

FMIA Community Benefit Principles

Submission in response to the Department of Industry, Science and Resources' draft public guidance

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Our vision is a fair, sustainable society and wellbeing economy that serves current and future generations in Australia and Southeast Asia.

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Executive summary

DISR consultation question

1. Please tell us about you or your organisation, and your interest in the Community Benefit Principles.

The Centre for Policy Development (CPD) is an independent, not-for-profit policy institute with staff in Sydney, Melbourne, Canberra and Jakarta. Our vision is a fair, sustainable society and wellbeing economy that serves current and future generations in Australia and Southeast Asia. Our mission is to help create transformative systems change through practical solutions to complex policy challenges. CPD welcomes this opportunity to consult on the development of Australia's Community Benefit Principles (CBPs), and we strongly advocate for principles that contribute to ensuring an equitable net zero transition for communities which leaves no one behind.

The Australian Government's Draft Public Guidance, released in December 2025, is a good step toward developing a strong implementation framework for the FMIA CBPs. DISR shows a clear intention to ensure that communities are engaged and benefit through the FMIA supports. However, there are some key areas that are currently not covered or sufficient in the Draft Public Guidance, which are important to the effective implementation of the FMIA CBPs.

Within the current framework, proponents receive the same amount of tax incentives regardless of the community benefits they provide. This structure should be further strengthened to incentivise companies to provide more benefits proportionate to the tax incentives received.

In our work on Community Benefit Principles, the Centre for Policy Development has been guided by our design goals for the system. As discussed in our report *Sharing the Benefits*,¹ we believe any framework of CBPs should optimise for:

- **Industry viability** - After accounting for the cost of providing community benefits, the projects must still be able to bridge the costs of production (including the grey discount) and feasibly make a profit.
- **Agency/voice** - Communities must benefit from projects in ways that are aligned with their specific needs and preferences.
- **Simplicity** - The process of applying for and complying with the Community Benefit Principles should be clear and consistent across projects that receive tax credits.
- **Positive-sum engagement** - In the best case scenario, activities benefit the community and increase returns for the firm.

In responding to the consultation paper shared by DISR and Treasury, we have four key points of feedback to share:

1. Community benefit principles applying to FMIA supports should be based on specific measurable outcomes, not just plans.
 - Rec. 1: Threshold requirements should include specific targets, including for monetary benefit sharing or equity/revenue sharing with communities.
 - Rec. 2: If requirements for a proponent can be waived, there must be an onus on the decision

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makers to demonstrate why this is justified.

2. CBP requirements should be based on proportionality and scale with the level of support/investment from government.
 - Rec. 3: Minimum requirements should create a simple entry point into the CBP regime for very small projects.
 - Rec. 4: Beyond the threshold level there should be some amount of scalability to create incentives for higher levels of community benefits.
3. Recipients of FMIA supports should deliver broad economic benefit to communities.
 - Rec. 5: Establish a target for the creation of community benefit funds.
4. Production tax incentives should deliver the same level of community benefits as other FMIA supports.
 - Rec. 6: The application of CBPs to production tax incentives should require companies to provide specific benefits, comparable to the same standards as broader FMIA supports.
 - Rec. 7: Higher levels of tax incentives should be used to encourage more provision of community benefits.

Specific feedback to consultation questions

Key point #1: Community benefit principles applying to FMIA supports should be based on specific measurable outcomes, not just plans

DISR consultation questions

2. What feedback do you have on the proposed minimum requirements in Appendix A of the guidance document?
3. What feedback do you have on the proposed threshold requirements in Appendix B of the guidance document?

Beyond the minimum requirements, satisfying CBP requirements should require the achievement of specific, measurable outcomes for communities. As it stands, the threshold requirements only provide illustrative examples of suggestions of what community benefits a project could deliver. While this is meant to provide flexibility to proponents and give discretion to decision makers to consider the satisfaction of requirements, it creates a lack of certainty for proponents and for communities, and leads to a focus on the creation of plans rather than the delivery of real-world outcomes.

The fundamental risk is that it could lead to significant disappointment and loss of confidence for one party or another: communities may be left feeling like the production of a plan did not live up to the government's promise of community benefits; or firms may be put in difficult positions if their FMIA supports – which the firm counted on receiving – are held up by a decision maker that is not satisfied after subjective assessment of a plan. Specific, measurable requirements will provide certainty and clarity to all stakeholders.

Recommendation 1: Threshold requirements should include more specific targets, including for monetary benefit sharing or equity/revenue sharing with communities.

DISR should set quantifiable targets that companies know in advance and are required to achieve to meet CBP requirements. In our report *Sharing the Benefits* we proposed a model that included specific measurable targets for each Community Benefit Principle. For example, requirements for a certain proportion of construction labour to be completed by apprentices, or a requirement for at least 1% of annual revenues to be directed towards a community benefit fund. For more process-based activities, objectively-assessable standards – such as the IAP2 Spectrum of Public Participation for community engagement – can be used to assess the quality of community engagement processes.

DISR already alludes to the idea of specific targets in Appendix B of the consultation where it says “where a threshold requirement refers to a target number, if a national target already exists, the proponent should make a commitment to achieve the national target.” However this is abstract and too many steps removed. It requires proponents to be across all the various government strategies, targets and commitments – an impossible task. The FMIA rule itself should articulate the specific targets required of proponents.

Recommendation 2: If requirements for a proponent can be waived, there must be an onus on the decision makers to demonstrate why this is justified.

Requirements should only be waived for a particular stream of funding or support if the decision-maker can demonstrate that they would be “impractical or impossible” to achieve, a formulation that should be baked

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into the Rules and subject to judicial review. Otherwise, the default should be that satisfying CBP requirements will require all firms to deliver real outcomes and results.

Key point #2: CBP requirements should be based on proportionality and scale with the level of support/investment from government

DISR consultation question

5. Can you suggest additional or alternative minimum and threshold requirements that align with the Community Benefits Principles and would balance the regulatory/administrative burden with delivering benefits to communities?

The scope of policies, supports and interventions that will potentially be covered by the Community Benefit Principles is broad – ranging from production tax credits to the green iron investment fund. What's more, the value of support given to a proponent could vary by orders of magnitude. The Community Benefit Principles should be flexible enough to ensure that the requirements placed on proponents are proportional to the level of support the proponent receives. This will also have the effect of encouraging a race to the top: firms are incentivised to deliver greater community benefits, if they want larger or more significant FMIA support. The government has a policy goal to “address community expectations and ensure that companies are rewarded for providing benefits that go beyond a minimum”, and achieving this goal requires a scalable and proportional system of CBPs.

Recommendation 3: Minimum requirements should create a simple entry point into the CBP regime for very small projects.

We believe there should be a relatively simple entry point for most FMIA programs; proponents that are particularly small or receiving a particularly modest level of support. For instance a small-scale technology pilot should not have the same administrative and benefit sharing burden as a commercial manufacturing enterprise. These requirements could be even simpler than DISR's proposal – we believe that genuine community engagement processes under Community Benefit Principle #3 comprises the most important part of a “minimum” requirement.

The minimum requirements should best be thought of as a simple entry point into the CBP regime. The threshold for when firms are expected to go beyond the minimum requirements should vary between different FMIA supports and programs – for instance a \$20 million grant is a much more significant level of government support than a \$20 million loan at commercial rates. A useful benchmark might be to say that if a firm receives (or is expected to receive) either (a) FMIA subsidies valued at over \$1 million, or (b) FMIA investments valued at over \$5 million, then it must be subject to CBP requirements beyond the minimum. However, as we discuss next, this does not mean instantly requiring the maximal level of community benefits; rather we prefer a scalable and proportional system.

Recommendation 4: Beyond the threshold level there should be some amount of scalability to create incentives for higher levels of community benefits.

DISR's consultation paper already achieves a version of a scalable system through minimum requirements and threshold requirements, but we believe there is value in having a scalable system even beyond the threshold – not a one-size-fits-all approach where every project has the same threshold

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requirements. Basing levels of incentives that companies receive on the level of community benefits they provide is not new.

Beneficiaries that receive tax credits through the Inflation Reduction Act receive higher amounts if they:²

- Pay workers based on specific wage requirements by the US Department of Treasury and Internal Revenue Service
- Hire specific amounts of registered apprentices for the construction, alteration and repair of projects
- Locate their projects in a low-income community or on Indigenous land
- Locate their projects in areas that have been traditionally reliant on fossil fuels or are exposed to hazardous substances and contaminants

- Build their energy project with specific percentages of steel, iron and manufactured projects that have been produced in the USA.

The framework CPD proposes in its *Sharing the Benefits* report shows how the government could improve the current framework in the context of the production tax credits (see Figure 1). The benefits are based on clear standards companies must achieve in order to qualify for different levels of support, and firms that provide a greater level and number of community benefits are able to receive higher levels of FMIA support. While we propose three levels in our framework, the actual design of the tiers in a scalable system is somewhat arbitrary, and it may make sense to do it differently for different programs (e.g. a loan program versus a tax incentive).

Figure 1: CPD's Framework for applying Community Benefit Principles

Principles	Option 1			Option 2
	Level 1 – 20%	Level 2 – 60%	Level 3 – 100%	Level 3 – 100%
Promote safe, secure and well-paid jobs	WHS compliance	+ Stable employment + Participate in Energy Industry Jobs Plan (if applicable)	+ Well-paid jobs	Positive outcomes for communities: Community co-ownership (at least 20%) and community engagement
		Apprenticeships	+ Gender diverse apprenticeships	
	Community engagement	+ Community benefit funds	+ First Nations economic participation	
			Local content (if applicable)	

Note: To qualify for a given level of support, companies must satisfy all the criteria under that level plus levels below it.

Key point #3: Recipients of FMIA supports should deliver broad economic benefit to communities

DISR consultation questions

9. How should the application of Community Benefit Principles ensure that communities, including First Nations communities, First Nations businesses and services, small businesses and local supply chains benefit from Future Made in Australia projects?
12. How can the application of Community Benefit Principles help to ensure that project proponents engage genuinely with impacted communities to ensure the concerns and opportunities are understood and benefits are shared?

The ultimate policy goal behind community benefit principles are for the whole community to share in the prosperity of new industry. This goes beyond the narrow economic benefits of those who invest, supply or even work in new industries – it is about the whole community having agency over their future and building a sense of legitimacy in the (inevitably disruptive) process of industrial transformation. A well-constructed Community Benefit Principles framework will lead to all members of a community benefiting from new industries.

Recommendation 5: Establish a target for the creation of community benefit funds.

The most direct way to generate broad-based benefit is for the economic prosperity to be shared with the broader community. While this is not in the proposed rules for either FMIA supports or tax incentives, establishing community benefit funds is becoming more

common practice for renewable energy projects around the world. For example, Foundation Scotland is the leading administrator of community benefit funds in Scotland that works alongside renewable energy businesses to set up a diverse range of community benefit funds, which totalled over £13 million in donations in 2025/26. Locally, the Wind Farm Community Fund Committee set up by local council has received \$187,500 per annum from the developer to spend on projects and programs that benefit the local community.³ Setting a specific target rate will also have the benefit of increasing transparency and aiding negotiations between project proponents and stakeholders. For proponents that receive the highest levels of government support, we believe it is reasonable for some fraction of future revenues to be reinvested in the wellbeing of the local community including relevant First Nations groups. The community benefit principles should require specific annual payments proportional to the size and nature of the development.

In our report *Sharing the Benefits* we talk about how these funds can be constituted and directed in ways that best support broad-based community benefits. It is not necessary for each proponent or project to establish its own fund, but rather we expect communities at the hub of industrial transition might be able to establish foundations that multiple industry proponents support. Based on work by Climate Action Network Europe, we recommend setting these amounts at 1% of annual revenues for projects/proponents that are above the minimum threshold.⁴ In line with our key point #2 above (creating a scalable system) we believe there is merit in increasing this to 2.5% of annual revenues for large commercial projects, particularly those that receive the largest dollar-value of support from the government.

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Key point #4: Production tax incentives should deliver the same level of community benefits as other FMIA supports

DISR consultation questions

23. Do the reporting and publication requirements achieve a reasonable balance between industry obligations and community expectations? If not, what changes could be considered?
24. Do you think the percentage reductions for non-compliance strike the right balance between incentivising compliance and providing certainty for investors to support investment decisions? If not, what would you suggest?

Overall, the proposals by DISR for applying the Community Benefit Principles to FMIA supports exhibit vastly more ambition than for production tax incentives. CPD proposes that these tax incentives should hold the same standard of requirements as other FMIA supports. As it stands, many of the proposed requirements do not sufficiently incentivise recipients of the tax incentives to benefit communities, largely because they provide too much discretion to the recipient. Some are not clear about how the requirement corresponds to the level of benefits for communities. As mentioned above, the focus on publishing a report does little to ensure that outcomes are achieved for communities.

Recommendation 6: The application of CBPs to production tax incentives should require companies to provide specific benefits, comparable to the same standards as broader FMIA supports.

There may be valid reasons to set less stringent CBP rules for the industries receiving production tax incentives. For example, the hydrogen industry has proven difficult to invest in over recent years – and

the economics of the industry may make it difficult for firms to deliver any community benefits even with a \$2 per kilogram tax offset. However, the key motivating factor behind the soft CBP framework presented in the DISR/Treasury consultation paper seems to be difficulties in tax legislation. This can be addressed, and should not be a barrier to a good CBP framework.

Tax legislation needs to contain simple objective criteria so that taxpayers can assess their liabilities and any offsets they are eligible for in advance. As discussed above under key point 1, this is desirable even for FMIA supports outside of the tax system: it provides certainty and clarity to proponents. The solution is for the CBP requirements for production tax incentives to be formulated in terms of measurable or yes/no binary criteria. For example, satisfying the “apprenticeships” criterion in Figure 1 should mean that the proponent hires apprentices to complete at least 10% of all labour hours for the construction, alteration and repair of projects to receive higher levels of support – this is measurable.

Or, the proponent is compliant with all obligations under applicable WHS legislation, with no outstanding violations. These are binary criteria: the proponent knows whether they are meeting them (and thus whether they can bank on a tax offset), the proponent can make a self-attestation to the ATO when they claim the tax offset (as they do for all manner of tax affairs), and if the ATO conducts an audit they can ask for proof that these binary criteria were met.

Recommendation 7: Higher levels of tax incentives should be used to encourage more provision of community benefits.

The FMIA legislation allows the level of tax incentive to be varied based on compliance with CBPs. Ideally, we believe the level of tax incentives companies receive should depend on how much their projects benefit communities (in line with our Key Point #2 discussed above).

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The current approach proposed in the consultation paper is particularly weak on this point: it only varies the level of tax incentive based on the timeliness with which the proponent publishes a retrospective Community Benefit Report. This is an ineffective choice because it provides little incentive for compliance (and perhaps even a disincentive), and it prompts the wrong sort of compliance (a focus on reporting, not outcomes).

The proposed framework may have the perverse effect of encouraging firms to disregard CBPs entirely. A proponent can go

through the rigamarole of working with the community to deliver genuine benefits (and in return receive 100% of the offset), or they can do nothing at all and still receive 90% of the offset.

Instead, as outlined above, firms that comply with CBP minimum requirements should be able to receive a basic level of tax credit (say, 20% in our Figure 1 proposal), and for firms that go beyond the minimum requirements there should be clearly articulated tiers of CBP requirements up to the full value of the tax incentive.

Endnotes

¹ [Sharing the Benefits: Ensuring new industries strengthen communities](#), Centre for Policy Development, 2025.

² [Credits and deductions under the Inflation Reduction Act of 2022](#), IRS, 2025.

³ ‘[Community Benefit Funds](#)’, Foundation Scotland, 2026; [Sharing the Benefits: Ensuring](#)

[new industries strengthen communities](#), Centre for Policy Development, 2025.

⁴ [Community engagement and fair benefit sharing of renewable energy projects: Presenting policies and practices across Europe and guidelines for developers](#), Climate Action Network Europe, 2025.



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