

Statement 8: Statement of Risks

A range of factors may influence the actual budget outcome in future years. The *Charter of Budget Honesty Act 1998* requires these factors to be disclosed in a statement of risks in each Budget and Mid-Year Economic and Fiscal Outlook. This Statement outlines general fiscal risks, specific contingent liabilities and specific contingent assets that may affect the budget balances. Details of Government loans estimated to exceed \$200 million at 30 June 2025 are included at the conclusion of this Statement.



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Statement 8: Statement of Risks

Overview

The forward estimates of revenue and expenses in the 2025–26 Budget 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 changes to the outlook for domestic and global growth and inflation, volatility in global commodity prices, impacts from rising trade tensions, 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 Budget are based on a range of economic and other parameters that are consistent with the domestic and international outlook detailed in *Statement 2: Economic Outlook*. Economic outcomes that differ from the parameters used in the Budget represent a material risk to the Budget estimates. *Statement 7: Forecasting Performance and Sensitivity Analysis* examines the impact on receipts and payments of altering some of the key economic assumptions underlying the Budget 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 2025–26 Budget 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 2025–26 Budget 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 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.

Specialist Investment Vehicles

Successive Australian Governments have established Specialist Investment Vehicles (SIVs) to achieve policy outcomes. These include the National Reconstruction Fund Corporation, Export Finance Australia, the Clean Energy Finance Corporation, and the Northern Australia Infrastructure Facility. These SIVs 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 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 8.1 outlines how fiscal risks, assets and liabilities, and contingent assets and liabilities, are disclosed in the Budget.

Table 8.2 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 8.2.

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 8.1: 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 8.2: 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	Removed
Attorney-General's	
Significant but remote contingency	
Indemnities relating to the Air Security Officer Capability	Unchanged
Contingent liabilities – unquantifiable	
Investor-state claims against the Australian Government	Modified
Native Title costs	Unchanged
Contingent assets – unquantifiable	
Civil penalty relating to the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> – The Star Pty Limited and The Star Entertainment QLD Limited	Unchanged
Civil penalty relating to the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> – Entain Group Pty Ltd	New
Climate Change, Energy, the Environment and Water	
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	Removed
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	Unchanged
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	Unchanged
Defence	
Fiscal Risks	
Implementation of the nuclear-powered submarine program	Unchanged
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	Unchanged

Table 8.2: 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 liability – unquantifiable	
Indemnity provided to the Administrator of the Construction and General Division of the Construction, Forestry and Maritime Employees Union	New
Contingent liabilities – quantifiable	
Parent Pathways service	New
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	Modified
Future Fund Management Agency and Future Fund Board of Guardians – indemnity	Unchanged
Goongong 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	New
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 and Aged Care	Status
Fiscal Risk	
Fair Work Commission decision – Aged Care Work Value Case	Removed
Aged Care	New
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	Unchanged
Medical Indemnity Exceptional Claims Scheme	Unchanged
Medical Rural Bonded Scholarship Waivers	Unchanged

Table 8.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Health and Aged Care	Status
Contingent liabilities – unquantifiable (continued)	
mRNA manufacturing facility – indemnities	Unchanged
Contingent asset – unquantifiable	
Legal action seeking compensation	Unchanged
Home Affairs	
Fiscal Risk	
Regional processing arrangements	Unchanged
Contingent liabilities – unquantifiable	
Australian victims of terrorism overseas payment	Unchanged
Commonwealth Community Safety Order Scheme – Federation Funding Agreement – indemnity	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	Unchanged
Immigration detention services contract (Secure Journeys) – liability limit	Unchanged
Immigration detention services contract (Serco) – liability limit	Unchanged
Industry, Science and Resources	
Fiscal Risks	
Government support for Whyalla Steelworks	New
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	Modified
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	
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)	New
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	New

Table 8.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Infrastructure, Transport, Regional Development, Communications and the Arts	Status
Significant but remote contingencies (continued)	
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	Modified
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
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	Modified
Social Services	
Fiscal Risk	
National Disability Insurance Scheme	Modified
Contingent liabilities– unquantifiable	
Income apportionment and debt pause	Modified
Prygodicz v Commonwealth	Unchanged
Contingent asset – quantifiable	
National Redress Scheme	Modified
Treasury	
Fiscal Risks	
Guarantee for Australia and New Zealand Banking Group Limited's Pacific liabilities	New
Guarantee for the Asian Development Bank's Innovative Finance Facility	Modified
Significant but remote contingencies	
Asbestos Injuries Compensation Fund	Unchanged
Financial Claims Scheme	Unchanged
Guarantee for Housing Australia	Modified
Guarantees under the <i>Commonwealth Bank Sale Act 1995</i>	Unchanged
Reserve Bank of Australia – Guarantee	Modified

Table 8.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Treasury (continued)	Status
Contingent liabilities – quantifiable	
Compensation scheme of last resort	Removed
Establishment of a cyclone and related flooding reinsurance pool	Unchanged
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
Australian Taxation Office – tax disputes	Modified
International financial institutions – uncalled capital subscriptions	Modified
International Monetary Fund – 16th General Review of Quota	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	
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

Commonwealth liabilities in respect of matching payments to industries for research and development contributions

Under several Acts, the Commonwealth provides matching contributions to encourage expenditure on research and development (R&D) and to increase the competitiveness and sustainability of industries within Australia. Matching contributions on eligible R&D are subject to an annual limit that is calculated based on the determined gross value of production (GVP cap) for the industries. There will be a R&D excess, which can be claimable in future years, where the cumulative R&D expenditure is more than the GVP cap. The Commonwealth's future liability in respect of the matching contributions is contingent on the GVP cap and is therefore 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 15 national cost-shared emergency responses. Since the 2024–25 Budget, the Australian Government has provided an additional \$249.6 million for High Pathogenicity Avian Influenza (HPAI) H7 and H5N1 preparedness and response activities, including \$95.0 million across the agriculture, environment and health portfolios to manage the increased risk of an incursion of HPAI H5N1. A new national agreement is being developed to manage cross-sectoral governance and cost-sharing agreements.

The Australian, state and territory governments have 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, liabilities for the Australian Government could increase. 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.

Attorney-General's

Significant but remote contingency

Indemnities relating to the Air Security Officer Capability

The Australian Government has provided an indemnity to two Australian airlines connected with agreements to allow Air Security Officers on board their aircraft. The indemnities are limited to \$2 billion per incident. The indemnity only applies where the airline(s) can establish that loss, damage or claim resulted from an act by an Air Security Officer, under or in connection with the Air Security Officer program. The indemnity applies to the extent that any loss, damage or claim is not covered by existing relevant insurance policies held by the airline.

Contingent liabilities – unquantifiable

Investor-state claims against the Australian Government

On 28 March 2023, 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 three further notices of arbitration from Zeph. The first concerns a dispute about exploration permits held by Waratah Coal Pty Ltd (Waratah) in the Galilee Basin of Queensland. The second concerns a dispute about a coal mine proposed by Waratah in the Galilee Basin. The third concerns a dispute about a coal-fired power station proposed by Waratah in the Galilee Basin. Zeph raised each of these claims under Chapter 11 (Investment) of the AANZFTA.

Should the Australian Government 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.

Native Title costs

The Australian Government will likely be liable for any compensation found to be payable under the *Native Title Act 1993* in respect of compensable acts for which the Australian Government is responsible. While the High Court's decision in the *Timber Creek* litigation (*Northern Territory v Griffiths et al* [2019] HCA 7) provides guidance on the principles for calculating compensation under the *Native Title Act*, the Australian Government's liability cannot be quantified owing to uncertainty about the number and effect of compensable acts, and the value of Native Title affected by those acts.

Contingent asset – 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

On 30 November 2022, the Australian Transaction Reports and Analysis Centre applied to the Federal Court of Australia for a civil penalty order against The Star Pty Limited and The Star Entertainment QLD Limited for alleged serious contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) including failures to properly assess money laundering and terrorism financing risks, and failures to undertake appropriate customer due diligence. The matter remains ongoing and any potential penalties are unquantifiable at this time.

Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* – Entain Group Pty Ltd

On 16 December 2024, the Australian Transaction Reports and Analysis Centre (AUSTRAC) applied to the Federal Court of Australia for a civil penalty order against Entain Group Pty Ltd (Entain) for alleged serious and systemic non-compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

AUSTRAC alleges that Entain failed to comply with obligations under the AML/CTF Act, including failures to develop and maintain a compliant anti-money laundering program and failure to properly assess money laundering and terrorism financing risks. The outcome of this matter is 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

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 both projects 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.

Significant but remote contingencies

Snowy Hydro Limited – Board Members' indemnity

The Australian Government has provided an indemnity for some of the Directors of Snowy Hydro Limited to protect them against certain claims relating to their employment as Directors. Until the indemnity agreements are varied or ceased, they will remain as contingent and unquantifiable liabilities.

Snowy Hydro Limited – Termination of the Equity Subscription Agreements

The Australian Government will provide sufficient funding to cover costs and liabilities incurred by Snowy Hydro Limited for the delivery of Snowy 2.0, capped to the total remaining undrawn equity, in the event that the Commonwealth terminates the Equity Subscription Agreements between the Commonwealth and Snowy Hydro Limited.

Contingent liabilities – unquantifiable

Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability

The Australian and Western Australian (WA) Governments have provided an indemnity to the Gorgon Joint Venture Partners (GJV) against independent third-party claims (relating to stored carbon dioxide) under common law, for loss or damage caused by the injection of carbon dioxide into the Dupuy formation under Barrow Island, WA. Claims can only occur at least 15 years after the cessation of carbon dioxide injections into the formation. The project commenced in 2019 and has an expected life of around 40 years. The claims are subject to conditions similar to those set out in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

The WA Government has indemnified the GJV and, subject to certain conditions being met, the Australian Government has indemnified the WA Government for 80 per cent of any amount determined to be payable under that indemnity.

Liability for costs incurred in a national liquid fuel emergency

The Australian Government has responsibility for the *Liquid Fuel Emergency Act 1984* (the Liquid Fuel Act). In addition, the Australian Government and state and territory governments have entered into an inter-governmental agreement (IGA) in 2006 in relation to a national liquid fuel emergency. Under the IGA, the Australian Government agrees to consult IGA parties on a likely shortage and, if necessary after those consultations, to advise the Governor-General of the Commonwealth of Australia to declare a national emergency under the Act.

The IGA contains three areas where the Australian Government may incur expenses in the unlikely event of a national liquid fuel emergency. These relate to the direct costs of managing a liquid fuel emergency and include the possibility of the Australian Government reimbursing the state and territory governments for costs arising from their responses, and potential compensation for industry arising from Australian Government directions under the Liquid Fuel Act.

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. If the three shareholders decide not to proceed with the project and Marinus Link Pty Ltd is wound up, the 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 also has the option to sell some or all of its shares 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 (capped at 16.7 per cent of the Tasmanian Government’s 17.7 per cent of the shareholdings), 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.

There are also ongoing project risks as the project progresses, such as cost pressures, that may require additional financial support from the shareholders. The Australian Government will continue to monitor these risks through engagement and oversight of Marinus Link Pty Ltd’s activities.

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 Murray-Darling Basin Plan 2012 through water recovery. On 1 July 2019, the Sustainable Diversion Limits took effect. The *Water Act 2007* 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 of Australia Ltd 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. Before 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.

United States Strategic Petroleum Reserve Lease Agreement – indemnity under certain conditions

On 3 June 2020, the Australian Government entered into a commercial leasing agreement with the United States (US) Department of Energy. This agreement facilitates the storage of Australia's first government-owned strategic fuel reserve in the US Strategic Petroleum Reserve (SPR).

Under the lease agreement, the Australian Government indemnifies the SPR for any liabilities incurred (subject to certain exceptions) arising from or related to: the transportation of crude oil to the SPR; third-party claims made in connection with the drawdown or delivery of the oil; and customs duties, fees or other charges which may arise from the Australian Government's noncompliance with US Customs Law.

Following the sale and delivery of all Australian oil held in the SPR in June 2022, the risk of any liability is currently significantly reduced. Australia continues to maintain its lease and could decide to store new reserves in the future.

Contingent liabilities – quantifiable

Capacity Investment Scheme

The Australian Government has announced six projects through the South Australia and Victoria tender to enter into underwriting agreements under the Capacity Investment Scheme. These underwritings are expected to generate 3.62 gigawatt hours (GWh) in storage capacity.

The Australian Government announced a further 19 projects to enter into underwriting agreements 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.

The Australian Government has also announced four projects to enter into underwriting agreements through CIS Tender 2 – Wholesaler Electricity Market Dispatchable, in Western Australia. The projects have a combined capacity of around 2.6 GWh in storage capacity.

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.

Underwriting of the Marinus Link Project

The Australian Government has underwritten up to A\$165.75 million for the Cancellation Fee payable for the Cable Engineering, Procurement, and Construction (EPC) Contract for the Marinus Link project (signed 31 July 2024).

The condition for this underwriting agreement to be called on relates to agreement to proceed with the project not being reached and the associated notices to proceed not being issued to the cable contractors by 31 August 2025.

Defence

Fiscal Risks

Implementation of the nuclear-powered submarine program

On 14 March 2023, the Australian Government, alongside the governments of the United Kingdom and the United States of America, announced the optimal pathway for the nuclear-powered submarine program for Australia under the AUKUS trilateral security partnership.

The Australian Government has agreed a number of measures to support the initial implementation of the nuclear-powered submarine program, which have been outlined in Budget papers since 2023–24.

The total costs associated with the program will depend on the details of design and production processes and commercial and other arrangements, including the provision of indemnities, which will be finalised between governments and delivery partners.

Major operations of the Australian Defence Force in 2025–26

The 2025–26 estimates for the Department of Defence (Defence) include the cost of major operations of the Australian Defence Force in 2025–26 in the Middle East region, and to protect Australia's borders and offshore maritime interests. Funding for major Defence operations is considered and provisioned on a year-by-year basis.

Significant but remote contingencies

ADI Limited – Officers' and Directors' indemnities

Under the sale agreements for ADI Limited, the Australian Government agreed to indemnify the directors, officers and employees of ADI Limited for claims and legal costs associated with assistance related to the sale of the Australian Government's shares in the company. The Australian Government has also provided an indemnity to ADI Limited for uninsured losses relating to specific heads of claims.

Litigation cases

Defence is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters are not able to be finalised by negotiation.

The litigation includes:

- common law liability claims, including for personal injury and property damage, investigations of Defence by Comcare and active prosecutions in relation to alleged breaches of the *Work Health and Safety Act 2011*

- claims seeking compensation for alleged loss or damage arising from Defence use of aqueous film forming foam that contained manmade per- and poly-fluoroalkyl (PFAS) substances
- claims received following reviews into the Australian Defence Force and Defence culture.

Claims may also arise from the disposal of assets to third parties where such assets contain hazardous materials, or components that have the potential to cause injury.

Remote contingencies

As at 30 June 2024, Defence carried 412 instances of quantifiable remote contingent liabilities valued at \$7.95 billion and 592 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 liabilities – unquantifiable

Cockatoo Island Dockyard

On 13 October 2001, Cockatoo Island Dockyard commenced proceedings against the Commonwealth in the New South Wales (NSW) Supreme Court seeking full reimbursement from the Australian Government for personal injury claims costs incurred after 31 October 1995 in relation to asbestos exposure. Following decisions in the NSW Supreme Court on 17 December 2004 and 4 February 2005, and the NSW Court of Appeal on 23 November 2006, Cockatoo Island Dockyard was awarded a complete indemnity from the Commonwealth for its uninsured exposure to asbestos damages claims, plus profit of 7.5 per cent. Defence continues to manage reimbursement of claims costs incurred by Cockatoo Island Dockyard.

Land decontamination, site restoration and decommissioning of Defence assets

Defence has made a financial provision for the estimated costs involved in remediating contaminated land on the Defence estate where a legal or constructive obligation has arisen. For cases where these obligations do not exist, or these contingencies are unquantified, a provision has not been made.

Contingent liability – quantifiable

Claims against the Department of Defence

The Department of Defence (Defence) has 15 instances of non-remote, quantifiable contingent liabilities in respect of claims against Defence valued at \$17.9 million.

The estimated figure is determined by 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.

Employment and Workplace Relations

Fiscal Risk

Recovery of inappropriately claimed VET FEE-HELP payments from VET providers

The Australian Government is undertaking compliance action, including court action, to recover VET FEE-HELP payments from VET providers where loans were issued inappropriately to students by providers. The Government has legislated a remedy, which commenced 1 January 2019, for VET FEE-HELP students who incurred debts under the VET FEE-HELP loan scheme following inappropriate conduct by VET providers. The Government will undertake recovery activities against VET providers in cases where the student was ineligible for a VET FEE-HELP loan.

There are financial risks to the Commonwealth in the event that it cannot recover payments from VET providers where they have closed or entered into administration or liquidation.

The financial risk to the Commonwealth is currently unquantifiable as it depends on the receipt and assessment of applications from students, as well as outcomes from the Government's investigations into VET providers' conduct.

Contingent liability – unquantifiable

Indemnity provided to the Administrator of the Construction and General Division of the Construction, Forestry and Maritime Employees Union

The Commonwealth intends to enter into a deed of indemnity with the Administrator of the Construction and General Division (and its branches) of the Construction, Forestry and Maritime Employees Union. The indemnity is to ensure that, in the event relevant provisions in *the Fair Work (Registered Organisations) Act 2009* and/or *the Fair Work (Registered Organisations) (CFMEU Construction and General Division Administration) Determination 2024* (which contain an indemnity) are found to be invalid, the Administrator and persons acting under his direction have continued indemnity in certain circumstances. The proposed indemnity is uncapped for certain liabilities (although subject to compliance with its terms) and currently unquantifiable as the potential liability cannot be accurately estimated at present.

Contingent liabilities – quantifiable

Parent Pathways service

Parent Pathways is a voluntary pre-employment service which commenced on 1 November 2024. Parent Pathways supports parents and carers of children under six to work towards their employment and education goals, while valuing the important role of caring for children.

Participants can access financial assistance through the Individual and Pooled Funds. The Individual Fund provides participants with financial assistance to build their skills and capabilities and to attend appointments or activities. A notional amount of \$1,250 is credited to each participant's Individual Fund on their commencement in the service. Every 12 months unused credits will lapse, and a new \$1,250 credit will be applied to the participant's Individual Fund. The Pooled Fund supplements the Individual Fund and supports a broad range of purchases for participants who are in most need of assistance. When a participant commences, \$600 is allocated to the provider's Pooled Fund.

As the service has only recently commenced, providers are forecast to spend less than the value of the available credits, creating a surplus of credits that present a contingent liability. As at 31 December 2024, there was \$11.7 million in unspent credits in the Individual and Pooled Fund notional banks.

ParentsNext program

ParentsNext supported 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 program ceased on 31 October 2024.

Under the program, providers accumulated one-off credits which accrued 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 a surplus of credits that present a contingent liability. As at 31 December 2024, there was \$80.8 million in unspent Participation Fund credits in the Participation Fund notional bank. The surplus of credits will decline as providers seek reimbursement for funds expended before the ParentsNext program ceased on 31 October 2024.

The new voluntary pre-employment service for parents, Parent Pathways, commenced on 1 November 2024.

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 accumulate a \$1,600 Employment Fund credit upon commencement of each participant in Workforce Australia Provider Services. This will reduce 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 – Real Jobs, Real Wages*. 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 in June 2024 as part of the 2024–25 Budget measure *Employment Services Reform – Supporting Jobseekers Through Paid Employment Pathways Package – Real Jobs, Real Wages*. 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 December 2024, there was \$670.9 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).

Finance

Significant but remote contingency

Australian Naval Infrastructure Pty Ltd – Termination of the Equity Funding Agreement

The Australian Government will provide sufficient funding to enable Australian Naval Infrastructure Pty Ltd (ANI) to meet the direct costs that may be incurred by ANI in the event that the Commonwealth terminates the Equity Funding Agreement entered into in October 2017 between the Commonwealth and ANI.

Contingent liabilities – unquantifiable

ASC Pty Ltd – Directors' and Executives' indemnities

In 2002, the Australian Government provided former directors of the then Australian Submarine Corporation Pty Ltd (now known as ASC Pty Ltd (ASC)) with indemnities for:

- any claim against them as a result of complying with ASC's obligations under the Process Agreement between the Electric Boat Corporation (EBC), the Australian Government and ASC
- any claim against them as a result of complying with ASC's obligations under the Service Level Agreement between ASC, the Department of Defence, EBC and Electric Boat Australia
- any claims and legal costs arising from the directors acting in accordance with the Board's tasks and responsibilities, as defined under the indemnity.

In 2018, the Australian Government provided directors and senior executives of ASC with indemnities to mitigate personal risk and provide coverage for legal costs related to any legal proceedings that may arise in relation to the transaction to separate ASC Shipbuilding Pty Limited from ASC.

ASC Pty Ltd – Guarantee of Indemnity from ASC in favour of ASC Shipbuilding Pty Limited

The Australian Government has provided a guarantee of an indemnity from ASC Pty Ltd (ASC) in favour of ASC Shipbuilding Pty Limited (ASC Shipbuilding).

ASC provided an indemnity in favour of ASC Shipbuilding prior to ASC Shipbuilding being separated from ASC Pty Ltd, which occurred in December 2018. This indemnity is intended to cover any liabilities unknown at the time of separation which may arise after separation. The indemnity is time limited to seven years.

The guarantee will only be called on if ASC is no longer owned by the Commonwealth and ASC can no longer meet its obligations under the terms of the indemnity. It is Australian Government policy to retain ASC as a Government Business Enterprise.

Australian Government general insurance fund – Comcover

The Department of Finance provides insurance and risk management services to Australian Government general government sector entities. Insurance liabilities are subject to potential revisions as the total number and size of claims covered is subject to unforeseen future events.

The Department of Finance takes all reasonable steps to ensure it has appropriate information regarding its claims exposure, including regularly updating estimates and parameters based on analysis of claim experience, actuarial calculations and other relevant factors.

Commonwealth Superannuation Corporation – immunity and indemnity

The *Governance of Australian Government Superannuation Schemes Act 2011* (the Governance Act) provides specific immunities for activities undertaken in good faith by directors and delegates of the board of the Commonwealth Superannuation Corporation (CSC), provided these activities relate to the performance of their functions.

Under the Governance Act, other than where not permitted by the *Superannuation Industry (Supervision) Act 1993* or regulations under that Act, any money that becomes payable by CSC in respect of an action, liability, claim or demand that relates to the superannuation schemes or funds for which it is responsible, is to be paid out of the relevant superannuation fund or, if there is no fund, the Consolidated Revenue Fund (CRF). Amounts paid from a superannuation fund are reimbursed to the fund from the CRF.

Finance owned estate

The Department of Finance owns and is responsible for managing properties in the Australian Government's domestic non-Defence portfolio, including remediation of contaminated sites to ensure there is no threat to human health and the environment. A small number of properties may require remediation and are subject to further investigation. Except for property at Lucas Heights in New South Wales, none of the properties with potential remediation issues has had a provision for remediation recognised, as neither the conditions for legal nor constructive obligations have been met, nor is a reliable estimate of the obligation currently possible.

Future Fund Management Agency and Future Fund Board of Guardians – indemnity

The Australian Government has provided certain staff members of the Future Fund Management Agency (the Agency) and the members (board members) of the Future Fund Board of Guardians (the Board) with deeds of indemnity. The indemnities are intended to cover liabilities in excess of the insurance cover (including Comcover) of the Board, its

subsidiary entities and the Agency. Board members are indemnified for liabilities incurred arising out of an act, omission or breach of statutory duty by the Board or a board member that relates to the performance of the Board’s functions or the exercise of the Board’s powers or that relates to any act, omission or breach of statutory duty by a board member as a director or officer of a wholly-owned Australian subsidiary of the Board.

Certain Agency staff members are indemnified in connection with the performance of functions or the exercise of powers in their capacity as a director or officer of investee companies or subsidiaries of the Board. Subject to certain exceptions or qualifications, board members and Agency staff members are indemnified for amounts up to the value of the relevant funds.

Board members are not indemnified in respect of any liability owed by them to the Board or its subsidiary, or which results from a contravention of a civil penalty provision of the *Future Fund Act 2006* or the *Corporations Act 2001*. Agency staff members are not indemnified to the extent they are indemnified by the relevant investee company or subsidiary, in respect of any liability owed to the Board or the Commonwealth, or to the extent that they are granted and receive financial assistance under Appendix E of the *Legal Services Directions 2017*. Both board members and Agency staff members are not indemnified for any liability resulting from conduct they engage in other than in good faith, to the extent they recover a liability under a Directors and Officers insurance policy (including Comcover) or in respect of legal costs incurred by them in unsuccessfully defending or resisting criminal proceedings or proceedings regarding a contravention of a civil penalty provision.

Googong Dam

On 4 September 2008, a 150-year lease for Googong Dam was signed between the Australian Government and the Australian Capital Territory (ACT) Government. The Australian Government is liable to pay just terms compensation if the terms of the lease are breached by introducing new legislation or changing the *Canberra Water Supply (Googong Dam) Act 1974* in a way that impacts on the rights of the ACT. The lease includes a requirement for the Australian Government to undertake rectification of easements or any defects in title in relation to Googong Dam, and remediation of any contamination it may have caused to the site. It also gives an indemnity in relation to acts or omissions by the Australian Government.

Indemnities for the Reserve Bank of Australia and private sector banks

In accordance with Government entities’ contracts for transactional banking services, the Australian Government has indemnified the Reserve Bank of Australia and contracted private sector banks against loss and damage arising from error or fraud by an entity, or transactions made by a bank with the authority of an entity.

Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects

Ongoing and terminating indemnities have been given in respect of a range of asset sales, privatisations and information technology outsourcing projects that have been conducted by the Department of Finance and the former Office of Asset Sales and Commercial Support and its predecessors. The probability of an action being brought under one of these indemnities diminishes over time.

Details of indemnities in respect of other asset sales and privatisations have been provided in previous Budget and MYEFO papers, and previous Annual Reports of the Department of Finance and the Office of Asset Sales and Commercial Support.

Indemnified bodies are listed below. Apart from instances noted elsewhere, the Department of Finance does not currently expect any other action to be taken in respect of these indemnities.

Indemnified body	Year(s) raised
ADI Ltd	1998
Albury–Wodonga Development Corporation	2014
Australian Airlines	1991
Australian Industry Development Corporation	1996
Australian Multimedia Enterprise	1997
Australian National Rail Commission and National Rail Corporation Ltd	1997 and 2000
Australian River Co Ltd	1999
Australian Submarine Corporation Pty Ltd	2000
Bankstown Airport Ltd	2002
Camden Airport Ltd	2002
ComLand Ltd	2004
Commonwealth Accommodation and Catering Services	1988
Commonwealth Bank of Australia	1993 to 1996
Commonwealth Funds Management and Total Risk Management	1996 to 1997
Employment National Ltd	2003
Essendon Airport Ltd	2001
Federal Airports Corporation's Airports	1995 to 1997
Health Insurance Commission	2000
Housing Loans Insurance Corporation Ltd	1996
Hoxton Park Airport Limited	2002
Medibank Private Limited	2014
National Transmission Network	1999
Sydney Airports Corporation Ltd	2001
Telstra	1996, 1999 and 2006
Wool International	1999

Kenbi Land Claim No. 37, Cox Peninsula, Northern Territory

On 5 December 2024, the Department of Finance, on behalf of the Commonwealth, finalised the transfer of the final Commonwealth parcels of land under Kenbi Land Claim No. 37 at

Cox Peninsula, Northern Territory to the traditional owners. The Transfer of Deed Arrangement was agreed to and signed by the Commonwealth, the Northern Territory Government, the Northern Land Council and the Kenbi Land Trust, and included provisions of two uncapped indemnities and three warranties.

Under section 60 of the *Public Governance, Performance and Accountability Act 2013*, the uncapped indemnities and warranties were granted by the Minister for Finance for the contingent liabilities that may arise from the Commonwealth's historic use and ownership of the site, including potential future health claims, resulting from contamination of the site.

Foreign Affairs and Trade

Fiscal Risk

Export Finance Australia – National Interest Account

There are five 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 facilities, 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 41 infrastructure projects in 11 countries. As at 31 January 2025, the maximum loan exposure is \$1.1 billion, of which \$224.7 million was 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 Australian Government expanded the CMF by \$2.0 billion for a maximum aggregate exposure of \$4.0 billion. To date, the Government has agreed to provide a total of approximately \$2.63 billion to support five projects under the facility. As at 31 January 2025, \$248.8 million was 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\$4.8 billion as at 31 January 2025). To date, three loans under the DEF have been agreed for a total signing value of A\$228 million. As at 31 January 2025, A\$167.9 million was outstanding.

The COVID-19 Export Capital Facility was announced on 15 April 2020, with a maximum aggregate exposure of \$500.0 million. The COVID-19 Export Capital Facility expired in April 2021. As at 31 January 2025, \$0.045 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. In the 2024–25 MYEFO, the Australian Government agreed to provide US\$50.0 million (approximately A\$73.2 million as at 22 September 2024) to support one project under the SEAIFF. As at 31 January 2025, no funds 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.

Contingent liabilities – quantifiable

Export Finance Australia

The Australian Government guarantees the due payment of money that is, or may at any time become, payable by Export Finance Australia to anyone other than the Government. As at 31 January 2025, the Government's total contingent liability was \$7.5 billion, comprising Export Finance Australia's liabilities to third parties (\$6.4 billion) and Export Finance Australia's overseas investment insurance, contracts of insurance and guarantees (\$1.1 billion). Of the total contingent liability, \$3.8 billion relates to Export Finance Australia's Commercial Account and \$3.7 billion relates to the National Interest Account.

Papua New Guinea National Rugby League Franchise

The Australian Government has agreed to support the Australian Rugby League Commission and NRL Bid 25 Limited to establish and support the operation of the Papua New Guinea National Rugby League franchise.

The support will include contingent liabilities for the Commonwealth. Details of these liabilities are not provided as they include commercial-in-confidence sensitivities.

Health and Aged Care

Fiscal Risk

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* will commence on 1 July 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, 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.

Contingent liabilities – unquantifiable

Accommodation Payment Guarantee Scheme

The Accommodation Payment Guarantee Scheme guarantees the repayment of aged care residents' refundable accommodation payments (including refundable deposits and accommodation bonds) if the approved provider becomes insolvent or bankrupt and defaults on its refund obligations. In return for the payment, the rights that the resident had to recover the amount from their approved provider are transferred to the Australian Government so it can pursue the approved provider for the funds. In cases where the funds are unable to be recovered, the Australian Government may levy all approved providers holding bonds, entry contributions and refundable accommodation deposits to meet any shortfall.

Advance Purchasing Agreements for COVID-19 vaccines

The Australian Government has provided indemnities to the suppliers of COVID-19 vaccines, for which the Australian Government has entered into Advance Purchasing Agreements, covering certain liabilities that could result from the use of the vaccines. These agreements relate to vaccines from AstraZeneca Pty Ltd, Pfizer Inc, Moderna Switzerland GmbH and Novavax, Inc.

Australian Red Cross Society – indemnities

Deeds of Agreement between the Australian Red Cross Society (the Red Cross) and the National Blood Authority in relation to the operation of Australian Red Cross Lifeblood and the development of principal manufacturing sites in Sydney and Melbourne, include certain indemnities and a limitation of liability in favour of the Red Cross. These indemnities cover defined sets of potential business, product and employee risks and liabilities. Certain indemnities for specific risk events that operate within the term of the Deed of Agreement are capped and must meet specified pre-conditions. Other indemnities and the limitation of liability only operate in the event of the expiry and non-renewal, or the earlier termination, of the Deed of Agreement relating to the operation of the Red Cross or the cessation of funding for the principal sites, and only within a certain scope. All indemnities are also subject to appropriate limitations and conditions, including in relation to mitigation, contributory fault, and the process of handling relevant claims.

Blood and blood products liability cover

The National Managed Fund (NMF) was established by a memorandum of understanding between the Australian Government, Australian Red Cross Lifeblood (Lifeblood) and state and territory governments to cover potential future claims in relation to the supply of blood and blood products by Lifeblood. The NMF provides for liabilities incurred by Lifeblood where other available mitigation or cover is not available. Under certain conditions, the Australian Government and the state and territory governments may jointly provide indemnity for Lifeblood through a cost-sharing arrangement for claims, both current and potential, regarding personal injury and loss or damage suffered by a recipient of certain blood products. If there are insufficient funds in the NMF to cover claim costs, the Jurisdictional Blood Committee will consider a report provided by the National Funds Manager to determine the level of additional funds required. The Australian Government's share of any additional liability is limited to 63 per cent of any agreed net cost.

CSL Ltd

CSL Limited (CSL) is indemnified against claims made by individuals who contract specified infections from specified products and against employees contracting asbestos-related injuries. CSL has unlimited cover for most events that occurred before the sale of CSL on 1 January 1994, but has more limited cover for a specified range of events that occurred during the operation of the Plasma Fractionation Agreement from 1 January 1994 to 31 December 2004. Where alternative cover was not arranged by CSL, the Australian Government may have a contingent liability.

The National Fractionation Agreement for Australia with CSL Behring (Australia) Pty Ltd (a subsidiary of CSL), which has operated since 1 January 2018, includes a requirement that the National Blood Authority make a defined payment to CSL Behring (Australia) Pty Ltd in certain circumstances only, in the event that the volume of plasma supplied annually to CSL Behring (Australia) Pty Ltd is less than a specified amount.

Indemnities relating to vaccines

The Australian Government has provided indemnities to a manufacturer of a smallpox/monkeypox vaccine held by the Australian Government, covering possible adverse events that could result from the use of the vaccine in an emergency situation. Indemnities have also been provided to a particular manufacturer of pandemic and pre-pandemic influenza vaccines for the supply or future supply of influenza vaccines under certain conditions (including H1N1 and H5N1).

Major sporting events

Brisbane 2032 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 Rugby World Cup and 2029 Women’s Rugby World Cup – On 12 May 2022, World Rugby selected Australia as the host of the 2027 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 at this time.

Medical Indemnity Exceptional Claims Scheme

Under the Medical Indemnity Exceptional Claims Scheme, the Australian Government assumes liability for 100 per cent of any damages payable against practitioners practising in a medical profession that exceed a specified level of cover provided by the practitioner’s medical indemnity insurer (currently \$20 million). These arrangements apply to payouts either related to a single large claim or to multiple claims that in aggregate exceed the cover provided by the practitioner’s medical indemnity insurer, and would apply to claims notified under contract-based cover since 2003. From 1 July 2020, the *Medical and Midwife Indemnity Legislation Amendment Act 2019* provides transferred eligibility for allied health professionals (including registered only midwives) into the Allied Health High Cost Claims

Scheme and Allied Health Exceptional Claims Scheme within the *Medical Indemnity Act 2002*.

Medical Rural Bonded Scholarship Waivers

The Department of Health and Aged Care is using debt waivers to address the creation of statutory debts by participants of the Medical Rural Bonded Scholarship Scheme who inadvertently breached contractual arrangements from 2020, when the reformed Bonded Medical Program was implemented. In 2023–24, the Department of Health and Aged Care waived no statutory debts, however further waivers may be required. The total value of the waivers cannot yet be quantified.

mRNA manufacturing facility – indemnities

The Commonwealth has entered into a strategic partnership with Moderna Australia Pty Ltd (Moderna) to establish domestic mRNA vaccine manufacturing capacity and capability in Australia. Under the agreement between the Commonwealth and Moderna, the Commonwealth may enter into a pandemic vaccine advance purchase agreement with Moderna for locally manufactured mRNA vaccines in certain circumstances where an infectious disease pandemic is declared. Moderna will also have the capacity to supply the Commonwealth with non-pandemic vaccines through a non-pandemic vaccine supply agreement.

The Commonwealth does provide indemnities to Moderna under these arrangements to cover certain liabilities that could result from the implementation of the arrangement.

There are also indemnities provided by Moderna in favour of the Commonwealth for certain liabilities, which reflect risk sharing between the parties and are intended to limit financial exposure to the Australian Government.

Contingent asset – unquantifiable

Legal action seeking compensation

The Commonwealth is engaged in legal action against Otsuka to recover compensation for losses associated with the delayed listing of generic brands of aripiprazole on the Pharmaceutical Benefits Scheme. The Commonwealth is claiming that this is due to interim injunctions granted to Otsuka in unsuccessful patent litigation, which had the effect of delaying statutory and price disclosure related price reductions for this drug.

Home Affairs

Fiscal Risk

Regional processing arrangements

Under a Memorandum of Understanding between Australia and the Republic of Nauru on the Enduring Regional Processing Capability in the Republic of Nauru, the Australian Government supports the Government of Nauru to provide support and services to transferees residing in Nauru. Any significant changes in the number of transferees, the arrangements that underpin the provision of those services, relevant litigation or legislative changes, may incur a cost or generate cost reductions which are unquantifiable at this time.

Contingent liabilities – unquantifiable

Australian victims of terrorism overseas payment

The *Social Security Amendment (Supporting Australian Victims of Terrorism Overseas) Act 2012* inserted Part 2.24AA into the *Social Security Act 1991* to create a scheme to provide financial assistance to Australian residents who are victims of an overseas terrorist act that has been declared by the Prime Minister. The scheme commenced on 22 January 2013. Under the scheme, Australian residents who are harmed (primary victims) or whose close family member dies (secondary victims) as a direct result of a declared terrorist act are eligible to claim one-off payments of up to \$75,000. As acts of terrorism are unpredictable, and the declaration of overseas terrorists acts discretionary, the cost of the scheme is 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. The FFA provides for 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.

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 relief and recovery expenditure for that event meets the thresholds set out in the DRFA.

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

The full impact of the ex-Tropical Cyclone Alfred in Queensland and New South Wales in early March 2025 is unknown. Any assistance provided under the DRFA, AGDRP or DRA may have further impacts on expenditure that are currently unquantifiable.

Facilities, garrison, transferee arrivals and reception, and health services in the Republic of Nauru – liability limit

The Department of Home Affairs entered into two contracts for the provision of services and facilities in the Republic of Nauru in relation to regional processing arrangements with the following entities:

- Management & Training Corporation Pty Ltd (MTC), which commenced on 1 October 2022, for the provision of facilities, garrison and transferee arrival and reception services. The contract includes a provision that limits MTC's liability to the Commonwealth to a maximum of \$200 million in aggregate for the term of the contract. The limitation of liability does not apply to loss arising from claims in relation to death or bodily injury, disease or illness of any person caused by MTC's breach of contract, negligent act or omission, wilful default, or breach of law. The limitation of liability also does not apply to loss arising from: criminal acts, malicious damage or wilful default of the service provider or its subcontractors; statutory penalties; breach of privacy legislation; breach of confidentiality; third party claims in relation to infringement of intellectual property rights; or claims brought by third parties to the extent they are caused by the breach of contract, wilful default, or negligence of the service provider.
- International Health and Medical Services Pty Ltd (IHMS), which commenced on 13 August 2022, for the provision of health services in the Republic of Nauru. The contract includes a provision that limits IHMS' liability to the Commonwealth with an indemnity limit of no less than \$45 million in respect of each and every occurrence, and in respect of product liability only, and in the aggregate for all occurrences arising during any one 12-month policy period. The limitation of liability does not apply to loss arising from claims in relation to death or bodily injury, disease or illness (including mental health) of any person caused by IHMS' breach of contract, negligent act or omission, wilful default, or breach of law. The limitation of liability also does not apply

to loss arising from: criminal acts, malicious damage or wilful default of the service provider or its subcontractors; statutory penalties; liability that cannot be excluded at law; breach of privacy legislation; breach of confidentiality; third party claims in relation to infringement of intellectual property rights; or claims brought by third parties to the extent they are caused by the breach of contract, wilful default, or negligence of the service provider.

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 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 assessment, no more than \$30 million per event
	Police	\$5 million per claim or event
QLD	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 status of each agreement with state and territory governments varies, 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*.

Immigration detention services contract (Secure Journeys) – liability limit

The Department of Home Affairs entered into a new contract with Secure Journeys Pty Ltd (Secure Journeys) commencing on 11 December 2024, to deliver immigration detention services at facilities in Australia on behalf of the Australian Government. The contract limits Secure Journeys’ total liability to the Commonwealth under the contract to a maximum of \$300 million. The limitation of liability does not apply to specific events defined under the contract – including loss arising from claims in relation to death, or bodily injury, disease or illness (including mental illness) of any person; statutory penalties; and breach of Commonwealth or State privacy legislation.

Immigration detention services contract (Serco) – liability limit

The Department of Home Affairs entered into a contract with Serco Australia Pty Ltd (Serco), which commenced on 11 December 2014, to deliver immigration detention services at facilities in Australia on behalf of the Australian Government. The contract limits Serco’s liability to the Commonwealth to a maximum of any insurance proceeds recovered by Serco up to a value of \$330 million for the term of the contract. Serco’s liability is unlimited for specific events defined under the contract. This liability limit will operate simultaneously with a new immigration detention services contract until completion of transition activities.

Industry, Science and Resources

Fiscal Risks

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 longer-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 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 longer-term transformation of the Steelworks. 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. Further funding to support an 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.

Rehabilitation of the Ranger Uranium Mine

The Australian Government approved the Ranger Uranium Mine (Ranger) in the late 1970s. Energy Resources of Australia Ltd (ERA) was authorised to mine uranium at Ranger until 2021, and is required to rehabilitate the site to achieve an environmental condition similar to adjacent areas. Pursuant to the renegotiated agreement between the Australian Government and the Northern Land Council, the Australian Government would be responsible for carrying out rehabilitation works at the Ranger site should ERA fail to complete the works. ERA has provided a rehabilitation security to the Australian Government to cover the expected costs of rehabilitation should it be called upon.

The rehabilitation security is revalued periodically based on estimated rehabilitation costs at a point in time, and ERA may be required to provide further security if necessary following a revaluation. The security currently reflects valuation assumptions as at March 2020. Recent assessments of the rehabilitation costs undertaken by the Government indicate that the potential costs have increased significantly following the last security valuation (in March 2020) and that, at present, the security held by the Australian Government would not be sufficient to rehabilitate the site should the Australian Government be required to do so. The Government acknowledges the uncertainty in costing rehabilitation works beyond 2027 and the impact this has on the timing of the next security valuation. Until the security can be valued in light of the cost uncertainties being experienced by ERA, the difference between the expected rehabilitation costs and the security held by the Australian Government represents a fiscal risk to the Budget.

Significant but remote contingencies

Liability for damages caused by space and certain high-power rocket activities

Under the United Nations Convention on International Liability for Damage Caused by Space Objects, the Australian Government may be liable to pay compensation for damage caused to nationals of other countries by space objects launched from Australia, or by Australian nationals overseas. For activities approved under the *Space (Launches and Returns) Act 2018* the Government also accepts liability for damage suffered by Australian nationals, to a maximum value of \$3 billion above an insured level.

To address this risk, in order to have a space or high-power rocket activity approved under the *Space (Launches and Returns) Act*, the responsible party is required to insure against, or take financial responsibility for, damage to third parties. The amount of insurance or financial responsibility is capped at \$100 million.

The *Space (Launches and Returns) Act* provides for amounts lower than \$100 million depending on the risk profile of the activity. A maximum probable loss methodology is also available to calculate the amount of insurance or financial responsibility.

Operations and maintenance of the Northern Endeavour and associated infrastructure

On 31 March 2022, Petrofac Facilities Management Limited (Petrofac) was engaged to deliver Phase One of the decommissioning of the Northern Endeavour. This will see the floating production storage and offtake facility (FPSO) disconnected from the sub-sea equipment and temporary suspension of the wells. On 30 September 2022, the operational control of the facility transitioned from Upstream Production Solutions Pty Ltd to Petrofac.

The contract with Petrofac has adopted an industry standard ‘knock-for-knock’ risk and liability allocation arrangement, that positions risks so that they are borne by the party most likely to be able to financially manage the consequences of a risk materialising. Petrofac is liable, to a pre-determined cap, for several insured risks, including to property, pollution and the environment. Petrofac will also bear responsibility for some instances of loss or damage to the extent it is caused by Petrofac’s negligence or wilful misconduct.

The Australian Government has obtained protection and indemnity, facility damage and control of well insurance, and taken out membership with oil spill response agencies. These limit the Government’s potential risk and financial exposure.

The risk of an incident is remote. The floating production storage offtake facility is being maintained with safety critical maintenance carried out, limited oil in storage and no further oil production taking place. The additional works to prepare for disconnection are not considered to materially increase the risk.

Petrofac Limited, the parent company of Petrofac, is experiencing financial difficulties and is pursuing a financial restructure to resolve its solvency issues. So far, delivery of Phase One decommissioning of the Northern Endeavour has remained largely unaffected

by this financial situation, however solvency issues could increase project delivery risks and potentially lead to delays and increase costs. The Australian Government continues to work with Petrofac to anticipate and minimise any potential impacts to program delivery.

The Australian Government has committed to decommission the Northern Endeavour FPSO and remediate the Laminaria-Corallina oil fields. The cost to deliver Phase One of the decommissioning, including the disconnection and disposal of the FPSO, is taken into account in the forward estimates. However, costs for the subsequent phases of the decommissioning – the permanent plug and abandonment of the wells (Phase Two) and the removal of subsea infrastructure (Phase Three), which are estimated to commence over the forward estimates period – are not able to be fully quantified until procurement activities for those Phases have been completed. Actual costs associated with Northern Endeavour decommissioning will be recovered through the *Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Act 2022*.

Contingent liabilities – unquantifiable

Australian Nuclear Science and Technology Organisation – asbestos contamination

The Australian Nuclear Science and Technology Organisation (ANSTO) site contains asbestos in several buildings and in the soil at the Lucas Heights campus. Although there is potential for claims to be made in relation to asbestos-related diseases, the potential costs have not been assessed and are unquantifiable contingencies.

Australian Nuclear Science and Technology Organisation – indemnity

The Minister for Industry and Science has renewed a Deed of Indemnity between the Australian Government and ANSTO under which the Government formally agreed to indemnify ANSTO and ANSTO officers from any loss or liability arising from claims caused by ionising radiation. This Deed will remain in place until March 2035.

Australian Nuclear Science and Technology Organisation – legacy waste management to final disposal

ANSTO has accumulated, and will continue to accumulate, radioactive waste, the final disposal of which is unfunded. The majority of this waste has arisen from the production of nuclear medicine and will require characterisation in order to determine the nature of, and therefore the costs and timing required to manage, the waste to final disposal. It is anticipated that the long-term storage of the radioactive waste will be the responsibility of the Australian Radioactive Waste Agency. If this changes, ANSTO may need to meet the costs of the future management of the waste.

Former British atomic test site at Maralinga

The Australian Government is responsible for 14 unlimited indemnities relating to the Maralinga Rehabilitation Project (1995–2000). In November 2009, the Australian Government agreed to the handback of the former nuclear test site – Maralinga Section 400 – to the site's Traditional Owners, Maralinga Tjarutja. Under the terms of the

2009 Maralinga Nuclear Test Site Handback Deed, the Australian Government has indemnified the Maralinga Tjarutja people and the South Australian Government in respect of claims arising from test site contamination.

Land decontamination and site restoration for CSIRO property

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) has made a financial provision for the estimated costs in restoring and decontaminating land where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.

Infrastructure, Transport, Regional Development, Communications and the Arts

Fiscal Risks

Australia Post's financial stability

Australia Post is a Government Business Enterprise wholly owned by the Australian Government. In the 2023–24 financial year, Australia Post reported a full financial year pre-tax loss of \$88.5 million. This is Australia Post's second 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.

On 6 December 2023, the Australian Government announced a package of reforms to enable Australia Post to boost productivity, increase its focus on parcel delivery services, and improve financial sustainability. The Government is monitoring the implementation of these reforms to assess whether they are achieving meaningful financial benefits as intended.

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

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 Budget, the adjustment is set at \$1.7 billion in 2024–25, \$1.7 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 the 2024–25 MYEFO.

Inland Rail – delivery

In April 2023, the Australian Government released the findings of the Independent Review of Inland Rail (the Review) and agreed to the 19 recommendations in full or in principle. The Review assessed the project's scope, schedule and cost. While final project costs will not be known until the completion of procurement for all sections of Inland Rail, following finalisation of design, planning and gaining environmental approvals, the Review identified that the estimated cost to complete Inland Rail will be significantly higher than the available funding.

The Australian Government will work with independent specialists to review the cost, scope, engineering, delivery models and schedule of the project. In the interim, Inland Rail Pty Ltd (IRPL) is prioritising the delivery of sections from Beveridge to Parkes.

Significant project delivery risks will remain, including securing jurisdictional support, cost and scheduling pressures, pre-existing land and contamination, and realising revenues.

Regional Express Holdings Limited (Administrators Appointed) (Rex)

The Australian Government has provided a loan of up to \$80.0 million to fund the operations of Regional Express Holdings Limited (Rex) during the convening period of the voluntary administration, until 30 June 2025, and has acquired \$50.0 million of debt owed by Rex to become the major secured creditor.

On 12 February 2025, the Australian Government announced it would work with the Administrators of Rex to support the sale of the business as a going concern, following a competitive sales process. The Australian Government will negotiate with shortlisted bidders to support a successful market-led outcome. In the event there is no sale, the Government will undertake work on contingency options in consultation with relevant states, including preparations necessary for potential Australian Government acquisition of Rex. Further financial support, including to support the competitive sale process or in potential contingency options, would be subject to a future decision of government.

Significant but remote contingencies

Inland Rail – Termination of the Equity Financing Agreement

The Australian Government will provide sufficient funding to cover all costs and liabilities incurred by the Australian Rail Track Corporation (ARTC) or Inland Rail Pty Ltd for delivery of Inland Rail in the event the Commonwealth terminates the Equity Financing Agreement between the Commonwealth and the ARTC.

Maritime Industry Finance Company Limited – Board Members’ indemnity

Indemnities for Maritime Industry Finance Company Limited (MIFCO) board members were provided to protect them against civil claims relating to their employment and conduct as Directors. MIFCO was placed into voluntary liquidation in November 2006 and was deregistered on 24 April 2008. The indemnity is not time-limited and continues even though the company has been liquidated. Until the indemnity agreements are varied or ended, they will remain as contingent and unquantifiable liabilities.

Moorebank Intermodal Project – Glenfield Waste Site Easement

The Australian Government has provided an indemnity to cover all costs and liabilities that may be incurred by the Grantor (the private sector owner of the Glenfield Waste Site) of any easement for the rail spur going across the Glenfield Waste Site, to the extent such costs or liabilities are caused or contributed to by the Commonwealth or its agents.

National Intermodal Corporation Limited – Termination of the Funding Agreement

The Australian Government has provided an indemnity to cover all costs and liabilities that may be incurred by the National Intermodal Corporation Limited (National Intermodal) if the Commonwealth terminates the Funding Agreement between the Commonwealth and National Intermodal.

NBN Co Limited – Termination of the Equity Funding Agreement

The Australian Government is required to cover all costs and liabilities that may be incurred by NBN Co if the Commonwealth terminates the Equity Funding Agreement between the Commonwealth and NBN Co.

Telstra Financial Guarantee

The Australian Government has provided Telstra Corporation Limited (Telstra) a guarantee in respect of NBN Co's financial obligations under the Definitive Agreements. The Agreements were amended on 14 December 2014. The Guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Definitive Agreements. The liabilities under the Definitive Agreements between Telstra and NBN Co arise progressively during the roll-out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and Hybrid Fibre Coaxial cable networks. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Definitive Agreements. As at 31 December 2024, NBN Co had liabilities covered by the Guarantee estimated at \$11.2 billion.

The Guarantee will terminate when:

- NBN Co achieves specified credit ratings for a period of two continuous years
- the company is capitalised by the Commonwealth to the agreed amount
- the Communications Minister declares, under *the National Broadband Network Companies Act 2011*, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational. This declaration was made on 11 December 2020.

Tripartite deeds relating to the sale of federal leased airports

The tripartite deeds between the Australian Government, the airport lessee company and financiers, amend airport (head) leases to provide for limited step-in rights for financiers in circumstances where the Australian Government terminates the head lease to enable the financiers to correct the circumstances that triggered such a termination event. The tripartite deeds may require the Australian Government to pay financiers compensation as a result of terminating the (head) lease, once all Australian Government costs have been recovered. The Australian Government's contingent liabilities are considered to be unquantifiable and remote.

WSA Co Limited – Board Members’ indemnities

The Australian Government has provided an indemnity to the inaugural directors of WSA Co Limited (WSA Co) to protect them against certain claims relating to their role as directors. Unless the indemnity agreements are varied or ended, they cease to apply from the date the Commonwealth has fully satisfied its obligations to subscribe for equity in WSA Co pursuant to the WSA Co Equity Subscription Agreement.

WSA Co Limited – Sydney Metro – Western Sydney Airport indemnity

The Australian Government has provided an indemnity to cover liabilities that may be incurred by WSA Co related to the integration of the Sydney Metro – Western Sydney Airport project (delivered by the New South Wales Government) with the Western Sydney International (Nancy-Bird Walton) Airport, to the extent such liabilities are established in the Airport-Rail Integration Deed.

WSA Co Limited – Termination of the Equity Subscription Agreement

The Australian Government is required to cover all costs and liabilities that may be incurred by WSA Co if the Commonwealth terminates the Equity Subscription Agreement between the Commonwealth and WSA Co.

Contingent liabilities – unquantifiable**Australian Maritime Safety Authority – ship-sourced pollution incident costs**

In the normal course of operations, shipowners carry the liability for any clean-up costs following a ship-sourced marine pollution incident. The Australian Maritime Safety Authority (AMSA) is responsible for the provision of interim funds necessary to immediately meet clean-up operations and, in all circumstances, seeks to recover these costs from ship owners. Where a polluter is not identified, or excess costs cannot be recovered from shipowners, AMSA bears the liability.

AMSA has established a pollution response financial capability to provide funds for clean-up expenditure (which may be across a range of concurrent incidents) pending recoveries. This is backed by liquid investment reserves of \$10 million, and supported by a commercial line-of-credit of \$40 million.

The Australian Government meets costs that cannot be recovered and exceeds AMSA’s pollution response financial capability. Given the nature of ship-sourced pollution incidents, it is not possible to estimate the amounts of any eventual payments that may be required.

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

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) 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 relate to the Australian Government's provision of firefighting services. DITRDCA 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 DITRDCA'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 accurately 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 Airport Environment Officers (AEOs) issue remedial orders to Airservices for PFAS contamination under the Airports (Environment Protection) Regulations 1997. Two Environmental Remedial Orders (EROs) have been issued to Airservices, directing it to undertake specified remedial work at Launceston and Canberra airports, within a set timeframe. AEOs are also actively considering regulatory action at Brisbane, 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.

Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) engages the New South Wales Rural Fire Service (NSW RFS) to provide fire management in the Jervis Bay Territory (JBT). To provide these services, the

NSW RFS requires the Australian Government to provide an uncapped indemnity against any actions or claims resulting from the actions of the NSW RFS while providing fire management services in the JBT. The indemnity covers the same period of time for which NSW RFS is engaged to provide the fire management services. The likelihood of an event occurring that may result in a liability for the Australian Government is assessed as unlikely. The risk of a liability is mitigated through a range of risk management measures, including the *Jervis Bay Territory Rural Fires Ordinance 2014*, the establishment of a JBT Emergency Management Committee (EMC), a fire management plan prepared and implemented by the EMC, NSW RFS staff training and professional qualifications and DIIRDCA actively managing the Service Level Agreement with the NSW RFS.

Moorebank Intermodal Project – Georges River rail crossing

The Australian Government has provided an indemnity to cover costs and liabilities that may be incurred by the State of New South Wales arising under the *Native Title Act 1993 (Cth)* associated with the construction of a rail bridge over the Georges River to the Moorebank Intermodal Terminal. The likelihood of costs being incurred is considered remote and potential costs are unquantifiable.

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) Government 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 (\$112.5 million) and the Northern Australia Infrastructure Facility (\$27.5 million). The Indigenous Land and Sea Corporation is the guarantor for each of these facilities.

The Indigenous Land and Sea Corporation has initiated a sale of Voyages, including the Ayers Rock Resort. The Indigenous Land and Sea Corporation awaits the receipt of binding offers to determine whether sale proceeds will be sufficient to repay debt facilities in full.

Social Services

Fiscal Risk

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 will moderate growth in Scheme expenditure by determining Scheme participant plan budgets more consistently based on participant need and supporting participants to spend in accordance with their plans.

The 2025–26 Budget estimates for the Scheme are based on actual expenditure as at end February 2025 and updated projections from the NDIS Actuary.

Contingent liabilities – unquantifiable

Income apportionment and debt pause

In November 2020, legislative changes were introduced to simplify income reporting in the social security system: income is now reported when it is received, removing the need for customers to calculate and report what they have earned each fortnight. This new approach took effect from 7 December 2020. Prior to 7 December 2020, the Australian Government applied a methodology called income apportionment to calculate a customer's income support entitlement in circumstances when a customer's employment income was spread across two or more Centrelink fortnightly reporting periods.

Where income apportionment was or may have been applied to determine certain Commonwealth social security debts prior to 7 December 2020, recovery activities have been paused, except in particular circumstances. The decision made by the former

Administrative Appeals Tribunal regarding income apportionment (*Secretary, Department of Social Services and FTXB*) has been appealed to the Full Federal Court by the respondent.

Prygodicz v Commonwealth

In September 2024, Gordon Legal filed an extension application in the Federal Court of Australia to appeal settlement orders granted in the *Prygodicz v Commonwealth* class action on behalf of representative applicants impacted by the Income Compliance Program (the Robodebt scheme). Costs associated with the appeal (if any) and any potential related future litigation are not quantifiable until the matter is determined by the Court or otherwise resolved.

Contingent asset – quantifiable

National Redress Scheme

The National Redress Scheme for Institutional *Child Sexual Abuse Act 2018* supports people who experienced institutional child sexual abuse by providing a monetary payment and facilitating access to counselling and psychological services and a direct personal response from the institution determined to be responsible for the abuse. 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 this amount from the responsible institution.

As at 3 February 2025, DSS has an administered quantifiable contingent asset of \$578.3 million in relation to the probable recovery from responsible institutions of monetary payments that may be made to survivors. The value is based on applications that have been referred to an independent decision maker for assessment and average payment values.

As at 3 February 2025, DSS has an administered quantifiable contingent liability of \$390.1 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 average 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

Fiscal risk

Guarantee for Australia and New Zealand Banking Group Limited's Pacific Liabilities

The Commonwealth has provided a 10-year guarantee to Australia and New Zealand Banking Group Limited (ANZ) to secure its long-term commitment to the Pacific. The guarantee transfers certain credit risks associated with eligible exposures related to ANZ's Pacific operations to the Commonwealth. The guarantee can be called on if there is an unremedied default by a third party on those exposures held by ANZ. The guarantee will support ANZ to maintain and enhance its current retail banking services in the Pacific, and deliver financial literacy and inclusion programs, supporting the ongoing connectivity of the Pacific region and Timor-Leste to the Australian and global financial systems.

Guarantee for the Asian Development Bank's Innovative Finance Facility

The Australian Government has committed to enter into a 25-year guarantee capped at US\$200 million (estimated at A\$321.3 million as at 31 January 2025) with the Asian Development Bank (ADB) to support its Innovative Finance Facility for Climate in Asia and the Pacific (the ADB facility). The ADB facility will support climate mitigation and adaptation finance projects of sovereign nations identified by ADB in the Asia and Pacific region.

The guarantee transfers a portion of risk associated with sovereign nations' default from the ADB facility to the Australian Government. The guarantee will only be called on in the event of a sovereign nation defaulting on a project under the ADB facility.

Significant but remote contingencies

Asbestos Injuries Compensation Fund

In February 2016, the Commonwealth agreed to assume one third of the default risk associated with a \$320 million New South Wales (NSW) Government loan to the Asbestos Injuries Compensation Fund (AICF), contingent on all states and territories agreeing to assume the remaining default risk. States and territories agreed to assume the remaining default risk following the publication of the 2016–17 Budget.

The AICF provides compensation to Australian asbestos disease related claims against former subsidiaries of the James Hardie Group and is funded on an ongoing basis through contributions from the James Hardie Group. NSW provided a \$320 million loan facility in 2010 to enable AICF to continue to pay compensation as lump sums, rather than in instalments.

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 2024.

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 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 \$26 billion, unless approved by the Government.

Guarantees under the *Commonwealth Bank Sale Act 1995*

Under the *Commonwealth Bank Sale Act 1995*, the Australian Government guarantees various superannuation and other liabilities of the Commonwealth Bank of Australia. As at 31 December 2024, the Commonwealth Bank of Australia holds no attributed liabilities and \$4.3 billion is attributable to liabilities of the Commonwealth Bank Officers’ Superannuation.

Reserve Bank of Australia – Guarantee

The Australian Government guarantees the liabilities of the Reserve Bank of Australia (RBA), measured as the RBA's total liabilities excluding capital, reserves, and Australian Government deposits. The principal component of the RBA's liabilities consists of exchange settlement balances. As at 31 January 2025, exchange settlement balances amount to \$260.2 billion, and the total guarantee is \$378.2 billion.

Contingent liabilities – unquantifiable

Establishment of a cyclone and related flooding reinsurance pool

The Government provides an annually reinstated Government guarantee to the Australian Reinsurance Pool Corporation (ARPC) of \$10 billion, or a larger amount if required, to support a reinsurance pool for the impact of cyclones and related flooding on eligible insured properties. The guarantee took effect from 1 July 2022, following the passage of legislation in March 2022, and may be called upon in the event of a large cyclone and related flooding, or in a year with a high number of cyclones and related flooding, to ensure the ARPC can pay all liabilities.

The reinsurance pool is designed to be cost neutral to Government over time, based on the predicted cost and frequency of cyclone events. The estimated value and range of calls on the guarantee is unquantifiable due to significant uncertainty in the frequency and severity of cyclones and the resulting losses.

Guarantees for housing

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

The **First Home Guarantee** (formerly 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 First Home Guarantee began on 1 January 2020.

The **New Home Guarantee** is 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 price. 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 but guarantees issued in previous financial years remain active.

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. The Family Home Guarantee commenced on 1 July 2021.

The **Regional First Home Buyer Guarantee** 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 in a regional location by providing a guarantee to participating lenders of up to 15 per cent of the property purchase price (subject to a minimum deposit of 5 per cent). The Regional First Home Buyer Guarantee commenced on 1 October 2022.

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.

Indemnities for specialised external advisers during the COVID-19 pandemic

The Government has provided indemnities for certain specialised external advisers engaged to provide advice on emerging markets issues related to COVID-19. Indemnities were provided to mitigate personal risk and provide coverage for costs related to any legal proceedings that may arise in relation to the provision of that advice.

The indemnities apply for the period of engagement as advisers and for claims that are notified within 12 years after cessation of the adviser's engagement. Until the indemnity agreements are varied or expire, they will remain as contingent and unquantifiable liabilities.

Small and Medium Enterprise (SME) Guarantee Scheme and SME Recovery Loan Scheme

The Australian Government provided support for small and medium enterprises during the COVID-19 pandemic through guaranteeing loans issued by participating lenders. This support was provided under a number of schemes.

The **Coronavirus Small and Medium Enterprises (SME) Guarantee Scheme** provided a guarantee of 50 per cent of the eligible loan amount for eligible small and medium enterprises and the **Show Starter Loan Scheme** provided a guarantee of 100 per cent of the eligible loan amount for the arts and entertainment businesses, with both schemes closing for new loans on 30 June 2021.

The **SME Recovery Loan Scheme**, an expansion and extension of the Coronavirus SME Guarantee Scheme, provided a guarantee of up to 80 per cent of the eligible loan amount, and was initially available to applicants from 1 April 2021 until 31 December 2021.

The SME Recovery Loan Scheme was extended from 1 January 2022 to 30 June 2022, and during this period the Government provided a guarantee of 50 per cent of the eligible loan amount.

Under each of the above schemes, the Australian Government guaranteed to pay an approved lender in the event of default by small and medium enterprises. Although all schemes have closed to new loans, the risk to the Australian Government remains until the final claim date for SME Recovery Loan Scheme on 30 September 2033.

Terrorism insurance – commercial cover

The *Terrorism and Cyclone Insurance Act 2003* (formerly the *Terrorism Act 2003*) established a scheme for terrorism insurance covering damage to commercial property, including associated business interruption and public liability (extended in 2017 to mixed-use and high-value residential buildings). The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses, to maintain a pool of funds and to purchase reinsurance to help meet future claims. The Australian Government guarantees to pay any liabilities of the ARPC, however the responsible Minister (or delegate) must declare a reduced payout rate to insured entities if the Government's liability would otherwise exceed \$10 billion.

Contingent liabilities – quantifiable

Australian Taxation Office – tax disputes

The Australian Taxation Office is regularly 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 reliably estimate the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 30 September 2024, for which a provision has not been made, is \$12.5 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. As at 31 January 2025, Australia's uncalled capital subscription to the IBRD was around US\$4.4 billion (approximately A\$7.0 billion).

The Australian Government has held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. As at 31 January 2025, Australia's uncalled capital subscription to the EBRD was around EUR237.5 million (approximately A\$396.4 million).

The Australian Government has held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. As at 31 January 2025, Australia's uncalled capital subscription to the ADB was around US\$7.0 billion (approximately A\$11.3 billion).

The Australian Government has held an uncalled capital subscription in the Multilateral Investment Guarantee Agency (MIGA) since 1999. As at 31 January 2025, Australia's uncalled capital subscription to the MIGA was around US\$26.5 million (approximately A\$42.5 million).

The Australian Government has held an uncalled capital subscription in the Asian Infrastructure Investment Bank (AIIB) since 2015. As at 31 January 2025, Australia's uncalled capital subscription to the AIIB was around US\$3.0 billion (approximately A\$4.7 billion).

International Monetary Fund – 16th General Review of Quota

The Australian Government has consented to a 50 per cent increase to its International Monetary Fund (IMF) quota. Under the agreement, Australia's quota will increase from Special Drawing Rights (SDR) 6.6 billion (approximately A\$13.8 billion as at 31 January 2025) to SDR 9.9 billion (approximately A\$20.7 billion as at 31 January 2025). This increase maintains Australia's voting power at the IMF and share of any future SDR allocation, and increases access to fund financing.

The timing of the implementation of the quota increase and the accompanying required contribution is uncertain; and is subject to conditions including consent by members representing 85 per cent of the existing quota. 25 per cent of the increase, SDR 821.6 million (approximately A\$1.7 billion as at 31 January 2025), will be made in foreign currency (in consultation with the IMF) and the remainder will be covered by Australian dollar denominated promissory notes. If the IMF quota increase is implemented it will be largely offset by reductions in Australia's other IMF commitments.

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 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. On 8 October 2020, the Australian Government advised the IMF that Australia consented to this decision. On 19 July 2024, a renewal of the New Arrangements to Borrow was adopted by a decision of the IMF's Executive Board. The Government is undertaking the relevant process under the *International Monetary Agreements Act 1947* to enable Australia to carry out its obligations. As at 31 January 2025, the value of Australia's New Arrangements to Borrow credit arrangement is around Special Drawing Rights (SDR) 4.4 billion (approximately A\$9.3 billion). If the IMF quota increase is implemented, the value of

Australia's contribution will decrease by SDR 0.7 billion to SDR 3.7 billion (approximately A\$7.8 billion as at 31 January 2025).

Australia has also made available approximately SDR 2.0 billion (approximately A\$4.2 billion as at 31 January 2025) through a contingent bilateral loan to the IMF, known as a Bilateral Borrowing Agreement (the 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 Agreement by one year through to 31 December 2024. On 20 November 2024, the Australian Government finalised a further extension of the Agreement through to 31 December 2027. If the IMF quota increase is implemented before 31 December 2027, Australia's Agreement will be allowed to expire.

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 Special Drawing Rights (SDR) 1 billion (approximately A\$2.1 billion as at 31 January 2025) to loan to the IMF under the Poverty Reduction and Growth Trust. As at 30 June 2025, it is estimated SDR 270.8 million (approximately A\$550.8 million as at 31 January 2025) will have been drawn down, leaving SDR 729.2 million (approximately A\$1.5 billion as at 31 January 2025) 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 Special Drawing Rights (SDR) 760 million (approximately A\$1.6 billion as at 31 January 2025) 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 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 2025, SDR 74.9 million (approximately A\$152.3 million as at 31 January 2015) is expected to have been drawn down, leaving SDR 685.1 million (approximately A\$1.4 billion as at 31 January 2025) available to the IMF under the Resilience and Sustainability Trust.

Veterans' Affairs

Fiscal Risk

Defence Service Homes Insurance Scheme

The Defence Service Homes Insurance Scheme (DSH Insurance) was established in 1919 under the *Defence Service Homes Act 1918*. DSH Insurance offers home building insurance products to eligible serving Australian Defence Force members, veterans and widow(er)s.

DSH Insurance is funded by premiums collected from policy holders and returns on investments. Due to the nature of insurance, DSH Insurance's financial performance can be volatile from year to year. The last few years have been challenging for DSH Insurance due to increases in claims from extreme weather events (including bushfires, hailstorms and floods), and increased pricing on reinsurance premiums. These are industry-wide challenges affecting all general insurers.

DSH Insurance manages the volatility of the insurance cycle by aiming for an appropriate level of capital (that is, reserves) consistent with the regulations placed on insurers and monitored by the Australian Prudential Regulation Authority. DSH Insurance also has a comprehensive reinsurance program in place, reducing the exposure to loss by passing part of the risk of loss to a group of reinsurers. Nevertheless, there remains a risk that additional Government contributions could be required should these reserves be insufficient to cover the liabilities of DSH Insurance.

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 8.3 summarises Government loans estimated to exceed \$200 million at 30 June 2025.

Table 8.3: 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	152	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 and AgRebuild Loans	2,988	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 other loans	Modified
Climate Change, Energy, the Environment and Water					
Clean Energy Finance Corporation	4,610	Approved entities undertaking clean energy technology projects	Approximately 4.7 per cent weighted average	Predominately 5-15 years	Modified
Education					
Higher Education Loan Program	38,000	Eligible higher education students	The lower of Wage Price Index (WPI) or Consumer Price Index (CPI) growth	9.9 years (average)	Modified
Employment and Workplace Relations					
Australian Apprenticeship Support Loans Program	702	Eligible Australian Apprentices	The lower of WPI or CPI growth		Modified
VET Student Loans Program	2,420	Eligible diploma and above students	The lower of WPI or CPI growth	2.1 years (average)	Modified
Finance					
Defence Housing Australia Loan	225	Defence Housing Australia	Various	Various	New
Snowy Hydro Limited Loan	4,500	Snowy Hydro Limited	Floating + margin	5 years	New
Foreign Affairs and Trade					
Government support for PsiQuantum Pty Ltd	193	PsiQuantum Pty Ltd and PsiQuantum Corporation	Commercial-in-confidence	Commercial-in-confidence	Modified
Telstra acquisition of Digicel Pacific	2,200	Telstra	Commercial-in-confidence	Various	Unchanged

Table 8.3: 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)	981	Eligible projects in accordance with NRFC Act and NRFC investment mandate	Various	Various	Modified
Infrastructure, Transport, Regional Development, Communications and the Arts					
Northern Australia Infrastructure Facility Loans	1,609	Northern Australia jurisdictions (Western Australia, Queensland or the Northern Territory) for on lending to project proponents. The <i>NAIF Investment Mandate Direction 2023</i> additionally allows for provision of financial assistance directly to other entities	Various	Various	Modified
WestConnex Stage 2 Concessional Loan	2,340	WCX M5 Finco Pty Ltd	3.36 per cent	November 2015 to July 2034	Modified
Prime Minister and Cabinet					
Indigenous home ownership, business development and assistance	1,178	Eligible Indigenous persons	1.64 per cent – 6.14 per cent	Up to 32 years	Modified
Voyages Indigenous Tourism Australia Pty Ltd	343	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	Modified
Social Services					
Home Equity Access Scheme	584	Eligible older Australians who meet residency requirements and own suitable real estate in Australia to use as security.	3.95 per cent	Various	Modified
Student Financial Supplement Scheme	121	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY recipients	The lower of WPI or CPI growth	Various	Modified

Table 8.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Portfolio	Loan amount ^(a) (\$m)	Borrower	Interest rate	Term	Status ^(b)
Social Services					
Student Start-up Loan	917	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	The lower of WPI or CPI growth	Various	Modified
Treasury					
Affordable Housing Bond Aggregator	703	Housing Australia	Commonwealth cost of borrowing	Various	Modified
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	Modified
International Monetary Fund – Poverty Reduction and Growth Trust	551	International Monetary Fund	IMF SDR interest rate	10 years	Modified
International Monetary Fund – Resilience and Sustainability Trust	152	International Monetary Fund	IMF SDR interest rate	20 years	Modified
Loan Agreement between the Australian Government and the Government of Indonesia	833	Government of Indonesia	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Modified
2020 Loan Agreement between the Australian Government and the Government of Papua New Guinea	269	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Modified
2021 Loan Agreement between the Australian Government and the Government of Papua New Guinea	295	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	20 years	Modified
2022 Loan Agreement between the Australian Government and the Government of Papua New Guinea	335	Government of Papua New Guinea	Commonwealth cost of borrowing	20 years	Modified
2023 Loan Agreement between the Australian Government and the Government of Papua New Guinea	329	Government of Papua New Guinea	Commonwealth cost of borrowing	20 years	Modified
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	New

(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

Drought-related and farm finance concessional loans – Agriculture

As at 30 June 2025, the fair value of farm business, drought and dairy farm related loans is estimated to total \$152.0 million.

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 February 2025, the scheme's interest rate was 4.23 per cent. The interest rate is 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 February 2025, the interest rate was 4.63 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 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 2024, the fair value of Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans, and AgRebuild Loans was approximately \$3.0 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 February 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 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 ten basis points (0.1 per cent). The next update will be on 1 August 2025.

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.

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 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 delivering concessional finance, including loans, for projects that support grid transformation. This portfolio of predominantly concessional loans is expected to be comprised mainly of unsecured corporate facilities, 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 4.7 per cent. Loans have various maturity dates, typically in the range of 5 to 15 years, although it is anticipated that average loan tenors will be extended under the Rewiring the Nation Fund. As at 30 June 2025, loans contracted and outstanding (excluding bonds and equities) are estimated to total \$4.6 billion.

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 \$38.0 billion. The fair value takes into account the concessionality of HELP loans, makes an allowance for debt not expected to be repaid and includes the impact of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students*.

There were 2,932,349 HELP debtors as at 30 June 2024. 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 2024, the average time taken to repay HELP debts was 9.9 years.

Employment and Workplace Relations

Australian Apprenticeship Support Loans Program

The Australian Apprenticeship Support Loans Program (formerly Trade Support Loans Program) is an income-contingent, concessional loan program that assists eligible Australian apprentices by providing financial support of up to \$25,374 (for 2024–25) to assist with the costs of living, learning and undertaking an apprenticeship, and helping apprentices to focus on completing a qualification listed on the Australian Apprenticeships Priority List.

An eligible Australian Apprentice can access up to \$845.80 per month in the first year of their apprenticeship, \$634.35 per month in the second year, \$422.90 per month in the third year, and \$211.45 per month in the fourth year.

As at 30 June 2025, the fair value of the Australian Apprenticeship Support Loans debt outstanding is estimated to be \$702.4 million. The fair value takes into account the concessionality of Australian Apprenticeship Support Loans, makes an allowance for debt not expected to be repaid, and includes the impact of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students*.

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).

As at 30 June 2025, the fair value of both VET-FEE HELP (VHF) debt and VSL debt outstanding is estimated to be \$2.4 billion. The fair value takes into account the concessionality of VSL loans, makes an allowance for debt not expected to be repaid and includes the impact of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students*.

There were 126,403 VSL debtors as at 30 June 2024. The repayment term of a post 1 July 2019 VSL debt can only be determined for people who have fully repaid their debt. ATO data for the 2023–24 period indicates the average time to repay a VSL debt in full is 2.1 years.

Prior to the commencement of the VSL Program, loans for VET students were available through the VFH scheme, which closed to new students on 31 December 2016.

Finance

Defence Housing Australia Loan

Defence Housing Australia (DHA) has a debt facility with the Department of Finance to support borrowings to provide housing and housing related services to Australian Defence Force (ADF) members and their families. Interest rates are floating, with interest paid quarterly and the principal due in full at maturity. DHA's projected cash flow and capital base are sufficient to cover interest costs and repayment of principal. DHA is a wholly owned Corporate Commonwealth Entity, and a Government Business Enterprise owned by the Australian Government that supports Defence capability by providing ADF members' housing requirements.

Snowy Hydro Limited Loan

Snowy Hydro Limited (SHL) executed a debt facility with the Department of Finance and the Department of Climate Change, Energy, the Environment and Water for funding for the Snowy 2.0 project. Interest rates are floating plus a margin, with interest paid quarterly and the principal due in full after five years. SHL's projected cash flows are sufficient to service the loan which is expected to be refinanced by the private sector at maturity. SHL is a wholly owned Commonwealth Company and a Government Business Enterprise owned by the Australian Government that owns and operates the Snowy Mountains hydro-electric scheme.

Foreign Affairs and Trade

Government support for PsiQuantum Pty Ltd

In the 2024–25 Budget, the Australian Government agreed to a financing package of equity and loans through Export Finance Australia on the National Interest Account to PsiQuantum Corporation and its wholly owned Australian subsidiary to support the construction and operation of quantum computing capabilities and associated investment in industry and research development in Brisbane. The package is part of a joint investment with the Queensland Government. It is estimated that by 30 June 2025, US\$125 million (A\$193.1 million) will have been drawn down, with further loan funding of A\$275.0 million still to be drawn down.

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. This package includes debt and equity, including securities designed to secure the Government a long-term return. It is estimated that by 30 June 2025, US\$1.4 billion (around A\$2.2 billion) is outstanding.

Industry, Science and Resources

National Reconstruction Fund Corporation

The *National Reconstruction Fund Corporation Act 2023* (NRFC Act) commenced on 18 September 2023, establishing the National Reconstruction Fund Corporation (NRFC) to facilitate increased flows of finance into priority areas of the Australian economy.

The NRFC offers loans and guarantees and makes equity investments in priority areas of the economy consistent with the NRFC Act and the associated instrument. 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.

While the NRFC has been established in 2023–24, the risk around revenue and loss projections are unquantifiable at this time.

The NRFC Board develops the NRFC's investment portfolio with an appropriate risk tolerance relative to the National Reconstruction Fund priority areas as required by the *National Reconstruction Fund Corporation (Investment Mandate) Direction 2023* and the *National Reconstruction Fund Corporation (Priority Areas) Declaration 2023*.

Infrastructure, Transport, Regional Development, Communications and the Arts

Northern Australia Infrastructure Facility Loans

The Northern Australia Infrastructure Facility (NAIF) is a financing facility established by the Australian Government under the *Northern Australia Infrastructure Facility Act 2016* and will continue to make investment decisions until 30 June 2026. The primary purpose of the NAIF is to provide loans or alternative financing mechanisms to infrastructure projects. The infrastructure that NAIF can finance is wide ranging and includes assets that facilitate the establishment or enhancement of business activity or increase economic activity in a region.

To be eligible for a loan from the NAIF, including up to 100 per cent of the project's debt, project proponents must meet the mandatory criteria outlined in the NAIF Investment Mandate that commenced on 15 December 2023. Since its establishment, the NAIF has been amended to:

- expand the eligibility for NAIF financing to include non-construction activities associated with the development of economic infrastructure

- provide NAIF with an expanded debt offering, including the ability to provide letters of credit, guarantees and lend in foreign currency, finance smaller loans through working with financing partnerships, and in certain circumstances provide financing directly to proponents rather than via the States or Northern Territory
- make equity investments subject to a cap of \$50 million and a minimum of \$5 million per investment, for non-controlling interest
- enhance the potential to deliver significant public benefit to northern Australia by allowing NAIF to assume financial risk in a project that is acceptable but not excessive, and removing the prohibition against the Australian Government assuming the majority risk in any project.
- legislate the requirement to earmark \$500 million of its \$7 billion appropriation to go towards realising the Government’s Critical Minerals Strategy and create alignment of investment decisions to Government Policy Priorities
- add further areas to be considered as part of NAIF’s Risk Appetite Statement – including risk sharing between NAIF and the Australian Government, climate change related risks and net zero transition risks
- extend NAIF’s internal and external reporting on investments
- further tighten NAIF’s Direct Financing powers and a greater emphasis on consulting/collaborating with other Commonwealth entities/Specialist Investment Vehicles.

The Australian Government updated the Investment Mandate to give effect to these changes.

WestConnex Stage 2 Concessional Loan

The WestConnex concessional loan is a \$2 billion loan facility provided to deliver WestConnex Stage 2. The concessional loan enabled Stage 2 to be brought forward, allowing Stages 1 and 2 to proceed in parallel. This resulted in significant time savings compared to the original approach where these stages progressed in sequence.

WestConnex Stage 2 includes the King Georges Road Interchange Upgrade (completed in 2016) and construction of new twin tunnels from Kingsgrove to a new St Peters interchange, providing motorway connections to Alexandria and Mascot, the M4-M5 Link (completed in January 2023) and the future Sydney Gateway.

The concessional loan agreement requires that the loan be repaid between September 2029 and July 2034.

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 expected fair value of outstanding loans for Indigenous home ownership and business development and assistance is estimated to total \$1.2 billion.

Voyages Indigenous Tourism Australia Pty Ltd

The Indigenous Land and Sea Corporation purchased Ayers Rock Resort for \$291.2 million in May 2011 and immediately on-sold it to its wholly owned subsidiary, Voyages Indigenous Tourism Australia Pty Ltd, creating an inter-company loan that is partly funded by borrowings. The interest rate has been set at the 90-day bank bill swap reference rate plus a margin of 1.2 per cent, and is reset six-monthly. As at 30 June 2025, the outstanding loan balance is estimated to total \$343.3 million.

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 and costs 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 \$54,435 for 2024–25 and only after they have repaid any Higher Education Loan Program and Vocational Education and Training student loan debt.

As at 30 June 2025, the fair value of SFSS loans outstanding is estimated to be \$121.2 million. This is based on the 30 June 2024 fair value assessment by the Australian Government Actuary (AGA) and does not yet include the impact of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students*. However, the measure impact will be included in the June 2025 fair value assessment by the AGA.

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 \$1,321 (in 2025). 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 \$54,435 for 2024–25, 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.

As at 30 June 2025, the estimated fair value of the SSL is \$917.2 million and includes the impact of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students*.

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. The Government has announced the line of credit will be increased to a total of \$4 billion. The provision of funds will be in accordance with 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 2025, the value of outstanding advances issued to Housing Australia from the line of credit is estimated at \$702.8 million.

Commonwealth-State financing arrangements – housing and specific purpose capital

From 1945 to 1989, the Australian Government made concessional advances to state and Northern Territory governments under Commonwealth–state financing arrangements for housing and for specific purpose capital. The advances were concessional fixed-rate loans to be repaid over 53 years, with the last loans maturing in 2042. Annual payments, comprising both interest and principal repayment, are made to the Commonwealth. As at 30 June 2025, the amortised value of the advances is estimated at \$1.1 billion (and principal value of \$1.2 billion).

The Australian Office of Financial Management manages the receipt of interest and principal repayments from state and Northern Territory governments to the Commonwealth.

International Monetary Fund – Poverty Reduction and Growth Trust

The Australian Government has entered into two agreements to make a line of credit of Special Drawing Rights (SDR) 1 billion (approximately A\$2.1 billion as at 31 January 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 is estimated at SDR 270.8 million (approximately A\$550.8 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 31 January 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 31 January 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 31 January 2025).

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 Special Drawing Rights (SDR) 760 million (approximately A\$1.6 billion as at 31 January 2025) 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 2025, SDR 74.9 million (approximately A\$152.3 million as at 30 June 2025) is estimated to be drawn down, leaving SDR 685.1 million (approximately A\$1.4 billion as at 31 January 2025) 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 (estimated at approximately A\$309.2 million as at 30 June 2025) to the Resilience and Sustainability Trust Deposit Account through to 30 November 2050, and SDR 15.2 million (estimated at approximately A\$30.9 million as at 30 June 2025) 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 on 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.

Loan Agreement between the Australian Government and the Government of Indonesia

On 12 November 2020, Australia entered into a A\$1.5 billion loan agreement with Indonesia. This agreement is part of multilateral action to support Indonesia led by the Asian Development Bank and includes the Asian Infrastructure Investment Bank, the Japan International Cooperation Agency and the German state-owned KfW Development Bank.

The funds are being used to support Indonesia’s COVID-19 response and recovery, including social protection initiatives and health system development.

2020 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 22 November 2020, the Australian Government entered into a loan agreement for US\$400 million (approximately A\$558 million) in 2020–21 to the Government of Papua New Guinea (PNG). The loan refinances the US\$300 million short-term loan made in 2019–20 and provides a further A\$140 million loan for budget support, including PNG’s response to COVID-19. The previous short-term loan was made to support budget sustainability, assist in the delivery of core government services, support longer term economic reforms, and increase the availability of foreign exchange in the country. The Australian Government had agreed with PNG to temporarily suspend principal and interest repayments for the loan consistent with the Debt Service Suspension Initiative of G20 nations to support low-income nations during the COVID-19 pandemic. This suspension has now ended.

2021 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 10 December 2021, the Australian Government entered into a loan agreement for A\$650 million in 2021–22 to the Government of Papua New Guinea (PNG). The loan was provided in response to a request from the PNG Prime Minister for further support to enable the PNG Government to meet required expenditure in its 2021 Budget, including on the health and economic response to the COVID-19 pandemic. The loan is also provided to help PNG continue to progress economic reforms under the second International Monetary Fund Staff-Monitored Program.

2022 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 15 December 2022, the Australian Government entered into a loan agreement for A\$750 million in 2022–23 to the Government of Papua New Guinea (PNG). The loan was provided in response to a request from the PNG Treasurer for financial assistance to enable the PNG Government to meet required expenditure in its 2022 Budget and support the delivery of reform actions under multilateral development programs, including a new International Monetary Fund program established in 2023.

2023 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 8 December 2023, the Australian Government entered into a loan agreement for A\$600 million in 2023–24 to the Government of Papua New Guinea (PNG). The loan was provided in response to a request from the PNG Prime Minister, to support PNG to meet its estimated 2023 budget financing shortfall. The loan was also provided to assist PNG deliver economic reforms under the International Monetary Fund Extended Credit Facility and Extended Fund Facility Program.

2024 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 12 December 2024, the Australian Government entered into a loan agreement for A\$570 million to the Government of Papua New Guinea (PNG). The loan was provided in response to a request from the PNG Government to support PNG to meet its estimated 2024 budget financing shortfall. The loan will also assist PNG in delivering economic reforms under the International Monetary Fund Extended Credit Facility and Extended Fund Facility Program.