Parliamentary
Budget Office

ECR-2025-3835

Powering past coal and gas - Green Industrial Transformation	
Party:	Australian Greens

Summary of proposal:

The proposal would provide funding for a Green Industrial Transformation Fund to drive the Green Transition and create jobs across Australia. It has the following components:

- **component 1**: Green metals
  - An initial $700 million in funding in 2025-26, followed by additional funding of $350 million per year from 2026-27 in investment in the form of loans, equity, grants or direct investment, to go towards developing a zero carbon Australian metal sector.
- **component 2**: Green Aluminium Australia
  - Allocate $21.4 million per year to Green Aluminium Australia to modernise and secure its emissions free future.
- **component 3**: Clean Technology Program, including:
  - Clean Technology Investment Program: allocating $1.6 billion between 2025-26 and 2031-32 to co-invest with industry in capital equipment that will help electrify everything and replace gas use and gas feedstocks.
  - Clean Technology Food and Foundries Investment Program: allocate $28.6 million per year to help manufacturers in the food and foundries industries to invest in energy efficient capital equipment, shift off gas and emissions intensive fertilisers.
  - Clean Technology Innovation Program: allocate $57.1 million per year to support research to reduce greenhouse gas emissions with a focus on hard to abate sectors.
  - Research and Development for Cement: allocate $28.6 million per year for research and development into cement to reduce emissions in production and electrification processes.

All components of the policy will commence from 1 July 2025.

Additional information (based on further advice provided):

The funds for component 1 are to disbursed in the following proportions: 40% for equity injections, 40% for concessional loans and the remaining 20% of funds to be used for grants.

Departmental funding for the proposal is to be sourced from within the amounts specified above. The proposal would be ongoing and not be indexed.

Costing overview

The proposal would be expected to decrease the fiscal balance by around $2 billion, the underlying cash balance by around $1.9 billion, and the headline cash balance by around $2.5 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in administered and departmental expenses, partially offset by payment of dividends (from direct investments), and interest collections and loan repayments (underlying and headline cash balances).

The proposal would have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications over the period to 2035-36 is provided at Attachment A.

Table 1: Powering past coal and gas - Green Industrial Transformation – Financial implications ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-516.2	-462.5	-480.8	-499.2	**-1,958.7**
Underlying cash balance	-501.8	-450.6	-471.5	-490.4	**-1,914.3**
Headline cash balance	-764.8	-565.6	-577.5	-588.4	**-2,496.3**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Consistent with the Parliamentary Budget Office (PBO) Guidance 02/2015, public debt interest expense impacts have been included in this costing because the concessional loans provided under this proposal involve financial asset transactions. See Attachment B for an explanation of the accounting for concessional loans.

The fiscal, underlying cash and headline cash balance impacts differ in the treatment of interest payments, and the flow of loan principle, as well as the flow of equity injections. In particular, only the fiscal balance reflects the impact of the loans being provided on a concessional basis, and only the headline cash balance includes transactions related to loan principal amounts, as well as disbursements of equity funding. The impact on net debt will be broadly consistent with movements in the headline cash balance. A note on the accounting treatment of concessional loans is included in Attachment B.

The financial implications of this proposal are sensitive to assumptions surrounding investments in the clean technology sectors within the Australian context. Aspects of the clean technology sector are still developing, which may mean that significant injections of money via the mechanisms proposed may result in market behaviours not anticipated within this costing response.

Changes to the broader context of the industries covered by this proposal, including economic/global shocks on either the supply or demand side of the market, changes to the policy/legislative settings or rapid advances in technology are factors that may have flow through implications to the financial impact of this costing, particularly with respect to the return on equity investments, as well as repayments on concessional loans.

To be treated as equity for budget accounting purposes, the expected return on capital must be at least equal to the long-term inflation rate and there should be a reasonable expectation that the investment will be recovered. The PBO has not made an assessment of the ability of the equity financing (or grants or direct investment) to achieve the stated objectives of the policy. Additionally, while the PBO has assumed that the market could fully absorb the equity investment in each year, this assumption is sensitive to the capacity for existing or new entrants into metals refining and processing to meet the requirements of the policy.

Key assumptions

The PBO has made the following assumptions in costing this proposal:

- That loans would be offered at a rate equivalent to the government's 10-year bond rate, and that the wedge between the current 10-year bond rate and the prevailing market interest rate for lending to large businesses would be maintained for the duration of the costing.
- That the loans would be paid off evenly over a period of 15 years.
- That 10% of the value of loans made by the Green Transformation Fund would not be expected to be repaid.
- That the dividend payments on the equity investments would begin in the year following the first equity injection at the forecast rate of return expected by the Clean Energy Finance Corporation (CEFC) of their equity investment portfolio.
- All dividends and loan repayments are paid into the Consolidated Revenue Fund and are not available for reinvestment.
- That the funds allocated for the Clean Technology Investment Program would be evenly distributed across the years of its operation.

Methodology

The financial implications of granting concessional loans for the zero carbon metals sector were determined using a concessional loans model developed based on CEFC investments data.

Dividend payments were estimated by applying a returns profile (outlined in *Key Assumptions*) to the cumulative equity deployment profile.

The grants specified within the proposal were distributed accordingly.

Departmental expenses expected to be incurred through the establishment and operation of the Green Transformation Fund were estimated by applying a ratio determined by the PBO's capped costings calculator to the total amount of funding expected to be disbursed in this proposal to determine departmental expenses (from within the cap of the funding).

Financial implications were rounded consistent with the PBO's rounding rules.[1]

Data sources

ASX Limited (2025) *RBA Rate Tracker*, ASX website, accessed 19 May 2025.

Commonwealth of Australia (2024) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

Departmental expenses were informed by similar measures in previous Commonwealth budgets from 2015-16 to 2021-22.

Reserve Bank of Australia (RBA) (2025) *Cash Rate Target*, RBA website, accessed 19 May 2025.

RBA (2025) *Lenders' Interest Rates*, March 2025, RBA website, accessed 19 May 2025.

[1] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

The Department of Climate Change, Energy and Environment (Budget 2025-26) provided the Clean Energy Finance Corporation's financial statements, including forecasts.

Powering past coal and gas - Green Industrial Transformation – Financial implications

Table 01: Powering past coal and gas - Green Industrial Transformation – Fiscal balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Revenue													
Administered non-tax													
Income from unwinding of discounts	*1.3*	*1.9*	*2.5*	*3.0*	*3.5*	*4.0*	*4.4*	*4.8*	*5.2*	*5.5*	*5.8*	***8.7***	***41.9***
Interest accrued from loans	*11.4*	*16.3*	*20.9*	*25.1*	*28.9*	*32.4*	*35.5*	*38.2*	*40.6*	*42.6*	*44.3*	***73.7***	***336.2***
Dividends	*3.9*	*5.7*	*7.2*	*9.1*	*10.6*	*12.4*	*14.2*	*16.0*	*17.7*	*19.5*	*21.3*	***25.9***	***137.6***
Total – revenue	**16.6**	**23.9**	**30.6**	**37.2**	**43.0**	**48.8**	**54.1**	**59.0**	**63.5**	**67.6**	**71.4**	**108.3**	**515.7**
Expenses													
Administered													
Concessional loan discount expense	*-11.7*	*-5.8*	*-5.8*	*-5.8*	*-5.9*	*-6.1*	*-6.1*	*-6.2*	*-6.3*	*-6.3*	*-6.5*	***-29.1***	***-72.5***
Grants administered towards zero carbon Australian metals sector	*-140.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	***-350.0***	***-840.0***
Green Aluminium Australia	*-20.1*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	***-82.5***	***-228.1***
Clean Technology Investment Program	*-217.0*	*-223.0*	*-223.0*	*-223.0*	*-223.0*	*-223.0*	*-223.0*	-	-	-	-	***-886.0***	***-1,555.0***
Research and Development for Cement	*-27.1*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	***-110.8***	***-306.1***
Clean Technology Food and Foundries Investment	*-27.1*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	***-110.8***	***-306.1***
Clean Technology Innovation Program	*-54.2*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	***-221.3***	***-611.2***
Total – administered	***-497.2***	***-431.1***	***-431.1***	***-431.1***	***-431.2***	***-431.4***	***-431.4***	***-208.5***	***-208.6***	***-208.6***	***-208.8***	**-1,790.5**	**-3,919.0**
Departmental													
Departmental funding	*-18.6*	*-9.3*	*-9.3*	*-9.3*	*-9.3*	*-9.3*	*-9.3*	*-3.6*	*-3.6*	*-3.6*	*-3.6*	***-46.5***	***-88.8***
Total – departmental	***-18.6***	***-9.3***	***-9.3***	***-9.3***	***-9.3***	***-9.3***	***-9.3***	***-3.6***	***-3.6***	***-3.6***	***-3.6***	***-46.5***	***-88.8***
Total – expenses	**-515.8**	**-440.4**	**-440.4**	**-440.4**	**-440.5**	**-440.7**	**-440.7**	**-212.1**	**-212.2**	**-212.2**	**-212.4**	**-1,837.0**	**-4,007.8**
Total (excluding PDI)	**-499.2**	**-416.5**	**-409.8**	**-403.2**	**-397.5**	**-391.9**	**-386.6**	**-153.1**	**-148.7**	**-144.6**	**-141.0**	**-1,728.7**	**-3,492.1**
PDI impacts	***-17.0***	***-46.0***	***-71.0***	***-96.0***	***-122.0***	***-149.0***	***-177.0***	***-200.0***	***-218.0***	***-237.0***	***-257.0***	***-230.0***	***-1,590.0***
Total (including PDI)	**-516.2**	**-462.5**	**-480.8**	**-499.2**	**-519.5**	**-540.9**	**-563.6**	**-353.1**	**-366.7**	**-381.6**	**-398.0**	**-1,958.7**	**-5,082.1**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

\- Indicates nil.

Table 02: Powering past coal and gas - Green Industrial Transformation – Underlying cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Administered non-tax													
Interest repayments received on loans	*11.4*	*16.3*	*20.9*	*25.1*	*28.9*	*32.4*	*35.5*	*38.2*	*40.6*	*42.6*	*44.3*	***73.7***	***336.2***
Dividends	*3.9*	*5.7*	*7.2*	*9.1*	*10.6*	*12.4*	*14.2*	*16.0*	*17.7*	*19.5*	*21.3*	***25.9***	***137.6***
Total – receipts	**15.3**	**22.0**	**28.1**	**34.2**	**39.5**	**44.8**	**49.7**	**54.2**	**58.3**	**62.1**	**65.6**	**99.6**	**473.8**
Payments													
Administered													
Grants administered towards zero carbon Australian metals sector	*-140.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	***-350.0***	***-840.0***
Green Aluminium Australia	*-20.1*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	***-82.5***	***-228.1***
Clean Technology Investment Program	*-217.0*	*-223.0*	*-223.0*	*-223.0*	*-223.0*	*-223.0*	*-223.0*	-	-	-	-	***-886.0***	***-1,555.0***
Research and Development for Cement	*-27.1*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	***-110.8***	***-306.1***
Clean Technology Food and Foundries Investment	*-27.1*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	***-110.8***	***-306.1***
Clean Technology Innovation Program	*-54.2*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	***-221.3***	***-611.2***
Total – administered	***-485.5***	***-425.3***	***-425.3***	***-425.3***	***-425.3***	***-425.3***	***-425.3***	***-202.3***	***-202.3***	***-202.3***	***-202.3***	**-1,761.4**	**-3,846.5**
Departmental													
Departmental funding	*-18.6*	*-9.3*	*-9.3*	*-9.3*	*-9.3*	*-9.3*	*-9.3*	*-3.6*	*-3.6*	*-3.6*	*-3.6*	***-46.5***	***-88.8***
Total – departmental	***-18.6***	***-9.3***	***-9.3***	***-9.3***	***-9.3***	***-9.3***	***-9.3***	***-3.6***	***-3.6***	***-3.6***	***-3.6***	**-46.5**	**-88.8**
Total – payments	**-504.1**	**-434.6**	**-434.6**	**-434.6**	**-434.6**	**-434.6**	**-434.6**	**-205.9**	**-205.9**	**-205.9**	**-205.9**	**-1,807.9**	**-3,935.3**
Total (excluding PDI)	**-488.8**	**-412.6**	**-406.5**	**-400.4**	**-395.1**	**-389.8**	**-384.9**	**-151.7**	**-147.6**	**-143.8**	**-140.3**	**-1,708.3**	**-3,461.5**
PDI impacts	***-13.0***	***-38.0***	***-65.0***	***-90.0***	***-116.0***	***-142.0***	***-170.0***	***-194.0***	***-214.0***	***-232.0***	***-252.0***	**-206.0**	**-1,526.0**
Total (including PDI)	**-501.8**	**-450.6**	**-471.5**	**-490.4**	**-511.1**	**-531.8**	**-554.9**	**-345.7**	**-361.6**	**-375.8**	**-392.3**	**-1,914.3**	**-4,987.5**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

\- Indicates nil.

Table 03: Powering past coal and gas - Green Industrial Transformation – Headline cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Administered non-tax													
Loan repayments	*17.0*	*25.0*	*34.0*	*42.0*	*50.0*	*59.0*	*67.0*	*76.0*	*84.0*	*92.0*	*101.0*	***118.0***	***647.0***
Interest received on loans	*11.4*	*16.3*	*20.9*	*25.1*	*28.9*	*32.4*	*35.5*	*38.2*	*40.6*	*42.6*	*44.3*	***73.7***	***336.2***
Dividends	*3.9*	*5.7*	*7.2*	*9.1*	*10.6*	*12.4*	*14.2*	*16.0*	*17.7*	*19.5*	*21.3*	***25.9***	***137.6***
Total – receipts	**32.3**	**47.0**	**62.1**	**76.2**	**89.5**	**103.8**	**116.7**	**130.2**	**142.3**	**154.1**	**166.6**	**217.6**	**1,120.8**
Payments													
Administered													
Loans made	*-280.0*	*-140.0*	*-140.0*	*-140.0*	*-140.0*	*-140.0*	*-140.0*	*-140.0*	*-140.0*	*-140.0*	*-140.0*	***-700.0***	***-1,680.0***
Grants administered towards zero carbon Australian metals sector	*-140.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	***-350.0***	***-840.0***
Green Aluminium Australia	*-20.1*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	*-20.8*	***-82.5***	***-228.1***
Clean Technology Investment Program	*-217.0*	*-223.0*	*-223.0*	*-223.0*	*-223.0*	*-223.0*	*-223.0*	-	-	-	-	***-886.0***	***-1,555.0***
Research and Development for Cement	*-27.1*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	***-110.8***	***-306.1***
Clean Technology Food and Foundries Investment	*-27.1*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	*-27.9*	***-110.8***	***-306.1***
Clean Technology Innovation Program	*-54.2*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	*-55.7*	***-221.3***	***-611.2***
Total – administered	***-765.5***	***-565.3***	***-565.3***	***-565.3***	***-565.3***	***-565.3***	***-565.3***	***-342.3***	***-342.3***	***-342.3***	***-342.3***	**-2,461.4**	**-5,526.5**
Departmental													
Departmental funding	*-18.6*	*-9.3*	*-9.3*	*-9.3*	*-9.3*	*-9.3*	*-9.3*	*-3.6*	*-3.6*	*-3.6*	*-3.6*	***-46.5***	***-88.8***
Total – departmental	***-18.6***	***-9.3***	***-9.3***	***-9.3***	***-9.3***	***-9.3***	***-9.3***	***-3.6***	***-3.6***	***-3.6***	***-3.6***	***-46.5***	***-88.8***
Total – payments	**-784.1**	**-574.6**	**-574.6**	**-574.6**	**-574.6**	**-574.6**	**-574.6**	**-345.9**	**-345.9**	**-345.9**	**-345.9**	**-2,507.9**	**-5,615.3**
Total (excluding PDI)	**-751.8**	**-527.6**	**-512.5**	**-498.4**	**-485.1**	**-470.8**	**-457.9**	**-215.7**	**-203.6**	**-191.8**	**-179.3**	**-2,290.3**	**-4,494.5**
PDI impacts	***-13.0***	***-38.0***	***-65.0***	***-90.0***	***-116.0***	***-142.0***	***-170.0***	***-194.0***	***-214.0***	***-232.0***	***-252.0***	***-206.0***	***-1,526.0***
Total (including PDI)	**-764.8**	**-565.6**	**-577.5**	**-588.4**	**-601.1**	**-612.8**	**-627.9**	**-409.7**	**-417.6**	**-423.8**	**-431.3**	**-2,496.3**	**-6,020.5**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

\- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Commonwealth.

Budget impact[2]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[3] Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Australian Government's net worth if the liabilities issued (the value of Commonwealth Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows' which are reflected in net worth but not in the budget aggregates.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur. An assessment by the Government that a loan (apart from HELP loans) will not be fully repaid is an 'other economic flow', not included in the FB.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[2] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

[3] This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.