

# The U.S.-Australia Strategic Innovation Alliance

## Australia Infrastructure Factsheet

### Overview

In 2025, Australia's infrastructure sector is marked by a record pipeline of government investment, a focus on transport and energy transition, and increasing private capital flows into new and emerging asset classes. The sector is navigating sustained cost pressures, labor shortages, and the need to balance fiscal discipline with the delivery of critical projects. Infrastructure spending remains a key lever for economic growth, productivity, and national resilience, with governments at all levels maintaining strong commitments despite a challenging macroeconomic environment.

### Total Infrastructure Investment and Pipeline

Across all states and territories, general government infrastructure expenditure is projected at \$176 billion over the four years to FY2027-28, representing 15.4 percent of total government spending and an increase of \$13.8 billion from the previous budget cycle.<sup>1</sup> This spending is spread across transport, energy, water, education, health, and digital infrastructure, with the majority directed to the existing pipeline of projects rather than new initiatives.

The Australian Government alone is committed to a 10-year, over \$78 billion infrastructure investment pipeline, ensuring a rolling program of sustainable land transport, energy, and water projects.<sup>2</sup>

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<sup>1</sup> Infrastructure Australia, "Annual Performance Statement 2025," March 6, 2025.

<sup>2</sup> Australian Government, "Infrastructure Investment Program," 2025.

## Sectoral Breakdown and Project Types

### Transport Infrastructure

Transport remains the dominant focus of infrastructure investment:

- **Roads:** \$26.3 billion (58 percent of federal infrastructure funding) is allocated to road projects, including major upgrades, new highways, and urban congestion relief.<sup>3</sup>
- **Rail:** \$18.1 billion (40 percent of federal funding) supports urban and regional rail, metro expansions, and freight corridors.<sup>4</sup>
- **Mega-Projects:** There are 26 mega-projects (costing \$1 billion or more), representing 36 percent of total investment. Notable examples include Victoria's North East Link (\$2.9 billion in FY2024-25), the West Gate Tunnel (completion by end-2025), and the Level Crossing Removal program (\$1.5 billion in FY2024-25).<sup>5</sup>

The Federal Budget for 2024-25 allocates \$39.2 billion to roads and \$13.2 billion to rail over four years, with significant funding for Western Sydney upgrades, North East Link, and METRONET in Western Australia.<sup>6</sup>

### Energy and Renewables

Energy infrastructure is a growing focus, driven by the transition to renewables and the need for grid modernization:

- The "Future Made in Australia" program commits \$12.8 billion over 10 years to renewable energy infrastructure, with \$1.24 billion allocated in the next four years. This includes support for hydrogen industry development and priority sector innovation.<sup>7</sup>
- Private capital is increasingly flowing into sustainable aviation fuel, renewable natural gas, and battery storage, with investors drawn by energy security and decarbonization targets.<sup>8</sup>

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<sup>3</sup> Infrastructure Australia, "Annual Performance Statement 2025," March 6, 2025.

<sup>4</sup> Infrastructure Australia, "Annual Performance Statement 2025," March 6, 2025.

<sup>5</sup> Infrastructure Partnerships Australia, "Australian Infrastructure Budget Monitor 2024-25," October 24, 2024.

<sup>6</sup> Infrastructure Partnerships Australia, "Australian Infrastructure Budget Monitor 2024-25," October 24, 2024.

<sup>7</sup> Infrastructure Partnerships Australia, "Australian Infrastructure Budget Monitor 2024-25," October 24, 2024.

<sup>8</sup> IFM Investors, "Infrastructure Horizons 2025: Artificial intelligence, energy security and renewable fuels are reshaping the future of infrastructure investment," March 31, 2025.

## Water Infrastructure

Water infrastructure investment totals \$1.8 billion over 12 years, with \$780 million allocated in the next four years, focused on regional supply and drought resilience. However, some projects have been deferred pending further planning and business case development.<sup>9</sup>

## Digital and Social Infrastructure

- **Digital:** Major investments by U.S. and Australian companies in data centers, cloud infrastructure, and national broadband expansion are supporting Australia's digital economy.
- **Education and Health:** \$408 million is allocated over four years to education infrastructure, and health infrastructure is included in state-level capital works programs.<sup>10</sup>

## State and Territory Rankings

- **Victoria:** Leads infrastructure spending as a percentage of state expenditure with a \$50.3 billion four-year allocation (18.7 percent of state expenditure), focused on transport mega-projects and urban renewal.<sup>11</sup>
- **New South Wales:** Second place, with \$56.2 billion over four years — approximately 15.3 percent of total expenditure — maintaining a focus on road and rail.<sup>12</sup>
- **South Australia:** Rises to third, with \$13.5 billion (15.6 percent of expenditure), driven by key multibillion-dollar projects.<sup>13</sup>
- **Queensland:** Notable 23 percent increase in infrastructure share, up to 14.6 percent of expenditure, reflecting higher coal royalties and a strong project pipeline.<sup>14</sup>
- **Australian Capital Territory:** Maintains a \$3.5 billion commitment over four years — approximately 12.4 percent of its expenditure — focusing on maintenance and completion of existing projects.<sup>15</sup>

## Project Status and Delivery

As of early 2025, 50 percent of major projects are in the delivery phase, 37.5 percent in planning, and 12.5 percent completed since May 2022.<sup>1</sup> Maintaining a balanced pipeline,

<sup>9</sup> Infrastructure Partnerships Australia, "Australian Infrastructure Budget Monitor 2024-25," October 24, 2024.

<sup>10</sup> Infrastructure Partnerships Australia, "Australian Infrastructure Budget Monitor 2024-25," October 24, 2024.

<sup>11</sup> Infrastructure Partnerships Australia, "Australian Infrastructure Budget Monitor 2024-25," October 24, 2024.

<sup>12</sup> Infrastructure Partnerships Australia, "Australian Infrastructure Budget Monitor 2024-25," October 24, 2024.

<sup>13</sup> Infrastructure Partnerships Australia, "Australian Infrastructure Budget Monitor 2024-25," October 24, 2024.

<sup>14</sup> Infrastructure Partnerships Australia, "Australian Infrastructure Budget Monitor 2024-25," October 24, 2024.

<sup>15</sup> Infrastructure Partnerships Australia, "Australian Infrastructure Budget Monitor 2024-25," October 24, 2024.

especially for mega-projects, is a priority to avoid industry bottlenecks and ensure sustainable delivery.

## Private Sector and Capital Expenditure

Private new capital expenditure for 2024-25 is estimated at \$121.9 billion, a 2.2 percent increase from the previous estimate, with infrastructure-related sectors such as construction, utilities, and transport accounting for a significant share.<sup>16</sup> The construction industry alone is forecast to reach \$125.6 billion in 2025, with strong growth in build-to-rent and green housing projects.<sup>17</sup>

## Emerging Trends

- **Artificial Intelligence and Automation:** Infrastructure investors are targeting AI-driven asset management, predictive maintenance, and smart mobility systems.<sup>18</sup>
- **Green and Resilient Infrastructure:** There is a shift toward climate-resilient design, net-zero targets, and circular economy principles in project planning and delivery.
- **Cost and Labor Pressures:** Rising input costs, labor shortages, and supply chain disruptions continue to challenge project delivery and budgeting.

## Challenges and Outlook

Australia's infrastructure sector faces the challenge of sustaining high investment levels amid fiscal tightening, inflation, and cost-of-living pressures. While the focus remains on completing the existing pipeline, governments and investors are also preparing for the next wave of projects in energy transition, digital infrastructure, and climate adaptation. The sector's outlook is positive, with continued public and private investment, a robust project pipeline, and a growing focus on innovation and sustainability.

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<sup>16</sup> Australian Bureau of Statistics, "Private New Capital Expenditure and Expected Expenditure, Australia," 2025.

<sup>17</sup> GlobeNewswire, "Australia Construction Industry Report 2025," April 17, 2025.

<sup>18</sup> IFM Investors, "Infrastructure Horizons 2025: Artificial intelligence, energy security and renewable fuels are reshaping the future of infrastructure investment," March 31, 2025.