

# Future Made in Australia Innovation Fund

Australian Renewable Energy Agency program design consultation

April 2025

## Introduction

The Australian Workers' Union (AWU) is one of Australia's largest and most diverse unions. We represent around 77,000 workers across the length of the country and breadth of the economy. This includes tens of thousands of workers in industries supported by the Commonwealth's *Future Made in Australia* (FMIA) program, as well as in FMIA supply chains and other beneficiary industries. A Future Made in Australia is one mined, constructed, processed and manufactured by the AWU. The AWU also believes in the National Interest Framework prescribing FMIA's overarching goals. These accord closely with the AWU's outlook on the energy transition: We advocate robust and durable climate policy that balances Australia's emissions abatement responsibilities with its economic and strategic interests.

The AWU welcomes ARENA's consultation on design of the FMIA Innovation Fund. The fund is a valuable and important subset of FMIA. If designed and managed effectively, it will be crucial to seeing Australia realise key opportunities in the energy and green manufacturing transition.

We also recognise that a successful energy transition must be worker-positive - ensuring that tomorrow's energy economy delivers jobs as good as those of today, and that benefits are widely dispersed throughout the community. This is as much a question of preserving social licence as it is ensuring the transition's outcomes reach beyond emissions abatement. To this end, the AWU has taken a particularly strong interest in the community benefits principles that will inform FMIA investments. That these are a focus of ARENA's consultation is welcome.

## Priority projects

We share the widespread view that production of green iron should be the crowning achievement of FMIA. Green ironmaking is the path through the energy transition for Australia's 17,000-strong steelmaking workforce, and the nearly 100,000 jobs supported by the industry.<sup>1</sup> Shifting just a portion of offshore ironmaking using Australian ores to domestic green ironmakers would also create tens of thousands more Australian jobs in manufacturing, renewable energy and elsewhere. And the abatement potential of such onshoring is globally significant; iron production by our trade partners using Australian ores is estimated to account for around 3.6% of global emissions.<sup>2</sup> Australia is much better placed to shift ironmaking to low or zero-emissions methods than our export partners. However, the lower-grade hematite ores that make up the bulk of Australia's reserves, and nearly all current production, are currently poorly suited to green ironmaking.<sup>3</sup> Overcoming this technical and economic barrier represents an urgent R&D priority to allow Australia to benefit from its iron abundance in the green manufacturing era.

Equally clear is the need for innovation to unlock deep decarbonisation in other metals production processes. While the Green Aluminium Production Credit will help address the dominant emissions source in local aluminium-making, scope 1 emissions remain significant for all four smelters.<sup>4</sup> Opportunities to drive commercialisation of inert anodes and other process innovations should be supported. Likewise, fuel switching and electrification opportunities in alumina refining require further investment.<sup>5</sup>

The AWU believes Australia's low carbon liquid fuels (LCLF) potential will ultimately warrant a multibillion-dollar public investment - including but going well beyond support for R&D and early-

stage production.<sup>6</sup> Nonetheless, we appreciate that LCLF shapes as a longer-term opportunity, and the \$250 million allocated to the Innovation Fund for the industry is a positive step. Also welcome is the intended focus of the fund on sustainable aviation fuel production. In our submission, these monies should support innovation in production of both biofuels and 'power-to-liquid' fuel. Equally, it should help drive R&D at Australia's two existing fuel refineries, as well as potential new production sites.

## Community benefit rules

The community benefit principles are a vital inclusion in FMIA's regulatory framework. They reflect outcomes that workers and the community rightly expect from large-scale public investment in private industry, and their realisation will be essential to the program's success. But they are ultimately as described: a statement of bare principle and not more.

The *Future Made in Australia Act 2024* thus makes broad provision for the Commonwealth to prescribe rules to clarify the meaning, application and enforcement of the principles.<sup>7</sup> The AWU advocates the imposition of such rules for all FMIA programs, including the Innovation Fund. These should be clear and readily enforceable, and provide for oversight by workers and external stakeholders as well as government:

- **Principle-specific:** The rules should outline specific requirements, directly reflecting each community benefit principle, that proponents for FMIA monies should meet in return for support. Proponents should be required to provide evidence of how they would meet these rules prior to receiving support.
- **Tiered:** The rules should set out a tiered system of 'baseline' and 'best practice' rules to meet each community benefit principle.
- **Compliance and enforcement:** The rules should prescribe enforceable obligations on recipients of FMIA monies to report on compliance with the community benefit rules during the life of supported projects. Workers and their representatives should be empowered to have alleged instances of non-compliance investigated.

## Rules reflecting Community Benefit Principles

The community benefit rules should include specific provisions addressing each community benefit principle<sup>8</sup> - clarifying and setting out their application to the relevant FMIA program. A tiered system of 'baseline' and 'best practice' rules should be established for this purpose. All recipients of support through the FMIA Innovation Fund should be required to meet 'baseline' rules; Adherence to 'best practice' rules could inform further assessment of the relative merits of each proposal. An analogous model of 'minimum' and 'stretch' goals has been used in tenders under the Capacity Investment Scheme and NSW Government Long-Term Energy Service Agreements.<sup>9</sup>

We set out proposed baseline and best practice rules below. These do not address community benefit principles concerning support and engagement with First Nations communities and Traditional Owners. We suggest these rules should be formulated with Traditional Owners and their representatives.

**Principle 1: 'Promoting safe and secure jobs that are well paid and have good conditions'**

The rules should define key terms used in principle 1. They should provide that:

- **'Well paid' and 'good conditions':** A job that is well paid with good conditions meets or exceeds prevailing industry standard pay and conditions for the same or equivalent roles.
- **'Secure':** A secure job is one that is permanent wherever possible, with stable and certain hours of work and paid leave entitlements. In operations roles at FMIA-supported sites, workers should be directly employed by the entity conducting the undertaking. In construction of FMIA-supported sites, a range of head and subordinate contractors are likely to employ workers. These roles should either be permanent or provide portable entitlements to non-permanent workers.
- **'Safe':** A safe job is one where an employer can demonstrate consistent compliance with workplace health and safety laws.

In turn, these definitions should form the basis of rules addressing Principle 1:

Recommended rules: Principle 1		
	Baseline requirements	Best practice
<b>Secure jobs</b>	The proponent would meet the relevant sectoral benchmark for percentage of project workers in secure jobs (e.g. the construction sector benchmark for projects under construction, and the manufacturing sector benchmark for those engaged in production).	The project would exceed the relevant sector benchmark by a prescribed margin (e.g. 20%).
<b>Well-paid jobs with good conditions</b>	The project would deliver workers weekly earnings not less than the average for similar occupations. <sup>10</sup>	The proponent would have, or would commit to negotiate, an enterprise agreement with the project workforce.
<b>Safe jobs</b>	The proponent would demonstrate a record of compliance with WHS laws.	<p>The proponent would demonstrate a commitment to electing and training health and safety representatives, and establishing a health and safety committee with at least half of its members selected by the workforce, for the project site. And/or:</p> <p>The proponent would demonstrate a commitment to applying Safe Work Australia codes and guides on 'WHS Consultation, Cooperation and Coordination' and 'Worker</p>

Representation and Participation', at the project site.<sup>11</sup>

***Principle 2: 'developing more skilled and inclusive workforces, including by investing in training and skills development and broadening opportunities for workforce participation'***

The rules should support trainees and learning workers<sup>12</sup> to make up a meaningful portion of the workforce on FMIA-supported projects. Civil construction is experiencing a broad undersupply of workers across nearly all major occupations. For some roles, such as plant operators, the reported shortage is well over 10,000 workers nationally.<sup>13</sup> Surging demand from clean energy-related construction and manufacturing sites will drive further shortages across nearly all construction roles, and in engineering positions.<sup>14</sup> Concurrently, the energy transition will inevitably see parts of the industrial workforce shift from legacy to new operations – giving rise to a need to train and retrain many current workers.

That FMIA-supported sites make a contribution to addressing such issues through engagement of trainees and learning workers is a reasonable condition to attach to significant public funding.

In formulating rules for Principle 2, the Australian Skills Guarantee (ASG) and Capacity Investment Scheme (CIS) tender guidelines provide useful reference for projects under construction. ASG applies to all government construction procurement valued over \$10 million<sup>15</sup> - a value likely to be exceeded by most or all FMIA-supported projects requiring construction. The CIS supports similarly large-scale construction in renewable energy generation and firming.

For Innovation Fund projects that have commenced production, requirements to take on trainees and apprentices should apply, though these rules should account for the fact that supported projects are likely to be pre-commercial or early stage.

In addition, the principle of 'broadening opportunities' for workforce participation means women should be well-represented among entities' apprentice and trainee workforce.

Recommended rules: Principle 2		
	Baseline requirements	Best practice
<b>Invest in training</b>	<p>During construction, the project would meet:</p> <ul style="list-style-type: none"> <li>The ASG requirement for 10% of labour hours to be completed by trainees and/or apprentices;<sup>16</sup> and</li> <li>The CIS requirement for 20% of the project workforce to be learning workers.<sup>17</sup></li> </ul> <p>During operations, the project would be required to ensure:</p> <ul style="list-style-type: none"> <li>A minimum percentage of labour hours were undertaken</li> </ul>	<p>The project would exceed the baseline minimum trainee/apprentice labour hours, and learning worker engagement requirements, by 50%.</p>

	by trainees and/or apprentices; and <ul style="list-style-type: none"> <li>• A minimum percentage of the project workforce were learning workers.</li> </ul>
<b>Broaden opportunity</b>	<p>During construction, the project would meet the ASG requirement for 6% of trainee and/or apprentice hours to be completed by women.<sup>18</sup></p> <p>During operations, the project would be required to ensure a minimum percentage of trainee and/or apprentice hours were undertaken by women.</p> <p>The project would exceed the baseline minimum trainee and/or apprentice labour hours requirements for women by 50%.</p>

***Principle 3: 'Engaging collaboratively with and achieving positive outcomes for local communities, including communities directly affected by the transition to net zero'***

Beyond a generalised national dividend, all FMIA projects must directly and meaningfully support the local areas in which they operate. Local people should have confidence that a Future Made in Australia means more and better jobs for them. Local jobs are also the best path to community buy-in for green industries - a critical consideration given notable community opposition (often driven by disinformation) to many green energy-related projects. For projects in regional Australia, 'local area' could be defined as the local government area in which the project is situated, plus all neighbouring LGAs.

Of particular importance is that FMIA projects, where possible, support jobs-positive outcomes for communities adversely affected by the energy transition. In this regard, integration between FMIA and the work of the Net Zero Economy Authority (NZEa), as lead agency facilitating a positive transition for at-risk regions, is paramount.

<b>Recommended rules: Principle 3</b>		
	<b>Baseline requirements</b>	<b>Best practice</b>
<b>Supporting local communities</b>	The proponent would demonstrate a commitment to provide reasonable employment and training opportunities to local residents through the project – e.g. via the publishing of local ads and use of local employment services.	<p>The proponent would commit to establishing a benefit-sharing agreement - jointly developed with community organisations, unions, and/or local governments and supported by a community benefit fund - for the project. And/or:</p> <p>The proponent would partner with unions, TAFE, and/or non-profit training</p>

	organisations to maximise local workforce training and engagement via the project.
<b>Supporting communities directly affected by the net zero transition</b>	For projects located inside an NZEA-designated geographic area, <sup>19</sup> the proponent would commit to participating as a 'receiving employer' in any worker redeployment completed under an 'Energy Industry Jobs Plan'. <sup>20</sup>

***Principle 5: 'Strengthening domestic industrial capabilities, including through stronger local supply chains'***

Strengthening local industrial capabilities and supply chains should be a top-line objective of FMIA. For too long, Commonwealth policy evinced an indifference to the fate of local manufacturing - despite the many levers for support at government's disposal, and even as the sector's output,<sup>21</sup> workforce,<sup>22</sup> and sectoral complexity<sup>23</sup> declined over decades. Principle 5 suggests a welcome and overdue reversal of this perspective.

Depending on the entity's position in the value chain, the rules ought to require prioritisation of domestic offtake (for projects transforming raw materials) or prioritisation of local content (for higher value-add production) for supported manufacturing operations. As we expect the Innovation Fund will chiefly support early-stage commercial operations and R&D, we recognise that its potential to develop local supply chains may be limited, relative to FMIA programs focused on later-stage production.

Separately, 'strengthening local supply chains' should support enhanced assurance around high labour standards in FMIA recipients' supply networks.

Recommended rules: Principle 5		
	Baseline requirements	Best practice
<b>Strengthening domestic industrial capabilities</b>	<p>The proponent would commit to meeting a minimum threshold of annual domestic offtake of final product throughout the life of the project. Or;</p> <p>The proponent would commit to meeting a minimum threshold of domestic content used in annual production throughout the life of the project.</p>	<p>The proponent would commit to meeting a minimum threshold of annual domestic offtake of final product, higher than the baseline threshold. Or;</p> <p>The proponent would commit to meeting a minimum threshold of domestic content used in annual production, higher than the baseline threshold.</p>
<b>Stronger local supply chains</b>		

	The proponent would demonstrate a record of compliance with the <i>Modern Slavery Act 2018</i> (Cth) and State-level modern slavery legislation where applicable.	The proponent would commit to conducting human rights due diligence for the project supply chain, beyond requirements in modern slavery regulation.
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**Principle 6: ‘Demonstrating transparency and compliance in relation to the management of tax affairs, including benefits received under FMIA Supports’**

All FMIA rules pertaining to Principle 6 should mandate good practice disclosure standards and exposure to Australian tax liability for output produced domestically.

Recommended rules: Principle 6		
	Baseline requirements	Best practice
Transparency and compliance	<p>The proponent would commit to be subject to Australian tax in relation to any income from activities relating to production or transportation of products intended for FMIA support. And:</p> <p>The proponent would demonstrate a record of full compliance with country-by-country reporting legislation</p>	<p>The proponent would demonstrate a record of complete country-by-country disclosure. Or:</p> <p>The proponent would be structured as a B Corp, mutual enterprise or cooperative.</p>

**Future Made in Australia plans**

The *Future Made in Australia Act 2024* requires a recipient of FMIA support to develop and implement a written plan explaining how support would meet the community benefit principles.<sup>24</sup> The Act also makes provision for community benefit rules to prescribe requirements around the content of, and compliance with, such plans.<sup>25</sup>

FMIA plans have an important role to play in supporting the success of FMIA, including the Innovation Fund. The rules ought to ensure that commitments to meet community benefit principles, outlined in proponents’ plans, are both verifiable and readily enforceable. Uniform rules to this effect could be prescribed for all FMIA programs. If program-specific rules are preferred by the Commonwealth, they should be prescribed to all FMIA programs (including the Innovation Fund) individually. Regardless of government’s preferred model, these rules should set out requirements as follows:



### ***Assessment and verification***

The rules should require that FMIA plans include documentation, wherever possible, to support the Commonwealth to assess and verify all commitments to meet rules reflecting the community benefit principles.

### ***Compliance and enforcement***

The rules should set out a clear, comprehensive and accessible compliance regime for proponents' commitments to meet rules reflecting the community benefit principles. This regime should:

- Prescribe a process enabling workers, their representatives, and other intended beneficiaries of the community benefit principles (e.g. local suppliers) to raise a complaint with government around non-compliance with a community benefit rule.
- Provide for an enforcement authority empowered to investigate and act on a complaint around non-compliance with a community benefit rule. The authority would, at first instance, uphold or deny any such complaint.
- Provide for the enforcement authority to require a remedy from the entity bound by the FMIA rules, proportionate to the scale of non-compliance, where a complaint is upheld. While the rules cannot impose civil penalties,<sup>26</sup> remedies could include revocation of future FMIA benefits, specific performance, and/or exclusion of an entity from other Commonwealth financial support.
- Provide for the enforcement authority to seek alternative dispute resolution between a complainant and an entity receiving FMIA support, in the alternative to imposition of a remedy.

### ***Public reporting***

The rules should provide for a public registry of recipients of FMIA support. The registry should detail:

- The identity of recipients;
- General information as to the nature of supported projects – e.g. expected construction timelines and the nature of key products to be produced and/or R&D supported;
- The location, contact details and employee headcount of supported projects;
- Recurrent reports including sufficient information to demonstrate ongoing compliance with the community benefit principles and rules.

## **Conclusion and more information**

The AWU is committed to the success of the Innovation Fund and the wider Future Made in Australia program. Sound investment priorities and the imposition of rules enlivening the community benefit principles are crucial to this success. With appropriate ambition and a firm framework of rules, a fund that drives Australian capability and knowhow while delivering real and widespread benefits to workers and local communities can be achieved.

## References

<sup>1</sup> IbisWorld (2025), *'Iron smelting and steel manufacturing in Australia'*, p. 6;

John Curtin Research Centre & Australian Workers' Union (2022), *'Clean and mean: New directions for Australia's steel industry'*, p. 6. Available at: <https://awu.net.au/wp-content/uploads/2022/08/Clean-and-Mean-Digital-1.pdf>

<sup>2</sup> Quinn. T. et al (2024), *'Forging our Future: 10 requirements to build an export-scale green iron industry in Western Australia'*, Springmount Advisory, p. 6. Available at: <https://static1.squarespace.com/static/65cd4a36dc81661957e4757f/t/675b60fbafaecf0ab784eb08/1734041907060/Forging+our+Future+-+December+2024.pdf>

<sup>3</sup> Nicholas, S. & Basirat, S. (2023), *'Australia faces growing green iron competition from overseas'*, Institute for Energy Economics and Financial Analysis. Available at: <https://ieefa.org/resources/australia-faces-growing-green-iron-competition-overseas>;

Geoscience Australia (2018), *'Iron ore'*. Available at: <https://www.ga.gov.au/scientific-topics/minerals/mineral-resources-and-advice/australian-resource-reviews/iron-ore>

<sup>4</sup> Clean Energy Regulator (2025), *'Safeguard facility covered emissions data 2022-23'*. Available at: <https://cer.gov.au/markets/reports-and-data/safeguard-facility-covered-emissions-data-2022-23>

<sup>5</sup> International Energy Agency (2023), *'Aluminium'*. Available at: <https://www.iea.org/energy-system/industry/aluminium>

<sup>6</sup> Australian Workers' Union (2024), *'Submission: Unlocking Australia's low carbon liquid fuel opportunity'*. Available at: <https://www.infrastructure.gov.au/sites/default/files/documents/lclf2024-australian-workers-union.pdf>

<sup>7</sup> *Future Made in Australia Act 2024* (Cth), ss10(3)(b), 12, 15

<sup>8</sup> As set out in *Future Made in Australia Act 2024* (Cth), s10

<sup>9</sup> NSW Office of Energy and Climate Change (2022), *'NSW Renewable Energy Sector Board's Plan'*, pp. 11-12. Available at: <https://www.energy.nsw.gov.au/sites/default/files/2022-09/nsw-renewable-energy-sector-board-plan.pdf>;

Department of Climate Change, Energy, the Environment and Water (2024), *'Capacity Investment Scheme: Market brief on Tender 4'*, p. 10. Available at: <https://aemoservices.com.au/en/tenders/-/media/8d1884e40e904a97bf3a1bd22f8d6858.ashx?la=en>

<sup>10</sup> As specified by the Australian Bureau of Statistics: See Australian Bureau of Statistics (2025), *'Weekly earnings of employees, including distribution of earnings and hourly earnings, by State, Occupation, Industry and Qualifications'*. Available at: <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/employee-earnings/latest-release>

<sup>11</sup> Safe Work Australia (2022), *'Work health and safety consultation, cooperation and coordination: Code of practice'*. Available at: <https://www.safeworkaustralia.gov.au/sites/default/files/2022-09/model%20Code%20of%20Practice%20>

%20WHS%20consultation%2C%20cooperation%20and%20coordination%20-%20February%202022%20UD\_0.PDF;

Safe Work Australia (2022), '*Worker representation and participation guide*'. Available at: [https://www.safeworkaustralia.gov.au/sites/default/files/2022-06/worker\\_representation\\_and\\_participation\\_guide\\_-\\_updated\\_april\\_2022.pdf](https://www.safeworkaustralia.gov.au/sites/default/files/2022-06/worker_representation_and_participation_guide_-_updated_april_2022.pdf)

<sup>12</sup> That is, a worker without qualifications or whose qualifications need updating to meet the needs of a project.

<sup>13</sup> Infrastructure Australia (2024), '*Public infrastructure workforce supply dashboard*'. Available at: <https://www.infrastructureaustralia.gov.au/public-infrastructure-workforce-supply-dashboard>

<sup>14</sup> Jobs and Skills Australia (2023), '*The clean energy generation: Workforce needs for a net zero economy*', pp. 163-169. Available at: <https://www.jobsandskills.gov.au/download/19313/clean-energy-generation/2385/clean-energy-generation/pdf>

<sup>15</sup> Department of Employment and Workplace Relations (2024), '*Australian Skills Guarantee procurement connected policy*', p. 6. Available at: <https://www.dewr.gov.au/download/16254/skills-guarantee-procurement-connected-policy/36990/skills-guarantee-procurement-connected-policy/pdf>

<sup>16</sup> Department of Employment and Workplace Relations (2024), '*Australian Skills Guarantee*'. Available at: <https://www.dewr.gov.au/australian-skills-guarantee>

<sup>17</sup> AEMO Services (2024), '*Capacity Investment Scheme Tender 4: National Electricity Market – generation*', p. 41. Available at: <https://aemoservices.com.au/-/media/services/files/cis/cis-t4-nem/241213-2-cis-tender-4-tender-guidelines.pdf?la=en>

<sup>18</sup> Department of Employment and Workplace Relations (2024), '*Australian Skills Guarantee*'. Available at: <https://www.dewr.gov.au/australian-skills-guarantee>

<sup>19</sup> *Net Zero Economy Authority Act 2024* (Cth), ss5, 8

<sup>20</sup> Net Zero Economy Authority (2024), '*Support for workers in the net zero transformation*'. Available at: <https://www.netzero.gov.au/support-workers-net-zero-transformation>

<sup>21</sup> As a percentage of GDP: The World Bank (2024), '*Manufacturing, value added (% of GDP) – Australia*'. Available at: <https://data.worldbank.org/indicator/NV.IND.MANF.ZS?locations=AU>

<sup>22</sup> Both in absolute terms and especially as a proportion of the Australian workforce: Australian Bureau of Statistics (2024), '*Spotlight on the Australian labour market over the last 30 years*'. Available at: <https://www.abs.gov.au/articles/spotlight-australian-labour-market-over-last-30-years>

<sup>23</sup> Harvard University Growth Lab (2024), '*Australia*'. Available at: <https://atlas.hks.harvard.edu/countries/36>

<sup>24</sup> *Future Made in Australia Act 2024* (Cth), s11

<sup>25</sup> *Future Made in Australia Act 2024* (Cth), ss11(2)(c), 15(1)

<sup>26</sup> *Future Made in Australia Act 2024* (Cth), s15(2)