CEFC
CLEAN ENERGY FINANCE CORPORATION

KEY FACTS

Macarthur Wind Farm

BACKGROUND

The Macarthur Wind Farm (MWF) is the largest wind farm in the southern hemisphere and consists of 140 turbines with a capacity of 420 megawatts. It became fully operational in January 2013. The MWF was developed under a joint venture between Meridian Wind Macarthur Pty Limited (a wholly owned subsidiary of Meridian Energy Ltd) and Macarthur Wind Farm Pty Limited (a wholly owned subsidiary of AGL).

THE FINANCE

The MWF was being refinanced and the CEFC made an investment commitment of $50 million, as part of a $529 million debt package to refinance the Meridian Energy Ltd 50 per cent stake in the project.

The financing has been provided by a consortium of six banks, plus the CEFC, including ANZ, NAB, ING, Shinsei, ICBC and EKF.

RATIONALE

CEFC participation in this refinancing transaction encouraged other banks to participate in the project, including from new sources such as European and Asian institutions, helping ensure that the financing was fully subscribed. CEFC's investment provided additional liquidity to the market, ensuring efficient market pricing. It acted to 'crowd in' rather than 'crowd out' private sector investment.

The CEFC provided senior secured debt financing on equivalent terms to the private sector banking syndicate, and targeted a return above the fixed-rate government bond performance benchmark. The investment is estimated to provide a return of 6.16 per cent, which is a net return of 3.13 per cent for taxpayers, after accounting for the costs of funds.

The statutory object of the CEFC is "to facilitate increased financial flows into the clean energy sector" (*Clean Energy Finance Corporation Act 2012*, section 3). This investment was chosen because it meets the principal object of the CEFC in that refinancing demonstrates that developers of large-scale renewable energy projects in Australia can successfully complete a development-finance-exit cycle. It is particularly important to note that this investment was *not* chosen for reasons of achieving direct additional emissions reduction. The CEFC does not count this project in any carbon abatement figures the CEFC has issued in estimating the numbers of tonnes resulting from its investments. Claims to the contrary are wrong.

> "Meridian Energy Australia is committed to developing its presence in the Australian energy market…The involvement of the Clean Energy Finance Corporation in the refinancing of the Macarthur Wind Farm will facilitate our ongoing activities in Australia and we look forward to the opportunity for further collaboration."
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> **Spokesperson for Meridian Energy (July 2013)**

In the case of Macarthur, if the developer of (by far) the largest Australian project to date was unable to successfully exit and refinance the first such large project in the Australian market, then developers may perceive such large projects as higher risk in the future and refuse to invest or only invest at higher risk premiums.

Demonstrating a feasible exit strategy for companies that develop and invest in large-scale, high capital cost renewable energy projects in Australia, should encourage further investment in the development of renewable energy projects in Australia[1].

The refinancing assists to release capital to deploy in other, earlier stage projects or pursue further development activities and supports Meridian Energy Australia in its commitment to developing its presence in the Australian energy market. Further, Meridian did in fact successfully list on the ASX (ASX Code: MEZCA). They are currently constructing Mt Mercer Wind Farm south of Ballarat.

While wind is a mature clean energy technology there is still a gap in the market for financing this sector.

"… the financial sector underinvests in its capacity to service the industry. As bank lending has slowed, banks are reassessing their marginal businesses and some have cut back their commitment to the clean energy sector.

"Westpac, however, indicated that even these more mature clean energy technologies can experience a liquidity gap and that the CEFC would have a role to play in leveraging greater private sector investment into the market."[2]

CEFC Expert Review Report

The Clean Energy Finance Corporation (CEFC) invests using a commercial approach to overcome market barriers and mobilise investment in renewable energy and lower emissions technologies. These investments are improving energy productivity and lowering energy costs for businesses across Australia, and helping to develop local industries and new employment opportunities.

In 2013, the CEFC's investments of $536 million mobilised on average $2.90 of private sector investment for every $1 of CEFC investment and will achieve abatement of 3.88 million tonnes of CO_2e per annum. These investments will deliver a positive return to the CEFC, with a cost of abatement in the order of negative $2.40 per tonne CO_2e.

The CEFC operates under the CEFC Act 2012. More information is available on our website www.cleanenergyfinancecorp.com.au

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[1] Note this is predicated on continued bipartisan support for the Renewable Energy Target.

[2] Chapter 4 of the *CEFC Expert Review Report.*