

Clean Energy Finance Corporation

May 2012

On Wednesday 23 May 2012, Minister for Climate Change and Energy Efficiency Greg Combet tabled in the House of Representatives the enabling legislation for the creation of the Clean Energy Finance Corporation (CEFC).

The bill and explanatory memoranda are available [here](#). Minister Combet's Second Reading Speech is available [here](#).

Establishing the CEFC

The CEFC was announced as part of the Government's [Clean Energy Future Package](#), and is designed to encourage private investment and help overcome financial barriers to commercialising and deploying cleaner energy technologies.

Following the announcement of the CEFC, the Government established a review panel, led by Jillian Broadbent AO, a Member of the Board of the Reserve Bank of Australia and a Non-Executive Director of ASX Limited and Woolworths Limited. Reporting to the Deputy Prime Minister and Treasurer, Wayne Swan, and the Minister for Finance and Deregulation, Penny Wong, the review panel was tasked with developing an implementation plan for the establishment of the CEFC.

The CEFC review panel sought written submissions from stakeholders and their experiences on the key themes for the review. 151 submissions were received, and are available [here](#).

The panel delivered its report to the Government in March 2012. The report establishes the broad principles to guide the direction of the CEFC. The CEFC will finance Australia's clean energy sector using financial products and structures to address the barriers currently inhibiting investment.

The Panel considers an appropriate objective for the CEFC to *be to apply capital through a commercial filter to facilitate increased flows of finance into the clean energy sector thus preparing and positioning the Australian economy and industry for a cleaner energy future*. The review panel's full report is available [here](#). The bill that is currently before parliament will enable the recommendations of this report.

The Role of the CEFC

The main purpose of the CEFC will be to close the gap that currently exists in the financing of clean energy projects. There are several factors that currently inhibit this financing, including global financial conditions, the complex nature of Australia's electricity markets, the cost of renewable energy, and the preference of investment institutions for listed assets and a limited track record of returns.



The CEFC will invest in firms and projects that utilise renewable energy, energy efficiency and low emissions 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 will not provide grants. Rather, it is intended to be commercially oriented and to make a positive return on its investments. Capital that is returned from investments will be retained for reinvestment by the CEFC, with the Board to determine the quantum of any dividends payable to the Australian Renewable Energy Agency.

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

The CEFC will complement other Australian Government policies and programs, including the Renewable Energy Target, the Australian Renewable Energy Agency (ARENA), the Clean Technology Investment Program and the Clean Technology Innovation Program. It will be particularly important for the Corporation and ARENA to maintain an active ongoing dialogue as projects funded by ARENA provide a potential pipeline of projects for the Corporation.

The Operations of the CEFC

The bill currently before parliament establishes the CEFC as a Commonwealth authority under the *Commonwealth Authorities and Companies Act 1997*.

The Corporation will be managed by an independent board comprised of experts in areas such as banking, finance, economics and energy markets to ensure a robust and rigorous organisation. The Board will be appointed by the Government and will be responsible for the management, operational and investment decisions of the Corporation. The Board will be responsible for appointing the chief executive officer, who will take on the day-to-day administration of the Corporation under the directions of the Board

It will be seeded with \$2 billion a year for five years from 2013-14 and will also be provided with three years of funding to assist with its establishment and operations. It is intended that the Corporation will be self-sustaining after this five year period and will not require further assistance from the Budget. The Corporation's profits and funds returned from its investments will be available for further reinvestment.

The CEFC will commence operations on 1 July 2013.

Industry Response

The peak body for Australia's renewable energy industry, [Clean Energy Council](#), welcomed the introduction of the legislation, saying that it would help bridge the gap between early research and development and the commercial roll-out of clean energy technologies, and support local clean energy innovation.