Part 6: Statement of Risks

Risks to the Budget – Overview

The forward estimates of revenue and expenses in the 2023–24 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 2023–24 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 MYEFO represent a material risk to the MYEFO estimates. *Part 5: Sensitivity Analysis* examines the impact on receipts and payments of altering some of the key economic assumptions underlying the MYEFO estimates.

A significant portion of government expenditure is for demand-driven programs. Outcomes for these programs could differ from the estimates and projections due to changes in economic outcomes, particularly for inflation and wages growth. For a number of demand-driven support programs, including the National Disability Insurance Scheme, aged care programs and health programs, outcomes depend on the wide range of factors that affect the take-up of and cost of these programs.

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 further 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. There is a risk of a variation to the fiscal position outlined in the MYEFO where legislation is not passed in time for the commencement of the measure on the anticipated commencement date, the legislation is passed with amendments to the original decision, or the legislation fails to pass the Parliament.

The risks associated with climate change

Over time, climate change is expected to have a significant impact on the Budget, both in terms of risk 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.

Policy responses taken by the Australian Government to address climate change include the establishment of the Capacity Investment Scheme in the 2023–24 Budget and its expansion in the 2023–24 MYEFO to drive investment in renewable dispatchable capacity and ensure reliability in Australia's energy market. Details on the *Capacity Investment Scheme – expansion* measure is included in Appendix A: Policy decisions taken since the 2023–24 Budget. When the Capacity Investment Scheme is implemented, its budget impact will depend on future developments in energy prices, which may present risks that are not fully reflected in the Budget estimates. These risks will be reflected in the Statement of Risks when this measure is fully designed and implemented, provided the risks meet the materiality thresholds for inclusion in the Statement.

Part 6: *Statement of Risks* 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 the cyclone 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.

These would be included in this Statement when it is apparent that the potential impact on the Budget would exceed the materiality threshold.

Special Investment Vehicles

Successive Australian Governments have established investment funds to achieve policy outcomes. These include the National Reconstruction Fund, the Rewiring the Nation Fund, Export Finance Australia, the Clean Energy Finance Corporation, and the Northern Australia Infrastructure Facility. These funds have been established with robust governance arrangements, including independent boards, which are charged with making investment decisions that manage risk and deliver outcomes in line with fund-specific investment mandates. Details of each of these funds are 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 facility. This Statement includes reference to specific risks associated with these funds at the time it is apparent that those risks associated with the investments exceed or are expected to exceed the materiality threshold.

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.

Fiscal risks arise from general developments or specific events that may affect the fiscal outlook. Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain but will not be included in the forward estimates because the timing or magnitude of the impact is not known.

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

Table 6.2 summarises contingent liabilities, contingent assets and other fiscal 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. 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 that exceeded $200 million at 30 June 2023 are included at the conclusion of Part 6.

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	Modified
White spot syndrome virus and disease 2016 outbreak	Modified
Attorney-General's	**Status**
Significant but remote contingency	
Indemnities relating to the Air Security Officer Capability	Unchanged
Contingent liabilities – unquantifiable	
Native Title costs	Unchanged
Current and prospective investor-state claims against Australia	Modified
Contingent asset – unquantifiable	
Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*	Modified
Climate Change, Energy, the Environment and Water	**Status**
Fiscal Risk	
Snowy Hydro Limited	Unchanged
Significant but remote contingencies	
Snowy Hydro Limited – Board Members' indemnity	Unchanged
Snowy Hydro Limited – Termination of the Equity Subscription Agreements	Unchanged
Underwriting of Transmission Projects	Modified
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
Murray-Darling Basin Reform – risk assignment	Modified
Remediation of Jabiru Township	Modified
United States Strategic Petroleum Reserve Lease Agreement – indemnity under certain conditions	Unchanged
Contingent liability – quantifiable	
Underwriting of the Marinus Link Project	New
Defence	**Status**
Fiscal Risks	
Implementation of the nuclear-powered submarine program	Unchanged
Major operations of the Australian Defence Force in 2023–24	Unchanged
Significant but remote contingencies	
ADI Limited – Officers' and Directors' indemnities	Unchanged
Litigation cases	Unchanged
Remote contingencies	Modified
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	Modified

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

Employment and Workplace Relations	**Status**
Fiscal Risk	
Recovery of inappropriately claimed VET FEE-HELP payments from VET providers	Unchanged
Contingent liabilities – quantifiable	
ParentsNext program	Modified
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
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
Foreign Affairs and Trade	**Status**
Fiscal Risk	
Export Finance Australia – National Interest Account	Modified
Contingent liability – quantifiable	
Export Finance Australia	Modified
Health and Aged Care	**Status**
Fiscal Risk	
Fair Work Commission decision – Aged Care Work Value Case	Unchanged
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
Major sporting events	Modified
Medical Indemnity Exceptional Claims Scheme	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
Contingent liabilities – unquantifiable	
Australian victims of terrorism overseas payment	Unchanged
Disaster recovery	Modified
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	Modified
Immigration detention services contract – liability limit	Unchanged
Industry, Science and Resources	**Status**
Fiscal Risk	
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 decontamination and site restoration for CSIRO property	Unchanged
Infrastructure, Transport, Regional Development, Communications and the Arts	**Status**
Fiscal Risks	
Australia Post's financial stability	Modified
Inland Rail – delivery	Unchanged
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
Optus Financial Guarantee	Modified
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

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

Infrastructure, Transport, Regional Development, Communications and the Arts (continued)	Status
Contingent liabilities – unquantifiable	
Australian Maritime Safety Authority incident costs	Unchanged
Aviation rescue and firefighting services potential per- and poly-fluoroalkyl substances contamination	Modified
Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory	Unchanged
Moorebank Intermodal Project – Georges River rail crossing	Unchanged
Service Delivery Arrangement Indemnities – Indian Ocean Territories and Jervis Bay Territory	Modified
Prime Minister and Cabinet	**Status**
Contingent liability – unquantifiable	
McDonald v Commonwealth (Stolen Wages Class Action)	Unchanged
Contingent liability – quantifiable	
Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia	Modified
Social Services	**Status**
Fiscal Risks	
COVID-19 and disaster social security debt pause for specified areas	Unchanged
National Disability Insurance Scheme	Unchanged
Contingent liability – unquantifiable	
Income apportionment and debt pause	New
Contingent asset – quantifiable	
National Redress Scheme	Modified
Treasury	**Status**
Significant but remote contingencies	
Asbestos Injuries Compensation Fund	Unchanged
Financial Claims Scheme	Modified
Guarantee for Housing Australia	Modified
Guarantee of state and territory borrowing	Removed
Guarantees under the *Commonwealth Bank Sale Act 1995*	Modified
Reserve Bank of Australia – Guarantee	Modified
Contingent liabilities – unquantifiable	
Compensation scheme of last resort	Modified
Establishment of a cyclone and related flooding reinsurance pool	Unchanged
Government guarantees for housing	Unchanged
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

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

Treasury (continued)	Status
Contingent liabilities – quantifiable	
Australian Taxation Office – tax disputes	Modified
International financial institutions – uncalled capital subscriptions	Modified
International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement	Modified
International Monetary Fund – Poverty Reduction and Growth Trust	Modified
International Monetary Fund – Resilience and Sustainability Trust	Modified
Veterans' Affairs	**Status**
Fiscal Risk	
Defence Service Homes Insurance Scheme	Unchanged

a) Detailed descriptions of the modified and new items are in the following text.

Agriculture, Fisheries and Forestry

Contingent liabilities – unquantifiable

Emergency pest and disease response arrangements

National emergency response arrangements for animal, plant and environmental pest and disease incursions are largely funded through cost-sharing agreements between Australian governments and affected agricultural industry bodies. Under the terms of the emergency response cost-sharing agreements, the Australian Government is typically liable for 50 per cent of the total government funding for a nationally agreed response to a pest or disease incursion. Funding is provided in the forward estimates for the Australian Government's contributions under the emergency response agreements, which are then paid to the state or territory governments undertaking relevant activities.

There are currently 11 national cost-shared emergency responses. Since the 2023–24 Budget, the Australian Government increased the funding for large-scale responses for the National Red Imported Fire Ant Eradication Program in Queensland and the outbreak of *Varroa destructor*.

The Australian Government has provided an additional $268.2 million over four years for its share of the cost of the revised plan for the National Red Imported Fire Ant Eradication Program in Queensland.

In June 2023, the upper limit of the cost-shared budget for the response to the outbreak of *Varroa destructor* was increased to $132.0 million, with the Australian Government committing to contribute 40 per cent of this amount and allocating an additional $26.6 million over four years from 2023–24 as a provision for underwriting the 16 cost-sharing industries' contributions for this response.

The Australian, state and territory governments developed a draft Aquatic Emergency Animal Disease Deed (the Deed) covering aquatic emergency animal diseases and have consulted prospective industry signatories. If the Deed is finalised, potential liabilities for the Australian Government will be increased. The extent of these liabilities will depend on which parties sign the Deed and what emergency aquatic incursions occur that would be subject to the Deed arrangements.

The Australian Government provided $134.1 million over four years from 2022–23 to bolster biosecurity capability in Australia and support neighbouring countries to address the risk of exotic animal diseases, including foot and mouth disease and lumpy skin disease, although risks associated with future incursions or expansions in current pest and disease incursions remain. In addition to the funding provided for national emergency response arrangements, in the 2023–24 Budget, the Government provided $845.0 million over four years from 2023–24 to maintain biosecurity policy, operational and technical functions on a sustainable basis.

White spot syndrome virus and disease 2016 outbreak

The Commonwealth is responding to two claims related to the 2016 outbreak of white spot syndrome virus in Queensland. White spot syndrome virus was first detected in South East Queensland in December 2016 and seven prawn farms on the Logan River were affected from late-2016 to early-2017. Prawns on the infected farms were destroyed to eradicate the disease as part of a joint industry, Australian and state government response.

Gold Coast Marine Aquaculture Pty Ltd has filed a claim in the Federal Court of Australia, claiming a breach of a duty to warn by the Commonwealth. Gold Coast Marine Aquaculture Pty Ltd alleges that the Commonwealth's alleged breach caused, or, contributed to the outbreak of white spot syndrome virus in Queensland's Logan River in December 2016 and resulting in loss and damage to Gold Coast Marine Aquaculture Pty Ltd.

A class action has been filed in the Supreme Court of Queensland led by Tweed Bait Pty Ltd and TPF Management Company Pty Ltd on behalf of commercial fishers, handlers and wholesalers. The class action seeks compensation for loss and damage suffered as a result of the 2016 outbreak of white spot syndrome virus and white spot disease in Queensland's Logan River area, the Commonwealth's implementation of biosecurity measures in response to the outbreak, and the adverse impacts on consumer demand resulting from publicity regarding the outbreak.

A third claim, an open class action, has been filed in the Supreme Court of Queensland against the Commonwealth and is led by M&G Oyster Supplies Pty Ltd. The claim arises out of similar circumstances to the Tweed Bait Pty Ltd and TPF Management Company Pty Ltd matter. The Commonwealth does not have the particulars of this claim, as the proceedings have not yet been served.

Costs associated with these litigation claims or any future litigation relating to the 2016 outbreak of white spot syndrome virus are not quantifiable until the matter is determined by the Court or otherwise resolved.

Attorney-General's

Contingent liability – unquantifiable

Current and prospective investor-state claims against Australia

The Commonwealth received a notice of arbitration from Singapore registered company Zeph Investments Pte Ltd (Zeph) concerning a dispute about the *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Amendment Act 2020 (WA)*. Zeph raised this claim under Chapter 11 (Investment) of the *Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)*.

Subsequently, the Commonwealth received a second notice of arbitration from Zeph concerning a dispute about exploration permits held by Waratah Coal Pty Ltd in the Galilee

Basin of Queensland. Zeph raised this second claim under Chapter 11 (Investment) of the AANZFTA.

Should Australia be unsuccessful in these proceedings, it would be liable for any compensation found to be payable to Zeph. Any such potential liability cannot be quantified at this stage.

The Commonwealth has also received a request for consultation from Zeph concerning another potential claim. An investor-state claim has not been brought against Australia in relation to this matter at this time.

Contingent asset – unquantifiable

Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*

The Australian Transaction Reports and Analysis Centre (AUSTRAC) applied to the Federal Court of Australia for civil penalty orders against the following entities for alleged serious contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act):

- the Star Pty Limited and the Star Entertainment QLD Limited on 30 November 2022.
- SkyCity Adelaide on 7 December 2022.

AUSTRAC alleges that these entities failed to comply with obligations under the AML/CTF Act, including failures to properly assess money laundering and terrorism financing risks, and failures to undertake appropriate customer due diligence.

The outcomes of these matters are unknown, including whether any penalties will be imposed by the Court and, if so, the quantum of any penalties.

Climate Change, Energy, the Environment and Water

Significant but remote contingency

Underwriting of Transmission Projects

The Australian Government has underwritten up to:

- $75.8 million for early works for the Victoria to New South Wales Interconnector West (VNI West) NSW Section project (with a preferred route known as KerangLink) (signed 7 April 2022).
- $181.5 million for the Coleambally to Wagga Wagga section of Project Energy Connect (signed 24 September 2021).

- $146.3 million for the early procurement of long lead equipment (transformers, reactors, towers and conductors) for the VNI West project NSW section (signed 1 March 2023).

The conditions in which these underwriting agreements would be called on relate to the projects not achieving regulatory and approval requirements.

Contingent liabilities – unquantifiable

Murray-Darling Basin Reform – risk assignment

The Australian Government has committed to bridge the gap between the Baseline Diversion Limit and the Sustainable Diversion Limits in the *Basin Plan 2012* (Cth) through water recovery. On 1 July 2019, the Sustainable Diversion Limits took effect. The *Water Act 2007* (Cth) provides a risk assignment framework in which entitlement holders with reductions in water allocations, or changes in the reliability of water allocations (where the gap has not been bridged and an accredited water resource plan is in place), may be eligible for a payment from the Commonwealth.

The total cost of the operation of the risk assignment framework cannot be quantified at this time and remains a fiscal risk until the gap between the Baseline Diversion Limit and Sustainable Diversion Limits is fully bridged.

Remediation of Jabiru Township

The Australian Government, the Northern Territory Government, Gundjeihmi Aboriginal Corporation and Energy Resources Australia signed a Memorandum of Understanding in 2019. The Memorandum of Understanding underpins the transfer of ownership of Jabiru to the Traditional Owners and related make good and rehabilitation arrangements. On 26 June 2021, the Australian Government officially returned ownership of Jabiru to the Traditional Owners. Prior to the handover, the Australian Government signed a Remediation and Indemnity Deed between representatives of the Traditional Owners in Jabiru and the Northern Land Council.

Under these agreements, the Australian Government's responsibilities include renewal or upgrading of some essential services infrastructure (stormwater, landfill and roads), managing contamination in Jabiru Lake, management or removal of hazardous materials and chemicals, replacing asbestos tiled roofs and improving housing stock, and other ecological remediation. Expenditure for the rehabilitation work will be shared between the Australian Government, Northern Territory Government and Energy Resources Australia.

Contingent liability – quantifiable

Underwriting of the Marinus Link Project

The Australian Government is underwriting up to $76.5 million for reservation of manufacturing capacity for cable one for the Marinus Link project (signed 5 September 2023).

The conditions for this underwriting agreement to be called on relate to agreement not being reached with the manufacturer of cable one by 31 July 2024 on the terms of the manufacture, or the Marinus Link proponent taking a decision not to proceed with manufacture.

Defence

Significant but remote contingency

Remote contingencies

As at 30 June 2023, the Department of Defence carried 273 instances of quantifiable remote contingent liabilities valued at $3.9 billion and 1,413 instances of unquantifiable remote contingent liabilities.

Details of these significant but remote contingent liabilities are not given due to commercial and/or national security sensitivities.

Contingent liability – quantifiable

Claims against the Department of Defence

The Department of Defence (Defence) has seven instances of non-remote, quantifiable contingent liabilities in respect of claims against Defence valued at $7.9 million.

The estimated figure is determined by conducting an objective analysis of the probable amount payable for all matters managed by firms engaged by Defence using the Attorney-General's Whole of Australian Government Legal Services Panel and those being handled in-house by Defence Legal Division. However, the exact amount payable under those claims is uncertain. Defence is defending the claims or trying to resolve them through alternative dispute resolution measures.

Employment and Workplace Relations

Contingent liabilities – quantifiable

ParentsNext program

ParentsNext supports parents to identify their education and employment related goals to build their work readiness, and plan and prepare for employment by the time their youngest child starts school. The Government has announced its intention to abolish ParentsNext. In the interim, arrangements have been put in place for ParentsNext to operate as a voluntary program until the implementation of a replacement service.

Under the current program, providers accumulate one-off credits which accrue to their provider's Participation Fund on commencement of a participant.

Currently, providers are forecast to spend less than the value of the available credits, creating an accumulating surplus of credits that present a contingent liability. As at

31 August 2023, there was $96.2 million in unspent Participation Fund credits in the Participation Fund notional bank.

Workforce Australia – Employment Fund

Since July 2022, with the introduction of Workforce Australia, program participants 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 accumulate a $1,600 Employment Fund credit upon commencement of each participant in Workforce Australia Provider Services.
- Participants in Workforce Australia Online attract a $300 Employment Fund credit, credited after a participant has been in Digital Services for two months.

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 2023, there was $493.4 million in unspent Employment Fund Credits in the Workforce Australia Employment Fund Notional Bank.

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, which are set out below.

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) started operations on 1 July 2019. The AIFFP will provide up to $4 billion in facilities, including up to $1 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 loan, guarantee and grant contracts to support the development of 19 infrastructure projects in ten countries. As at 30 June 2023, the maximum exposure is $1,075.8 million, of which $221.1 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 2023–24 MYEFO, the Government expanded the CMF by $2 billion for a maximum aggregate exposure of $4.0 billion. As at 30 June 2023, the Government has agreed to provide a total of $1.5 billion to support three projects under the facility, including a loan of $1.25 billion to Iluka Resources to support the establishment of Australia's first integrated rare earths refinery in Western Australia. As at 30 June 2023, $92.4 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. As at 30 June 2023, three loans under the DEF had been agreed for a total signing value of A$228 million. Currently, $188.4 million is outstanding.

The COVID-19 Export Capital Facility was announced on 15 April 2020, with a maximum aggregate exposure of $500 million. The COVID-19 Export Capital Facility expired in April 2021. As at 30 June 2023, $2.8 million was outstanding.

Contingent liability – quantifiable

Export Finance Australia

The Australian Government guarantees the due payment of money that is, or may at any time becomes, payable by Export Finance Australia to anyone other than the Government. As at 30 June 2023, the Government's total contingent liability was $6.5 billion. The $6.5 billion contingent liability comprises Export Finance Australia's liabilities to third parties ($5.4 billion) and Export Finance Australia's overseas investment insurance, contracts of insurance and guarantees ($1.1 billion). Of the total contingent liability, $2.8 billion relates to Export Finance Australia's Commercial Account and $3.7 billion relates to the National Interest Account.

Health and Aged Care

Contingent liability – unquantifiable

Major sporting events

2032 Brisbane Olympic and Paralympic Games – On 21 July 2021, the International Olympic Committee selected Brisbane to host the 2032 Olympic and Paralympic Games. On 17 February 2023, the Australian Government and the Queensland Government signed a bilateral agreement on matters of shared interest, including a capped capital contribution towards venue infrastructure by the Australian Government. The Australian Government has also provided a range of guarantees to the International Olympic Committee for provision of government services in support of Brisbane hosting the Games, at no cost to the Organising Committee of the Olympic Games. The financial implications of this support are not quantifiable at this time.

2027 (Men's) Rugby World Cup and 2029 Women's Rugby World Cup – On 12 May 2022, World Rugby selected Australia as the host of the 2027 (Men's) Rugby World Cup and the 2029 Women's Rugby World Cup. In addition to the financial assistance provided in the 2022–23 March Budget to support event delivery and legacy programs, the Government has committed to provide services and support (such as security commitments and visa processing for participants and support staff). The financial implication of this additional support is not quantifiable at this time.

2023 FIFA Women's World Cup – Between 20 July 2023 and 20 August 2023, Australia and New Zealand co-hosted the 2023 FIFA Women's World Cup. In addition to the financial assistance provided by the Australian Government to support direct event delivery costs and legacy programs, the Government committed to provide Commonwealth guarantees for the event including taxation exemptions. The financial implication of this additional support is not quantifiable.

Home Affairs

Contingent liabilities – unquantifiable

Disaster Recovery

The Australian Government provides funding to states and territories through the jointly-funded Commonwealth-State Disaster Recovery Funding Arrangements (DRFA) to assist with natural disaster relief and recovery costs. A state or territory may claim DRFA funding if a natural disaster occurs and their relief and recovery expenditure for that event meets the thresholds set out in the DRFA.

The forward estimates for the DRFA include preliminary estimates for past events, based on the best information available at the time of preparation. Preliminary estimates of the cost of a disaster and the timing of expenditure are subject to change. The total cost of relief and recovery from these past events may not be completely realised for some years.

For major disasters, the Australian Government may approve payments to individuals, such as the Australian Government Disaster Recovery Payment and Disaster Recovery Allowance. As natural disasters and their impacts are unpredictable, the cost of these payments for future disasters is unquantifiable and, therefore, is not included in the forward estimates.

Immigration detention services by state and territory governments – liability limit

The Department of Home Affairs has negotiated arrangements with some state and territory governments for the provision of various services (including health, corrective and policing services) to immigration detention facilities and people in immigration detention.

Some jurisdictions sought indemnification by the Australian Government for the provision of these services. These agreements, listed below, provide unquantifiable indemnities relating to any damage or loss incurred by state and territory governments arising out of, or incidental to, the provision of services under these agreements.

Jurisdiction	Service Stream	Details
Christmas Island	Health	$5 million per claim or event
NSW	Corrections	Uncapped – with a risk rating ration, no more than $30 million per event
	Police	$5 million per claim or event
SA	Police	$5 million per claim or event
VIC	Police	$5 million per claim or event
WA	Police	$5 million per claim or event
NT	Corrections	$5 million per claim or event

The Department of Home Affairs negotiates arrangements as necessary for the provision of corrective services. The indemnity provided to state and territory governments under these arrangements is no more than $30 million per event.

The agreements with state and territory governments have varying statuses, such as 'in progress', 'under review' and 'legacy'. The table above sets out all known current agreements with confirmed indemnity liability in accordance with the *Public Governance, Performance and Accountability Act 2013.*

Infrastructure, Transport, Regional Development, Communications and the Arts

Fiscal Risk

Australia Post's financial stability

Australia Post is a Government Business Enterprise wholly owned by the Commonwealth Government. In the 2022–23 financial year, Australia Post reported a full financial year pre-tax loss of $200 million. This is Australia Post's first annual loss since 2014–15. It reflects the way in which digitisation of the global and national economy is changing how many people and businesses use postal and related services. Australia Post does not receive financial support from the Australian Government but is required to meet a range of Community Service Obligations.

The Australian Government has undertaken public consultation to inform development of balanced changes to ensure postal services meet the needs of the Australian community both now and into the future. The findings of this consultation will inform the Australian Government's next steps towards the modernisation of postal services, which will impact Australia Post's future financial outlook.

Given Australia Post's deteriorating financial position, there is a risk that the Australian Government will need to consider providing financial assistance to Australia Post in the future.

Significant but remote contingency

Optus Financial Guarantee

The Australian Government has provided a Commonwealth guarantee for NBN Co's financial obligations to Optus Networks Pty Ltd, Optus Internet Pty Limited, Optus Vision Media Pty Limited and SingTel Optus Pty Ltd (collectively, Optus) under the Optus Hybrid Fibre Coaxial (HFC) Subscriber Agreement (the Agreement). An amended version of the Agreement came into effect on 22 January 2019. The Guarantee continues to apply to that Agreement. The Agreement extends for the period of the National Broadband Network roll-out in Optus HFC areas.

The Commonwealth is only liable in the event NBN Co does not pay an amount when due under the Agreement. As at 30 June 2023, NBN Co had generated liabilities covered by the

Optus Agreement which are estimated at an amount less than $50.0 million. The Optus Agreement is expected to cease in 2023–24 and there is a low risk that a claim would be made under the Guarantee.

Contingent liabilities – unquantifiable

Aviation rescue and firefighting services potential per- and poly-fluoroalkyl substances contamination

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (Infrastructure) has identified a number of sites in Australia potentially contaminated with per- and poly-fluoroalkyl substances (PFAS), which were contained in firefighting foams.

PFAS contaminants do not naturally break down in the environment and several have been listed on the Stockholm Convention as persistent contaminants. Australian health and environmental agencies have set a range of standards for environmental protection and precautionary health measures.

Up to 37 airport sites are potentially contaminated with PFAS (20 federally-leased airports and 17 regional airports), which relates to the Australian Government's provision of firefighting services. Infrastructure is undertaking PFAS investigations at these airports to understand the risks and develop management plans for any identified PFAS contamination. These investigations are funded under Infrastructure's $130.5 million PFAS Airports Investigation Program (the Program). Airservices Australia (Airservices) is continuing to implement the National PFAS Management Program, which includes ongoing PFAS investigations at 18 airport sites. The costs of potential long-term management options cannot be quantified at this time.

For Commonwealth-owned airports that are leased on a long-term basis, Airport Lessee Companies are responsible for environmental management of their airport sites. Airport leases indemnify the Commonwealth in relation to damages or injury to the environment, including in respect of costs and claims arising due to such damages or injury. However, these leases do not indemnify Airservices, as it is a corporate Commonwealth entity. The Commonwealth is not indemnified for 16 airports (which are privately or local government owned) in the Program's scope because the Commonwealth is not a party to any lease deed at these airports. The costs of potential long-term management options cannot be quantified at this time.

A number of Airport Lessee Companies have requested that the Airport Environment Officer (AEO) issue remedial orders to Airservices for PFAS contamination under the *Airports (Environment Protection) Regulations 1997*. On 30 March 2023, the AEO issued Airservices with an environmental remedial order in relation to PFAS contamination caused by Airservices at the former fire training ground at Launceston Airport. AEOs are also actively considering regulatory action at Brisbane, Canberra, Moorabbin and Sydney Airports.

Brisbane Airport Corporation has commenced legal proceedings in the Queensland Supreme Court against Airservices concerning legacy PFAS contamination from Airservices' use of firefighting foams containing PFAS at the airport. Australia Pacific Airports Launceston and Perth Airport Pty Ltd have also commenced legal proceedings against Airservices in relation to PFAS contamination in the Federal Court. Potential costs relating to these matters are unquantifiable at this time.

Service Delivery Arrangement Indemnities – Indian Ocean Territories and Jervis Bay Territory

Since 1992, the Australian Government has entered into Service Delivery Arrangements with the Western Australian (WA) Government for the provision of services to the Indian Ocean Territories of Christmas Island and the Cocos (Keeling) Islands. The Australian Government has provided certain indemnities for the WA Government and its respective officers, agents, contractors and employees against civil claims relating to their employment and conduct as officers.

The Australian Capital Territory (ACT) provides services to the Jervis Bay Territory under a Memorandum of Understanding. The Australian Government has provided certain indemnities for the ACT Government authorities and officials in relation to the delivery of services to the Jervis Bay Territory.

The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as remote and the risks are currently mitigated through the training and professional qualifications of the staff of these agencies and the existence of systems, processes and standards for the delivery of services.

Prime Minister and Cabinet

Contingent liability – quantifiable

Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia

Voyages Indigenous Tourism Australia Pty Ltd (Voyages), the owners of the Ayers Rock Resort, has debt facilities with ANZ Banking Group Limited ($110.5 million) and the Northern Australia Infrastructure Facility ($27.5 million). The Indigenous Land and Sea Corporation is the guarantor for each of these facilities.

A sharp decline in occupancy rates associated with the COVID-19 pandemic eroded the financial position of Voyages and raised additional risks for its viability. These concerns have recently subsided, with Ayers Rock Resort's performance significantly improving with the relaxation of COVID-19 related restrictions and increased tourism activity. However, Ayers Rock Resort's performance has not yet recovered to pre-pandemic levels.

Social Services

Contingent liability – unquantifiable

Income apportionment and debt pause

Following legislative changes made in November 2020, from 7 December 2020 the Australian Government ceased calculating a customer's income support entitlements for debts arising through income apportionment. This method was used in certain instances to evenly divide or apportion a customer's employment income across two or more Centrelink fortnightly reporting periods. The legislative changes in November 2020 simplified income reporting: income is now reported when it is received, removing the need for customers to calculate and report what they have earned each fortnight.

Where income apportionment was or may have been applied to recover certain Commonwealth social security debts prior to 7 December 2020, recovery activities have been paused while the Australian Government investigates a resolution.

Contingent asset – quantifiable

National Redress Scheme

The *National Redress Scheme for Institutional Child Sexual Abuse Act 2018* aims to support people who experienced institutional child sexual abuse from institutions participating in the National Redress Scheme to gain access to counselling and psychological services, a direct personal response from the responsible institution, and a monetary payment. The Department of Social Services (DSS) administers the National Redress Scheme. In this capacity, DSS makes the monetary payment to the survivor and then recovers the costs from the institution determined to be responsible for the abuse.

As at 11 September 2023, DSS has an administered quantifiable contingent asset of $252.4 million in relation to the probable recovery from responsible institutions of monetary payments that may be made to survivors under the National Redress Scheme. The value is based on applications that have been referred to an Independent Decision Maker for assessment and the payment values.

As at 11 September 2023, DSS has an administered quantifiable contingent liability of $179.0 million in relation to applications made under the National Redress Scheme that have been referred to an Independent Decision Maker for assessment. The amount is based on the number of applications and the payment values.

The difference between the contingent asset and the contingent liability represents the net risk to the Budget from the National Redress Scheme.

Treasury

Significant but remote contingencies

Financial Claims Scheme

The Financial Claims Scheme provides depositors of authorised deposit-taking institutions (ADIs) and claimants against general insurers with timely access to their funds in the event of a financial institution failure.

Under the *Banking Act 1959*, the Financial Claims Scheme provides a mechanism for making payments to depositors under the Australian Government's guarantee of deposits in ADIs. Payments are capped at $250,000 per account holder per ADI. The total value of deposits eligible for coverage under the Financial Claims Scheme was estimated at $1.3 trillion as at 30 June 2023.

Under the *Insurance Act 1973*, the Financial Claims Scheme provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. It is not possible to estimate the amounts of any eventual payments that may be required in relation to general insurance claims.

In the very unlikely event of an ADI or general insurer failure, any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. If there was a shortfall in the amount recovered through the liquidation of the failed institution, a levy could be applied to the relevant industry to recover the difference between the amount expended and the amount recovered in the liquidation.

The Australian Prudential Regulation Authority (APRA) is responsible for the administration of the Financial Claims Scheme. Under the Financial Claims Scheme, any payments to account holders with eligible protected accounts or eligible claimants would be made from APRA's Financial Claims Scheme Special Account. Under the legislation, upon declaration by the Minister in relation to a specified ADI, up to $20 billion per institution would be available to meet Financial Claims Scheme payments and up to $100 million per institution for administration costs.

Guarantee for Housing Australia

The Australian Government guarantees the due payment of money payable by Housing Australia (formerly known as the National Housing Finance and Investment Corporation) to anyone other than the Government.

The Housing Australia Board must not allow Housing Australia to enter into a transaction that would result in its total guaranteed liabilities, and any outstanding amount borrowed from the Government, to exceed $7.5 billion, unless approved by the Government.

Guarantees under the *Commonwealth Bank Sale Act 1995*

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government guarantees various superannuation and other liabilities of the Commonwealth Bank. $150.9 million is attributable to liabilities of the Commonwealth Bank of Australia as at 30 June 2023, and $4.39 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation as at 30 June 2023.

Reserve Bank of Australia – Guarantee

The Australian Government guarantees the liabilities of the Reserve Bank of Australia, measured as the Bank's total liabilities excluding capital, reserves, and Australian Government deposits. The principal component of the Bank's liabilities are exchange settlement balances. As at 31 August 2023, exchange settlement balances amount to $382.1 billion, and the total guarantee is $493.6 billion.

Contingent liability – unquantifiable

Compensation scheme of last resort

The compensation scheme of last resort (CSLR) will facilitate the payment of compensation to consumers who have an eligible determination from the Australian Financial Complaints Authority which remains unpaid, primarily due to the insolvency of the relevant financial service provider.

Legislation to establish the CSLR was passed on 22 June 2023. The CSLR will be funded by the Government in the first levy period, which ends 30 June 2024. Thereafter, liabilities under the CSLR will transfer to the financial services sector and will be funded by levies on the sector.

The value of the Australian Government's liabilities under the CSLR is unquantifiable. The collapse of Dixon Advisory and Superannuation Services Pty Ltd substantially increased the backlog of potential eligible claims.

Contingent liabilities – quantifiable

Australian Taxation Office – tax disputes

At any point in time, the Australian Taxation Office is involved in a range of dispute resolution processes, including litigation, relating to tax disputes.

Details of the outcome of dispute resolution processes remain uncertain until a court ruling is made and/or an agreement is reached with the taxpayer. Accordingly, in most cases it is not possible to estimate reliably the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 30 June 2023, for which a provision has not been made, is $10.1 billion.

Outcomes of dispute resolution processes are included in the Commissioner of Taxation's Annual Report each year. This may include disputes resolved through objections, settlements and court and tribunal decisions. It may also include amounts owed by taxpayers that are subject to dispute but not finalised.

International financial institutions – uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's current uncalled capital subscription to the IBRD totals around US$4.2 billion (estimated value A$6.4 billion as at 22 September 2023).

The Australian Government has also held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals around EUR237.5 million (estimated value A$396.3 million as at 22 September 2023).

The Australian Government has held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals around US$7.0 billion (estimated value A$10.8 billion as at 22 September 2023).

The Australian Government has an uncalled capital subscription in the Multilateral Investment Guarantee Agency of around US$26.5 million (estimated value A$40.4 million as at 22 September 2023).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals around US$3.0 billion (estimated value A$4.5 billion as at 22 September 2023).

None of these international financial institutions has ever drawn on Australia's uncalled capital subscriptions.

International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability in the global economy. On 8 October 2020, the Treasurer advised the IMF that Australia consented to the New Arrangements to Borrow decision, and on 26 January 2020, the IMF Executive Board approved amendments to the New Arrangements to Borrow decision, including increasing the credit arrangements of all participants and extending the arrangement from 1 January 2021 to 31 December 2025. The value of Australia's New Arrangements to Borrow credit arrangement stands at around 4.4 billion Special Drawing Rights (SDR) (estimated value A$9.0 billion at 22 September 2023).

Australia has also made available approximately SDR 2.0 billion (estimated as approximately A$4.0 billion at 22 September 2023) through a contingent bilateral loan to the IMF, known as a Bilateral Borrowing Agreement. This contingent bilateral loan is on terms consistent with other bilateral loans and note purchase agreements between the IMF and other contributing countries. The contingent bilateral loan will be drawn upon by the IMF only if needed to supplement the IMF's quota and New Arrangements to Borrow resources, and any drawings on loans would be repaid in full with interest. On 26 July 2023, Australia agreed to extend the Bilateral Borrowing Agreement by one year through to 31 December 2024.

International Monetary Fund – Poverty Reduction and Growth Trust

The Australian Government has entered into agreements to make a line of credit available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust through to 31 December 2029. The Poverty Reduction and Growth Trust provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. Poverty Reduction and Growth Trust funds are drawn upon by the IMF as needed and will be repaid in full, with interest.

Through these agreements, the Government has made available SDR 1 billion (approximately A$2.0 billion estimated as at 22 September 2023) to loan to the IMF under the Poverty Reduction and Growth Trust. As at 30 June 2023, SDR 210.6 million (approximately A$423.6 million) has been drawn down, leaving SDR 789.4 million (approximately A$1.6 billion) available to the IMF under the Poverty Reduction and Growth Trust.

International Monetary Fund – Resilience and Sustainability Trust

On 11 October 2022, the Australian Government entered into an agreement to make a line of credit of SDR 760 million (approximately A$1.5 billion as at 22 September 2023) available to the International Monetary Fund (IMF) under the Resilience and Sustainability Trust through to 30 November 2030. The Resilience and Sustainability Trust will provide affordable long-term financing to help vulnerable countries build resilience and sustainability to address the risks stemming from climate change and pandemic preparedness. Resilience and Sustainability Trust line of credit funds are drawn upon by the IMF as needed and will be repaid in full with interest. As at 30 June 2023, SDR 14.2 million (approximately A$28.5 million) has been drawn down, leaving SDR 745.8 million (approximately A$1.5 billion) available to the IMF under the Resilience and Sustainability Trust.

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 2023.

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	223	State Governments (that through their delivery agencies, on-lend to eligible farm businesses)	Various	Various	Modified
Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans, AgRebuild Loans and Plantation Loans	2,506	Eligible Australian farm businesses and related small businesses, through the Regional Investment Corporation	4.07 per cent for Plantation Loans 4.52 per cent for all other loans	Up to 20 years for plantation loans Up to 10 years for all other loans	Modified
Climate Change, Energy, the Environment and Water					
Clean Energy Finance Corporation	2,537	Approved entities undertaking clean energy technology projects	4.5 per cent weighted average	5–15 years	Modified
Education					
Higher Education Loan Program	46,739	Eligible higher education students	Consumer Price Index (CPI) growth	9.6 years*	Modified
Employment and Workplace Relations					
Trade Support Loans Program	907	Eligible Australian Apprentices	CPI growth		Modified
VET Student Loans Program	3,639	Eligible diploma and above students	CPI growth		Modified
Foreign Affairs and Trade					
Papua New Guinea Liquefied Natural Gas	151	Entities associated with the Papua New Guinea Liquefied Natural Gas project	Commercial-in-confidence	Until 2026	Removed
Telstra acquisition of Digicel Pacific	2,100	Telstra	Commercial-in-confidence	Various	Modified

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

Portfolio	Loan amount[(a)] ($m)	Borrower	Interest rate	Term	Status[(b)]
Industry, Science and Resources					
National Reconstruction Fund Corporation[(c)]	Various	To be determined subsequent to 18 September 2023	To be determined	To be determined	Modified
Infrastructure, Transport, Regional Development, Communications and the Arts					
NBN Co Loan	5,500	NBN Co Limited	3.96 per cent	30 June 2024	Unchanged
Northern Australia Infrastructure Facility Loans	889	Northern Australia jurisdictions (Western Australia, Queensland or the Northern Territory) for on lending to project proponents. The NAIF Investment Mandate Direction 2021 additionally allows for provision of financial assistance directly to other entities	Various (circa. 5 per cent)	Various	Unchanged
WestConnex Stage 2 Concessional Loan	1,758	WCX M5 Finco Pty Ltd	3.36 per cent	November 2015 to July 2034	Unchanged
Prime Minister and Cabinet					
Indigenous home ownership, business development and assistance	974	Eligible Indigenous persons	1.64 per cent – 6.14 per cent	Up to 32 years	Unchanged
Voyages Indigenous Tourism Australia Pty Ltd	309	Voyages Indigenous Tourism Australia Pty Ltd	90 Day bank bill swap reference rate plus 5 per cent (on $176 million of principal)	9 years, 11 months	Unchanged
Social Services					
Home Equity Access Scheme	238	Eligible older Australians who meet residency requirements	3.95 per cent	Various	Modified
Student Financial Supplement Scheme	220	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY recipients	CPI growth	Various	Modified
Student Start-up Loan	734	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	CPI growth	Various	Modified

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					
Affordable Housing Bond Aggregator	76	Housing Australia	Commonwealth cost of borrowing	Various	Modified
Commonwealth-State financing arrangements – housing and specific purpose capital	1,252	State and Northern Territory governments	4.0 per cent – 6.0 per cent	Up to 30 June 2042	Unchanged
International Monetary Fund – New Arrangements to Borrow	26	International Monetary Fund	IMF SDR interest rate	10 years	Modified
International Monetary Fund – Poverty Reduction and Growth Trust	424	International Monetary Fund	IMF SDR interest rate	10 years	Modified
International Monetary Fund – Resilience and Sustainability Trust	29	International Monetary Fund	IMF SDR interest rate	20 years	Modified
Loan Agreement between the Australian Government and the Government of Indonesia	954	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	302	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	318	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	364	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	20 years	Unchanged

* Average.
(a) Loan amount is the estimated loan program amounts outstanding as at 30 June 2023 in $ million.
(b) Status of loan items are considered 'unchanged' unless there are modifications to respective interest rates and/or loan term.
(c) The Government has established the National Reconstruction Fund, which will offer loans and guarantees and make equity investments in a range of emerging technologies and technically complex projects. These investments carry the inherent risks associated with investing in a large and diverse portfolio of financial assets. Details will be provided in this disclosure once loans, guarantees and investments are made.

Note: Detailed descriptions of the modified and new loans are in the following text.

Agriculture, Fisheries and Forestry

Drought-related and farm finance concessional loans – Agriculture

As at 30 June 2023, the fair value of farm business, drought and dairy farm related loans is estimated to total $223.3 million.

Drought Concessional Loans Scheme: This scheme provided loans to drought-affected farm businesses for debt restructuring, operating expenses and drought recovery and preparedness activities. The scheme commenced in June 2014 as a loans scheme available for two years and operated in Queensland, Victoria, New South Wales, South Australia, Western Australia, Tasmania and the Northern Territory. The Government extended the application period until 31 October 2016 to cover the period until the new ten-year Farm Business Concessional Loans Scheme could commence on 1 November 2016. The Government extended the Western Australian application period for the Drought Concessional Loans Scheme until 30 June 2017.

As at 1 August 2023, the scheme's interest rate was 4.16 per cent, reviewed on a six-monthly basis and revised in accordance with material changes in the five-year Commonwealth bond rate. Loans have a maximum term of five years, with an extenuating circumstances clause in some jurisdictions that allows a maximum two-year extension to the loan at commercial rates.

Drought Recovery and Dairy Recovery Concessional Loans Scheme: The drought recovery component of this scheme provided loans to farm businesses affected by unprecedented drought or, where applicable, Queensland farm businesses directly impacted by the combined effects of drought and the mid-2011 disruption to live cattle exports to Indonesia. The loans funded planting and restocking activities and associated expenses, when seasonal conditions allowed. The loans were available from January 2015, and in 2014–15 operated in Queensland and New South Wales. In 2015–16, drought recovery concessional loans were available in Queensland, New South Wales, South Australia and Tasmania.

The dairy recovery component of this scheme provided concessional loans to dairy farm businesses affected by the 2016 reduction in farm gate milk prices by Murray Goulburn, Fonterra and National Dairy Products. Loans were available for debt restructuring, providing new debt for operating expenses or productivity enhancement activities, or a combination of these purposes. Dairy recovery concessional loans became available in Victoria, New South Wales, South Australia and Tasmania from June 2016. Applications closed on 31 October 2016. A dairy recovery concessional loan product was available under the Farm Business Concessional Loans Scheme until 30 June 2018.

As at 1 August 2023, the scheme's interest rate was 3.59 per cent, reviewed on a six-monthly basis and revised in accordance with changes in the ten-year Australian Government bond rate. Loans have a maximum term of ten years with interest only payments required for the first five years. Principal and interest repayments will be made in the remaining five years of the loan term.

Farm Business Concessional Loans Scheme: This scheme provided three types of concessional loans: drought assistance, dairy recovery and business improvement. This scheme was designed to cover a farmer's short-term needs when income was tight and to supplement, rather than replace, commercial finance. Loans under the scheme were first available in November 2016. Applications for loans under the scheme closed on 30 June 2018.

Drought assistance concessional loans were available in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Loans were available for debt restructuring, operating expenses, drought preparedness activities or drought recovery activities or a combination of these purposes.

Business improvement concessional loans were available in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Loans were available for eligible Farm Household Allowance (FHA) recipients who were recovering from financial hardship and had exhausted or would exhaust their FHA 1,095-day income support entitlement by 30 June 2018. These loans were for debt restructuring only.

Dairy recovery concessional loans were available in New South Wales, Victoria, South Australia and Tasmania to eligible suppliers of Murray Goulburn, Fonterra and National Dairy Products. Loans were available for debt restructuring, providing new debt for operating expenses, productivity enhancement activities or a combination of these purposes.

As at 1 August 2023, the interest rate was 3.99 per cent, reviewed on a six-monthly basis and revised in accordance with changes in the ten-year Australian Government bond rate. Loans have a maximum term of ten years.

Farm Finance Concessional Loans Scheme: This scheme provided concessional loans to eligible farm businesses experiencing financial difficulties that were considered commercially viable in the long-term, and were for productivity enhancements and debt restructuring. Applications for Farm Finance Concessional Loans closed on 30 June 2015.

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

The Regional Investment Corporation commenced operations on 1 July 2018.

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

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.

Plantation Loans products provide concessional loans to eligible farmers and commercial growers to develop or establish plantations or replant existing bushfire-damaged plantations resulting from the 2019–20 Black Summer Bushfires. Additional criteria apply, including the requirement to have insurance for managing natural disaster risks.

As at 1 August 2023, the variable interest rate was 4.52 per cent for the Farm Investment, Drought, AgriStarter and AgBiz Drought loan products. The variable interest rate for Plantation Loans was 4.07 per cent. Interest rates are revised on a six-monthly basis in line with any material changes to the Australian Government ten-year bond rate, where a material change is taken to be a movement of more than 10 basis points (0.1 per cent). The next update will be on 1 February 2024.

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, except Plantation Loans which have a maximum term of 20 years.

Climate Change, Energy, the Environment and Water

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) has developed a portfolio of loans and investments across the spectrum of clean energy technologies, as required by the *Clean Energy Finance Corporation Act 2012* and the Clean Energy Finance Corporation Investment Mandate Direction 2023 (the Investment Mandate), comprising the General Portfolio, Rewiring the Nation Fund and Specialised Investment Funds.

The CEFC's loan portfolio consists of predominantly senior-ranking secured loans, bonds and secured project finance facilities, typically secured against energy-generating assets such as wind or solar farms or energy efficiency assets.

The CEFC's Rewiring the Nation Fund is expected to deliver concessional finance, including loans, for projects that support grid transformation. This portfolio of loans is expected to be predominately comprised of unsecured corporate facilities, as well as senior-ranking secured loans and secured project finance facilities.

The CEFC's Specialised Investment Funds portfolio of loans (consisting of the Clean Energy Innovation Fund, the Advancing Hydrogen Fund, the Powering Australia Technology Fund and the Household Energy Upgrades Fund) are expected to be predominantly unsecured corporate facilities, senior-ranking secured loans, bonds and secured project finance facilities.

The targeted level of risk for each of these portfolios is set out in the Investment Mandate. For all but the Rewiring the Nation Fund, the CEFC Board seeks to develop a portfolio of loans and investments that in aggregate has an acceptable but not excessive level of risk relative to the sector and the specific focus of each of the Funds. For the Rewiring the Nation Fund, the Board must seek to develop a portfolio that in aggregate has an acceptable level of risk relative to the sector and the focus of the Rewiring the Nation Fund.

The Rewiring the Nation Fund investments may increase the CEFC's overall exposure to risk as the scale, concentration, loan tenor and nature of these investments will have a higher risk profile. The Specialised Investment Funds may also have a higher risk profile than the General Portfolio, however they are a relatively smaller component of the CEFC's overall exposure.

The CEFC has predominantly made loans as a co-financier either jointly or in consortiums with private sector financial institutions. Interest rates vary with a current average expected return of approximately 4.5 per cent. Loans have various maturity dates, typically in the range of 5 to 15 years, although it is anticipated that loan tenors will extend with the introduction of the Rewiring the Nation Fund. As at 30 June 2023, loans contracted and outstanding total $2.54 billion and are almost exclusively in the General Portfolio.

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 2023, the fair value of HELP debt outstanding is estimated to be $46.7 billion. The fair value takes into account the concessionality of HELP loans and makes an allowance for debt not expected to be repaid.

Debts outstanding for more than 11 months are indexed annually using the Consumer Price Index. The Australian Taxation Office collects repayment of these debts through the tax system. Repayment of debts commence when an individual debtor's income reaches the repayment threshold.

There were 2,952,715 HELP debtors as at 30 June 2023. 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 2023, the average time taken to repay HELP debts was 9.6 years.

Employment and Workplace Relations

Trade Support Loans Program

The Trade Support Loans Program (TSLP) is an income-contingent, concessional loan program that assists eligible Australian Apprentices by providing financial support of up to $24,492 (for 2023–24) to assist with the costs of living, learning and undertaking an apprenticeship, and helping apprentices to focus on completing a trade qualification.

Eligible Australian Apprentices can access up to $816.41 per month in the first year of their apprenticeship, $612.31 per month in the second year, $408.20 per month in the third year, and $204.10 per month in the fourth year.

The loan amounts provided are higher in the early years of training to compensate for lower wages. The lifetime limit of $24,492 was indexed on 1 July 2023 using the Consumer Price Index and will continue to be indexed annually on 1 July to maintain its real value.

As an incentive to encourage completion of training, apprentices who successfully complete their apprenticeships are eligible for a 20 per cent discount on their loan. The loans become repayable at the same thresholds as the Higher Education Loan Program, which is $51,550 for the 2023–24 income year. This is a demand-driven program. As at 30 June 2023, the fair value of the TSLP debt outstanding is estimated to be $906.8 million. The fair value takes into account the concessionality of TSLP loans and makes an allowance for debt not expected to be repaid.

VET Student Loans Program

The VET Student Loans (VSL) Program is an income-contingent loan program that assists eligible tertiary education students with the cost of their fees when undertaking approved higher-level Vocational Education and Training (VET) courses (diploma and above).

Debts outstanding for more than 11 months are indexed annually using the Consumer Price Index. The Australian Taxation Office collects repayment of these debts through the tax system. Repayment of debts commence when an individual debtor's income reaches the repayment threshold. Debtors must pay Higher Education Loan Program (HELP) debts before they repay VSL debts.

There were 129,357 VSL debtors as at 30 June 2023. The repayment term of a VSL debt can only be determined for people who have fully repaid their debt. There is insufficient data for post 1 July 2019 VSL to determine the average time to repay.

Prior to the commencement of the VSL Program, loans for VET students were available through the VET-FEE HELP Program, which closed for new students on 31 December 2016. As at 30 June 2023, the fair value of both VET-FEE HELP debt and VSL debt outstanding is estimated to be $3.6 billion. The fair value takes into account the concessionality of VSL loans and makes an allowance for debt not expected to be repaid.

Foreign Affairs and Trade

Telstra acquisition of Digicel Pacific

The Australian Government provided Telstra a financing package through Export Finance Australia for Telstra's acquisition of Digicel Pacific. Telstra now owns and operates Digicel Pacific, contributing to secure and reliable infrastructure in the Pacific region, which is critical to economic growth and development. This package includes debt and equity, such as securities designed to secure the Government a long-term return. As at 30 June 2023, US$1.383 billion (around A$2.1 billion) in funds is estimated to have been drawn down.

Industry, Science and Resources

National Reconstruction Fund Corporation

The National Reconstruction Fund Corporation Act 2023 establishes the National Reconstruction Fund Corporation (NRFC) to support, diversify and transform Australia's industry and economy. By focusing on transformative projects that enhance Australia's manufacturing capability and capture higher-value opportunities, the NRFC will reduce dependence on supply chains susceptible to breakage and create well-paying jobs for Australians.

The NRFC will offer loans and guarantees and make equity investments across the priority areas as required by the *National Reconstruction Fund Corporation Act 2023*. It will target investments in priority areas to crowd in private finance and reinvigorate growth. The NRFC will make a range of investments, including in emerging technologies and technically complex projects that carry higher risk. There are also risks inherent in investing in a large and diverse portfolio of financial assets. In practice, this will involve some short-term volatility in the NRFC's returns, including the possibility of credit losses across the portfolio.

The *National Reconstruction Fund Corporation Act 2023* commenced on 18 September 2023. Noting the NRFC is being established in 2023–24, the risk around revenue and loss projections is unquantifiable at this time.

The NRFC Board will develop the NRFC's portfolio with an appropriate risk tolerance relative to the National Reconstruction Fund priority sectors as required by the NRFC Investment Mandate Direction and the NRFC Priority Areas Declaration.

Social Services

Home Equity Access Scheme

The Home Equity Access Scheme (HEAS) is a voluntary arrangement which allows eligible older Australians to receive a non-taxable loan from the Australian Government. The loan can be paid as regular fortnightly instalments or capped lump sum advance payments, or both, for people of Age Pension age who meet certain residency criteria and own suitable real estate in Australia.

Any amount received under HEAS, and any interest accrued, is attributed as a debt against real estate assets provided as collateral by the participant. The loan can be paid back at any time or is recovered on the sale of the secured real estate or from the person's estate. Additionally, since 1 July 2022, a No Negative Equity Guarantee applies to HEAS loans, limiting the recoverable debt to the equity in the property used to secure the loan.

Student Financial Supplement Scheme

The Student Financial Supplement Scheme (SFSS) commenced in January 1993 and closed on 31 December 2003. It was a voluntary income-contingent loan scheme for tertiary students (primarily Austudy and ABSTUDY) to help cover their living expenses while studying. Under the scheme, eligible students were able to trade one dollar of income support entitlement for two dollars in loans. Debtors are required to start repaying their SFSS loan once they earn $51,550 for 2023–24 and only after they have repaid any Higher Education Loan Program and Vocational Education and Training student loan debt.

The estimated fair value of SFSS loans outstanding was $220.4 million at 30 June 2023.

Student Start-up Loan

The Student Start-up Loan (SSL) is a voluntary income-contingent loan for student payment (Youth Allowance (student), Austudy and ABSTUDY Living Allowance) recipients undertaking higher education. Introduced on 1 January 2016, the SSL is paid a maximum of twice a year and each SSL payment is valued at $1,132 (in 2022). The SSL is repayable under similar arrangements to Higher Education Loan Program (HELP) debts. Students are required to start repaying their SSL once they earn over $51,550 for 2023–24, and only after they have repaid any HELP and Vocational Education Training student loan debt. When it commenced, the SSL was initially for new student payment recipients undertaking higher education. From 1 July 2017, with the closure of the Student Start-up Scholarship, the SSL has become available to all eligible student payment recipients undertaking higher education.

The estimated fair value of the SSL was $733.8 million at 30 June 2023.

Treasury

Affordable Housing Bond Aggregator

The Australian Government, through the Treasury, has made available a line of credit for the Housing Australia Affordable Housing Bond Aggregator (formerly known as the National Housing Finance and Investment Corporation Affordable Housing Bond Aggregator). The provision of funds will be in accordance with appropriations under the *Housing Australia Act 2018*. The line of credit is ongoing, and funds borrowed will be repaid with interest. The Treasury manages the receipt of interest and principal repayments from Housing Australia. As at 30 June 2023, the value of outstanding advances issued to Housing Australia from the line of credit was $76.1 million.

International Monetary Fund – New Arrangements to Borrow

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow since 1998. On 26 January 2020, the IMF Executive Board agreed to a new period of New Arrangements to Borrow from 1 January 2021 to 31 December 2025. The New Arrangements to Borrow helps ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. New Arrangements to Borrow funds are drawn upon by the IMF as needed to supplement the IMF's usual quota resources and will be repaid in full with interest. It is estimated that the value of loans outstanding to Australia is SDR 12.8 million (approximately A$25.7 million) as at 30 June 2023.

International Monetary Fund – Poverty Reduction and Growth Trust

The Australian Government has entered into two agreements to make a line of credit of SDR 1 billion (approximately A$2.0 billion as at 22 September 2023) 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.

It is estimated that the value of loans outstanding to Australia was SDR 210.6 million (approximately A$423.6 million) as at 30 June 2023.

On 11 October 2022, the Government entered into an agreement to lend SDR 1 billion (approximately A$2.0 billion as at 30 June 2023) to the PRGT Pooled Investments, in order to provide subsidy resources to the PRGT of SDR 36 million (approximately A$72.4 million as at 30 June 2023). This loan was drawn down by the IMF on 21 October 2022. PRGT Pooled Investments funds will be repaid in full, with interest.

International Monetary Fund – Resilience and Sustainability Trust

On 11 October 2022, the Australian Government entered into an agreement to make a SDR 760 million (approximately A$1.5 billion as at 22 September 2023) line of credit available to the International Monetary Fund (IMF) under the Resilience and Sustainability Trust's Loan Account through to 30 November 2030. The Resilience and Sustainability Trust Loan Account provides affordable long-term financing to help vulnerable countries build economic resilience and sustainability to address the risks stemming from climate change and pandemics. Resilience and Sustainability Trust Loan Account funds are drawn upon by the IMF as needed and will be repaid in full with interest. As at 30 June 2023, SDR 14.2 million (approximately A$28.5 million) has been drawn down, leaving SDR 745.8 million (approximately A$1.5 billion) available to the IMF under the Resilience and Sustainability Trust.

Additionally, on 11 October 2022, the Australian Government entered into an agreement to lend SDR 152 million (approximately A$305.8 million as at 30 June 2023) to the Resilience and Sustainability Trust Deposit Account through to 30 November 2050, and SDR 5.2 million (approximately A$30.6 million as at 30 June 2023) to the Resilience and Sustainability Trust Reserve Account through to liquidation of the Trust. Resilience and Sustainability Trust Deposit Account funds will be repaid in full with interest. Resilience and Sustainability Trust Reserve Account funds will be repaid upon liquidation of the

Trust and will not accrue interest. These additional contributions will enable the IMF to build sufficient reserves over time to manage risks associated with Resilience and Sustainability Trust lending such as potential late payments.