread across the jurisdictions comprising Northern Australia; and
  - (b) have a high risk tolerance in relation to factors unique to investing in Northern Australia economic infrastructure, including distance, remoteness and climate; and
  - (c) consider risks shared between the Facility and the Commonwealth; and
  - (d) identify and consider climate change-related risks, including increased variability and intensity of weather; and
  - (e) identify and consider net zero transition risks as new energy technology is commercialised at scale, including potential for assets to become stranded due to industry transition toward clean energy; and
  - (f) be reviewed at least annually to address emerging risks, changes to existing risks, and changes to Government policy.
- (4) In managing its portfolio of investments, the Facility must:
  - (a) operate with a commercial approach, including by undertaking appropriate due diligence and credit and investment risk assessment processes; and
  - (b) seek to develop the Facility's portfolio in a way that seeks to avoid excessive concentration risk (for example, geographical and sectoral concentration); and
  - (c) periodically review the Facility's investment and operational practices for the purposes of managing the risk of the Facility's portfolio over time.
- (5) The Facility must actively monitor and manage investment performance, including:
  - (a) administering each grant of financial assistance with due care and diligence; and
  - (b) developing and implementing early-warning systems for the identification of emerging issues; and
  - (c) developing and implementing management plans for each impaired or troubled investment, including, where appropriate, in consultation with the Project Proponent; and
  - (d) take appropriate action to limit the Facility's exposure to impaired or troubled assets, for example by enforcing contractual rights or appointing a receiver; and
  - (e) notifying the responsible Ministers at the time an investment becomes impaired or troubled; and
  - (f) providing quarterly reports on impaired or troubled investments to the responsible Ministers by 30 September, 31 December, 31 March and 30 June of each year.
- (6) The Facility must actively monitor and manage the risks associated with its use of derivatives including through ensuring that:
  - (a) a derivatives risk policy is in place and is reviewed annually;
  - (b) appropriate contracts exist between the Facility and counter-parties;
  - (c) a derivative exposure and risk management report is included in regular reporting; and
  - (d) the net liabilities under derivatives arrangements at no time exceed the amount of the uncommitted balance of the appropriation in section 41 of the Act.

## 16 Consultation with relevant jurisdictions

- (1) In this section *relevant jurisdiction* means:
  - (a) for a Project in one or more States—that State or each of those States;

- (b) for a Project in the Indian Ocean Territories—the Commonwealth, as represented by the Department of State of the Commonwealth that deals with the administration of the Indian Ocean Territories.
  - (c) for a Project in one or more States and in the Indian Ocean Territories—each of that State or those States and the Commonwealth, as represented by the Department of State of the Commonwealth that deals with the administration of the Indian Ocean Territories.
- (2) The Facility must commence consultation with each relevant jurisdiction as soon as practicable after receiving an Investment Proposal.
  - (3) Consultation with a relevant jurisdiction must commence by providing the relevant jurisdiction with a notification of assessment, which includes an outline of the details of the Project and the characteristics and criteria which the Project must satisfy in order for the Facility to offer financial assistance.
  - (4) The Facility must not make an Investment Decision if at any time a relevant jurisdiction provides written notification that financial assistance should not be provided for the Project.
  - (5) The Project Proponent is to be informed of a decision not to progress an Investment Proposal within five business days of the Facility receiving written notification from a relevant jurisdiction that financial assistance should not be provided for the Project.

## **17 Relationship with other Commonwealth entities and other persons and bodies**

- (1) Before making an Investment Decision, the Facility must, in relation to the proposed Investment Decision, consult:
  - (a) the Department; and
  - (b) any other Commonwealth entities or any other person or body the Department notifies the Facility should be consulted.
- (2) Where an Investment Decision would provide financial assistance greater than \$250 million in aggregate, the Facility must consult Infrastructure Australia in relation to the public benefit analysis of the Project.
- (3) The Facility will work with the Department and the Finance Department to ensure that, subject to commercial confidentiality, advice provided to Government addresses the effectiveness of the Facility and its projects in meeting the Government Policy Priorities.
- (4) Where it would be practical and appropriate, in the reasonable opinion of the Facility, in order to facilitate the performance of the Facility's functions, the Facility must seek to cooperate and collaborate with other Commonwealth entities, and with any State entities, that are able to support it in the performance of its functions.
- (5) To avoid doubt, subsection (4) does not oblige the Facility to consult any Commonwealth entity or State entity in relation to a project (whether or not the project is the subject of an Investment Proposal or an Investment Decision) either before or after the Facility makes a decision whether to offer financial assistance for the project.
- (6) Without limitation, for the purposes of this section, *Commonwealth entities* include but are not limited to the following:
  - (a) the Australian Renewable Energy Agency;
  - (b) the Clean Energy Finance Corporation;
  - (c) Export Finance Australia;

- (d) Housing Australia;
  - (e) the Regional Investment Corporation;
  - (f) the National Reconstruction Fund Corporation;
  - (g) the Net Zero Economy Agency.
- (7) For this section, each of the following is a *State entity*:
- (a) a State;
  - (b) a body corporate established for a public purpose by or under a law of a State.
- (8) Where the Net Zero Economy Agency has engaged with the Facility on opportunities that support the transition to net zero emissions, the Facility will consider those opportunities.

## 18 Regulatory and environmental approvals

The Facility may make an Investment Decision prior to the Project Proponent obtaining all necessary regulatory, environmental and other relevant approvals and arrangements for the Project on such conditions as the Facility considers appropriate.

## 19 Reputation

The Facility must avoid behaviour of a kind which is likely to bring into disrepute:

- (a) the Commonwealth; or
- (b) a Commonwealth entity; or
- (c) a State; or
- (d) an agency or authority of a State.

## 20 Corporate governance

- (1) The Facility must have regard to Australian best practice government governance principles and relevant Australian best practice corporate governance for Commercial Financiers, when performing its functions, including developing and annually reviewing policies with regard to:
- (a) environmental issues; and
  - (b) social issues; and
  - (c) climate and transition risks; and
  - (d) shared risk; and
  - (e) governance issues.
- (2) The Facility must, as part of its annual report, report on the non-financial outcomes of its Investment Decisions, including how it has developed or enhanced Northern Australian economic infrastructure, public benefits to the broader economy and community and Indigenous participation.
- (3) Within 30 business days of the conclusion of the Minister's consideration period under section 11 of the Act, for a proposal by the Facility to provide financial assistance, the Facility must publish information regarding the relevant Investment Decision on its website, including (except information subject to commercial confidentiality):
- (a) the name of the Project Proponent; and
  - (b) the nature of investment; and
  - (c) the Project location; and
  - (d) the type of financial assistance offered by the Facility; and
  - (e) the amount of the financial assistance offered by the Facility; and

- (f) the description of the public benefit; and
  - (g) any additional information called for by reporting guidance issued by the Finance Department.
- (4) The Facility must publish guidance on its website on:
- (a) the format of an Investment Proposal; and
  - (b) the Facility’s processes for making decisions on whether to offer financial assistance for Projects; and
  - (c) any other matters it considers necessary.
- (5) Within 30 days of an Investment Decision, the Facility must publish a summary of the Project Proponent’s Indigenous Engagement Strategy or, for a project in the Indian Ocean Territories, the Local Employment and Procurement Strategy on its website.

## **21 Providing information to the Minister for Northern Australia and Finance Minister**

- (1) The Minister for Northern Australia or the Finance Minister may, at any time, request information from the Facility regarding its policies, Investment Decisions or the management of its portfolio.
- (2) The Facility must respond to a request for information from the Minister for Northern Australia or the Finance Minister within 30 days and provide its response to both the Minister for Northern Australia and the Finance Minister.
- (3) Each quarter, unless otherwise requested by the Minister for Northern Australia in writing, the Facility must provide a briefing to the responsible Ministers on the status of its Investment Decisions, each project’s performance against any key metrics requested by the Minister for Northern Australia, and delivery against the Government Policy Priorities.

## **22 Australian industry participation**

- (1) The Facility must ensure that an Australian Industry Participation plan is completed for any Project for which the Facility provides financial assistance, where required by the *Australian Industry Participation Plans and Implementation Reports for Australian Government Projects: SmartForm User Guide for Organisations* or the *Australian Industry Participation Plans and Implementation Reports in Northern Australia Infrastructure Facility (NAIF) Loans: NAIF User Guide (SmartForm Version)*.
- (2) The Facility must also:
- (a) consult with the Finance Department on the application of the Australian Government’s Buy Australian Plan to Projects; and
  - (b) where practical, encourage the increased use of local content in Projects.

## Schedule 1—Eligibility criteria for financial assistance

To be eligible for financial assistance, the Facility must be satisfied that the Investment Proposal meets all applicable Mandatory Criteria:

Mandatory Criteria	Description
<p>1. The Project involves development or enhancement of Northern Australia economic infrastructure.</p>	<p>The Facility must be satisfied the Project incorporates, or will incorporate, the development or enhancement of physical structures, assets (including moveable assets), technology or facilities which underpin, facilitate or are associated with:</p> <ul style="list-style-type: none"> <li>(a) the transport or flow of people, goods, services or information; or</li> <li>(b) the establishment or enhancement of business activity in a region; or</li> <li>(c) an increase in economic activity in a region, including efficiency in developing or connecting markets; or</li> <li>(d) an increase in population; or</li> <li>(e) an increase in existing local workforce availability or capability.</li> </ul> <p>The Project must either bring new capacity online or represent material modernisation which enhances or improves existing capacity.</p> <p>The Project may involve the Project Proponent:</p> <ul style="list-style-type: none"> <li>(a) conducting a program of works over a specified time involving expenditure or procurement for the development or enhancement of economic infrastructure; or</li> <li>(b) providing financing that facilitates the development or enhancement of economic infrastructure.</li> </ul> <p>The refinancing of existing debt without the creation of new capacity, is ineligible.</p>
<p>2. The Project will be of public benefit.</p>	<p>The Facility must be satisfied the Project will produce benefits to the broader economy and community beyond an economic return to the Project Proponent. Such benefit could include, but is not limited to:</p> <ul style="list-style-type: none"> <li>• providing a basis for economic growth in the region or community such as by providing local employment opportunities (especially employment opportunities for Indigenous</li> </ul>

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people), growing regional income, increasing sovereign capability, providing local procurement opportunities (including Indigenous procurement opportunities), or increasing business for local suppliers; or

- stimulating population growth by improving regional or community access to social infrastructure, for example social or affordable housing, or by increasing regional or community liveability or living standards.

The expected value of the public benefit must exceed the estimated value of any concessions offered.

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3. The Project is located in, or will have a significant benefit for, Northern Australia.

Northern Australia is defined in the Act. It includes all of the Northern Territory, those parts of Queensland and Western Australia above the Tropic of Capricorn, and the Indian Ocean Territories.

It also includes areas intersecting with the Tropic of Capricorn and the regional centres of Gladstone (Queensland), Carnarvon (Western Australia) and Exmouth (Western Australia), as well as the Local Government Areas of Meekatharra, Wiluna and Ngaanyatjarraku which have boundaries intersecting with the Tropic of Capricorn. Territorial seas up to 12 nautical miles offshore adjacent to these areas are also included in the definition.

Projects do not need to be entirely within these boundaries if they produce significant benefits to Northern Australia. For example, a Project enhancing north-south connectivity may be eligible.

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4. For financial assistance in the form of loans—the loan will be able to be repaid, or refinanced.

The Project Proponent must present comprehensive financial modelling to demonstrate the ability of the Project to repay the debt in full and on time, or refinance, based on assumptions and risk profile acceptable to the Facility having regard to the Risk Appetite Statement.

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5. Indigenous Engagement Strategy.

For Projects not solely in the Indian Ocean Territories, the Project Proponent must provide an Indigenous Engagement Strategy which sets out objectives for Indigenous participation, procurement, training and employment to improve outcomes for the Indigenous population in the region of the proposed Project. These objectives should be designed in partnership with local Indigenous people, where feasible and where agreement can reasonably be reached. The Strategy must contain details of Indigenous procurement and employment plans demonstrating a

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commitment to Indigenous communities.

For Projects not solely in the Indian Ocean Territories, Project Proponents should demonstrate the contribution their Project and its implementation will make to improving outcomes for Indigenous communities.

Project Proponents of Projects taking place largely or entirely within the Indian Ocean Territories must provide a Local Employment and Procurement Strategy, outlining local employment and procurement targets, and the plan to deliver those targets.

The Project Proponent must agree to report regularly, as required by the Facility, on achievements against the objectives set out in its Indigenous Engagement Strategy or Local Employment and Procurement Strategy, including participation, procurement, training and employment outcomes. The Facility must provide guidance to the Project Proponent to ensure reported data can be aggregated across its portfolio of investments.

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**6.** If an Alternative Financing Mechanism is provided in the form of equity or equity-like investment, this will generate a return to Government.

The Project Proponent must present comprehensive financial modelling to demonstrate the ability of the Project to meet or exceed the Target Portfolio Return.

Based on its own assessments and modelling provided by the Project Proponent, the Facility must be satisfied there will be opportunities or mechanisms for the Facility to exit or monetise the equity investment within the medium to long term.

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## Schedule 2—Government policy priorities

In making Investment Decisions, the Facility must be satisfied that the Project aligns with one or more of the Government Policy Priorities. The project descriptions in the right-hand column of the table are hypothetical examples of projects that would be aligned with the Government priority in the same row:

Government Priority	Project Description
<p>1. Sustainable and resilient economic development and the alleviation of economic or social disadvantage in Northern Australia</p>	<ul style="list-style-type: none"> <li>• Projects materially improving the infrastructure of a region or local community, or providing public benefit, or improving the resilience of a region.</li> <li>• Projects contributing to secure working opportunities and economic growth in Australia’s regional communities.</li> <li>• Projects in communities or regions where local workforce participation is low.</li> <li>• Projects that contribute to skills expansion and development in regional communities, including through long-term career pathways.</li> <li>• Projects which would increase the supply of affordable housing.</li> <li>• Projects which advance women’s economic security.</li> </ul>
<p>2. Working with jurisdictions to deliver key infrastructure projects in Northern Australia</p>	<ul style="list-style-type: none"> <li>• Projects which enhance Northern Australia’s electricity transmission system.</li> <li>• Projects which enhance Northern Australia’s water infrastructure.</li> <li>• Projects which enhance Northern Australia’s transport infrastructure.</li> <li>• Projects which enhance Northern Australia’s communications infrastructure and support digital inclusion.</li> <li>• Projects which support the required ancillary industries and businesses to support current and future key infrastructure developments.</li> <li>• Projects that improve Australia’s manufacturing capability, particularly in vulnerable or strategically</li> </ul>

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important supply chains.

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3. Sustainability, climate change and circular economy principles and solutions in Northern Australia
- Projects that contribute to the reduction of Australia’s emissions by 43 per cent by 2030, Australia’s renewable energy target of 82 per cent by 2030, or net zero emissions by 2050.
  - Projects contributing to Australia’s clean energy transformation or renewable energy superpower ambition.
  - Projects that support sustainability and circular economy principles.
  - Projects in communities or regions with economies concentrated on emissions intensive industries, to support diversification.
  - Projects that deliver nature positive outcomes or strengthen climate adaptation and resilience.

4. Realising the Critical Minerals Strategy 2023-2030.
- Projects that develop the critical minerals industry in Australia, including by:
- creating diverse, resilient and sustainable supply chains for critical minerals through strong and secure international partnerships
  - building sovereign capability in critical minerals processing
  - using Australia’s critical minerals to help become a renewable energy superpower
  - extracting more value onshore from Australia’s critical mineral resources, creating jobs and economic opportunity, including for regional and First Nations communities.

5. Materially improving the lives of Indigenous people and communities
- Projects which demonstrate alignment with Priority Reforms of the National Agreement on Closing the Gap.
  - Indigenous-led projects, including verified Indigenous controlled and owned businesses.
  - Projects which would produce material improvements in the lives of Indigenous people.
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