



Australian Government

Australian Government response to the
Senate Foreign Affairs, Defence and Trade Legislation
Committee report:

Export Finance and Insurance Corporation Amendment
(Support for Infrastructure Financing) Bill 2019 [Provisions]

July 2019

Response to the Committee's recommendation

Recommendation 1

2.57 The Committee recommends that the Bill be passed without amendment.

- Agreed. The Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019 passed both houses with bipartisan support on 3 April 2019 and received royal assent on 5 April 2019.

Response to Labor Senators' recommendations

Recommendation 1

1.5 Labor Senators recommend that a statutory review of the changes this Bill implements should be conducted 18 months after its assent.

- Partially agreed.

The Government has agreed to conduct an independent review of Efic's overseas infrastructure financing functions, starting within 18 to 24 months after the Bill's assent. The precise time will be determined by the prevailing operational circumstances of the program. The review will consider the operation of Efic's powers to support overseas infrastructure development made by items 1, 2, 4 to 9, 11 and 12 of the Bill. To ensure a wide range of views are heard, the review will undertake consultations with stakeholders, including with those who provided submissions to the Senate Committee inquiry. The review will ensure the aims of the Government and the infrastructure needs of our Pacific neighbours are being met. The review will report to the Government and be tabled in each House of Parliament.

Response to Greens Senators' recommendations

Recommendation 1

1.15 That this Bill not be passed.

- Not agreed.

Recommendation 2

1.16 In the event the Bill proceeds to pass, it should be amended to include the following:

4A At the end of section 7

Add:

(4) EFIC must not perform a function, or exercise a power, to the extent that the performance of the function or the exercise of the power relates to a project that involves, or would facilitate, the mining and export of thermal coal on a commercial scale.

(5) Without limiting subsection (4), EFIC must not perform a function, or exercise a power, to the extent that the performance of the function or the exercise of the power relates to:

(a) providing insurance or financial services or products in relation to a project that involves, or would facilitate, the mining and export of thermal coal on a commercial scale; or

(b) encouraging banks, or other financial institutions, carrying on business in Australia to finance, or assist in financing, export contracts or eligible export transactions in relation to a project that involves, or would facilitate, the mining and export of thermal coal on a commercial scale; or

(c) providing information or advice to any person regarding insurance or financial arrangements available to support the export of thermal coal on a commercial scale.

[EFIC's functions]

- Not agreed.

The coal industry is a major contributor to the Australian economy. It is one of our largest export earners, a significant contributor to regional economic activity and employment, and a major royalty- and tax-payer. The coal industry contributes around \$5 billion annually in royalties and accounts for over 53,000 direct jobs, with the majority in regional areas. Australian coal is among the highest quality in the world and we produce it more efficiently than most. That puts our coal sector, and thousands of Australians who work in it, in prime position to benefit from the increased demand for energy resources, providing jobs, energy security, royalties and an essential regional economic contribution.

Australia has a proud track record of meeting our international climate commitments and supporting renewable energy. Through the Climate Solutions Package, the Government has mapped out how Australia will meet its global emissions reduction target of 26% to 28% below 2005 levels by 2030. Our national target is achievable, balanced and responsible, and is part of coordinated global action to deliver a healthy environment for future generations, without wrecking our economy. Other policies to support renewable energy include the Renewable Energy Target (supporting renewable energy to 2030), the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA).

Response to Senator Storer's recommendations

Recommendation 1

1.6 Amend the definition of "overseas infrastructure financing" to "lending money to support overseas infrastructure development, if EFIC reasonably believes that lending the money is likely to result in an Australian benefit and there is an appropriate domestic policy framework for the infrastructure development".

- Noted.

In the Government's Statement of Expectations to Efic, dated 3 April 2019, the Government directed Efic to satisfy itself that an overseas infrastructure project is appropriate for the relevant nation.

In the Statement of Expectations, the Government also provided additional guidance on how Efic should conduct its rigorous due diligence processes, including satisfying itself that the governance surrounding project procurement is sound. Further, in assessing potential overseas infrastructure projects, Efic is required to undertake debt sustainability analyses and ensure compliance with international economic, financial, environmental and social risk standards. Efic has a zero tolerance approach to bribery and corruption. Efic has a comprehensive framework of anti-corruption policies and procedures, and complies with the OECD Council Recommendation on Bribery and Officially Supported Export Credits. Projects that do not adequately address identified environmental and social risks do not get financed. This helps ensure Efic only supports high-quality infrastructure projects.

Recommendation 2

1.9 Remove "maximum Australian benefits" requirement by deleting subsection 5(4).

- Not agreed.

The Government is focussed on delivering a strong and secure economy for Australia, including through Efic's support for overseas infrastructure development. The Government has directed Efic to provide finance for overseas infrastructure projects where it can demonstrate it will result in an Australian benefit. Benefits to Australia include, but are not limited to, greater Australian (including small- and medium-sized enterprises) participation in supply chains, access to new markets for Australian businesses, more Australian jobs, payments or dividends or other financial proceeds from overseas to Australia.

Efic will continue to apply its robust due diligence processes to ensure that it only finances infrastructure projects that are appropriate for host countries. This due diligence involves considering the commercial merits of projects, as well as the social and

environmental impacts, and a country's debt sustainability. This will ensure the infrastructure project is positive for the country concerned.

Recommendation 3

1.11 Amend Bill to require any infrastructure financing undertaken by EFIC to be consistent with the aims and objectives of the Paris Agreement.

- Not agreed. Section 8(2)(iii) of the *Export Finance and Insurance Corporation Act 1991* already requires Efic, in performing its functions, to have regard to Australia's obligations under international agreements. As such, Efic takes steps to ensure any transactions it enters into comply with relevant laws and regulations. How each country meets its goals under the Paris Agreement is a matter for them. Further, as covered in the Government's response to the Greens' second recommendation, the Government has mapped out how Australia will meet its Paris Agreement obligations.

