

**RESPONSE TO QUESTIONS TAKEN ON NOTICE**  
**PAEC Inquiry into the 2025-26 Budget Estimates – Treasurer Hearing**  
**Tuesday 3 June 2025**

1. Thank you. Maybe I will go back to the Treasurer. Treasurer, there are a lot of trusts in this budget – budget paper 5, page 110. Are there any other trusts investing in fossil fuels in this budget that we should know about?

*(Asked by Aiv Puglielli, Page 31 of the transcript)*

*Transcript extract:*

**Aiv PUGLIELLI:** Thank you. I might move now to our representative from the VFMC. Can I ask: what fossil fuels does the VFMC invest in?

**Kate GALVIN:** Thank you so much for your question. VFMC is an institutional investor managing a global portfolio of assets for the benefit of all Victorians. We have got roughly a 1 to 2 per cent exposure to the energy sector, including companies engaged in exploration and production, refining and marketing and storage and transportation of oil and gas and coal and consumable fuels. It also includes companies that offer oil and gas equipment and services. As at the end of March 2025, we had \$93 billion of funds under management for 32 state agencies and approximately \$1.7 billion of these investments are in the energy tech sector. It would take a lot of time to detail them extensively. But we are committed to managing the energy-investment-related risks of climate change, and we aim to achieve net zero portfolio greenhouse gas emissions by 2050. This aligns with the Victorian government's commitment under the *Climate Change Act 2017*. We use our capital position as an asset owner to encourage high carbon intensive businesses to establish transition pathways to a lower carbon economy and expedite carbon abatement initiatives. We invest in climate-positive investments to help drive the economy's transition towards net zero emissions through the development of critical renewable infrastructure and low carbon technologies and processes. While we seek primarily to manage climate risks through active ownership and our investment stewardship approach, in certain circumstances, after comprehensive assessment of economic, legal and fiduciary requirements and the risk and return issues associated with the investment, sometimes we do apply an exclusion. In this regard we have exited investments in companies primarily involved in thermal coal mining and power generation companies whereby thermal coal constitutes greater than 10 per cent of the aggregate revenue where there is no credible transition plan.

**Aiv PUGLIELLI:** Thank you. My colleague who was on this committee previously, Ms Sandell, previously asked you similar lines of questioning, and in response you answered in reference to the energy transition then that:

Some investment in fossil fuels to help fund these pathways, we think, is a wise investment.

Do you still view investing in fossil fuels as a wise investment?

**Kate GALVIN:** It is important to fund transition pathways, and some fossil fuels will be required to get us to a net zero position.

**Aiv PUGLIELLI:** Do you have a plan to divest entirely?

**Kate GALVIN:** Not at this point.

**Aiv PUGLIELLI:** Is there a rationale as to why?

**Kate GALVIN:** We have a net zero target of 2050, so over the course of that pathway there will be transition primarily out of fossil fuels.

**Aiv PUGLIELLI:** Let us go to that, because I understand that target extends beyond the government's target of net zero emissions by 2045. Why is that the case? Are there plans to update that date to align exactly?

**Kate GALVIN:** Thank you for your question. The Victorian government actually brought forward their commitment to achieve net zero from 2050 to 2045. When VFMC committed to our net zero target by 2050 in 2021, at that time it was consistent with the Victorian government's commitment. As a global investor we have the same commitment as most global investors do. We believe that the impacts and effects of climate change are systemic and they pose widespread risks, and we support the aims of both COP26 and the 2015 Paris agreement to limit global warming to well below 2 degrees. We made significant commitments around net zero portfolio greenhouse gas emissions by 2050. We have not revised those targets at this point in time.

**Aiv PUGLIELLI:** Thank you. Maybe I will go back to the Treasurer. Treasurer, there are a lot of trusts in this budget – budget paper 5, page 110. Are there any other trusts investing in fossil fuels in this budget that we should know about?

**Jaclyn SYMES:** I might refer to the Secretary.

**Chris BARRETT:** Generally, most of the investments we quite deliberately steer through VFMC. I do know that there are a number of asset pools that do not use VFMC, but it is relatively small. We could come back to you with the names of those, on notice, just for completeness.

## Response

Under the *Financial Management Act 1994* and the Standing Directions, departments and agencies are required to hold funds in the Central Banking System (CBS) (for short-term investments) or the Victorian Funds Management Corporation (VFMC) (for long-term investments), unless an exemption has been granted.

Of the entities overseen by the Department of Treasury and Finance, State Trustees is the only entity that does not invest its long-term investments with VFMC. This is because the funds managed by State Trustees are held and invested on behalf of individuals, not the government.

Other departments may also oversee entities that do not invest their long-term investments with VFMC, including Cemetery trusts, Trust for Nature and Hospital Foundations. In many cases, these funds originate from gifts or donations or are held and invested in trust on behalf of individuals, not the government.