

CEFC

CLEAN ENERGY FINANCE CORPORATION



Using debt finance for energy efficiency investments



**ENERGY EFFICIENCY IN LOCAL
GOVERNMENT**
MARCH 2016

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Executive Director

Agenda

1. About the CEFC
2. The role of the CEFC
3. Case studies
4. The case for debt finance for energy efficiency
5. What to do if you have a project or program seeking finance



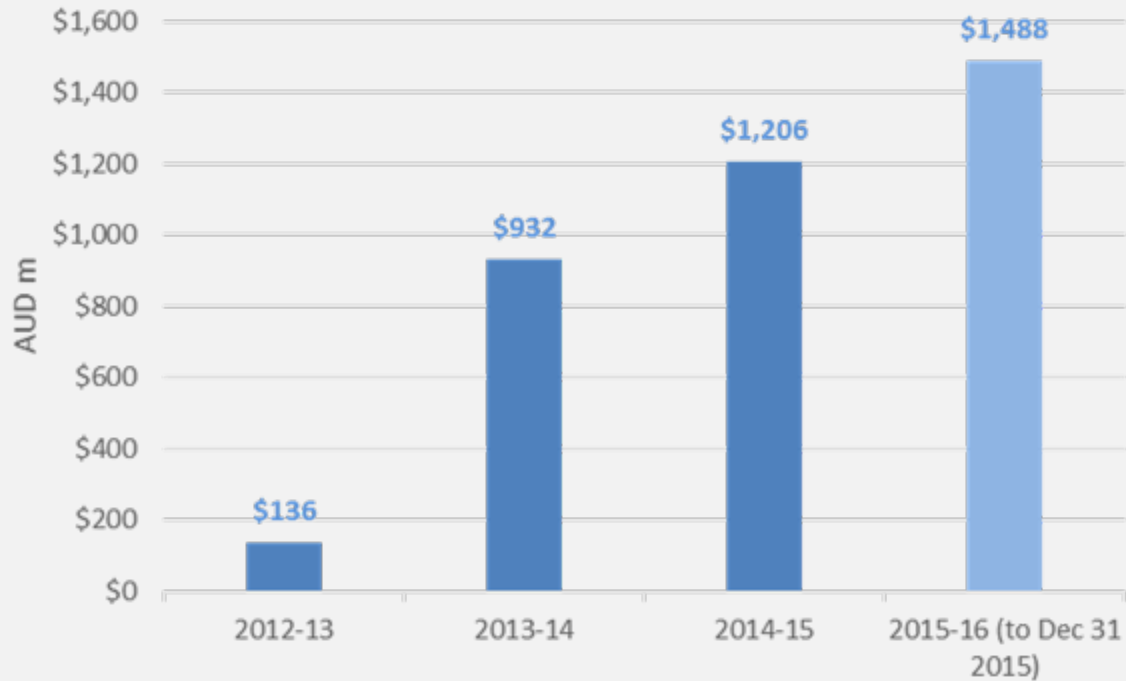
About the Clean Energy Finance Corporation

Driving productivity gains, lowering energy costs and reducing emissions

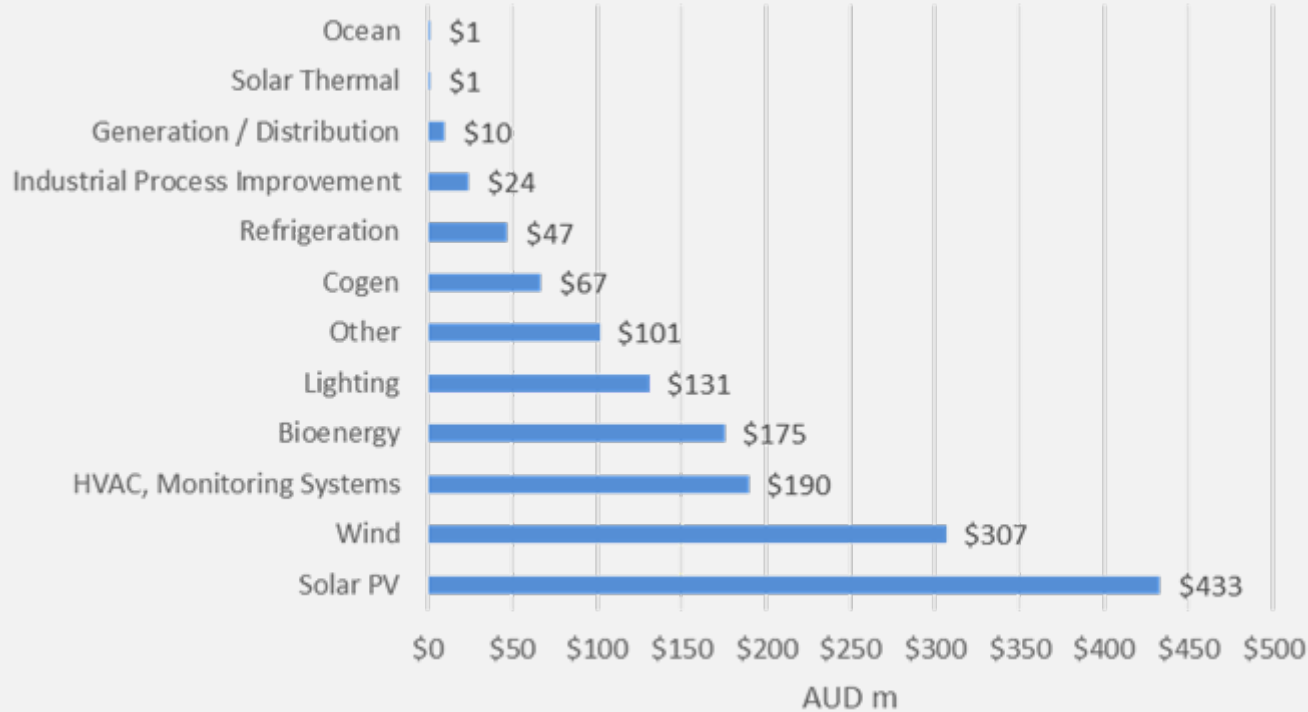
- Independent, Australian Government institution that operates like a traditional financier
- Private sector expertise with public purpose
- Finance for energy efficiency, low emissions and renewable energy projects and programs across the economy
- Commercial return on investment (debt or equity)
- Operates as a co-financier to encourage participation in the sector from private sector financiers



A growing portfolio of clean energy investment commitments



The CEFC invests across technologies



The CEFC has experience working with the sector

Richmond
Valley Shire
Council, NSW



Replaced around 1,000
street lights

Reduced lighting
energy costs by a
third

Tumut Shire
Council, NSW



Energy efficient lighting,
solar, heat pumps and air-
conditioning upgrades

Cut building grid
electricity costs by
66%

The CEFC has experience working with the sector

Kingsborough
Council, TAS



Replaced fluorescent
lighting with LED tube
lighting at civic centre

Cut building
lighting energy
costs by 75% and
reduced
maintenance costs

Wagga Wagga,
NSW



Upgraded lighting
systems at civic centre,
civic theatre and airport

Cut building
energy
consumption by
8 per cent

The CEFC has experience working with the sector

Baw Baw Shire
Council, VIC



Street lighting upgrades

Cut electricity bills
by \$160,000 per
year

Warrnambool
Council, VIC



Replacing 2000 street
lights with LED lighting

Street lighting
energy savings of
70% (\$156,000
per year)

CEFC and the City of Melbourne accelerate sustainability initiatives



Clean energy initiatives to reach zero net emissions by 2020

- The CEFC has lent \$30m towards more efficient lighting, increased funding for EUA building upgrades, 300kW of rooftop solar and other initiatives identified in the emission reduction plan
- Lighting upgrades expected to save about \$1 million annually on electricity
- Increased take up of 300kW of solar
- Combined annual carbon emissions abatement equivalent to planting more than 13,000 trees

CEFC COMMITMENT \$30m

TECHNOLOGY

- Solar, LED lighting, more efficient buildings

LOCATION

- Melbourne, VIC

SECTOR

- Local government



Sector-led programs announced in FY2016

Local government

\$250 million commitment to help councils reduce energy bills and lower emissions

- Financing eligible projects across renewable energy, energy efficiency and low emissions
- Loans up to 10 years
- Councils can enter into joint financing agreements



Bioenergy and energy from waste

Cornerstone commitment of \$100 million to establish the Australian Bioenergy Fund

- Co-investment with the Foresight Group to establish a \$200 million dedicated Australian bioenergy and energy from waste equity fund
- Targeting the deployment of new bioenergy from waste capacity, investing in projects in the \$2-100 million range



Large-scale solar financing

CEFC's single largest commitment to large-scale solar in Australia to date

- \$250 million in debt finance available for merchant and contracted projects
- Substantially increasing installed large-scale solar capacity in Australia
- Developing the Australian supply chain for large-scale solar and bringing it down the cost curve



\$250m Local Government Financing Program



Tailored finance to help councils adopt clean energy technologies

- Finance for eligible projects across renewable energy, energy efficiency and low emissions technologies
- Finance can be drawn over three years
- Ability for multiple councils to enter into joint financing agreements for eligible projects
- Access to competitive fixed rate, longer dated senior debt, up to 10 years
- A straightforward approval process with simple loan documentation

CEFC COMMITMENT
\$250 million

FINANCE AVAILABLE FOR
Energy from waste
Street lighting upgrades
Rooftop solar PV
HVAC
Building upgrades
Low emission vehicles

SECTOR
Local government



What kind of clean energy projects are eligible?



Energy from waste projects – to create an energy source from council waste, reducing both landfill and energy costs



Rooftop solar PV on council buildings – to provide a renewable energy source using the council's own assets



Street lighting upgrades – to convert to more efficient LED lighting, which can cut energy costs as well as operation and maintenance costs



Building upgrades – to improve energy efficiency through a broad range of options, reducing energy costs



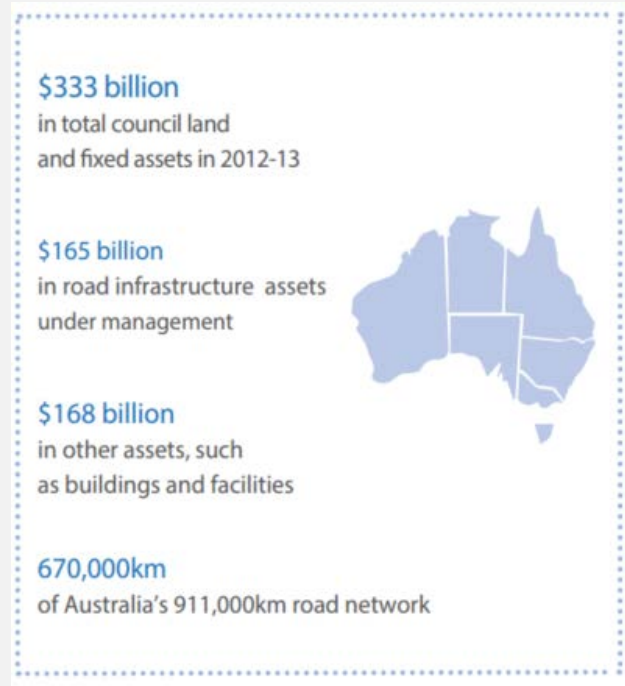
Leisure and Aquatic Centres – to address these high energy users, with a combined approach to introduce better heating, ventilation and air conditioning solutions and renewable energy sources



Electric and low emissions vehicles – to lower council fuel bills at the same time as lowering emissions; can include related infrastructure such as charging stations

Why is the CEFC interested in lending to local government?

- Large asset and infrastructure base that underpinning liveability and productivity across Australia
- Many cities have existing strategies or plans to reduce emissions and go carbon neutral
- Our recent mandate changes directed us to focus on the built environment



Reasons to invest now

Technology is
proven and
available

Energy saving technologies have become cheaper
and are well-proven

It's already
happening

Councils across Australia are already adopting
energy efficiency measures and saving money

Interest rates
are at historic
lows

Interest rates are at historically low rates

It saves you
money

Renewables and energy efficiency upgrades can save
money

What are the challenges and barriers to clean energy projects for local government?

- Grant funding programs can't meet the requirements for the sector
- Ambitious emissions reductions strategies will require long-term planning including financial resourcing
- Timeframes to develop a project, get approval and implement can be long
- Payback periods can be greater than 5 years
- Initial capex requirements may seem high



Advantages of debt finance

Debt can be matched to your capital works

We can work with you to understand the technology and finance requirements of your planned capital works programs based on whole of life assessments

Debt financing is suited to long-lived assets

For infrastructure and assets that are long-lived and will benefit rate-payers now and in the future, debt is arguably more equitable

Committed finance

Fixed rate finance provides cash flow certainty to invest in a program of clean energy initiatives, avoiding annual grants cycles

Why come to the CEFC?

Flexible
structure

Longer term

Fixed rate

Competitive
rate

We work with you to tailor the right structures for your needs
(individual councils or groups of councils)

Longer term finance to suit the project
(up to 10 years)

Cash flow certainty

Competitively priced rate of finance

What can you do to begin

1. IDENTIFY INDIVIDUAL PROJECTS OR A PROGRAM OF CLEAN ENERGY CAPITAL WORKS



2. CALL US TO DISCUSS YOUR PROJECT OR PROGRAM CONCEPT



The CEFC process

The CEFC process for lending is simple and straightforward:

- 1) Get in touch with Melanie Madders, sector lead for Local Government
- 2) Provide an outline of your projects - we'll confirm their eligibility for our investment
- 3) We can provide indicative terms and conditions to support approval applications and your business case
- 4) Subject to CEFC investment approval - CEFC steps include:
 - Issue a term sheet – binding commitment to lend
 - Complete documentation to execute binding loan document

Expect around 3-4 months from initial conversation

CEFC

CLEAN ENERGY FINANCE CORPORATION

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