

Part 6: Statement of Risks

Risks to the Budget – Overview

The forward estimates of revenue and expenses in the 2025–26 Mid-Year Economic and Fiscal Outlook (MYEFO) incorporate assumptions and judgments based on the best information available at the time of publication, together with a range of economic assumptions and other forecasts and projections.

Events that could affect fiscal outcomes include:

- changes in economic and other parameters, which may be driven by the evolution of and responses to domestic and global inflationary pressures, volatility in global commodity prices, further global instability stemming from conflicts in Europe and the Middle East, and the challenges associated with the transition towards net zero emissions
- matters not included in the fiscal forecasts because of uncertainty about their timing, magnitude or likelihood
- the realisation of contingent liabilities or assets.

The revenue and expense estimates and projections published in the 2025–26 MYEFO are based on a range of economic and other parameters that are consistent with the domestic and international outlook detailed in *Part 2: Economic Outlook*. Economic outcomes that differ from the parameters used in the Budget represent a material risk to the Budget estimates. *Part 5: Forecasting Performance and Sensitivity Analysis* examines the impact on receipts and payments of altering some of the key economic assumptions underlying the MYEFO estimates.

Expenditure can differ from forecasts for program specific reasons. Forecasts of payments for demand-driven programs, such as payments related to Aged Care, Child Care or the National Disability Insurance Scheme, are highly dependent on estimates of the number of expected participants or beneficiaries and estimates of the cost of providing services to different cohorts of participants. These can be affected by administrative decisions associated with these programs. Decisions made by courts, tribunals and other legal/statutory bodies (such as through the Fair Work Commission) can also affect the cost of activities funded by the Government.

Revenue forecasting relies heavily on the observed relationships between the economy, tax bases and tax revenues. Such relationships may shift over time as the economy changes, presenting risk to the estimates. For example, the ability of entities to use tax losses to offset profits may continue to pose heightened challenges in estimating the profile for company and resource tax receipts. Revenue forecasts also incorporate costings for new policies that typically involve a degree of uncertainty.

The estimates and projections of revenue are also subject to general risks that can affect taxation collections. These risks include the ability of the tax system to keep pace with changes in the business environment, the potential for tax avoidance, pending court decisions and Australian Taxation Office rulings, and the uncertain outcomes of compliance programs. The manifestation of these risks may result in a shift in the composition of taxation collected from the various tax bases or a change in the size of the tax base.

Many agencies rely on external revenue to fund the delivery of some of their services. Estimates included in the MYEFO for these agencies reflect the latest information about the likely amount of external revenue they will raise. The external revenue actually collected is not certain and depends on some common factors, including economic conditions, which can affect estimates for individual agencies and for the Budget as a whole.

The forward estimates in the MYEFO include the impact of all policy decisions, including those that remain unlegislated. This includes the impact of policy decisions that have been made but where negotiations remain underway or implementation details are still being finalised. There are risks to the fiscal position where legislation is not passed in time, where negotiations deliver outcomes that go beyond the funding offer or where final implementation details affect the timing or quantum of expected payments.

The risks associated with climate change

Over time, climate change is expected to have a significant impact on the Budget, both in terms of risks and opportunities. The Australian Government is managing these impacts by reducing emissions and supporting the economic opportunities presented by the net zero transition. However, there is still significant uncertainty about the trajectory of global greenhouse gas emissions and the impacts climate change will have on Australia.

Climate change can affect macroeconomic and fiscal outcomes in various ways. These include the physical impacts of climate change, the indirect impacts climate change will have on Australia's industry mix, and the impacts of policy responses to reduce emissions or adapt to the impacts of a changing climate. Each of these has the potential to affect receipts, payments, and the Australian Government's balance sheet. They also have the potential to influence general economic outcomes, which may, in turn, affect Budget outcomes.

This Statement sets out specific risks where they may have an impact on the Budget in the Budget year or over the forward estimates period. Some of these risks, such as those associated with extreme weather events and related flooding reinsurance pool and disaster recovery arrangements, are likely to be exacerbated by climate change over time. Other specific risks may emerge that will impact the Budget beyond the forward estimates period.

Specialist direct Investment Vehicles

Successive Australian Governments have established Specialist direct Investment Vehicles (SIVs) to finance sectors of the economy to achieve policy outcomes. As at the 2025–26 MYEFO, there are eight SIVs: the Australian Infrastructure Financing Facility for the Pacific, the Australian Renewable Energy Agency, the Clean Energy Finance Corporation, Export Finance Australia, Housing Australia, the National Reconstruction Fund Corporation, the Northern Australia Infrastructure Facility and the Regional Investment Corporation. These SIVs have robust governance arrangements, including their own boards that make independent investment decisions balancing commercial and policy outcomes in line with each SIV's legislative framework. Details of each SIV is set out in Budget Paper No. 2 or Appendix A to the MYEFO when they are established and, where relevant, presented in the 'Government loans' section of this Statement, including the total value of loans issued by each entity. This Statement includes reference to specific risks associated with these SIVs at the time it is apparent that the impact of those risks associated with the investments exceed or are expected to exceed the materiality threshold of \$20 million in any one year, or \$50 million over the forward estimates.

Specific risks to the Budget

The Budget is subject to contingent liabilities. Many of these reflect indemnities, including those relating to the Department of Defence, the Future Fund Management Agency and Future Fund Board of Guardians, and the Reserve Bank of Australia. The Australian Government has also issued guarantees, including those relating to guarantee schemes for the banking and financial sector, payments by Export Finance Australia, and the superannuation liabilities of the Commonwealth Bank prior to its sale. Other significant contingent liabilities relate to uncalled capital subscriptions and credit facilities to international financial institutions and legal cases concerning the Australian Government. The Government has robust and conservative strategies in place to reduce its potential exposure to these contingent liabilities.

Table 6.1 outlines how fiscal risks, assets and liabilities, and contingent assets and liabilities, are disclosed in the MYEFO.

Table 6.2 summarises fiscal risks, contingent liabilities and contingent assets with a possible impact on the forward estimates greater than the materiality threshold of \$20 million in any one year, or \$50 million over the forward estimates period. Risks that are new or that have materially changed are detailed by portfolio after Table 6.2.

The Australian Government's annual consolidated financial statements and the annual financial statements of departments and other government entities also set out information on contingent liabilities and contingent assets.

The Government also makes direct loans for policy purposes. All loans contain some element of credit risk (that is, they will not be repaid in full) although, in many cases, this risk is small. Details of Government loans estimated to exceed \$200 million at 30 June 2025 are included at the conclusion of this Statement.

Table 6.1: Disclosure of fiscal risks, contingent assets and contingent liabilities, and assets and liabilities in the Budget papers

Category	Type(a)	Disclosure
Fiscal Risks	Fiscal Risks	Statement of Risks
Contingent assets and contingent liabilities	Significant contingent assets and liabilities considered remote	Statement of Risks
	Unquantifiable contingent assets and liabilities that are improbable but not remote	Statement of Risks
	Quantifiable contingent assets and liabilities that are improbable but not remote	Statement of Risks
	Contingent assets and liabilities excluded on the basis of immateriality(b)	None
Assets and liabilities	Assets and liabilities that are probable and can be reliably measured	Balance sheet(c)(d)
	Assets and liabilities that are probable but have an uncertain timing or amount (provisions)	Balance sheet

a) Items that are described as probable have a 50 per cent or higher chance of occurrence.

b) Only risks with a possible impact on the forward estimates greater than \$20 million in any one year, or \$50 million over the forward estimates period, are considered material and disclosed in this Statement.

c) Unearned income from charging guarantee fees is shown as a liability in the balance sheet.

d) Additional disclosure to increase transparency on loans over \$200 million is included in this Statement.

Table 6.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks^(a)

Agriculture, Fisheries and Forestry	Status
Contingent liabilities – unquantifiable	
Commonwealth liabilities in respect of matching payments to industries for research and development contributions	Unchanged
Emergency pest and disease response arrangements	Unchanged
Attorney-General's	Status
Significant but remote contingency	
Indemnities relating to the Air Security Officer Capability	Unchanged
Contingent liabilities – unquantifiable	
Civil penalty relating to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 – The Star Pty Limited and The Star Entertainment QLD Limited	Unchanged
Civil penalty relating to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 – Entain Group Pty Ltd	Unchanged
Climate Change, Energy, the Environment and Water	Status
Fiscal Risk	
Snowy Hydro Limited	Modified
Significant but remote contingencies	
Snowy Hydro Limited – Board Members' indemnity	Unchanged
Snowy Hydro Limited – Termination of the Equity Subscription Agreements	Unchanged
Contingent liabilities – unquantifiable	
Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability	Unchanged
Liability for costs incurred in a national liquid fuel emergency	Unchanged
Marinus Link Project – Shareholders' agreement	Modified
Murray-Darling Basin Reform – risk assignment	Unchanged
Remediation of Jabiru Township	Unchanged
United States Strategic Petroleum Reserve Lease Agreement – indemnity under certain conditions	Unchanged
Contingent liabilities – quantifiable	
Capacity Investment Scheme	Modified
Underwriting of the Marinus Link Project	Removed
Contingent asset – quantifiable	
Capacity Investment Scheme	New
Defence	Status
Fiscal Risks	
Implementation of the nuclear-powered submarine program	Unchanged

Table 6.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Defence (continued)	Status
Fiscal Risks	
Major operations of the Australian Defence Force in 2025–26	Unchanged
Significant but remote contingencies	
ADI Limited – Officers’ and Directors’ indemnities	Unchanged
Litigation cases	Unchanged
Remote Contingencies	Unchanged
Contingent liabilities – unquantifiable	
Cockatoo Island Dockyard	Unchanged
Land decontamination, site restoration and decommissioning of Defence assets	Unchanged
Contingent liability – quantifiable	
Claims against the Department of Defence	Removed
Employment and Workplace Relations	Status
Fiscal Risk	
Recovery of inappropriately claimed VET FEE-HELP payments from VET providers	Unchanged
Contingent liability – unquantifiable	
Indemnity provided to the Administrator of the Construction and General Division of the Construction, Forestry and Maritime Employees Union	Removed
Compensation for unlawful decisions under the Targeted Compliance Framework	New
Contingent liabilities – quantifiable	
Parent Pathways service	Unchanged
ParentsNext program	Removed
Workforce Australia – Employment Fund	Modified
Finance	Status
Significant but remote contingency	
Australian Naval Infrastructure Pty Ltd – Termination of the Equity Funding Agreement	Unchanged
Contingent liabilities – unquantifiable	
ASC Pty Ltd – Directors’ and Executives’ indemnities	Unchanged
ASC Pty Ltd – Guarantee of Indemnity from ASC in favour of ASC Shipbuilding Pty Limited	Unchanged
Australian Government general insurance fund – Comcover	Unchanged
Commonwealth Superannuation Corporation – immunity and indemnity	Unchanged

Table 6.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Finance (continued)	Status
Contingent liabilities – unquantifiable	
Finance owned estate	Unchanged
Future Fund Management Agency and Future Fund Board of Guardians – indemnity	Unchanged
Googong Dam	Unchanged
Indemnities for the Reserve Bank of Australia and private sector banks	Unchanged
Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects	Unchanged
Kenbi Land Claim No. 37, Cox Peninsula, Northern Territory	Unchanged
Foreign Affairs and Trade	Status
Fiscal Risk	
Export Finance Australia – National Interest Account	Modified
Contingent liabilities – quantifiable	
Export Finance Australia	Unchanged
Papua New Guinea Rugby League Franchise	Unchanged
Health, Disability and Ageing	Status
Fiscal Risks	
Aged Care	Modified
National Disability Insurance Scheme	Modified
Contingent liabilities – unquantifiable	
Accommodation Payment Guarantee Scheme	Unchanged
Advance Purchasing Agreements for COVID-19 vaccines	Unchanged
Australian Red Cross Society – indemnities	Unchanged
Blood and blood products liability cover	Unchanged
CSL Ltd	Unchanged
Indemnities relating to vaccines	Unchanged
Medical Indemnity Exceptional Claims Scheme	Unchanged
Medical Rural Bonded Scholarship Waivers	Unchanged
mRNA manufacturing facility – indemnities	Unchanged
Contingent asset – unquantifiable	
Legal action seeking compensation	Unchanged

Table 6.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Home Affairs	Status
Fiscal Risk	
Regional processing arrangements	Unchanged
Significant but remote contingency	
Indemnities relating the Air Security Officer Capability	Unchanged
Contingent liabilities – unquantifiable	
Australian victims of terrorism overseas payment	Unchanged
Commonwealth Community Safety Order Scheme – Federation Funding Agreement – indemnity	Modified
Disaster Recovery	Unchanged
Facilities, garrison, transferee arrivals and receptions, and health services in the Republic of Nauru – liability limit	Unchanged
Immigration detention services by state and territory governments – liability limit	Unchanged
Immigration detention services contract (Serco) – liability limit	Removed
Immigration detention services contract (Secure Journeys) – liability limit	Unchanged
Contingent assets – unquantifiable	
Civil penalty relating to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 – Star Pty Limited and The Star Entertainment Group QLD Limited	Unchanged
Civil penalty relating to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 – Entain Group Pty Ltd	Unchanged
Industry, Science and Resources	Status
Fiscal Risks	
Government support for Whyalla Steelworks	Modified
Rehabilitation of the Ranger Uranium Mine	Unchanged
Significant but remote contingencies	
Liability for damages caused by space and certain high-power rocket activities	Unchanged
Operations and maintenance of the Northern Endeavour and associated infrastructure	Unchanged
Contingent liabilities – unquantifiable	
Australian Nuclear Science and Technology Organisation – asbestos contamination	Unchanged
Australian Nuclear Science and Technology Organisation – indemnity	Unchanged
Australian Nuclear Science and Technology Organisation – legacy waste management to final disposal	Unchanged
Former British atomic test site at Maralinga	Unchanged
Land and building decontamination and site restoration for CSIRO property	Unchanged
Lindfield facility – asbestos contamination	New
Barrow Island royalty variation	New

Table 6.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Infrastructure, Transport, Regional Development, Communications, Sport and the Arts	Status
Fiscal Risks	
Australia Post's financial stability	Unchanged
Infrastructure Investment Program project slippage adjustment	Modified
Inland Rail – delivery	Unchanged
Regional Express Holdings Limited (Administrators Appointed) (Rex)	Removed
Significant but remote contingencies	
Inland Rail – Termination of the Equity Financing Agreement	Unchanged
Maritime Industry Finance Company Limited – Board Members' indemnity	Unchanged
Moorebank Intermodal Project – Glenfield Waste Site Easement	Unchanged
National Intermodal Corporation Limited – Termination of the Funding Agreement	Unchanged
NBN Co Limited – Termination of the Equity Funding Agreement	Unchanged
Telstra Financial Guarantee	Unchanged
Tripartite deeds relating to the sale of federal leased airports	Unchanged
WSA Co Limited – Board Members' indemnities	Unchanged
WSA Co Limited – Sydney Metro – Western Sydney Airport indemnity	Unchanged
WSA Co Limited – Termination of the Equity Subscription Agreement	Unchanged
Contingent liabilities – unquantifiable	
Australian Maritime Safety Authority – ship-sourced pollution incident costs	Unchanged
Aviation rescue and firefighting services potential per- and poly-fluoroalkyl substances contamination	Unchanged
Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory	Unchanged
Major sporting events	Unchanged
Moorebank Intermodal Project – Georges River rail crossing	Unchanged
Service Delivery Arrangement Indemnities – Indian Ocean Territories and Jervis Bay Territory	Unchanged
Prime Minister and Cabinet	Status
Contingent liability – quantifiable	
Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia	Unchanged
Social Services	Status
Contingent liabilities– unquantifiable	
Income apportionment and debt pause	Removed
Matthew Chaplin v Secretary, Department of Social Services	New
Prygodicz v Commonwealth	Removed

Table 6.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Social Services (continued)	Status
Contingent asset – quantifiable	
National Redress Scheme	Unchanged
Treasury	Status
Fiscal Risks	
Guarantee for Australia and New Zealand Banking Group Limited's Pacific liabilities	Unchanged
Guarantee for the Asia Development Bank's Innovative Finance Facility	Unchanged
Significant but remote contingencies	
Asbestos Injuries Compensation Fund	Unchanged
Financial Claims Scheme	Unchanged
Guarantee for Housing Australia	Modified
Guarantees under the Commonwealth Bank Sale Act 1995	Unchanged
Reserve Bank of Australia – Guarantee	Unchanged
Contingent liabilities – quantifiable	
Guarantee of a cyclone and related flooding reinsurance pool	Unchanged
Guarantees for housing	Modified
Indemnities for specialised external advisers during the COVID-19 pandemic	Unchanged
Small and Medium Enterprise (SME) Guarantee Scheme and SME Recovery Loan Scheme	Unchanged
Terrorism insurance – commercial cover	Unchanged
Australian Taxation Office – tax disputes	Unchanged
International financial institutions – uncalled capital subscriptions	Unchanged
International Monetary Fund – 16th General Review of Quota	Unchanged
International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement	Unchanged
International Monetary Fund – Poverty Reduction and Growth Trust	Unchanged
International Monetary Fund – Resilience and Sustainability Trust	Unchanged
Veterans' Affairs	Status
Fiscal Risk	
Defence Service Homes Insurance Scheme	Unchanged
a) Detailed description of the modified and new items are in the following text.	

Climate Change, Energy, the Environment and Water

Fiscal Risk

Snowy Hydro Limited

The Australian Government has committed to provide additional financial support to Snowy Hydro Limited to support the delivery of the Snowy 2.0 pumped hydro project and the Hunter Power Project. These projects will improve the security and reliability of the National Electricity Market by providing reliable, dispatchable power and large-scale energy storage. Project risks for Snowy 2.0 include potential construction delays, cost pressures and cash flow forecasts.

The Government continues to monitor these risks through engagement and oversight of Snowy Hydro Limited, including the Snowy 2.0 cost reassessment which was announced on 3 October 2025.

Contingent liability – unquantifiable

Marinus Link Project – Shareholders’ agreement

The Australian Government, along with the Victorian and the Tasmanian Governments, has invested in the joint venture entity Marinus Link Pty Ltd to deliver the Marinus Link project. On 1 August 2025, shareholder governments collectively reached a positive Final Investment Decision to proceed with Stage 1 of Marinus Link and, on 29 August 2025, Marinus Link Pty Ltd and the Clean Energy Finance Corporation reached Financial Close on the project’s debt arrangements.

The project is now progressing towards proposed construction commencement in early 2026. There are ongoing risks as the project progresses, such as from the co-dependent North West Transmission Developments project. The Australian Government will continue to monitor these risks through engagement with the Tasmanian and Victorian Governments and ongoing oversight of Marinus Link Pty Ltd’s activities.

In the event of winding up the project, shareholders may be required to contribute additional equity to meet any outstanding liabilities of Marinus Link Pty Ltd.

Under the shareholders’ agreement, the Tasmanian Government has the option to sell some or all of its shares in Marinus Link Pty Ltd to the other shareholders. This option can only be exercised following the commencement of commercial operations of stage one of the project, currently scheduled for 2030. While the Victorian Government has the first right of refusal to purchase these shares, the Australian Government is required to purchase the shares that the Victorian Government does not acquire. Any additional shares purchased would be expected to generate a return in line with the Australian Government’s existing shareholding in the entity.

Contingent liability – quantifiable

Capacity Investment Scheme

The Australian Government has announced it intends to enter into underwriting agreements under the Capacity Investment Scheme (CIS) for:

- six projects through the South Australia and Victoria tender, which are expected to generate 3.62 gigawatt hours (GWh) in storage capacity
- 19 projects through CIS Tender 1 – National Electricity Market (NEM) Generation, providing storage capacity of 3.56 GWh and generating 6.38 gigawatts of renewable energy to the NEM
- four projects through CIS Tender 2 – Wholesale Electricity Market (WEM) Dispatchable, in Western Australia, which are expected to have a combined capacity of around 2.6 GWh in storage capacity
- 16 projects through CIS Tender 3 – NEM Dispatchable, providing storage capacity of 4.13 gigawatts (GW)/15.37 gigawatt hours (GWh) in the NEM
- 20 projects through CIS Tender 4 – NEM Generation, generating 6.6 GW of renewable energy and providing storage capacity of 11.4 GWh in the NEM.

Under the terms of these underwriting agreements, once the projects are built and operational, if the annual revenue earned by a project is below the agreed revenue floor, the Australian Government will pay the project operator 90 per cent of the revenue shortfall up to the agreed annual cap for 15 years. If annual revenue earned by a project exceeds the agreed ceiling, the project operator pays the Australian Government 50 per cent of revenue above the ceiling up to the agreed cap.

The Australian Government's maximum liability and estimated payments under these agreements are not for publication due to commercial sensitivities. While estimated payments are not for publication, they are reflected in the forward estimates from 2026–27. Final payments will depend on future electricity prices and the resulting impact on project revenues.

Any additional specific risks associated with this program will be reflected in the Statement of Risks once further contracts are finalised and if it is determined that they meet the materiality thresholds for inclusion.

Contingent asset – quantifiable

Capacity Investment Scheme

Performance securities are provided to the Australian Government by project operators in the form of a financial guarantee under the terms of the Capacity Investment Scheme (CIS) agreements.

The Government may draw on the performance security in specific circumstances in accordance with the terms of the CIS contract. The performance security must be returned to the Project Operator within ten business days after the earlier date of commercial operations or termination.

At 30 June 2025, the Government holds performance securities in the form of bank guarantees totalling \$47.8 million.

Employment and Workplace Relations

Contingent liability – quantifiable

Workforce Australia – Employment Fund

Since July 2022, with the introduction of Workforce Australia, contracted service providers and the Digital Services Contact Centre have had access to the Employment Fund, which can be used to purchase goods and services to help participants to get and keep a job.

- Providers initially accumulated a \$1,600 Employment Fund credit upon commencement of each participant in Workforce Australia Provider Services. This reduced to \$1,500 from 1 July 2025 as part of the 2024–25 Budget measure *Employment Services Reform – Supporting Jobseekers Through Paid Employment Pathways Package*. The Employment Fund credit remains at \$1,600 for Broome Employment Services and Yarrabah Employment Services as these two services have different policy and program settings.
- Participants in Workforce Australia Online attract an Employment Fund credit, credited after a participant has been in Digital Services for two months. The credit amount reduced from \$300 to \$250 from 1 June 2024 as part of the 2024–25 Budget measure *Employment Services Reform – Rebasing the Digital Services Contact Centre Funding*. New credits have been paused for the duration of the 2025 calendar year as part of the 2024–25 MYEFO measure *Temporarily Pausing Workforce Australia Online Employment Fund Credits*.

Currently, Employment Fund expenditure is expected to be less than the value of the available credits, creating an accumulating surplus of credits that present a contingent liability. As at 31 August 2025, there was \$685.2 million in unspent Employment Fund Credits in the Workforce Australia Employment Fund notional bank (this includes Workforce Australia Online Employment Fund, Workforce Australia Services Employment Fund, Broome Employment Services Employment Fund and Yarrabah Employment Services Employment Fund).

Contingent liability – unquantifiable

Compensation for unlawful decisions under the Targeted Compliance Framework

Since 2020, some decisions to cancel social security payments under the Targeted Compliance Framework (TCF) have been found to be invalid. Individuals affected by these decisions may have experienced financial or other forms of detriment.

Affected individuals may be eligible for compensation through an application based process administered under the Scheme for Compensation for Detriment caused by Defective Administration (CDDA). The CDDA scheme would support individuals to receive compensation owing to defective administration of the TCF.

The total fiscal impact of these payments is currently unquantifiable, as it will depend on the number of applications received and the outcome of individual assessments. This represents an unquantifiable contingent liability for the Australian Government.

Foreign Affairs and Trade

Fiscal Risk

Export Finance Australia – National Interest Account

There are four financing facilities under Export Finance Australia's National Interest Account.

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) started operation on 1 July 2019. The AIFFP can provide up to \$4.0 billion in financing, including up to \$1.0 billion in grants and the balance in loans and guarantees, to support high priority infrastructure development in Pacific countries and Timor-Leste. To date, the Australian Government has agreed to provide loans, guarantees and grants to support the development of 57 infrastructure projects in 11 countries. As at 1 October 2025, the maximum loan exposure was \$1.1 billion, of which \$243.6 million has been drawn down.

The Critical Minerals Facility (CMF) was established on 28 September 2021 to provide finance to critical minerals projects in Australia where private sector finance is unavailable or insufficient. In the 2025–26 MYEFO, the Australian Government expanded the CMF by \$1.0 billion for a maximum aggregate exposure of \$5.0 billion. To date, the Government has agreed to provide a total of approximately \$3.1 billion to support six projects under the facility. As at 1 October 2025, \$489.9 million has been drawn down from the CMF.

The Defence Export Facility (DEF) was established to grow Australia's defence exports by helping to overcome difficulties in accessing private sector finance. The DEF has a maximum aggregate exposure of US\$3.0 billion (approximately A\$4.6 billion as at 1 October 2025). To date, three loans under the DEF have been agreed for a total signing value of A\$228.0 million. As at 1 October 2025, A\$124.1 million was outstanding.

The Southeast Asia Investment Financing Facility (SEAIFF) was announced on 5 March 2024. The SEAIFF will provide up to \$2.0 billion in loans, guarantees, equity and insurance for projects that would boost Australian trade and investment in Southeast Asia, particularly in support of the region’s clean energy transition and infrastructure development. To date, the Government has agreed to provide a total of approximately \$340.8 million to support three projects under the SEAIFF. As at 1 October 2025, \$6.8 million had been drawn down.

The *Export Finance and Insurance Corporation Act 1991* has been amended to enable Export Finance Australia to finance domestic projects in the national interest where they are consistent with the Future Made in Australia National Interest Framework. The Government will be able to consider supporting projects on the National Interest Account through financing including debt or equity, where projects are unable to progress solely through commercial financing.

Health, Disability and Ageing

Fiscal Risks

Aged Care

The Australian Government is the principal funder of aged care services, including residential aged care and in-home aged care services.

The *Aged Care Act 2024* commenced on 1 November 2025 and provides the legislative basis for the Government’s reforms to aged care services, including the establishment of the Support at Home program to deliver improved and more targeted in-home care services, and a new framework for participant contributions for residential aged care and in-home aged care services to create a more equitable and sustainable aged care system.

As with other new demand-driven programs, there is greater potential for the estimated costs of the aged care programs to be subject to adjustments to reflect observed changes in actual payments. The estimated costs for the Support at Home program will depend on successful implementation, demand for the new program, wait times, the level of services that care recipients are assessed as eligible for, the services they choose to access and the amount that care recipients contribute towards their costs. The observed impact of the changes to the contribution arrangements for care recipients in residential aged care may also impact on the estimated costs for residential aged care.

National Disability Insurance Scheme

The National Disability Insurance Scheme (NDIS) provides financial support to Australians with permanent and significant disability to build capacity, increase independence and establish stronger connections with their community.

As with other demand-driven programs, the estimated costs for the Scheme are subject to adjustments to reflect observed changes in actual payments. Scheme projections are liable to change as significant reform initiatives are implemented and the Scheme continues to mature. Reform initiatives may lead to revisions to forecasts of the number of Scheme participants, the funds allocated in participant support packages, the payments by participants from those funds for supports, and the resourcing required by the National Disability Insurance Agency to effectively administer the Scheme.

National Cabinet committed to a NDIS Financial Sustainability Framework to ensure the Scheme is sustainable in the long term, with an annual growth target for Scheme costs of no more than 8 per cent from 1 July 2026.

The *National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track No. 1) Act 2024* (the amending Act) commenced on 3 October 2024. Changes in the amending Act and subsequent amendments to NDIS rules and other legislative instruments have begun to moderate growth in Scheme expenditure. Further moderation is expected from the implementation of new framework planning, which will determine Scheme participant plan budgets more consistently based on participant need.

The 2025–26 MYEFO estimates for the Scheme are based on updated projections from the NDIS Actuary as at end June 2025.

Home Affairs

Contingent liability – unquantifiable

Commonwealth Community Safety Order Scheme – Federation Funding Agreement – indemnity

The Department of Home Affairs has negotiated arrangements for the Community Safety Order scheme and has, on behalf of the Commonwealth, entered into a Federation Funding Agreement (FFA) with New South Wales (NSW) ending on 30 June 2025. An extension to the FFA covering the period from 1 July 2025 to 30 June 2026 is currently being negotiated. The FFA provides for the delivery of services including evidence collection, specialist legal support, accommodation (in prison) and case management support for offenders in the community.

The accommodation component of the services is governed by a housing agreement that stipulates baseline detention under a Community Safety Detention Order. The housing agreement indemnifies NSW, and each of its employees, officers and agents, for all costs reasonably sustained or incurred in the operation of the housing agreement.

Industry, Science and Resources

Fiscal Risk

Government support for Whyalla Steelworks

On 19 February 2025, the South Australian Government appointed an administrator to OneSteel Manufacturing Pty Ltd (OneSteel). On 20 February 2025, the Australian and South Australian Governments announced joint support of \$2.4 billion to stabilise and secure the long-term future of the Whyalla Steelworks, including up to \$1.9 billion for the transformation of the Steelworks. The Australian Government's funding contribution for immediate on the ground support and initial contribution to the administration process are reflected in the 2025–26 Budget, as is the commitment of up to \$500 million of the Green Iron Investment Fund to support the long-term transformation of the Steelworks. The Commonwealth has made a further contribution of \$145.5 million to the administration process as reflected in the 2025–26 MYEFO. The Australian Government has also committed to make additional financing contributions, subject to commercial negotiations, as part of the \$1.9 billion joint commitment to the long-term transformation of the steelworks. Funding to support a further extension of the administration process could also be considered if necessary, but this would be subject to a future decision of government so is unable to be quantified at this time.

Contingent liabilities – unquantifiable

Lindfield facility – asbestos contamination

The measurement facility at Lindfield NSW contains asbestos in several buildings and in the soil. The costs of potential long-term management options cannot be accurately quantified at this time.

Barrow Island royalty variation

The *Barrow Island Royalty Variation Agreement Act 1985* (WA) provides the basis for royalties to be refunded in the final calendar year of active operations (2025) and the subsequent 3-years. These refunds can be equal to 40 per cent of the net value (the value of production less eligible deductions for costs such as rehabilitation and well abandonment) and are capped at the total value of previous royalty payments. The cost of the refund will be split between the Australian and Western Australian Governments in line with the split of royalty income. While the refund could be significant, the final amount cannot be accurately calculated until the value of production is verified and audited, and eligible costs are paid and similarly verified and audited.

Infrastructure, Transport, Regional Development, Communications, Sport and the Arts

Fiscal Risk

Infrastructure Investment Program project slippage adjustment

The Infrastructure Investment Program includes a slippage adjustment to take account of historical experience, including the timing of states claiming payments against milestones and the complexity of delivery. In the 2025–26 MYEFO, the adjustment is set at \$1.6 billion in 2025–26, \$1.5 billion in 2026–27 and \$0.4 billion in 2027–28, and is unwound over 2028–29 to 2033–34. As the adjustment does not affect the Australian Government's commitments to individual states and territories, there is an equivalent financial risk to the Australian Government should the states and territories meet all current project milestones. A similar adjustment was implemented in previous Budget rounds, including the 2025–26 Budget.

Social Services

Contingent liability – unquantifiable

Matthew Chaplin v Secretary, Department of Social Services

On 6 November 2025, the High Court of Australia granted Mr Chaplin (represented by Victoria Legal Aid) special leave to appeal the Full Federal Court's decision in *Chaplin v Secretary, Department of Social Services* [2025] FCAFC 89 (*Chaplin case*). Costs associated with the appeal (if any) are not quantifiable until the matter is determined by the Court or otherwise resolved. The contingent liability is partially mitigated by the *Social Security and Other Legislation Amendment (Technical Changes No. 2) Act 2025*, which validates the historical practice of income apportionment and provides for a hierarchy of methodologies to be followed in the calculation of debts involving pre-7 December 2020 employment income.

Treasury

Significant but remote contingency

Guarantee for Housing Australia

The Australian Government guarantees the due payment of money payable by Housing Australia to anyone other than the Government. The cap on the Australian Government's guarantee over Housing Australia's commitments has been increased from \$26 billion to \$44 billion to support commitments for Housing Australia Future Fund Round 3 projects.

The Housing Australia Board must not allow Housing Australia to enter into a transaction that would result in its total guaranteed commitments, and any outstanding amount borrowed from the Government, to exceed \$44 billion, unless approved by the Government.

Contingent liability – unquantifiable

Guarantees for housing

The Australian Government has several programs to support individuals to enter the housing market sooner. These are administered by Housing Australia.

On 1 October 2025, the Government expanded the 5% Deposit Scheme (the Scheme) (formerly the Home Guarantee Scheme) by uncapping places under all streams, removing the income caps, and increasing property price caps. The Scheme comprises the **General Stream** and the **Single Parent Stream**.

The General Stream (formerly the **First Home Guarantee** and the **First Home Loan Deposit Scheme**) is designed to support eligible first home buyers, and non-first home buyers who have not owned a property in Australia within the past ten years, to build or purchase a home by providing a guarantee to participating lenders for up to 15 per cent of the property purchase price.

The **Single Parent Stream** (formerly the **Family Home Guarantee**) is designed to support single parents and single legal guardians with dependents seeking to enter, or re-enter, the housing market by providing a guarantee to participating lenders for up to 18 per cent of the property purchase value.

The following programs previously operated under the Home Guarantee Scheme but have now concluded. Guarantees issued in previous financial years under these programs remain active.

The **New Home Guarantee** was designed to support eligible first home buyers seeking to build a new home or purchase a newly built home by providing a guarantee to participating lenders for up to 15 per cent of the property purchase value. A second tranche of 10,000 New Home Guarantees was made available from 1 July 2021. The New Home Guarantee concluded on 30 June 2022.

The **Regional First Home Buyer Guarantee** was designed to support regional eligible first home buyers and non-first home buyers who have not owned a property in Australia within the past ten years, to build or purchase a home in a regional location by providing a guarantee to participating lenders of up to 15 per cent of the property purchase value (subject to a minimum deposit of 5 per cent). The Regional First Home Buyer Guarantee commenced on 1 October 2022. The Regional First Home Buyer Guarantee concluded on 30 September 2025.

For the four programs listed above, the Australian Government guarantees the liabilities as they arise. Guaranteed liabilities arise where a lender's loss is covered by the guarantee. The lender then makes a claim against the guarantee and Housing Australia assesses the claim. Given liabilities under the Scheme are met by a standing appropriation, Housing Australia is not required to maintain capital and reserves to meet the liabilities associated with these programs.

Government loans

Loans are recorded as financial assets. Accordingly, the amounts advanced and repaid do not normally affect the Budget aggregates of fiscal balance and underlying cash balance. Loans that are concessional (lower than market interest rate) or are agreed to be written off, result in an impact on the fiscal balance.

The Government makes loans for policy purposes. All loans contain some element of credit risk that they will not be repaid in full, although in many cases this risk is small. Table 6.3 summarises Government loans estimated to exceed \$200 million at 30 June 2025.

Table 6.3: Summary of Australian Government loans meeting the materiality threshold

Portfolio	Loan amount(a) (\$m)	Borrower	Interest rate	Term	Status(b)
Agriculture, Fisheries and Forestry					
Drought-related and farm finance concessional loans – Agriculture	133	State Governments (that through their delivery agencies, on-lend to eligible farm businesses)	Various	10 years	Unchanged
Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans and AgRebuild Loans	2,749	Eligible Australian farm businesses and related small businesses, through the Regional Investment Corporation	5.18 per cent for all loans	Up to 10 years for all loans	Modified
Climate Change, Energy, the Environment and Water					
Clean Energy Finance Corporation	4,080	Approved entities undertaking clean energy technology projects	Approximately 4.5 per cent weighted average on loans funded	Predominately 5-45 years	Unchanged
Education					
Higher Education Loan Program	51,400	Eligible higher education students	The lower of Wage Price Index (WPI) or Consumer Price Index (CPI) growth	10.2 years (average)	Modified
Employment and Workplace Relations					
Australian Apprenticeship Support Loans Program	899	Eligible students enrolled in a level 3 (Certificate III), level 4 (Certificate IV), level 5 (Diploma) or level 6 (Advanced Diploma) in the Australian Qualifications Framework	The lower of WPI or CPI growth		Unchanged
VET Student Loans Program	4,000	Eligible diploma and above students	The lower of WPI or CPI growth	2.8 years (average)	Unchanged
Finance					
Defence Housing Australia Loan	270	Defence Housing Australia	Various	Various	Unchanged
Snowy Hydro Limited Loan	150	Snowy Hydro Limited	Floating + margin	5 years	Unchanged

Table 6.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Portfolio	Loan amount(a) (\$m)	Borrower	Interest rate	Term	Status(b)
Foreign Affairs and Trade					
Government support for PsiQuantum Pty Ltd	191	PsiQuantum Pty Ltd and PsiQuantum Corporation	Commercial-in-confidence	Commercial-in-confidence	Unchanged
Telstra acquisition of Digicel Pacific	2,100	Telstra	Commercial-in-confidence	Various	Unchanged
Industry, Science and Resources					
National Reconstruction Fund Corporation	90	Eligible projects in accordance with NRFC Act and NRFC investment mandate	Various	Various	Unchanged
Infrastructure, Transport, Regional Development, Communications, Sport and the Arts					
Northern Australia Infrastructure Facility Loans	1,294	Northern Australia jurisdictions (Western Australia, Queensland or the Northern Territory) for on-lending to project proponents. The NAIF Investment Mandate Direction 2023 additionally allows for provision of financial assistance directly to other entities	Various	Various	Unchanged
WestConnex Stage 2 Concessional Loan	2,333	WCX M5 Finco Pty Ltd	3.36 per cent	November 2015 to July 2034	Unchanged
Rex Airlines	86	Rex Group Entities	Commercial-in-confidence	Various	New
Prime Minister and Cabinet					
Indigenous home ownership, business development and assistance	1,249	Eligible Indigenous persons	6.24 per cent	Up to 32 years	Modified
Voyages Indigenous Tourism Australia Pty Ltd	337	Voyages Indigenous Tourism Australia Pty Ltd	90 Day bank bill swap reference rate plus 1.2 per cent (on \$176 million of principal)	9 years, 11 months	Unchanged

Table 6.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Portfolio	Loan amount(a) (\$m)	Borrower	Interest rate	Term	Status(b)
Social Services					
Home Equity Access Scheme	563	Eligible older Australians who meet residency requirements and own suitable real estate in Australia to use as security.	3.95 per cent	Various	Unchanged
Student Financial Supplement Scheme	149	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY recipients	The lower of WPI or CPI growth	Various	Unchanged
Student Start-up Loan	917	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	The lower of WPI or CPI growth	Various	Unchanged
Treasury					
100,000 homes for first home buyers - loans	0	State and territory governments	0%	3 years (unless negotiated otherwise)	New
Affordable Housing Bond Aggregator	117	Housing Australia	Commonwealth cost of borrowing	Various	Unchanged
Commonwealth-State financing arrangements – housing and specific purpose capital	1,089	State and Northern Territory governments	4.0 per cent – 5.0 per cent	Up to 30 June 2042	Unchanged
International Monetary Fund – Poverty Reduction and Growth Trust	682	International Monetary Fund	IMF SDR interest rate	Tranche 1 (SDR 500m) is approximately 9 years, Tranche 2 (SDR 500m) is approximately 7 years	Modified
International Monetary Fund – Resilience and Sustainability Trust	289	International Monetary Fund	IMF SDR interest rate	Approximately 8 years	Unchanged

Table 6.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Portfolio	Loan amount(a) (\$m)	Borrower	Interest rate	Term	Status(b)
Treasury (continued)					
Loan Agreement between the Australian Government and the Government of Indonesia	832	Government of Indonesia	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Unchanged
2020 Loan Agreement between the Australian Government and the Government of Papua New Guinea	271	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Unchanged
2021 Loan Agreement between the Australian Government and the Government of Papua New Guinea	296	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	20 years	Unchanged
2022 Loan Agreement between the Australian Government and the Government of Papua New Guinea	350	Government of Papua New Guinea	Commonwealth cost of borrowing	20 years	Unchanged
2023 Loan Agreement between the Australian Government and the Government of Papua New Guinea	344	Government of Papua New Guinea	Commonwealth cost of borrowing	20 years	Unchanged
2024 Loan Agreement between the Australian Government and the Government of Papua New Guinea	359	Government of Papua New Guinea	Commonwealth cost of borrowing	20 years	Unchanged

a) Loan amount is the estimated loan program amounts outstanding as at 30 June 2025 in \$ million.

b) Status of loan items are considered 'unchanged' unless there are modifications to respective interest rates and/or loan term.

Agriculture, Fisheries and Forestry

Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans and AgRebuild Loans

The Regional Investment Corporation commenced operations on 1 July 2018.

There are three loan products currently available to farm businesses: Farm Investment Loans, Drought Loans and AgriStarter Loans. In addition, AgBiz Drought Loans are available for small businesses. AgRebuild Loans (North Queensland flood) closed on 30 June 2020.

As at 30 June 2025, the fair value of Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans, and AgRebuild Loans was approximately \$2.7 billion.

The Farm Investment, Drought, AgriStarter and AgBiz Drought loan products provide concessional loans to eligible businesses experiencing financial difficulties and are considered financially viable in the long term (additional criteria apply for each product, and terms and conditions may vary). All products are for farm businesses, except for AgBiz Drought Loans which are for small businesses that provide primary production related goods and services for drought affected farm businesses.

As at 1 August 2025, the variable interest rate was 5.18 per cent for the Farm Investment, Drought, AgriStarter and AgBiz Drought loan products. Interest rates are revised on a 6-monthly basis in line with any material changes to the Australian Government 10-year bond rate where a material change is taken to be a movement of more than ten basis points (0.1 per cent). The Government will hold the interest rate at 5.18 per cent until 31 July 2026 to provide financial stability and predictability for RIC clients.

Interest is not payable during the first two years of the AgRebuild Loan, or on the Drought Loans and AgBiz Drought Loans for loan applications that were received before 30 September 2020.

Loans have a maximum term of ten years.

Education

Higher Education Loan Program

The Higher Education Loan Program (HELP) is an income-contingent loan program that assists eligible higher education students with the cost of their student contribution amounts and tuition fees.

As at 30 June 2025, the fair value of HELP debt outstanding is estimated to be \$51.4 billion. The fair value takes into account the concessionality of HELP loans and makes an allowance for debt not expected to be repaid. The fair value does not include the impacts of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students* which was legislated after 30 June 2025. These impacts will be reflected in the estimated fair value as at 30 June 2026.

There were 2,962,650 HELP debtors as at 30 June 2025. The repayment term of a HELP debt can only be determined for people who have fully repaid their debt. As at the end of June 2025, the average time taken to repay HELP debts was 10.2 years.

Infrastructure, Transport, Regional Development, Communications, Sport and the Arts

Rex Airlines

The Australian Government has provided a loan of up to \$110.0 million to fund the operations of Regional Express Airlines (Rex) during the voluntary administration and Deed of Company Arrangement (DOCA) periods, and has acquired \$50.0 million of secured debt owed by Rex to become the major secured creditor.

On 4 November 2025, the Australian Government announced it would restructure the loan and secured debt to support the proposal put forward by Air T, Inc. (Air T) to acquire Rex. Air T's proposal has been approved by Rex's creditors and will be administered under a binding DOCA, with the remaining steps to complete the transaction expected to occur by the end of December 2025.

Once the transaction is complete, approximately \$90.0 million of debt would be carried forward and a new commercial loan of \$60.0 million will be provided to Rex. This will supplement \$50.0 million being contributed by Air T towards the recapitalisation of the business. In exchange for financing and to ensure value for taxpayer money, Air T has agreed to a range of commitments aimed at preserving essential regional aviation connectivity and improving Rex's governance arrangements.

Prime Minister and Cabinet

Indigenous home ownership, business development and assistance

Indigenous Business Australia delivers flexible loans with concessional interest rates to improve Indigenous home ownership across Australia, including in remote Indigenous communities. Indigenous Business Australia also provides concessional interest rate business loans and business support to increase Indigenous ownership of small-to-medium-sized enterprises and support their sustainability and growth.

As at 30 June 2025, the fair value of outstanding loans for Indigenous home ownership and business development and assistance totals \$1.3 billion.

Treasury

100,000 homes for first home buyers – loans

The Australian Government, through the Treasury, has committed to offer \$8.0 billion in zero-interest loans, primarily to support state and territory governments to deliver up to 100,000 homes. These homes will be reserved for sale to first home buyers consistent with the Government's announcement on 13 April 2025. Arrangements with the states and territories will be negotiated under the Federal Financial Relations System. The program had not commenced as at 30 June 2025.

International Monetary Fund – Poverty Reduction and Growth Trust

The Australian Government has entered into two agreements to make an aggregate line of credit worth Special Drawing Rights (SDR) 1 billion (approximately A\$2.1 billion as at 30 June 2025) available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust (PRGT) through to 31 December 2029.

The PRGT provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. PRGT funds are drawn upon by the IMF as needed and will be repaid in full, with interest.

The value of loans outstanding to Australia was SDR 325.1 million (approximately A\$681.6 million) as at 30 June 2025.

On 11 October 2022, the Government entered into an agreement to lend SDR 1 billion (approximately A\$2.1 billion as at 30 June 2025) to the PRGT Pooled Investments, in order to provide subsidy resources to the PRGT of SDR 36 million (approximately A\$75.5 million as at 30 June 2025). This loan was drawn down by the IMF on 21 October 2022. On 30 October 2023 the Government advised the IMF that it would increase the subsidy resources provided to SDR 82 million (approximately A\$171.9 million as at 30 June 2025).

On 1 December 2025, SDR 82 million was provided to the IMF subsidy resources and the Government was repaid its PRGT Pooled Investments of SDR 1 billion.