

## Federation Funding Agreement Schedule (Draft)

## CarbonNet Stage 3

## FEDERATION FUNDING AGREEMENT - ENVIRONMENT

Schedule 1: Formalities and operation of schedule																									
Parties	Commonwealth State of Victoria or the 'State'																								
Duration	This Schedule is expected to expire on 30 June 2026, or at a future date determined by mutual agreement.																								
Purpose	This Schedule will support the delivery of CarbonNet Stage 3 activities (Project Development and Commercial Establishment) as it progresses towards a Final Investment Decision (FID) and implements a Project development entity.																								
Project	CarbonNet aims to establish a large-scale carbon capture and storage (CCS) network in Victoria. The CCS network aims to integrate multiple carbon dioxide (CO <sub>2</sub> ) capture projects in the Latrobe Valley, such as Hydrogen Energy Supply (HESC) project, transporting the CO <sub>2</sub> via a common-use pipeline and storing it within suitable geological formations in the offshore Gippsland Basin, Victoria.																								
Estimated financial contributions	<p>The Commonwealth will provide a total financial contribution to the State of Victoria of \$20.00 million in respect of Stage 3 funding as described in table 2 of this Schedule.</p> <table border="1"> <thead> <tr> <th>Table 1 (\$ million)</th> <th>2022- 2023</th> <th>2023- 2024</th> <th>2024- 2025</th> <th>2025- 2026</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>National Partnership Payments</td> <td>10.0</td> <td>5.0</td> <td>5.0</td> <td></td> <td>20.0</td> </tr> <tr> <td>State Funding</td> <td></td> <td>6.1</td> <td>14.0</td> <td>7.0</td> <td>27.1</td> </tr> <tr> <td><b>Total New Funding (excl. JOGMEC)</b></td> <td><b>10.0</b></td> <td><b>11.1</b></td> <td><b>19.0</b></td> <td><b>7.0</b></td> <td><b>47.1</b></td> </tr> </tbody> </table>	Table 1 (\$ million)	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total	National Partnership Payments	10.0	5.0	5.0		20.0	State Funding		6.1	14.0	7.0	27.1	<b>Total New Funding (excl. JOGMEC)</b>	<b>10.0</b>	<b>11.1</b>	<b>19.0</b>	<b>7.0</b>	<b>47.1</b>
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<p>Additional terms</p>	<p><b>Governance Arrangements (Intergovernmental Steering Committee)</b></p> <ul style="list-style-type: none"> <li>a. The Parties agree to establish appropriate and bespoke governance arrangements to ensure proper Project oversight, supervision and direction for the duration of the Agreement including: <ul style="list-style-type: none"> <li>I. Establishing an Intergovernmental Steering Committee with equal Commonwealth and State Representation to provide support and make decisions on key activities; and</li> <li>II. Other committees deemed appropriate to provide advice.</li> </ul> </li> <li>b. For transparency sharing decision making regarding key Project decisions will be undertaken on a consensus basis through the Intergovernmental Steering Committee forum.</li> <li>c. Committees agree to provide advice and decisions within a reasonable timeframe to ensure the Project can continue to progress key project activities.</li> </ul> <p><b>Plans, Reporting and Evaluation</b></p> <ul style="list-style-type: none"> <li>a. For the duration of the Agreement, the State will: <ul style="list-style-type: none"> <li>I. Develop, implement and update a Project Risk Management Plan;</li> <li>II. Develop, implement and update a Stakeholder Consultation Plan;</li> <li>III. Develop, implement and update an Annual Work Plan.</li> </ul> </li> <li>b. Provide project reports to the Commonwealth at regular intervals in accordance with governance arrangements regarding the: <ul style="list-style-type: none"> <li>I. Progress of the overall project regarding the project budget, stage goals and milestones;</li> <li>II. Progress of the project against the Annual Project Work Plan;</li> <li>III. Project Risk Management Plan; and</li> <li>IV. Stakeholder Consultation Plan.</li> </ul> </li> </ul> <p><b>Audit and Access</b></p> <ul style="list-style-type: none"> <li>a. The Commonwealth or a representative of the Commonwealth may conduct audits relevant to the performance of the State’s obligations under this Agreement.</li> <li>b. The Commonwealth may, at reasonable times and on giving reasonable notice to the State:</li> </ul>
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- I. Require the provision by the State, of documentation, books, records or information relating to the Project or this Agreement; and
  - II. Require the State to provide assistance in respect of any inquiry into or concerning the Project or this Agreement including for the purposes of any administrative or statutory review, audit or inquiry.
- c. The Commonwealth must use reasonable endeavours to ensure that any audit or reviews performed do not unreasonably delay or disrupt in any material respect the State's performance of its obligations under this Agreement.

**Confidentiality**

- a. The Parties must use Confidential Information only for the Purpose as described in the clauses of the FFA above;
- b. The Parties agree that Confidential Information of a Party (Disclosing Party) will not be disclosed to a third party by the Party that receives the Confidential Information (Receiving Party) without the written consent of the Disclosing Party except
  - I. Where required under this Agreement including to the Receiving Party's legal and financial advisers on a confidential basis;
  - II. Where the information disclosed is already in the public domain other than due to a breach of this Agreement;
  - III. Where the disclosure is required by Law; and in the case of the State being the Receiving Party, includes:
  - IV. To Victorian government Ministers, employees, directors, agents and officers of the State;
  - V. If the subject of a request, to the Victorian Auditor-General (within the meaning set out in section 3 of the *Audit Act 1994* (Vic); or
  - VI. If the subject of a request, to the Ombudsman (the person appointed under section 3 of the *Ombudsman Act 1973* (Vic).
- c. Confidential Information means details of the Parties' financial contribution, the terms and conditions contained in this Agreement and all other confidential or commercially sensitive information provided by the Disclosing Party to the Receiving Party in the context of this Agreement or the Purpose.

	<p><b>Intellectual Property Rights</b></p> <ul style="list-style-type: none"><li>a. All Intellectual Property created in relation to the Purpose or in any reports specified in Table 2 (Reports), documents or other material created for the Purpose of or as a consequence of the State performing or complying with its obligations under this Agreement, vest in the State on creation.</li><li>b. The State grants to the Commonwealth a world-wide, non-exclusive, royalty free licence (including the right to sub-licence), to reproduce, publish, adapt, modify or otherwise use for non-commercial purposes contained within the Reports and any documents and other materials provided by the State under this Agreement. The Commonwealth will notify the State of the provision of any information to third parties.</li><li>c. Intellectual Property includes business names, copyrights (including datasets), and all rights in relation to inventions, patents, registered or unregistered trademarks (including service marks), registered designs, and semi-conductor and circuit layouts, and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.</li></ul> <p><b>CarbonNet Entity Structure</b></p> <ul style="list-style-type: none"><li>a. The Parties acknowledge and agree that:<ul style="list-style-type: none"><li>I. The State will propose for the Commonwealth's consideration, the type of entity that could develop the Project and be the Applicant for regulatory permits and licenses;</li><li>II. The entity type and structure will provide sufficient flexibility to enable an effective commercial transition to be achieved; and</li><li>III. The intention is to seek approvals for the CarbonNet entity to be established in the first quarter of FY2023/24 (subject to endorsement by both the Commonwealth and Victorian governments).</li></ul></li><li>b. The Parties agree to a future exchange of letters to provide details of future structures and possible equity shares.</li></ul>

<b>Table 2: Performance requirements, reporting and payment summary</b>			
<b>Output</b> (delete if the schedule has one output only)	<b>Performance milestones</b>	<b>Report due</b>	<b>Payment</b>
Delivery of Stage 3 Project Activities	Execution of the Regulatory Work Package Contract Report detailing the high level contract deliverables and Intergovernmental Steering Committee endorsement	01/05/2023	\$5.00m
	Release of the Request for Tender (RFT) for the Front End Engineering Design (FEED) Report detailing RFT high level responses to the scope of the FEED	01/05/2023	\$5.00m
	Completion of the Draft Front End Engineering Design A report including the Executive Summary, completed and submitted to CarbonNet, and shared with the Intergovernmental Steering Committee.	5/11/2023	\$5.00m
	Financial Investment Decision (FID) Report detailing high level outcomes supporting the decision to proceed to FID.	01/07/2024	\$5.00m

The Parties have confirmed their commitment to this schedule as follows:

Signed for and on behalf of the Commonwealth of Australia by



**The Honourable Chris Bowen MP**  
Minister for Climate Change and Energy

Date:

Signed for and on behalf of the State of Victoria by



**Tim Pallas MP**  
Victorian Treasurer

Date: 6/6/2023



**THE HON CHRIS BOWEN MP  
MINISTER FOR CLIMATE CHANGE AND ENERGY**

MS25-001588

The Hon Danny Pearson MP  
Minister for Economic Growth and Jobs  
Minister for Finance  
GPO Box 4509  
MELBOURNE VIC 3001

[ministerpearson@dtf.vic.gov.au](mailto:ministerpearson@dtf.vic.gov.au)

Dear Minister

Thank you for your letter of 6 November 2025, requesting an extension of time to the Federation Funding Agreement (FFA) between the Commonwealth and Victoria regarding the CarbonNet project.

Our respective Governments' investment in CarbonNet has highlighted the potential for establishing a commercial-scale carbon transport and storage network in Victoria. The revised focus of the project will ensure that its accumulated public value is preserved as the project seeks to attract further commercial and development interest.

I note your observation that a time-only extension of the FFA would not pose any financial risk to the Australian Government and have mutual governance benefits for our respective departments. I understand the Department of Climate Change, Energy, the Environment and Water appreciates the ongoing engagement and insights your department provides it through the FFA and looks forward to these arrangements continuing.

In light of this, I am happy to agree to your proposed extension of the FFA to 30 June 2028.

Yours sincerely

A handwritten signature in black ink, appearing to be 'CB', written over the words 'Yours sincerely'.

CHRIS BOWEN



The Hon Danny Pearson MP

Minister for Economic Growth and Jobs  
Minister for Finance

GPO Box 4509  
Melbourne, Victoria 3001 Australia

Ref: BMIN-2-25-47161

Hon Chris Bowen MP  
Minister for Climate Change and Energy  
GPO Box 3090  
Canberra ACT 2601, Australia

Chris.Bowen.MP@aph.gov.au

Dear Minister Bowen

**Extension of time to the Federation Funding Agreement – Environment relating to the CarbonNet Project**

I refer to the Federation Funding Agreement (FFA) between the Australian Government and the State of Victoria for CarbonNet Stage 3 signed on 6 June 2023.

The Agreement expires on 30 June 2026, or at a future date determined by mutual agreement. On 11 July 2025, the CarbonNet Intergovernmental Steering Committee, comprising senior representatives from the Australian and Victorian governments supported an extension request for the FFA. An extension to the agreement has mutual advantages for our respective departments in that the governance arrangements for the project would remain in place to guide the Project through its approved work program.

Given the Project poses no financial risk to your department and that an extension will enable your department to continue to monitor its investment in the Project, I propose that a time-only variation is made to the agreement to 30 June 2028.

Once agreement is reached, the relevant Australian departments will update the end date of the agreement on the Federal Financial Relations website.

Should your department have any questions regarding this proposal, it can contact Ms Jane Burton, Project Director, CarbonNet at [jane.burton@ecodev.vic.gov.au](mailto:jane.burton@ecodev.vic.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Pearson', with a stylized flourish at the end.

**The Hon. Danny Pearson MP**

Minister for Economic Growth and Jobs

Minister for Finance

06/11/2025