

National Reconstruction Fund

**Submission to the Department of Industry,
Science and Resources**

Date: 7 February 2023

On behalf of: Daniel Walton, AWU National Secretary



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The Australian Workers' Union (AWU) welcomes the opportunity to make this submission to the consultation process for the National Reconstruction Fund (NRF).



The AWU represents around 70,000 members nationally in a diverse range of industries, representing nearly every part of the supply chain in Australia's blue collar industries, including:

- the extraction of raw resources – such as metal ores, critical minerals, oil and gas
- agriculture, forestry and fisheries
- the refining and manufacture of energy-intensive trade-exposed products such as steel, aluminium, plastic, concrete, food processing, chemicals and glass
- the recycling of energy-intensive products
- the manufacture and construction of renewable energy technology and facilities (from Snowy Hydro 2.0, to the manufacture and installation of wind towers and solar panels used across the country, along with the emerging Australian hydrogen and battery industries)
- defence manufacturing
- human-induced regeneration for carbon credits in forestry and national parks.

As a result, the AWU has an interest in many of the NRF's priority areas.

The AWU supports the Government's policy priority of building the NRF to diversify Australia's economy and help to secure well-paid jobs with good conditions for communities across the country. The NRF forms a critical part of the Government's industry and energy policy initiatives to place Australia in a stronger position, adding more value locally while also building our exports in our world-leading areas of comparative advantage.

In responding to the consultation paper, the AWU supports the ACTU's submission and recommendations for the purpose, governance and structure of the NRF. The AWU also makes the following key submissions. The AWU is eager to continue to engage with the development of the National Reconstruction Fund and would welcome the opportunity to participate in further consultations on the scheme.

1 Prioritising and planning for strategic sectors

The AWU recommends that strategic plans be created for critical industries to ensure that investment is in line with a long-term view of the 7 sectors.

The previous government began this process by establishing national strategies for critical minerals and hydrogen. The Australian Government should take advantage of the NRF to create similar industry strategies for Australia's key primary industries (agriculture, fishing and forestry), manufacturing

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industries (such as steel, aluminum, plastics, and cement) and emerging clean industries (such as battery manufacture).



Government policy priorities for each of these industries are already being pursued separately in different agencies of Federal and State governments. The NRF should aim to serve these overall plans for industries.

These strategic plans should be developed through a consultation process with industry participants, peak bodies, unions, and relevant government departments. This could provide a clear industry-wide vision for growing each sector. This could also serve as a guide for proponents (particularly proponents of industry-wide proposals) when applying for funding from the PRF. The AWU's prior research with the John Curtin Research Centre on the establishment of a clean steel industry in Australia (**attached**) illustrates one approach that could be taken.

2 Alignment of Government energy and industry policy

The AWU supports the Government's priority of acting on climate change, and the incorporation of industry decarbonisation as a priority area in the NRF. It is essential to Australia's sovereign capability that our members' industries are sustainable in a clean energy future. Australia's heavy industries continue to provide good pay and conditions to thousands of people across the country, and our members are keen to play a role in supporting Australia through the energy transition.

Many of these industries are widely recognised as among the most challenging to reduce emissions in. Indeed, about 160 of the 215 facilities covered by the Safeguard Mechanism are represented in the AWU's membership and coverage.

The AWU has advocated for our employers to take voluntary emissions reduction actions, and worked with them to understand their technology pathway to reach net zero by 2050. Each industry will require its own technology pathway. The AWU has worked together with the John Curtin Research Centre to put forward a plan to achieve an Australian clean steel industry, and with the McKell Institute to develop a strategy for a hydrogen industry that can attract export customers while also serving the needs of domestic industry. These reports are **attached** to our submission.

Simultaneously, the Australian Government has committed to growing the Australian manufacturing industry through initiatives such as the NRF, recognising its significant contribution to sovereign capability as highlighted by recent supply chain disruption experienced domestically and globally. The Harvard Atlas of Economic Complexity puts Australia last among OECD countries in diversity and research intensity of our exports. But Australia knows from past experience that manufacturing can provide high-skilled and secure jobs across the country.

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The Australian Government, across multiple departments, has initiated a plethora of parallel initiatives which will affect heavy industry, identified in the consultation paper. These include the safeguard mechanism, the Powering the Regions Fund (PRF), the establishment of Hydrogen Hubs, the provision of additional fully-funded TAFE places, and the Buy Australia Plan.

Some of these initiatives are complementary with both the government's industry and climate policy goals. Others are likely to impose significant costs on industry in the short-to-medium term. The AWU understands that these are necessary to achieve emissions goals and to support Australian industry in meeting global expectations in a net-zero future. But it is important that Australia does not throw away its areas of comparative advantage and the industries our country needs to secure our sovereign capability. A cohesive 'clean industry policy' is needed to meet both the goals of reducing emissions and supporting industry.

The NRF will form a critical part of the available funding for industries to reach the goals of the energy transition. However, it will not be the right funding tool for every facility. In particular, the NRF will require a commercial rate of return to meet the conditions of loans, guarantees or equity stakes offered. This will mean that short-term technology upgrades which increase costs without increasing revenue or profit are not eligible.

As a result, the funding decisions made through the NRF should be made with consideration of the overall impact of new initiatives, other sources of funding such as the PRF, new regulatory impacts, and in direct consultation with other government departments (both state and federal), unions and industry. This is necessary to determine the highest priority areas of need, and should be considered in setting commercial rates of return expected for different investments from the NRF.

Investments should also be prioritised where they align with other government goals, such as domestic procurement. The Australian Government, in its role as the steward of the fund, should set targets for regional and domestic procurement in applications for the NRF, to complement its overall industry policy goals.

3 Safeguard facilities must be a priority – with funding to match

The AWU notes that the review of the safeguard mechanism is still ongoing. However, the Safeguard Transformation Scheme of the PRF offers a limited amount of reserved funding for safeguard facilities, with only \$600 million allocated for 215 facilities. This amount of funding will not be sufficient to meet the needs of all necessary facility upgrades to reduce emissions – and realistically, the scale of government funding needed to support upgrades in safeguard facilities alone is likely to be three to four times that amount.

Provision through the NRF of substantive funding for upgrading existing facilities will offer a far more efficient use of capital in comparison to money going to start a brand new facility. It also offers the opportunity to reduce



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the existing carbon footprint of facilities, and utilise already established facilities to demonstrate new transformative production techniques. As one example, Australia's fuel refineries which already use hydrogen and have substantial capital and infrastructure offer the perfect vehicle to establish hydrogen hubs.



4 Technology-neutral approach recognising the needs of different industries

It is crucial that the Government adopts a technology-neutral, emissions-first approach in its investments through the NRF. The AWU supports the breadth of measures currently envisioned for funding under the NRF – such as developing renewable components, modernising steel and aluminium, and expanding the use of hydrogen. However, each industry will require different technology options to achieve their emissions goals, and it is critical that the best options for each industry are funded. These technology needs should be directly reflected in funding decisions under the NRF.

As one example, the effective funding available for carbon capture and storage was cut by the 2022-23 Federal Budget update in October 2022. While the AWU recognises the need to target CCS funding to industries that are in most need, it is important to acknowledge that some industries do not have the option of electrification. For example, some industries use fossil fuel energy for process heat, or their emissions are a direct result of their process, such as in the case of cement production. The AWU also supports the rapid development of the local hydrogen industry – both green and blue – to ensure that Australia has a first-mover advantage when global hydrogen demand escalates. This is discussed further in the AWU's research with the McKell Institute (**attached**).

5 Energy Transition Authority

The AWU believes that the workforce development goals of the NRF would be complemented by the establishment of an Energy Transition Authority (ETA), as outlined in the ACTU's submission to this consultation. The coordinating role played by such an Authority will be critical to ensuring NRF funds help drive a long-term just transition strategy that minimises risks to workers and communities, support a fair and long-term transition strategy that reduces risks for workers and communities, maximizes job creation and regional development opportunities in the transition to clean energy, and avoids the complex piecemeal approach that is currently hampering transition planning in key energy regions across Australia.

The AWU also shares the ACTU's view that any projects receiving NRF funding should abide by fair employment standards, including secure and well-paid jobs, safe working conditions, apprenticeship opportunities, and have either a current certified industrial agreement with the Fair Work Commission or have agreed to commence bargaining in good faith with the relevant union or unions to reach one, alongside providing opportunities for broader training and progression (including apprentices), women and Aboriginal and Torres Strait Island workers.