

PROTECTED CABINET

MC26-051508

Signature Due Date: 21 April 2026

MEMORANDUM OF UNDERSTANDING WITH MICROSOFT ON AI

Prime Minister, we recommend you:

- 1. Agree that Senator the Hon Tim Ayres, Minister for Industry and Innovation (Minister Ayres), in consultation with relevant ministers, negotiate and enter into a non-binding memorandum of understanding (MOU) between the Australian Government and Microsoft, focused on artificial intelligence (AI), with final text and details of any announcements to be settled with your office.
- 2. Sign the draft response at Attachment A, advising Minister Ayres of your decision.

Agreed / Not Agreed

Signed / Not Signed

21/4/26

ANTHONY ALBANESE

Date:

Comments:

KEY POINTS

- 1. On 17 April 2026, Minister Ayres wrote to you (Attachment B) seeking agreement to negotiate and enter into a non-binding MOU with Microsoft, focused on AI, on behalf of the Australian Government.
 - a. Subject to your agreement and satisfactory negotiations, Minister Ayres is seeking to sign and announce the MOU during the upcoming visit to Australia by Mr Satya Nadella, Chairman and Chief Executive Officer (CEO) of Microsoft, in the week commencing 20 April 2026.
 - b. s 47c
- 2. The Department of the Prime Minister and Cabinet (PM&C) recommend you sign the draft response at Attachment A, agreeing that Minister Ayres, in consultation with relevant ministers, negotiate and enter into an MOU with Microsoft, with the final text and any announcement to be settled with your office.
 - a. The MOU will highlight areas of collaboration across portfolios, including AI safety and security, skills initiatives, and other ongoing engagements with Commonwealth agencies, such as on cyber security and digital resilience.
 - b. s 34
 - i. The *Expectations* include commitments from data centre developers to make a positive contribution to Australia’s energy supply and cover transmission costs, use water sustainably, and invest in local skills and jobs. These commitments on energy would be consistent with a similar pledge made by Microsoft and other leading tech companies in the United States earlier this year, as announced by President Trump in March 2026.

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SUPPLEMENTARY INFORMATION

1. You are scheduled to meet Mr Nadella on 23 April 2026. Mr Nadella may raise the MOU, along with other commitments that Microsoft intends to announce during his visit. PM&C has provided you a brief ahead of the meeting (MS26-000251 refers).

Risks and Sensitivities

The Government has an established and significant procurement relationship with Microsoft. This includes a Volume Sourcing Agreement (VSA), managed by the Digital Transformation Agency, which provides Commonwealth agencies access to Microsoft's core enterprise and cloud services. The next five-year VSA with Microsoft will commence on 1 July 2026.

s 47C

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In October 2025, the Australian Competition and Consumer Commission (ACCC) commenced legal proceedings against Microsoft Australia and Microsoft Corporation, its parent company, alleging they misled Australians about subscription options and price changes following the integration of Microsoft's AI products into its service plans. PM&C understands Microsoft has not raised this matter during engagements on the MOU, but the ongoing legal action may be referenced in relevant media reporting.

Financial Implications

Nil.

Record Timeline

Date of Correspondence	Date Created	Date Delivered to MO	Signature Due Date
17 April 2026	17 April 2026	20 April 2026	21 April 2026

Consultation

PM&C DIVISIONS – Economic, Social Policy, National Security, International, Cabinet.

s 22

A/g Assistant Secretary
Industry and Communications
Phone no: s 22
20 April 2026

Policy Officer: s 22

Phone no: s 22

Circulation

PM&C Secretary; A/g DS, Economy, Industry and Resilience Division, *N Luchetti*;
A/g FAS, Industry, Infrastructure and Environment Division, *M Strapp*; FAS, Economic Division, *L Rawlings*;
FAS, National Security Division, *P Anstee*; FAS, International Division, *L Bain*;
A/g AS, Industry and Communications Branch, s 22 AS, Tax, Markets and Workplace Relations Branch, *S Iyer*;
AS, Domestic Security Branch, *A Rose*; AS, Global Interests Branch, *E Young*; AS, Legal Policy Branch, *K Lin*.
PMO Chief of Staff; s 22 **Advisers:** s 22

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ATTACHMENTS:

ATTACHMENT A DRAFT RESPONSE

ATTACHMENT B INCOMING CORRESPONDENCE

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PRIME MINISTER
The Hon Anthony Albanese MP

Reference: MC26-051508

21 APR 2026

Senator the Hon Tim Ayres
Minister for Industry and Innovation
Minister for Science
Parliament House
CANBERRA ACT 2600

Dear Minister

Thank you for your letter dated 17 April 2026 seeking to progress a memorandum of understanding (MOU) with Microsoft, focused on artificial intelligence (AI).

I agree that you undertake negotiations, in consultation with relevant ministers, to enter into a non-binding MOU with Microsoft on behalf of the Australian Government. I ask that the MOU, including any commitments from Microsoft on AI infrastructure, align with the approach set out in my letter to you of 23 December 2025 (MC25-145228 refers)

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Subject to a satisfactory state of negotiations and legal review of the text, I also agree that you sign and announce the MOU during the upcoming visit by the Chairman and CEO of Microsoft, with the final text and details of any announcement to be settled with my office.

I have copied this letter to the Hon Dr Jim Chalmers MP, Treasurer, Senator the Hon Katy Gallagher, Minister for Finance, Senator the Hon Don Farrell, Minister for Trade and Tourism, the Hon Tony Burke MP, Minister for Home Affairs and Minister for Cyber Security, the Hon Chris Bowen MP, Minister for Climate Change and Energy, the Hon Amanda Rishworth MP, Minister for Employment and Workplace Relations, the Hon Michelle Rowland MP, Attorney-General, Senator the Hon Murray Watt, Minister for the Environment and Water, the Hon Anika Wells MP, Minister for Communications and the Hon Andrew Giles MP, Minister for Skills and Training.

Yours sincerely

s 22

ANTHONY ALBANESE

Parliament House CANBERRA ACT 2600
Telephone (02) 6277 7700
www.pm.gov.au

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SENATOR THE HON TIM AYRES
MINISTER FOR INDUSTRY AND INNOVATION
MINISTER FOR SCIENCE

The Hon Anthony Albanese MP
Prime Minister
Parliament House
CANBERRA ACT 2600

Dear Prime Minister

I seek your agreement to enter a Memorandum of Understanding (MoU) with Microsoft, focused on artificial intelligence (AI), on behalf of the Australian Government.

The proposed MoU will advance the objectives of the Government's National AI Plan, supporting Australia's ambition to be a global leader in AI. It will be beneficial to the national interest by capturing opportunities for Australian industry, supporting Australians to share in the benefits of AI and building community trust. It would be the second AI collaborative arrangement developed under the National AI Plan following the MoU announced with Anthropic on 1 April 2026.

I will seek for the MoU to include collaboration on advanced AI, including AI safety and security, and support for AI skills and education across startups, not-for-profits, small and medium enterprises and the Australian Public Service. It will also include commitments from Microsoft relating to AI infrastructure, ^{s 34}

The MoU will be a non-legally binding, high-level statement of shared intent. It will not include any financial commitment by the Australian Government or preference Microsoft for future government procurement or other decisions.

I will agree final form of any MOU with relevant ministers (copied) and with your office. It may be possible to announce the MOU, subject to your approval and satisfactory negotiation with the company, during the upcoming visit by Mr. Satya Nadella, Chairman and CEO of Microsoft on 22 April 2026.

Yours sincerely

s 22

TIM AYRES
17/04/2026

Parliament House Canberra ACT 2600

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CC:

The Hon Dr Jim Chalmers MP, Treasurer

Senator the Hon Katy Gallagher, Minister for Finance

Senator the Hon Don Farrell, Minister for Trade and Tourism

The Hon Tony Burke MP, Minister for Home Affairs and Minister for Cyber Security

The Hon Chris Bowen MP, Minister for Climate Change and Energy

The Hon Amanda Rishworth MP, Minister for Employment and Workplace Relations

The Hon Michelle Rowland MP, Attorney-General

Senator the Hon Murray Watt, Minister for the Environment and Water

The Hon Anika Wells MP, Minister for Communications

The Hon Andrew Giles MP, Minister for Skills and Training

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MB26-000251

To: Prime Minister

SUBJECT: Meeting with Microsoft Chairman and CEO
MEETING WITH: <ul style="list-style-type: none">Satya Nadella, Chairman and CEO of Microsoft
TIME/DATE: 8:30am, Thursday 23 April 2026
VENUE: TBC

Meeting details

- You will meet with Satya Nadella, Chairman and CEO of Microsoft, to discuss the company’s hyperscale cloud and artificial intelligence (AI) infrastructure investments in Australia, as well as a range of initiatives across cyber security, digital skills, and AI safety and security.
 - You last met Mr Nadella in November 2023 on the sidelines of the APEC Economic Leaders’ Meeting in San Francisco.
 - This will be Mr Nadella’s second visit to Australia. He first visited in 2019.
- A biography and company profile is provided at Attachment A, with talking points at Attachment B.
- s 47c
- Microsoft will also announce several commitments:
 - Partnering with the newly established AI Safety Institute (AISI) on AI security and safety, including through a memorandum of understanding (MOU) on AI collaboration
 - s 47c
 - Expanding Microsoft’s national skilling initiatives in Australia, and
 - Entering a potential next phase of collaboration under the Microsoft-Australian Signals Directorate (ASD) Cyber Shield (MACS) to uplift cyber security across government.

Background

Proposed announcements

- The Government is engaging with Microsoft on a ministerial-level AI-focused MOU, to be signed during Mr Nadella’s visit by Senator the Hon Tim Ayres, Minister for Industry and Innovation (Minister Ayres), subject to your agreement and the status of negotiations.
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This should include commitments to support Australia’s energy transition, use water sustainably, and invest in local skills and jobs, in line with the Government’s *Expectations of data centre and AI infrastructure developers*.

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- Microsoft has indicated it will announce further support for AI skills training in Australia, in addition to existing commitments from 2023. Details of this announcement remain to be confirmed.
- Microsoft will also signal continued collaboration on the MACS, which aims to improve joint capability to identify, prevent and respond to cyber threats. ASD is engaging with Microsoft on the potential next phase of the partnership.

Existing Microsoft investments and engagements in Australia

- During your 2023 official visit to the United States, along with senior Microsoft executives, you announced a series of commitments by Microsoft in Australia. Microsoft has advised that all these commitments have now been delivered. These include:
 - Investing A\$5 billion over two years to expand its Australian cloud and AI infrastructure.
 - s 47c
 - Partnering with TAFE NSW to establish a Microsoft Data Centre Academy in Australia.
 - The Data Centre Academy is operational; its first cohort of students graduated in May 2025. Microsoft and Victoria University have since opened a second academy.
 - Supporting programs to train over 300,000 Australians in digital skills.
 - Microsoft has publicly indicated that this target was met in early 2025. The company has since announced other skills initiatives, including a commitment to provide digital skills training to a million people across Australia and New Zealand by 2026.
 - Collaborating with ASD on the MACS.
 - Key milestones have been met, including connecting ASD's Cyber Threat Intelligence Sharing platform and Microsoft Sentinel. ASD and Microsoft have also worked to share technical expertise and optimise security settings across agencies.
- On 13 November 2023, with Mr Nadella, you separately announced the Government would conduct a six-month trial of Copilot, Microsoft's AI chatbot, across the Australian Public Service (APS).
 - Australia was the world's first government to deploy Copilot. The trial concluded in June 2024 and demonstrated AI could improve the quality and efficiency of briefing in the APS. The Government's *AI Plan for the APS* has since set out a roadmap to improve service delivery, outcomes, and productivity across government through the use of AI.
- On 26 February 2026, the Digital Transformation Agency (DTA) announced a new five-year Volume Sourcing Agreement (VSA) with Microsoft on behalf of the Government, commencing 1 July 2026.
 - The VSA will provide Commonwealth agencies with access to Microsoft's core enterprise and cloud services, including Microsoft 365, Copilot, and Azure cloud services.

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- The Government's existing VSA with Microsoft will conclude on 30 June 2025, with a current contracted total of \$1.24 billion over 7 years (2019-20 to 2025-26).

Microsoft's approach to AI and the workplace

- Mr Nadella has taken a strong interest in the impacts of AI on the workplace and has spoken publicly about the risks of job displacement and the importance of reskilling workers.
- On 15 January 2026, Microsoft Australia signed an agreement with the Australian Council of Trade Unions and other unions, committing to recognise and elevate workers' voices in the design, development and deployment of AI across Australian workplaces. The parties also agreed to develop resources to support increased access for Australian workers to new AI training and skills initiatives.
- As part of the Government's next Microsoft VSA, Microsoft will establish a \$1.55 million training fund for tailored learning and support services to build AI capability in the APS.

Sensitivities and additional information

- In October 2025, the Australian Competition and Consumer Commission (ACCC) commenced legal proceedings against Microsoft Australia and Microsoft Corporation, alleging they misled Australians about subscription options and price changes following Copilot's integration into Microsoft 365 plans.
- Following broader trends across the technology sector, Microsoft laid off 15,000 employees over 2025, or 6.5% of its global workforce. This reportedly included over 100 Australian jobs.
- In March 2026, Microsoft, along with Google, Amazon and Apple, supported Anthropic's legal challenge against the United States (US) Administration's designation of Anthropic as a supply chain risk.

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A/g Assistant Secretary
Industry and Communications
17 April 2024

Contact Officer: s 22
Phone no: s 22

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PMO Chief of Staff; ^{s 22} , ^{s 22} , ^{s 22} , ^{s 22} .

BIOGRAPHY

Satya Nadella has served as CEO of Microsoft since 2014, and as its Chairman since 2021. He has worked at Microsoft in various roles since 1992. Mr Nadella's leadership has included a focus on making Microsoft a major AI player, investing billions in OpenAI since 2019 and leading the development of Microsoft's AI-powered chatbot Copilot. He also led the development of Microsoft's cloud computing platform, Azure, which provides the infrastructure for its Office 365 subscription-based services.

Prior to joining Microsoft, Mr Nadella worked at Sun Microsystems Inc. He holds a Bachelor's degree in electrical engineering from Mangalore University, a Master's degrees in computer science from the University of Milwaukee, and an MBA from the University of Chicago.

COMPANY PROFILE

Microsoft is a leading multinational technology company and the world's largest software company by revenue. Its services span operating systems, personal computing, enterprise cloud computing, AI and gaming. Australia is Microsoft's fifth largest market, and the Australian Government is one of Microsoft's largest government customers globally.

Under Mr Nadella's tenure, Microsoft has made the integration of generative AI technology across its enterprise and consumer services, including cloud computing and Office 365 products, a key priority. These efforts have been largely progressed through a partnership with OpenAI, which has supplied the AI models, including ChatGPT, as the base technology to be integrated into Microsoft's end-user products like Copilot, in exchange for funding and computing power from Microsoft. More recently, Microsoft has sought to diversify its source models, integrating Anthropic's Claude model into Copilot.

In 2024, Microsoft established Microsoft AI, an AI research laboratory, to pursue its own proprietary models, with the ambition of achieving what the company has termed 'Humanist Superintelligence', an advanced AI capability beyond human intelligence that remains controllable and aligned to human interests.

TALKING POINTS

- Good to see you again — pleased to welcome you back to Australia.
 - Microsoft plays an important and established role for Australian businesses, consumers and customers of all kinds — including the Government.
 - We've made substantial investments in Microsoft, and I know Microsoft has invested equally in Australia — we want to see this collaboration continue.
- We want Australia to be a world leader in cyber security by 2030.
 - As we move into the next phase of our Cyber Security Strategy, Microsoft will be an important partner to help address cyber threats.
 - Thank you for your productive engagement through Cyber Shield — we look forward to continuing this partnership.
- My Government is excited about the opportunities of AI. As set out in our National AI Plan, we're ambitious to grow AI innovation and adoption across the Australian economy.
 - Australian businesses are deploying AI products at scale in our world-leading sectors, including Australian healthcare, mining and agriculture.
- But we know AI will also continue to present ongoing challenges.
 - That's why we want to work with world-leading companies like Microsoft to advance a safe and trusted AI ecosystem, provide new skills and training pathways for workers, and ensure AI is developed and used in ways that benefit all Australians.
 - We appreciate Microsoft's active engagement to resolve cyber vulnerabilities, particularly as AI capabilities advance and pose new risks.
- Australia is already a world-leading destination for AI and data centre investment, and we want this to keep growing — but development must happen on terms that benefit the Australian community and deliver for our national interest.
 - Australia offers all the key building blocks needed for trusted AI infrastructure — abundant land and clean energy resources, stable environment and strong security settings, and close access to regional markets across Asia.

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- In return, we want to see developers build social licence by working to align with Australia's national interest, supporting our energy transition, using water sustainably and responsibly, and investing in local skills, jobs and capability.

If raised: ACCC lawsuit

- The Government respects the ACCC's independent role as Australia's competition and consumer regulator.
 - It would not be appropriate for me to comment on ongoing legal proceedings.

If raised: US-Australia Technology Prosperity Deal

- Strengthening our cooperation with the United States is critical to our AI ambitions.
- We're doing this through our Technology Prosperity Deal (TPD), which will help to expand Australia's tech ecosystem and complement longstanding channels for tech cooperation with the US, including across defence and cyber domains.
 - We appreciate the support Microsoft has shown for the TPD to date.