

CEFC

CLEAN ENERGY FINANCE CORPORATION



Greening existing buildings



GREEN BUILDING DAY 2016

Paul McCartney
Chief Origination and
Transactions Officer

The CEFC and the property sector

THE CHALLENGE

Carbon intensive electricity

Large emissions from transport

Inefficient energy use

STRATEGIC OBJECTIVES

INCREASED FLOWS OF FINANCE INTO THE CLEAN ENERGY SECTOR

Cleaner Power Solutions

A Better Built Environment

TARGET CLIENT SECTORS

Renewables Developers & Generators

Energy Retailers & Utilities

Waste, Bio-energy & Agriculture

Infrastructure & Transport

Governments & Not For Profits

Property & Manufacturing

BUSINESS PLATFORMS TARGETING IDENTIFIED CLIENT SECTORS

①
Wind



②
Large Scale Solar



③
Grid & Storage Solutions



④
Waste, Bio-energy & Agriculture



⑤
Infrastructure & Transport



⑥
Social Housing



⑦
Universities



⑧
Local Government



⑨
Property & Manufacturing



ALIGNED ORIGINATION PROGRAMS
INCL. INVESTMENT RESEARCH
& MARKETING PROGRAMS

FACILITATED BY CAPITAL

CEFC Direct

⑩ Debt Markets & Financial Institutions



⑪ Investment Funds



⑫ Clean Energy Innovation Fund



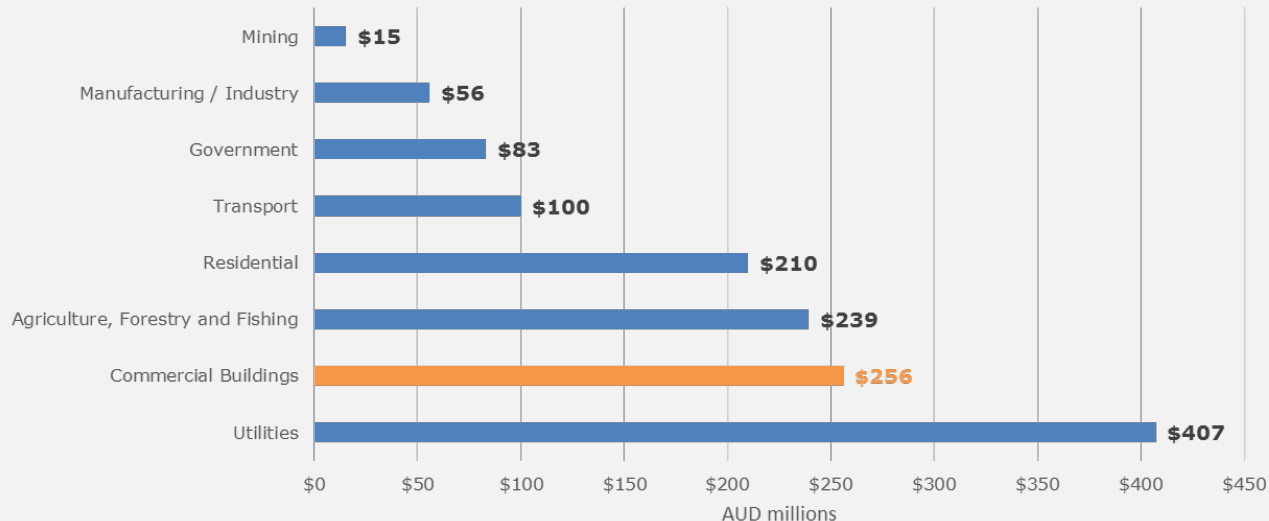
DELIVERING OUTCOMES

Lower carbon energy

Efficient energy use

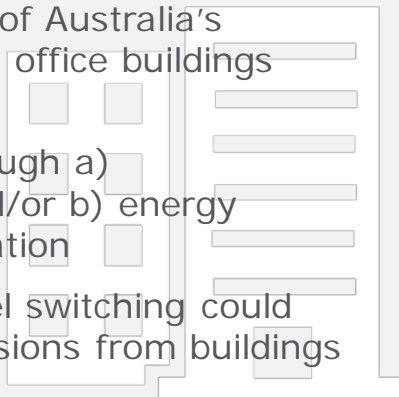
Commercial property is the second biggest area of our portfolio, by sector

CEFC portfolio by sector



What do we know about the commercial property sector?

- Energy use in buildings accounts for nearly a quarter of Australia's greenhouse gas emissions
- Commercial buildings account for 10% of Australia's electricity consumption and commercial office buildings about 2.5%
- Building emissions can be reduced through a) decarbonising our electricity supply and/or b) energy efficiency and on-site renewable generation
- Cost-effective energy efficiency and fuel switching could potentially reduce projected 2050 emissions from buildings by more than half, while reducing costs
- B, C and D grade assets ("mid tier") are not catching up with the best practice buildings on energy efficiency



Why aren't more buildings being upgraded?

- Outdated EE building code requirements c2010
- No standards in many sub-sectors (e.g. retail)
- Capital-intensive with long payback periods
- Split incentives between owners and users
- EE/renewables not seen as value adding compared to aesthetic finishes
- Massive sector, ownership dispersed, finance is readily available. It's difficult to make a large impact
- Energy uplift needs to be achieved without reducing IRR
- Short-term funding. EE payback tied to leasing cycles to improve IRR but not longer



How is the CEFC approaching the commercial property sector?

- Focus on **equity with boutique managers** targeting niche sectors (secondary property markets)
- What role could **financial incentives** play to stretch developments beyond code base requirements?



Vision for more energy efficient buildings across Australia



NOW

EG Group (HISOT)

CEFC commitment: \$100m

Total target size: \$400m



FUTURE

By 2020 we'd like to see:

- Portfolio of \$1B
- Create a "norm" of 5.5/6 Star NABERS development & 5 Star for upgrades (or equivalent)
- Drive even higher standards across the commercial property sector

CEFC

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