

CLEAN ENERGY FINANCE CORPORATION

Clean Energy Finance

**Presentation by David Stegehuis, CEFC to the
Far North Queensland Renewable Energy Innovation Clinic**



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The CEFC's mission

The CEFC's mission is to accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase investment in emissions reduction



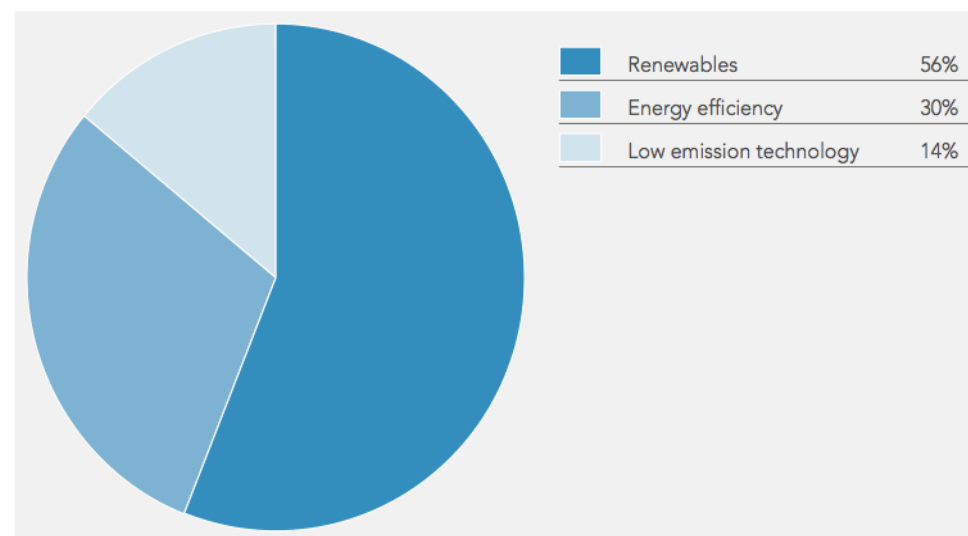
The CEFC's investments

Under the CEFC Act, the CEFC invests in renewable energy, energy efficiency and low emissions technology

- includes loans to individual projects and to companies throughout the supply chains in these sectors

As at 31 December 2013, the portfolio comprised:

- 56% renewables
- 30% energy efficiency
- 14% low emissions technology



What the CEFC has achieved so far

- CEFC investment has catalysed over **\$2.2 billion of investment** into clean energy, including \$536 million from the CEFC
- The CEFC's investments save **3.88 million tonnes p.a. of carbon** abatement
- Emissions reduction is generated at a **negative cost (net benefit) of \$2.40 per tonne of CO2e** abated
- The 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 **pipeline** of clean energy proposals that support current government policy and a **dedicated and experienced team** ready to execute these transactions

How the CEFC can participate

- Provide incremental financing and/or new financing products
- Offer longer dated lending
- Offer flexible repayment schedules
- Optimising a borrower's repayment profile
- Provide a subordinated loan
- Offering simple, easy-to-implement finance repayment structures
- Utilise third party finance relationships and distribution channels
- Charge below market interest rates in limited circumstances
- Assess and assuming specific financing risks
- Provide commercial and financial advice

The CEFC's lending approach

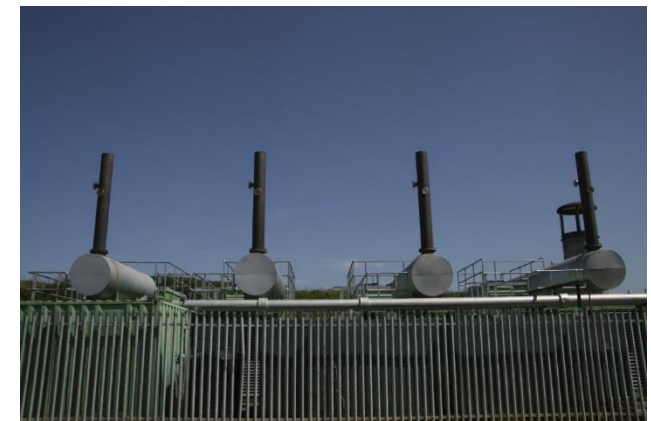
- Participate as a co-financier alongside other lenders
- Take a commercial approach, expecting the borrower to repay capital and interest and requiring appropriate security
- Focus on projects at the later stages of development
- Focus on corporations with a proven history with profitable projects that meet the CEFC's eligibility criteria
- Focus on larger scale lending
- Lend at or close to market terms. The CEFC has limited ability to provide concessional finance
- As a sector focused lender, invest substantial resources and time to offer a quality service to our borrowers and clients

The CEFC’s scope

Funding structure	Project finance, corporate finance, hybrid finance, aggregation finance
Technologies	Wind, solar, bioenergy and biofuels, waste coal mine and landfill gas, energy efficient technologies, trigeneration
Industries	Manufacturing, agriculture, local government and community sector, buildings, retail, resources, utilities
Size	\$0.5 million to \$100 million

Case study – low emissions generation for on site and remote usage

- The CEFC is providing \$75 million to Energy Developments Limited (EDL) - remote energy producer 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, replacing use of coal-fired power
 - Remote hybrid renewables projects
- The CEFC's fully commercial loan fills a financing gap, enables EDL to grow
 - Demonstrates a flexible financing arrangement that incorporates grid-connected and off-grid elements



Case study – on site solar installations

- Australia's largest beef company, Australian Agricultural Company Limited (AACo), is installing solar photo voltaic (PV) units across 15 grid-connected sites in Queensland
- Solar PV will reduce emissions by 30 percent and the borrower's energy costs
- 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
- Finance for the \$990,000 project:
 - \$500,000 from CEFC
 - Remainder from NAB



Case study – biogas produced and used on site

- JBS Australia, the country's largest meat processor and exporter, will capture and use biogas in its natural-gas fired boiler plant in Dinmore, Queensland
- Will reduce dependence on grid-connected natural gas by 48%
- Cuts greenhouse gas emissions by 44,000 tonnes CO₂-e per annum
- Finance for the \$8.8 million project:
 - CEFC
 - Australian Government Clean Technology Food and Foundries Program grant



Case study – on site trigeneration

- Natural gas trigeneration plant for Wodonga Abattoir
- Provides the plant's electricity, hot water and steam needs
- The business will save on energy costs and reduce carbon emissions by over 30 per cent by using natural gas to generate electricity
- Finance – project cost of \$4m
 - Energy Efficient Loan with finance from CEFC - \$1m and Commonwealth Bank - \$1m
 - Victorian Government Regional Growth Fund - \$1m



Complementary finance sources

- Commercial banks
- Various State and Federal government grant/subsidy schemes
- Australian Renewable Energy Agency (ARENA)
 - Funds renewable energy projects, supports R&D activities, and activities to capture and share knowledge
 - ARENA provides grants while the CEFC provides loans
 - ARENA focuses on both the development and later stage technologies, the CEFC focuses more on later stage technologies
 - The CEFC works with ARENA and has co-invested on some projects (e.g. Moree Solar Farm)

What we have learnt

- Momentum is building among lenders but there are still significant market barriers
- There remains a role for government participation on least-generous terms
- CEFC advocacy helps to get viable deals done
- The CEFC's financing terms can improve a project's capital structure
- Financial hurdles and most effective financial structures differ between industries
- Not a case of simply making finance available – the market needs education



The pipeline

- The CEFC has received proposals seeking \$3.4b investment - total project costs nearly \$11.5b
 - \$800m for large scale remote renewable energy generation

And in Queensland...

- 67 investment proposals in Queensland, 19 in North Queensland
- Total project costs of \$7b, potential CEFC investment of almost \$1b
- Some are not ready for CEFC financing due to technology immaturity, lacking other finance or not meeting the CEFC's criteria
- Projects worth \$800m are currently progressing with CEFC investment of \$200m
- Spread across agriculture, forestry, fishing, mining, utilities

The CEFC's future

- The CEFC (Abolition) Bill passed the House of Representatives and was rejected in the Senate
- The CEFC is continuing to invest responsibly and commercially, carrying out its statutory purpose and functions
- The Government has committed to honour all payments necessary to meet CEFC's contractual obligations
- The CEFC is getting on with business and progressing new investments

Conclusion

- The CEFC is demonstrating its value as a policy tool to reduce emissions
- As a focused fund, the CEFC overcomes market barriers to investment
- CEFC has been able to leverage private sector funding into emissions reduction projects
- CEFC represents a positive cost-benefit outcome for Australian taxpayers, businesses, the economy and the environment
- Off grid investment
 - Under-developed market
 - Large potential
 - Significant financing need
 - CEFC financing solutions for on grid also generally apply to off grid



Visit our website for more information
cleanenergyfinancecorp.com.au

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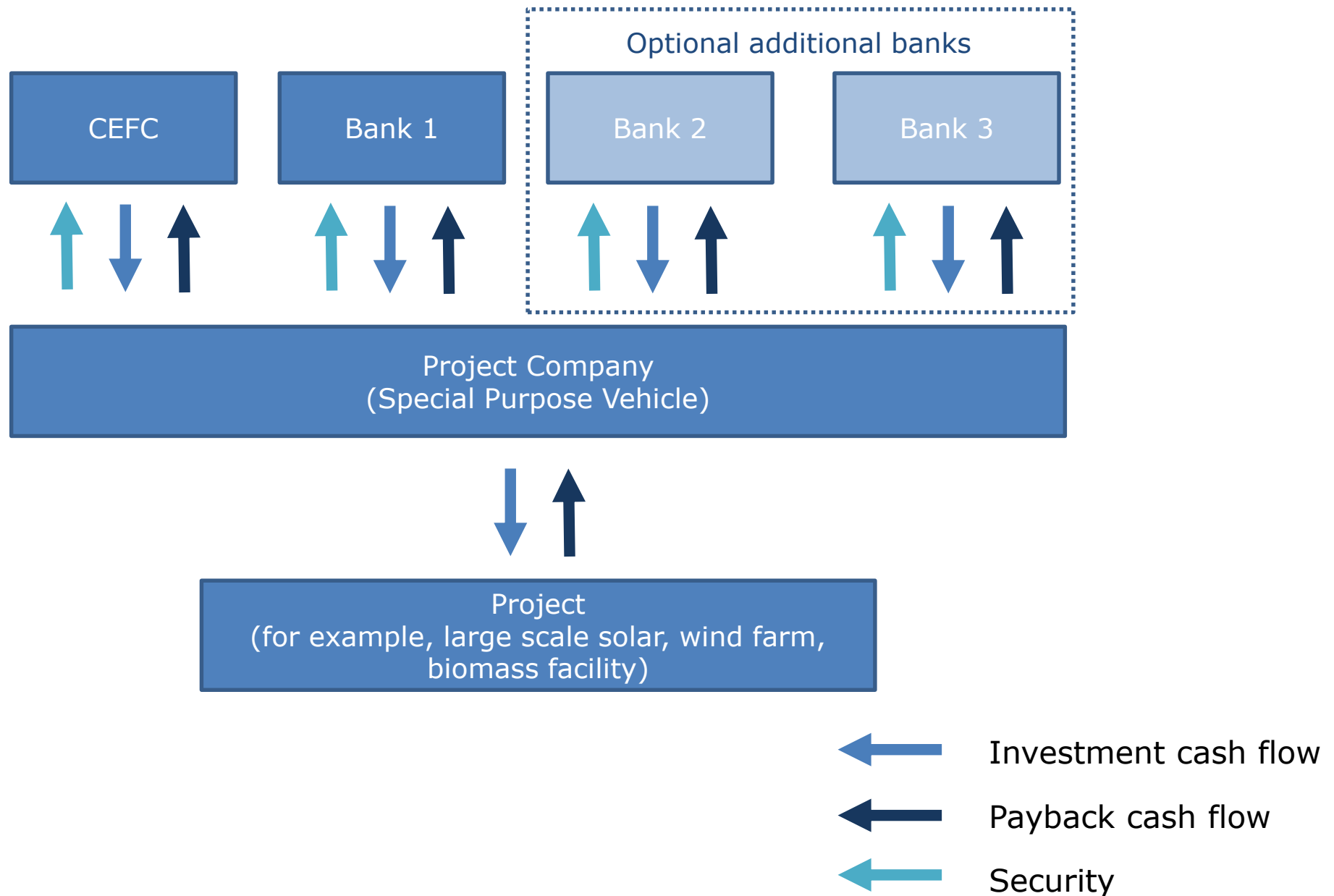
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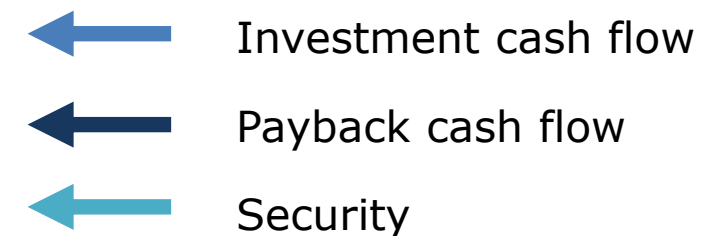
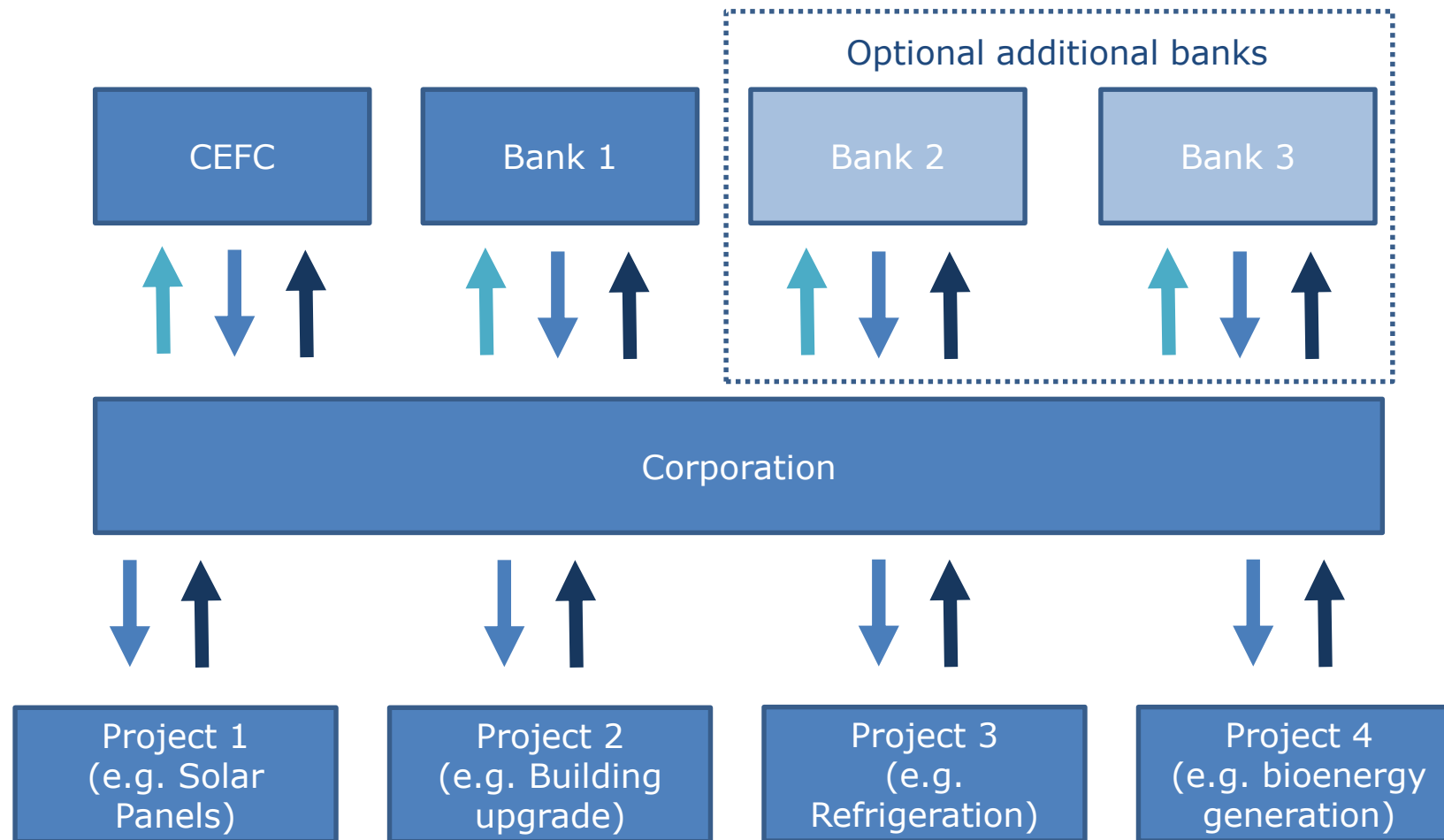
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APPENDICES

Project finance funding structure



Corporate funding structure



Aggregation funding structure (direct)

