

Date: 12 May 2026

Rona Mellor PSM
Acting Auditor-General for Australia
Australian National Audit Office

by email: OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au

Dear Acting Auditor-General of Australia

Australian National Audit Office – Section 19 Proposed Report: Delivery of Snowy 2.0 – FGJV Response

Introduction

The Future Generation Joint Venture (**FGJV**), comprising Webuild, Clough and Lane, is the principal contractor for the Snowy 2.0 project, Australia's largest committed renewable energy project and the largest pumped hydro energy project under construction in Australia (**Project**).

FGJV was grateful to receive your correspondence dated 13 April 2026, which included limited extracts from the proposed report for the ANAO's performance audit on Snowy Hydro Limited's (**SHL**) delivery of the Project, pursuant to section 19 of the *Auditor-General Act 1997* (Cth) (the **Act**). This letter constitutes FGJV's letter of reply. Attached hereto is the requested Summary Response (Annexure A) and Editorial Matters (Annexure B).

While FGJV welcomes the opportunity to provide a response to the extracts contained within the proposed report that relate to FGJV, it wishes to note the inherent challenges associated with this task. Specifically, it has been difficult to understand the full context and extent of the statements made, in circumstances where FGJV has only been provided with very limited extracts, which are in some cases, so incomplete that they are difficult to understand. Despite not having the benefit of the broader extracts, FGJV has sought to proactively engage with the material it has received and provides this letter and the attachments in good faith.

FGJV has prepared this letter on the basis of the stated criteria for the Audit, namely those noted at 1.20 of the extracts of the report, being an examination of whether:

- the 2023 contract reset was informed by sound planning and advice;
- SHL has implemented effective project governance arrangements; and
- SHL is effectively managing project performance to achieve value for money and to deliver the outcomes required for the Project.

Project Complexity

At the outset, and considering the overarching purpose of the audit, FGJV considers it important to recognise that the Project itself is unique and represents an undertaking of unprecedented magnitude and complexity.

Snowy 2.0 is the largest renewable energy project under construction in Australia. It will underpin the nation's secure and stable transition to a low-carbon emissions future and will deliver ongoing benefits to Australians for many generations to come.

As the principal contractor, FGJV's scope of work will link two existing Snowy Scheme dams, Tantangara and Talbingo, through approximately 30 km of 9.9 metre diameter underground concrete-lined tunnels to the depths of up to one kilometre and an 800 metre underground power station, large enough to fit the Opera House and wide enough to fit the MCG, with pumping capabilities between the upper and lower reservoirs.

Located in the Kosciusko National Park, a mega project like Snowy 2.0 comes with many challenges and it takes a strong team to overcome these and deliver the project safely. With over 5,000 workers, the project team manages multiple work sites in remote locations, extreme weather conditions (snow, ice, wind, hot temperatures), complex logistics with mega loads, working in close collaboration with NSW National Parks, Wildlife Service and local councils.

FGJV, with its global expertise in tunnelling, brings the experience and skill to deliver this complex Project and is constantly striving for continuous improvement in its performance across all areas of Project delivery. FGJV are proud to be delivering on this next stage of the Snowy legacy and recognise the importance of ensuring Australia's energy needs for the future and remain fully committed to the successful delivery of the Project and to further improving the joint achievements of it and SHL to date.

Project Reset

Like many projects within the broader construction industry, by late 2022 the Project found itself significantly impacted by a number of unprecedented and unforeseeable conditions associated with:

- COVID-19 (national and states borders' closures, supply chain disruptions)
- weather damaging scenarios (bush fires)
- hyper escalation;
- changes to industrial laws;
- major skills shortages;
- competition for existing resources with multiple major projects underway;
- regulatory changes and increased compliance requirements;
- low productivity and fragmentation in the industry; and
- unexpected geological conditions at the site.

In late 2022, Clough experienced financial difficulties and entered voluntary administration. In this context, Webuild acquired Clough in February 2023, securing the timely delivery of the Project. If a company unfamiliar with the execution of Snowy, purchased Clough there would have been an impact to the project's schedule and delivery.

In this setting, and consistent with the views of the then changing construction industry, the lump sum model was and is not conducive or workable for a Project of this size, complexity and longevity in the challenged construction environment, facing the market conditions described above.

Project Governance and Collaboration

The Project reset saw FGJV and SHL shift from the unworkable lump sum EPC contract model towards the incentivised target cost model, which by its very nature involves stronger and closer collaboration between FGJV and SHL and a strengthened alignment of the parties' collective interests on the Project. It also necessarily saw adjustments to various aspects of the contracting arrangement which led to more transparency and oversight on costs and deliverables for SHL.

Project performance, including cost to date and forecast data, programme and risk and opportunity information is shared with SHL on a fully transparent open book basis. This sharing of data has been active since the reset in 2023 and ensures that all parties are readily aware of the time, cost and risk and that these items are monitored and managed accordingly. Cost management processes are in place to reflect the relevant changes in risks, optimisations and reporting processes on a monthly basis.

Outside of the formal reporting requirements and processes in place, FGJV is constantly in consultation with SHL both on and off-site, conferring on matters effecting programme and costs, to determine and proceed in the best interests of the Project. FGJV consistently works to identify opportunities for optimisation and explores them with SHL regularly, with the measures adopted by FGJV and deployed and reported on in detail for SHL's inputs.

FGJV has at all times complied with the relevant procurement processes prescribed under the Contract. A number of findings of the proposed report related to the procurement processes, are not strictly founded upon or related to obligations which exist under the Contract. Accordingly, while FGJV has not disregarded those findings and continues to workshop them further with SHL, where it considers they are necessary and will actually be beneficial, it continues to comply with the relevant processes prescribed under the Contract.

Management of continued challenges on the Project

There continue to be a number of significant challenges on the Project outside of FGJV's control which all play a contributing role in the Project's delivery, including the cost of delivery and the timeline for completion.

The Project itself is unique and represents an undertaking of unprecedented magnitude and complexity, standing apart from every other mega project delivered in Australia to date. With multiple project sites situated across the Snowy Mountains, the Project has faced complex technical engineering considerations and requirements, which has required the ongoing adaption of design throughout delivery to respond to onerous ground conditions and other environmental factors.

Intervening world challenges and continued hyper escalation in the construction industry also continue to challenge the Project and are outside the control of FGJV. These challenges are not unique to FGJV or its subcontractors but are amplified on this Project, given its size and complexity. FGJV has been proactive in the measures it has taken to mitigate such impacts and, in its endeavours, to accelerate completion of the Project wherever possible.

Unlike other mega projects delivered in Australia, the remote location creates not just logistical challenges but unique personnel and resourcing considerations in comparison to other mega projects in metro areas. Nevertheless, we have been able to attract and retain over 5,000 strong workforce.

The recent amendments to the enterprise agreements on the Project in late 2025 recognise the significant contributions that the workforce makes in delivering this Project. Those updated agreements relevantly introduced a range of improved conditions tailored to the unique challenges of remote project work to attract and retain the workforce. Pursuant to the Contract, we note that SHL engaged the services of an independent Labour Consultant who has confirmed that the New Enterprise Agreements were fair and reasonable.

Conclusion

FGJV brings the knowhow and expertise to deliver this complex project, with it constantly striving for continuous improvement in its performance in all areas of Project delivery, particularly in relation to safety management systems and culture. In doing so, FGJV has continued to adopt a consistent risk-based approach that acknowledges the conflicting demands of programme against time, cost and conditions to minimise delays to critical delivery activities, risk mitigation measures, and identifying productivity improvements. FGJV has also realised the importance of maintaining the ongoing effective collaboration with SHL and continues to seek best for Project outcomes.

FGJV is proud of its achievements and for its positive social legacy and impact on the community which has included:

- attraction and retention of a 5,000 strong workforce;
- 14% female employment on the Project above the industry average of 12 %;
- more than 245 regional businesses across Snowy Valley, Snowy Monaro Region, Bega Valley Shire, Wagga Wagga and Queanbeyan Council areas engaged to work on the Project, contributing more than \$290M to the region to date;
- participation of 30 local high school students in Schools Based Apprenticeship Program, with more than twelve graduates securing full-time work on the project;
- more than 93 apprenticeships on the project, with 23 first-year apprentices starting their apprenticeships in 2026, playing a vital role in upskilling the next generation of boilermakers, fabricators, electricians and plumbers; and
- Donations from FGJV's recycle scheme program to local charity organisations that provide much needed support services across the region to indigenous youth programs, junior sport clubs, family support services, among others.

It is, and always has been, FGJV's objective to ensure that the Project is delivered with the lowest possible cost without compromising on the Project's safety, environment, and quality. FGJV's continued commitment to improve its performance on the Project, together with its desire to continue drawing upon its experiences in having delivered hundreds of similar projects built throughout the world, places it in the best position to do just that.

Yours sincerely,



Fabrizio Lazzarin
Project Director
Future Generation Joint Venture

Cc:

Nathan Callaway Nathan.Callaway@anao.gov.au
Kate Cummins Kate.Cummins@anao.gov.au
Ian Goodwin Ian.Goodwin@anao.gov.au
Wendy Preston Wendy.Preston@anao.gov.au
Sally Law s.law@futuregenerationjv.com.au