



CEFC SUBMISSION IN RESPONSE TO THE CLIMATE CHANGE AUTHORITY'S *UPDATING THE AUTHORITY'S PREVIOUS ADVICE ON MEETING THE PARIS AGREEMENT CONSULTATION PAPER*

SEPTEMBER 2019

SUMMARY

The CEFC welcomes the opportunity to respond to the Authority's consultation paper. This submission briefly discusses the CEFC's role as a government-owned clean energy finance provider in Australia's suite of climate change and energy policies and notes some potential changes to the CEFC's operating framework that could increase its impact.

FLEXIBILITY IN SUPPORT OF A LONG-TERM POLICY GOAL

The Clean Energy Finance Corporation was established to facilitate increased flows of finance into the clean energy sector. From inception to 30 June 2019, the CEFC has invested \$7.2 billion into transactions with a total value of \$24 billion.

The CEFC was announced as part of the Australian Government's 2011 Clean Energy Futures legislation package, which included a carbon price, industry assistance measures, support for emissions-intensive trade-exposed industries, a fund for coal-fired generators and other assistance programs. The Clean Energy Futures package also established the Australian Renewable Energy Agency, the Clean Energy Regulator and the Climate Change Authority.

The CEFC's legislation provides for an independent board, with board members appointed by the Australian Government for five-year terms. As with the Future Fund, the Government shapes the direction of the CEFC by issuing an Investment Mandate. The CEFC is accountable to Parliament through annual reporting and Senate Estimates.

As an investor that makes medium and long-term commitments on behalf of the Australian community, the CEFC needs to take a medium and long-term perspective. As the Climate Change Authority's consultation paper notes, Australia needs to be positioned 'to meet targets with enhanced ambition that put Australia clearly and firmly on the path to net zero emissions.' The CEFC invests in the clean energy technologies that Australia needs to move to that path.

The CEFC engages in commercial and close-to-commercial activities in the private sector. The rigour of its investment decisions helps to safeguard the commerciality of decision-making and minimises the risk of conflicts.

The CEFC's flexible toolkit and independent governance arrangements allow it to respond to changing market needs. It operates across clean energy sectors, which means it can invest in renewable energy, enabling infrastructure such as networks and storage, buildings, transport infrastructure, manufacturing, agriculture and vehicles. It complements policies such as mandates, standards or market mechanisms that drive emissions reductions. The CEFC operates alongside government programs at the state and national level, and supports ARENA funding programs.

CHANGES THAT COULD INCREASE THE CEFC'S IMPACT

Changes to the CEFC's framework that could increase its impact could include:

- **Removing the 50% renewables requirement:** The CEFC Act requires that at least half of the funds invested by the CEFC at any time are invested in renewable energy technologies. Given that financing needs vary over time between renewable energy, energy efficiency and low emissions technology sectors, removing that requirement may avoid distorting investment decisions.
- **Removing limits on the use of derivatives, the prohibition on borrowing, and the prohibition on holding non-financial assets:** While the CEFC can invest flexibly by providing debt and non-consolidating equity, it is subject to limits on using certain other instruments and financing techniques. Relaxing these constraints could allow the CEFC to achieve higher impact, though potentially at higher levels of risk.

ABOUT THE CEFC

The CEFC is responsible for investing \$10 billion in clean energy projects on behalf of the Australian Government. We help lower Australia's carbon emissions by investing in renewable energy, energy efficiency and low emissions technologies. We also support innovative start-up companies through the Clean Energy Innovation Fund. Across our portfolio, we invest to deliver a positive return for taxpayers.