

CLEAN ENERGY FINANCE CORPORATION

Australian Institute of Energy AGM



26 November 2013

- A statutory Corporation which invests in clean energy to mobilise capital investment in renewable energy, low-emission technology and energy efficiency in Australia
- Access to \$10 bill in funds legislated to the CEFC Special Account as \$2 billion per annum from 2013 to 2017 inclusive
- Commenced investing from 1 July 2013
- Operates commercially with a public policy purpose, with investment decisions made by experienced private sector board, independently of Government
- Invests responsibly and manages risk to achieve its target rate of return and achieve financially self-sufficiency before 2016

CEFC Mission

Accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase investment in the clean energy sector

2018 Target Portfolio

50% Renewable Energy diversified across:

Wind

Solar PV, Thermal,
CSP

Biomass and
bioenergy

Geothermal, Tidal
and Other

- On grid, off grid and behind the meter
- Diversified across Australia and by borrower
- Direct and indirect financial participation
- Creative and innovative structures to reduce the cost of capital
- Enabling transactions in energy storage and transmission
- "Market first" joint transactions with ARENA

50% Low Emissions & Energy Efficiency diversified across:

Manufacturing &
Transport

Commercial
buildings &
Government

Retail

Mining &
Agriculture

- Diversified across Australia and by borrower
- Balanced between low emissions and energy efficiency transactions
- Direct and indirect financial participation
- Creative and innovative structures to reduce the cost of capital

The CEFC role is to enable Australian Renewable Energy and Low Emissions projects

The CEFC can:

- Catalyse the opening of new markets
- Provide global best practice in finance terms in Australia
- Facilitate the required scale to lower costs

Emerging market opportunities and innovative models:

- **Project Financing:** Wind, solar, biogas and waste-to-energy, precinct level distributed generation
- **Corporate Loans:** energy efficiency and low emissions projects (food processing and manufacturing facilities replacing equipment with more efficient low emissions technologies, building upgrades to increase efficiency; transportation upgrades for energy efficient operations)
- **Fund Strategies/ Co-Financing Models:** Residential Solar PV financing models, Environmental upgrade of properties, council street lighting, BOOM financing for distributed generation

Why is the CEFC needed?

Catalysing private sector investments by:

- Providing liquidity
- Catalysing transactions
- Assisting Australian industry and jobs
- Facilitating commercial bank participation in the sector
- Matching financing to the asset life
- Changing the risk profile
- Enabling projects without a PPA
- Lower required returns
- Aggregation funding



CEFC is addressing key financing barriers

CEFC is seeking to address the key barriers faced by financiers in renewable and low emissions projects:

- **Power Purchase Agreement (PPA)** – CEFC accepting merchant risk
- **Term** – CEFC can provide longer term financing which better matches the asset life of renewables transactions
- **Liquidity** – CEFC brings more financing to the industry
- **International interest** – CEFC is encouraging international interest in participating in transactions
- **New technologies** – CEFC is undertaking innovative deals that will open up new technologies
- **Catalysing small projects** – through aggregation funding

What has CEFC achieved so far?

- CEFC investment has catalysed over **\$2.2 billion of investment** into clean energy, energy efficiency and low emissions projects, including \$536 million from the CEFC
- CEFC investments are responsible for **3.88 million tonnes of carbon abatement**
- Emissions reduction is generated at a **negative cost (net benefit) of \$2.40 per tonne of CO₂e abated**
- CEFC committed investments to date are earning an average return of approximately 7% which is **4% above the 5 year government bond rate**
- The CEFC has a **strong pipeline** of emissions reductions proposals that support current government policy and a **dedicated and experienced team** ready to execute these transactions

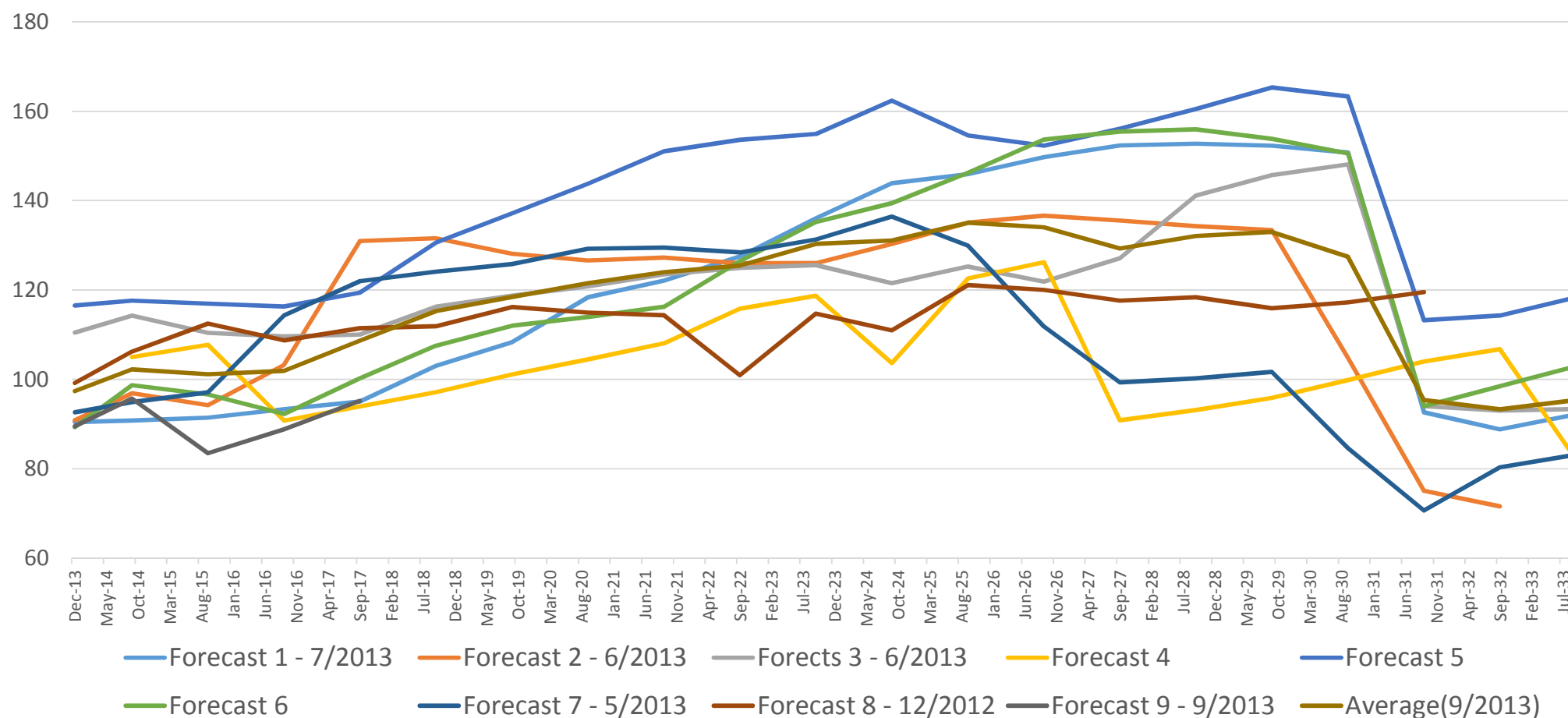
Future electricity price uncertainty

- Regulatory uncertainty – renewable energy targets, licensing, NSP regulatory regime
- Falling electricity demand – record high electricity prices and falling demand
- Decentralisation – rooftop solar, commercial & industrial scale renewables
- Demand management – whilst this has barely begun in Australia, demand management could significantly change electricity prices in the future
- Energy efficiency measures
- Newer players in the market make some PPAs less bankable

Predicting future energy prices

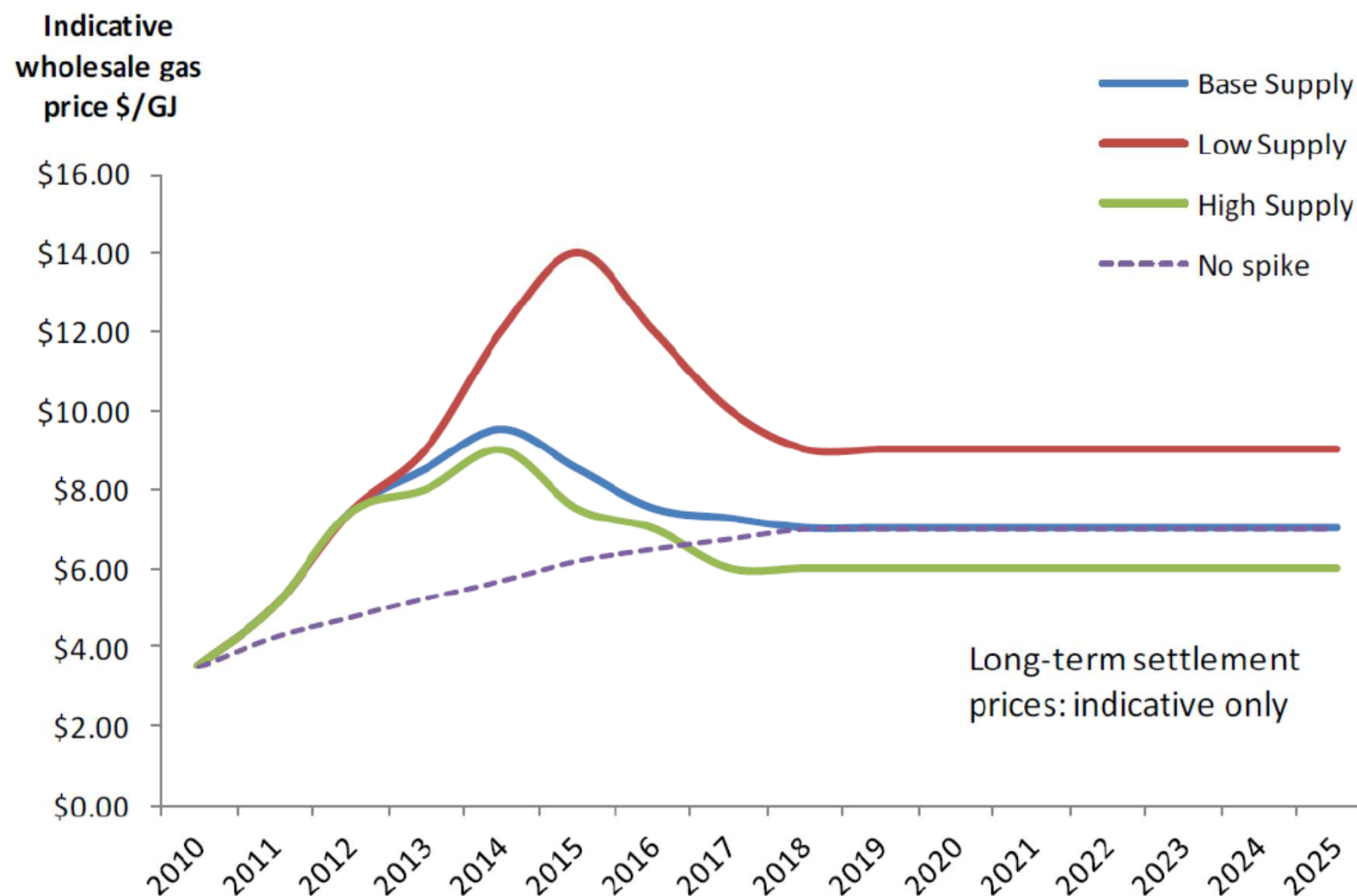
- We are seeing highly variable forecasts for future energy prices

All-in Energy Forecasts (\$/MWh)



Potential gas price bubble or new normal?

- LNG prices are forecast to spike and then fall



Source: ACIL ALLEN

Note: Prices are illustrative only – not based on modelling

What has the CEFC financed?

Wind

- \$37.5m of senior debt finance for the construction and operation of the Taralga Wind Farm
- \$50m towards the refinancing of Macarthur Wind Farm
- \$70 million in debt financing for Pacific Hydro's Portland Wind Farm

Solar

- \$40m of senior debt to co-finance a major solar greenhouse development near Port Augusta
- \$60.0m of senior debt for Moree Solar Farm

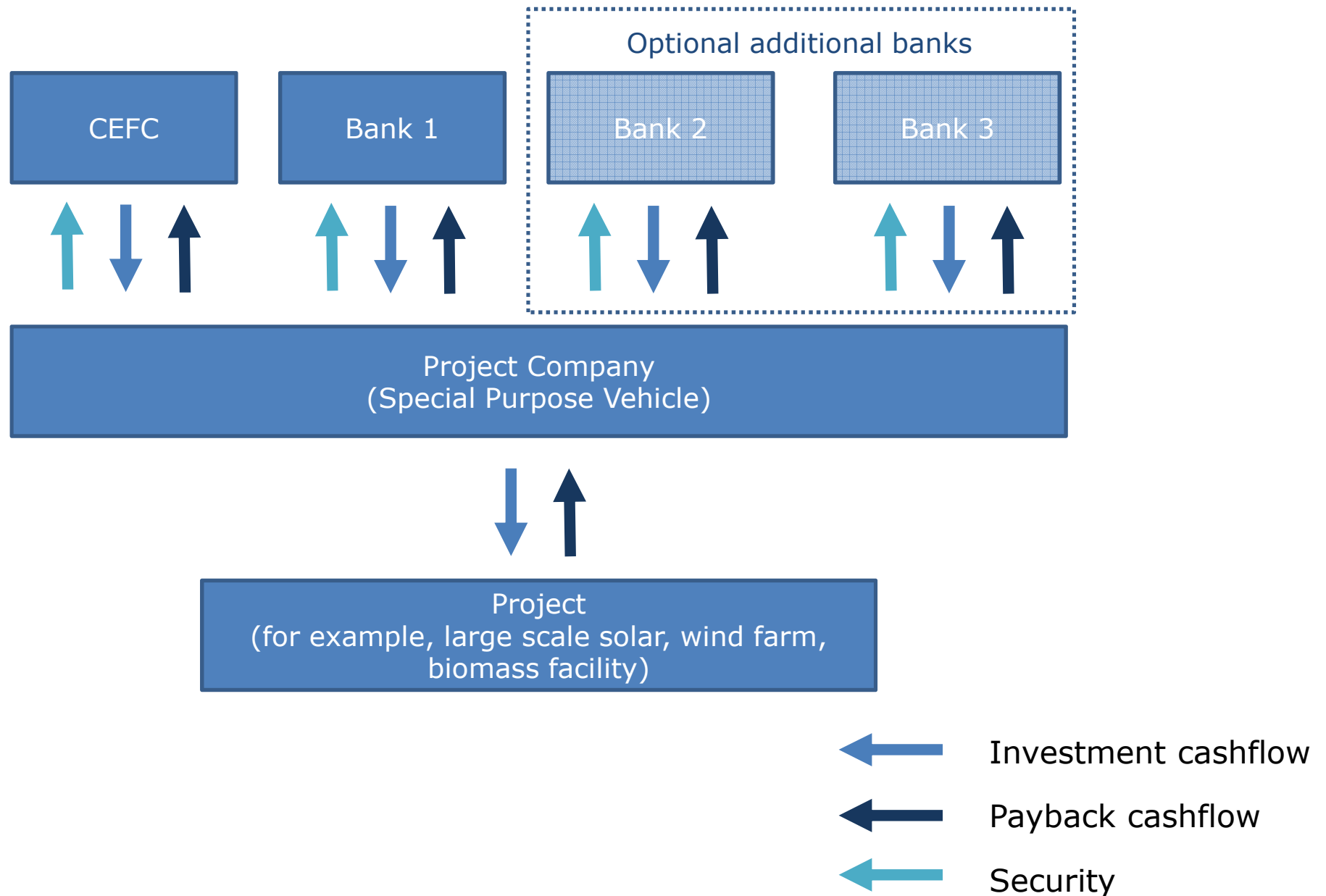
Energy Efficiency

- \$50m funding for CBA Energy Efficiency Loans for businesses
- \$50m funding for CBA Energy Efficiency Loans for not-for-profits
- \$550,000 loan to Baw Baw Shire Councils to upgrade street lights
- \$7.0m of on-bill financing for Origin Energy customers

Low Emissions

- \$75 million corporate loan to EDL for waste to energy projects

Project Finance Funding Structure



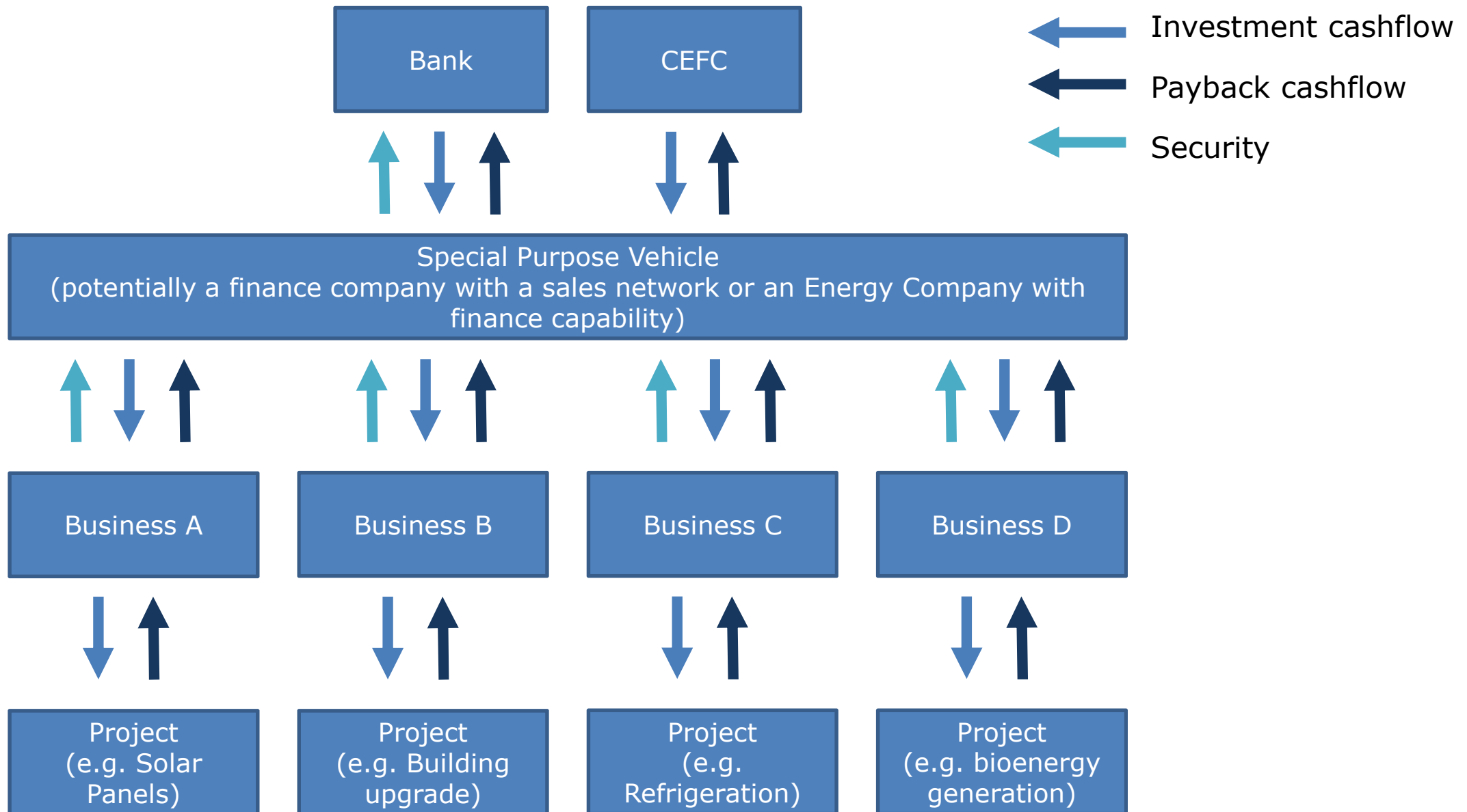
CEFC finances world leading solar-thermal technology for greenhouses

Financing for Sundrop farms to build sustainable greenhouses

- The CEFC and Sundrop Farms have an in-principle agreement for CEFC to co-finance a world leading greenhouse development near Port Augusta
- The 20 hectare sustainable greenhouse is the first of its kind using solar thermal technology to provide irrigation from desalinated seawater, and heating and cooling for the greenhouses
- The project will be a worldwide **demonstration of sustainable horticulture practices** that address growing food security, water and clean energy challenges
- The greenhouse facility will use renewable power and a sustainable water source to produce over 15,000 tonnes of tomatoes a year for metropolitan markets across Australia. The project should be completed by mid-2015
- CEFC's participation has encouraged major international equity and financiers (new entrants to the Australian market) to invest in this globally significant project



Aggregation Funding Structure (Direct)



Energy Efficient Loans for Businesses

A \$100 million co-financing arrangement with CBA to fund mid-size businesses energy efficiency projects

- The CEFC and Commonwealth Bank (CBA) are co-financing ***Energy Efficient Loans*** for energy efficiency, low emissions technology and small-scale renewable projects, tailored for businesses wanting to save on energy costs
- ***Energy Efficient Loans*** will typically range between \$500,000 and \$5 million, or upwards
- Loans available from CBA nationwide at market competitive terms for project opportunities which meet CEFC eligibility criteria
- The CEFC commitment is \$50 million-matched by funding from CBA
- The CEFC is close to concluding comparable deals with other leading financial institutions in order to scale up energy efficiency offerings across many market segments

Energy Efficient Loans - Case Studies

Labelmakers

- Labelmakers provides label printing services for some of the nation's best known consumer brands and printing labels for its own wine division.
- Labelmakers installed three new energy efficient presses costing \$5.3 million, which operate at twice the speed, using half the energy of the company's old presses



Coolstores

- Family owned and operated business Radevski Coolstores is a major Goulburn Valley supplier of apples and pears to Coles supermarkets
- A new ammonia-based refrigeration system services its 16 cool rooms and reduces costs by over \$140,000 a year, and carbon emissions by about one quarter

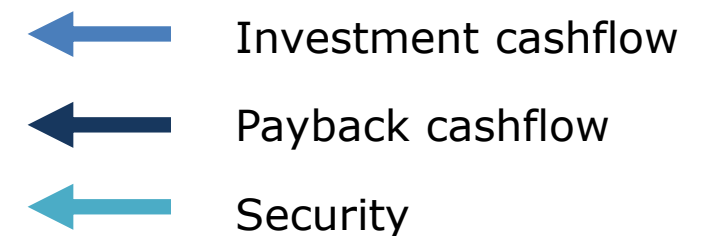
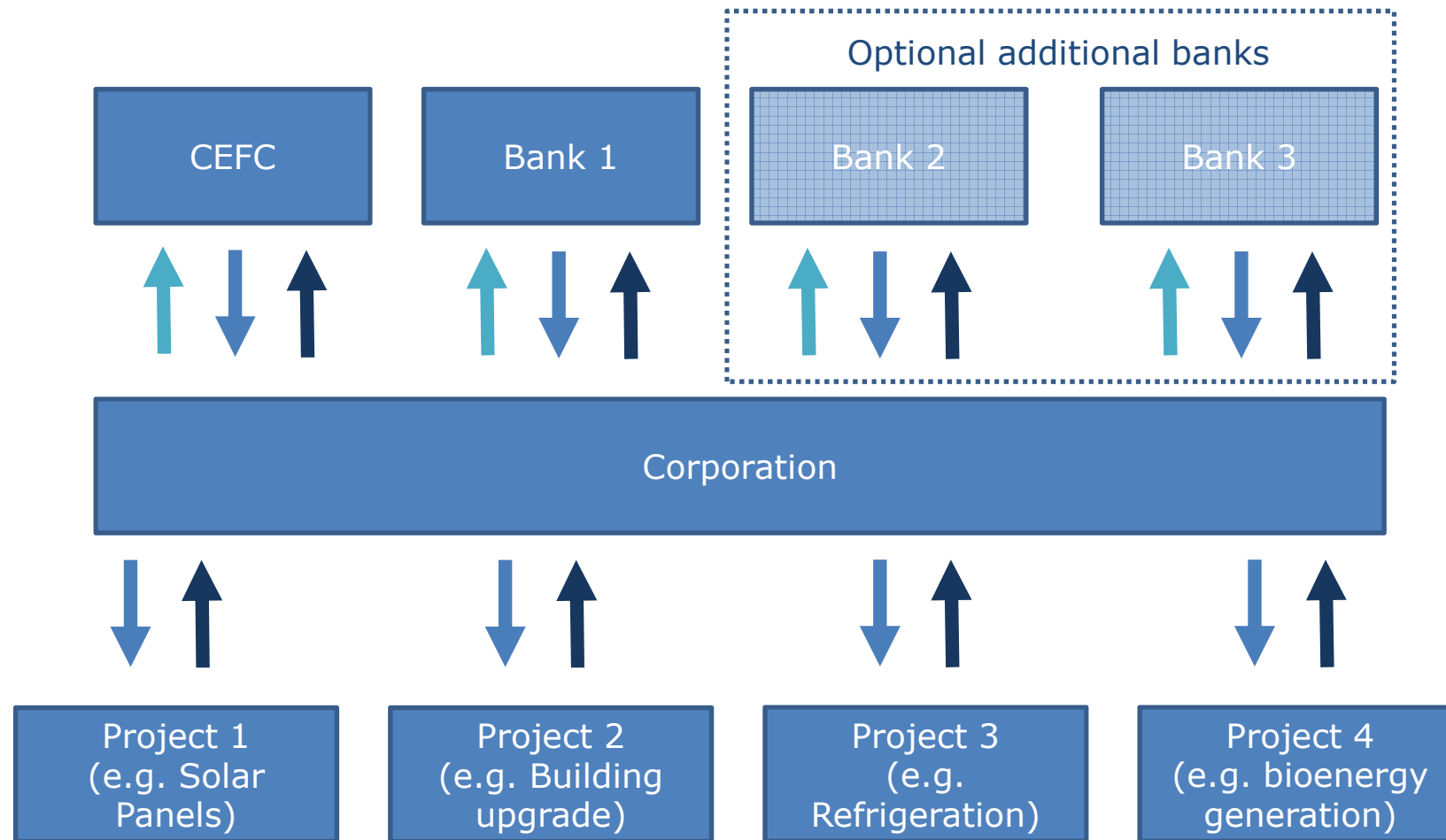


Abattoir biogas-to-boiler project

- **Demonstrates the ability of CEFC to fund innovative technology and work with other government programs**
- Largest abattoir in Australia processing 1,675 head of cattle a day
- \$8.8M project to build new covered anaerobic lagoon to capture the biogas for use in a boiler
- 50% Clean Technology grant, 50% CEFC finance
- \$1.1 million annual saving in energy costs
- 45,000tCO₂e abatement per annum



Corporate Funding Structure



CEFC finances low emissions generation

\$75 million senior-secured corporate loan from CEFC

- Providing \$75 million to Energy Developments Limited (EDL) (Australia's leading remote energy producer, provider of over 280MW over 32 sites) for investment in new projects generating low emissions energy:
 - capture of landfill gas, waste coal mine gas or mine vent air methane to generate electricity
 - remote hybrid renewables projects
- Capturing coal mine and landfill fugitive emissions to generate electricity that replaces use of coal-fired power is a double win for the environment
- CEFC fully commercial loan meeting a financing gap enables EDL to meet its continued growth trajectory
 - Demonstration of **CEFC's unique role and of the way it is positively impacting across diverse economic sectors**



On-bill financing – a complete turnkey solution

- Customers can access energy saving equipment without upfront financing without upfront capital expenditure
- Structured finance and repayments to lower the cost for business of energy efficiency technologies
- Repayments through their energy bills
- Guaranteed energy savings and technologies
- Available to all businesses and industries
- The Central Coast Youth Club (CCYC) on the northern outskirts of Gosford, NSW reduced its court energy use by over 60% through a \$50,000 lighting upgrade through Origin on-bill finance
- Boral Ltd cut the energy costs of a major shared service facility by more than one quarter, through a lighting upgrade using on-bill finance through Origin



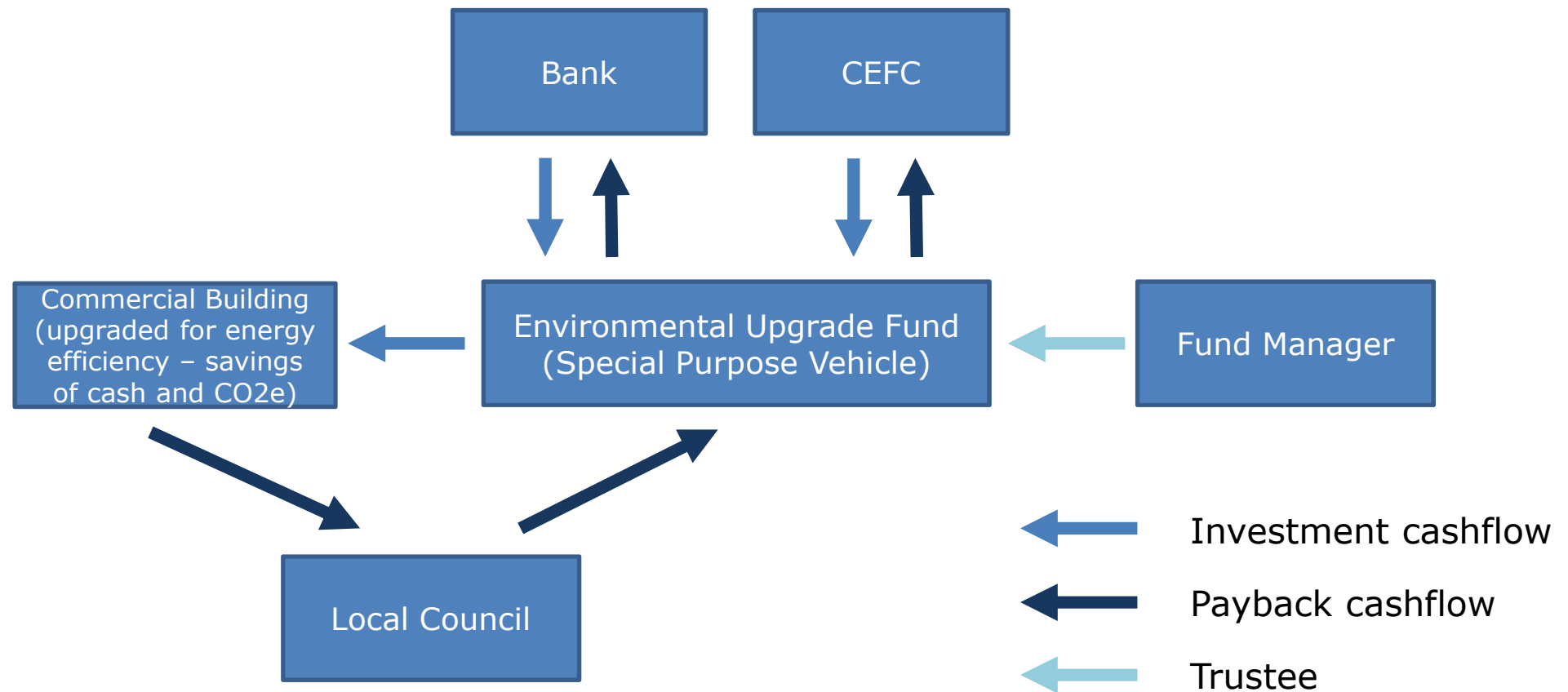
CEFC finances solar installations

Solar PV for AACo will reduce emissions by 30 percent

- CEFC and NAB are co-financing Australia's largest beef company, Australian Agricultural Company Limited (AACo), in a \$990,000 project for installation of solar photo voltaic (PV) units across 15 grid-connected sites in Queensland
- CEFC involvement achieves a number of strategic objectives:
 - **Increase distributed PV take up** across residential, SME, corporate and government
 - Bring globally successful business models to Australia
 - **Catalyse and increase capital to fund market** and **reduce finance costs** of both shorter-term bank funding and long-term investors



EUA Funding Structure



EUAs – CEFC, NAB and Eureka Funds Management

- **CEFC & NAB** are jointly funding EUAs for buildings - via The Australian Environmental Upgrade Fund managed by **Eureka Funds Management**
 - TAEUF Fund supports the energy efficiency retrofit of non-residential buildings
- Legislation enabling EUAs is in place for the \$2 bill City of Melbourne **1200 Buildings** program and for all of NSW
 - Cities of Sydney, Parramatta, North Sydney, Newcastle and Lake Macquarie now offer EUAs, with more on the way
- Potential for this type of financing to be implemented in major centres Australia-wide. South Australia is next to introduce
- A \$1.3 million energy efficiency upgrade (financed by an EUA) to the multi-use 1960s high-rise CQ building at 123 Queen Street, Melbourne, is delivering energy cost savings greater than 50 per cent and creating savings of \$180,000 a year

Summary

- The CEFC is demonstrating its ability to help get viable deals done
- The CEFC is an efficient structure to assist with financing of renewable energy, low emissions and energy efficient projects
- CEFC can provide financing with terms that improve the capital structure for projects
- CEFC involvement is leveraging private sector funding into clean energy projects



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