

**CLEAN ENERGY FINANCE CORPORATION**

**EXPERT REVIEW**

**REQUEST FOR SUBMISSIONS**

Responses due 8 December 2011

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## BACKGROUND

On 10 July 2011 the Australian Government announced that it will establish a \$10 billion commercially oriented Clean Energy Finance Corporation (CEFC) as part of its Clean Energy Future Package. Information on the Clean Energy Future Package is available on the web site: [www.cleanenergyfuture.gov.au](http://www.cleanenergyfuture.gov.au).

The objective of the CEFC is to overcome capital market barriers that hinder the financing, commercialisation and deployment of renewable energy, energy efficiency and low emissions technologies.

The CEFC will invest in firms and projects utilising these technologies as well as manufacturing businesses that focus on producing the inputs required. It will not invest in carbon capture and storage technologies.

The CEFC is not intended to compete directly with the private sector in the provision of financing to these businesses. The CEFC will act as a catalyst to private investment which is currently not available and thereby contribute to reducing carbon emissions and cleaner energy.

Capital that is returned from investments will be retained for reinvestment by the CEFC, with the Board to determine the timing and quantum of dividends payable to the Australian Renewable Energy Agency.

On 12 October 2011 the Government announced that it had appointed Ms Jillian Broadbent AO, Mr David Paradise and Mr Ian Moore to form an expert review panel to advise on the design of the CEFC. The panel will be chaired by Ms Broadbent.

The expert review panel will consult with stakeholders and report to the Government by mid-March 2012 with recommendations on the:

- implementation plan for the establishment of the CEFC;
- investment mandate and risk management approach of the CEFC; and
- governance arrangements of the CEFC, including the responsibilities, powers and statutory duties of the Board, Chair and Chief Executive Officer.

The recommendations of the CEFC Review will inform the drafting of legislation, which will be introduced into Parliament next year in order to allow the CEFC to commence operations in 2013-14. The scope of the review is at Attachment A.

## SUBMISSIONS

To supplement the consultation process, the CEFC review panel is seeking written submissions from stakeholders and their experiences on the key themes for the review:

- the scope for the operations of the CEFC;

- the market gap in financing low emissions technologies;
- how this gap in financing could be overcome; and
- how the CEFC could work with other government and market organisations.

Submissions should focus on the above key themes and be submitted by email to [cefc@treasury.gov.au](mailto:cefc@treasury.gov.au) by 5:00 pm AEDT on 8 December 2011. Submissions should be in Word format and must not exceed 5MB. All submissions received will be posted on the CEFC review website. Should you wish your submission to remain confidential, please advise at the time of providing your written submission.

## SCOPE OF THE CEFC

The CEFC will not provide grants. It is intended to be commercially oriented and to make a positive return on its investments.

The CEFC will be able to make investments in businesses and projects in the clean energy sector with the objective of facilitating the flow of funds into the commercialisation and deployment of clean energy technologies.

To achieve this objective, the CEFC may need to form partnerships with other organisations on projects and investments.

### Questions

1. How do you expect the CEFC to facilitate investment?
2. Are there principles beyond financial viability that could be used to prioritise investments, such as emissions impact or demonstration affect?
3. What are the opportunities for the CEFC to partner with other organisations to deliver its objectives?

## THE MARKET GAP AND OVERCOMING IT

The CEFC is not intended to compete directly with the private sector in the provision of financing to the clean energy sector; instead, it is intended that the CEFC will act as a catalyst to private investment that is currently not available for clean energy technologies.

### Questions

4. How could the CEFC catalyse the flow of funds from financial institutions?
5. What experiences have firms in the clean energy sector had with trying to obtain finance; have term, cost or availability of funds been the inhibitor?
6. What non-financial factors inhibit clean energy projects?
7. Are there special factors that inhibit energy efficiency projects?

## OTHER ISSUES

The CEFC is part of the Australian Government's Clean Energy Future package, which includes a suite of new programs and measures to tackle climate change and transform Australia's energy sector. These programs and measures include the introduction of a carbon price, the \$3.2 billion Australian Renewable Energy Agency and the \$1.2 billion Clean Technology Program. In addition, the Government has previously established a range of programs and measures to support clean energy, the most significant of which is the 20 per cent Renewable Energy Target.

### Question

8. How do you see the CEFC fitting with other government initiatives on clean energy?

The CEFC Review Panel is also interested in receiving the views of stakeholders on other issues raised in the terms of reference at Attachment A.

## APPENDIX A – TERMS OF REFERENCE

### Scope of the Review

Reporting to the Deputy Prime Minister and Treasurer, the Hon Wayne Swan MP and the Minister for Finance and Deregulation, Senator the Hon Penny Wong, by mid-March 2012, the Chair and Review members are requested to:

1. Develop an implementation plan for the establishment of the CEFC.
2. Develop and recommend a proposed investment and operating mandate for the CEFC, with the mandate reflecting:
  - 2.1. the market area in which the CEFC will operate, including broad guidelines for how the corporation would invest and manage risk;
  - 2.2. how it will approach the intention that funding be divided into two streams:
    - 2.2.1. a renewable energy and enabling technology stream which will have one half of the funding allocated; and
    - 2.2.2. an energy efficiency and low emissions technologies stream which will have half of the funding allocated and will be able to fund renewable energy projects in addition to the dedicated stream.
  - 2.3. how the CEFC is positioned within the broader objectives of the Government's Clean Energy Future Package.
3. Consistent with statutory requirements and the guidance set out in *Governance Arrangements for Australian Government Bodies*, suggest appropriate governance principles and mechanisms, including:
  - 3.1. responsibilities, powers and statutory duties of office holders including the Board, Chair and Chief Executive Officer;
  - 3.2. appropriate Board structure, representation and skills;
  - 3.3. reporting obligations of the Board;
  - 3.4. relationship between the Board and responsible Ministers; and
  - 3.5. duties and functions of the CEFC employees.
4. In the context of the proposed operating mandate, assess how the CEFC will interact with other Australian Government bodies and initiatives, including the Australian Renewable Energy Agency and Low Carbon Australia. Where appropriate, recommend a path for transitioning from the current arrangements to arrangements which streamline support for cost-effective carbon reduction.
5. In conducting the Review, the Chair is to put in place a process for consulting key stakeholders, including wind producers, about the role of the CEFC and its relationship with the Renewable Energy Target.