

# CLEAN ENERGY FINANCE CORPORATION

**Presentation to Biofuels Association of Australia**

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## **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 emissions reduction

# Strategies for success: financing biofuels

## AGENDA

1. Role of the Clean Energy Finance Corporation
2. Potential for growth in Australian biofuel market
3. CEFC finance opportunities for biofuel projects
4. Making biofuel projects bankable
5. Closing Remarks



# The Clean Energy Finance Corporation - Our role



## **Dedicated resources**

- Private sector finance expertise with public purpose – to pursue energy efficiency and renewable energy across the economy
- Sector specialists focused on forming an in-depth understanding clean energy projects, technologies and impact on energy markets

## **Flexible and persistent**

- Investment terms tailored to suit the unique characteristics and payback period of the project
- Willing to support projects banks find difficult, eg. smaller, more complex or new to the Australian market

## **Paving the way for others**

- Facilitate the participation of private sector banks by sharing our expertise, acting as a co-financier and pioneering new solutions

# Outcomes to date

## After 18 months in operation the CEFC has ...

- Committed over \$930 million in funds to support over \$3 billion of renewable energy, energy efficiency and low emissions projects
- Once constructed, these projects will deliver:
  - 700MW of clean electricity generation capacity
  - emissions reduction of 4.2 million tonnes CO<sub>2</sub>e annually.
- Unlocked the lowest cost form of abatement, eg. positive return of \$2.40 per tonne of carbon abated
- Helped to deliver lower energy costs for businesses and improved competitiveness across a broad spectrum of the economy



# Why is the CEFC interested in financing biofuel projects?

- Fuel combustion is responsible for 2/3 of Australian carbon emissions (*373 MtCO<sub>2</sub>e generated in 2012; 25% in Transport*)\*
- Fuel switching to biofuels therefore offers a significant and largely untapped opportunity to lower GHG emissions
- While already cost effective, increased deployment will see technologies move down the cost curve through economies of scale
- A viable and secure distributed energy solution for high cost remote & rural power generation requirements
- A renewable source of energy that can leverage waste-products and provide full life-cycle solutions



\****Pathways to Deep De-carbonisation by 2050***, ClimateWorks

## Potential for the Australian biofuel market

- There is significant potential for the Australian biofuel industry both for domestic consumption and export
- Biofuels offer the potential to diversify our domestic energy mix, improve energy security, build a new export market and increase demand for agricultural products.
- Given the size of the Australian agricultural sector, the key supply building blocks are in place. Technological know-how can be imported.
- By harnessing these capabilities, Australia has the opportunity to position itself at the forefront of the global biofuels sector and create a new economic value added industry



## Current projects in the pipeline

- Projects in Queensland, Western Australia, Victoria & New South Wales including:
  - Ethanol from sugar cane/bagasse
  - Timber/natural gas to biofuel
  - Biofuel from sorghum to power mine sites
  - Straw & waste biomass to biofuel
  - Biodiesel from soybean
  - Wood waste to biofuel
- Aggregate pipeline of over \$1bn



# CEFC is open many types of biofuel projects

- Small and large scale industrial co-generation facilities
- Storage, processing, refining, transportation, distribution and re-fuelling infrastructure
- Distributed power generation solutions at individual agricultural, mine and manufacturing sites
- Truck and shipping fleet upgrades & conversions to biofuel
- Some capacity to finance biofuel research and development
- And more...





# Key project bankability factors

1. Technology Considerations
2. Partnership Arrangements
  - *Feedstock supplier*
  - *Plant Operator*
  - *Power Offtaker*
3. Quality of project counterparties



# Technology Considerations

- The biofuel market is at an earlier stage of development than other renewable technologies like wind & solar PV
- Underlying technologies involve more complex processes and optimization requirements
- Technologies and feedstock differ substantially across projects
- There are few successful demonstration projects in the Australian market compared to overseas (US, Malaysia and Brazil)
- Few financiers have the capability to assess project risks with confidence
- They look for established reference sites & a track record of success from counterparties



## Partnership Arrangements

- Financiers look for a fully aligned and long term contracted partnership structure between the key parties in each project:
  - **Feedstock Supplier:** The commercial viability of project is dependent on the reliability of feedstock and pricing
  - **Plant Operator:** Skill and experience in this regard are equally critical to success. (Are farmers the best plant operators?)
  - **Production Offtaker:** This must be a highly creditworthy party so a reliable revenue stream is assured.
- Often these parties will be cornerstone equity providers as strategic investors. Non-operating financial investors may comprise the balance.



## Quality of Project Counterparties

- Risk adverse financiers prefer to back parties with deep pockets and an established track record of success.
- The bankability of a project is therefore inextricably linked with the quality of the parties involved, their financial viability and their demonstrated ability to competently execute their respective roles.
- The involvement of each party must be secured by a comprehensive set of binding and interlocking long term contracts
- These are critical risk mitigating elements and key threshold factors for financiers
- No matter how attractive a project may be, it is not bankable in the absence of a least one high quality counterparty.

## How the CEFC can support biofuel projects

- Committing to provide finance for a project at an earlier stage than conventional private sector financiers to catalyse / accelerate the project timetable
- Providing technical advice around finance structuring
- Leveraging sector expertise and knowledge to educate and provide comfort to other potential project co-financiers
- Helping to attract and work with equity partners
- Provision of Project Finance, Corporate Loans and Cofinancing Programs




## Closing Remarks


- Project bankability and viability is critically dependent upon the quality of a multitude of parties involved
- Each party has different but equally critical role to play.
- There is a large portfolio of potential bioenergy projects in Australia.
- As yet there are very few bankable partnerships supporting the delivery of these projects in a manner that can be replicated.
- Unlocking the potential of the bioenergy market in Australia, requires this shortcoming to be addressed as a priority.
- The CEFC is available to partner with the industry to realise the tremendous potential on offer.






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The screenshot shows the CEFC website homepage. At the top left is the Australian Government logo. The main header features the CEFC logo and the text 'CLEAN ENERGY FINANCE CORPORATION'. Below this is a navigation menu with links for 'About us', 'What we do', 'Our investments', 'Reports', 'Media', 'Careers', and 'Contact Us'. A secondary navigation bar includes 'Renewable Energy', 'Low Emissions', and 'Energy Efficiency', along with a search bar. The main content area features a large blue banner with the text 'Making a difference' and a map of Australia with several location pins. Below the banner is a search bar with the text 'See where we're working'. At the bottom of the page, there are four dark blue buttons: 'CEFC Highlights', 'Annual Report 2012-13', 'Case studies', and 'Submit a proposal'.