CLEAN ENERGY FINANCE CORPORATION

Clean Energy Project Finance

1. Introduction to CEFC
2. What does the CEFC mean for the Australian Renewables and Low Emissions projects?
3. What response have we received from the Industry?
4. How the CEFC can influence the cost of Renewable and Low Emissions Projects
5. Summary

About CEFC

- CEFC is a statutory Corporation dedicated to investing in clean energy which will have access to funding of $10 billion comprising annual appropriations to the CEFC Special Account of $2 billion from 2013 to 2017 inclusive
- The CEFC will commence funding investments from 1 July 2013
- CEFC will mobilise capital investment in renewable energy, low-emission technology and energy efficiency in Australia
- The CEFC operates commercially with a public policy purpose

CEFC’s 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”

CEFC is open for business

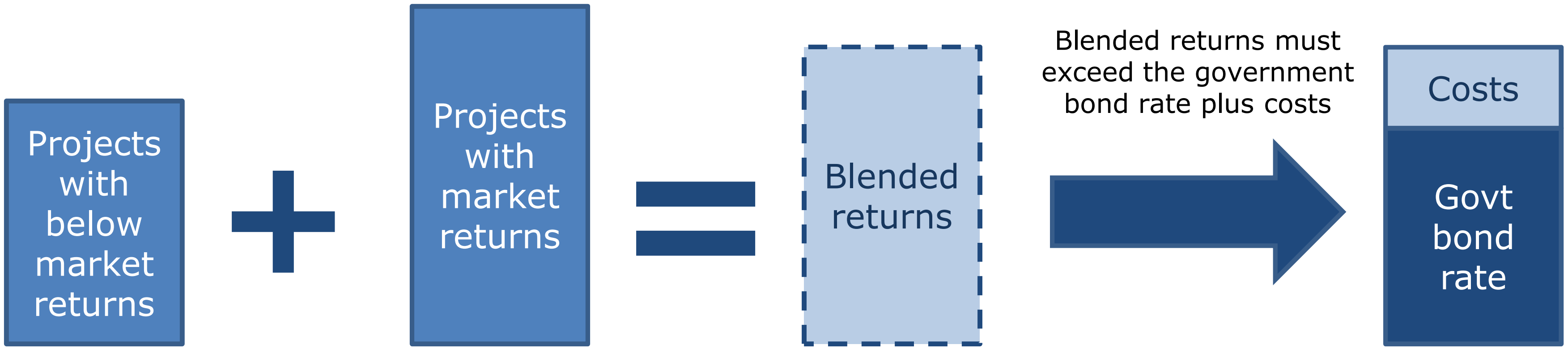
- CEFC is fully staffed and operating from headquarters in Sydney and offices in Brisbane
- CEFC has an highly experienced private sector senior executive and investment team
- CEFC is actively engaged in discussions with renewable energy and low emissions investment proponents for finance for projects (further detail provided later) with a view to contracting investments in coming months, ready to be funded by CEFC after July 1 when investment funds become available

Investment approach – to assist the industry to close clean energy transactions

- CEFC will co-finance and invest in renewable energy and low emissions opportunities and technologies
- We take a commercial approach and assess opportunities on a case-by-case basis, seeking stable, cash flow generative investments
- Our focus is on projects at the later stages of development, which have:
  - A positive expected rate of return
  - Will repay capital; and
  - Generate a solid return
- We will always lend close to market terms
- Limited ability to provide concessional finance

Sustainable financing for future renewable transactions

- Renewable and low emissions projects need a stable, sustainable source of financing – the CEFC is able to provide that
- We are required to achieve a return that covers our costs and delivers a minimum of the 5 year bond rate to the government
- Our government funding gives us the ability to provide marginally different terms than a commercial bank, specifically for the purpose of achieving public policy aims that support the move towards a low carbon economy
- If we do elect to provide different terms, we need to make up for this elsewhere in the portfolio to reach our required return



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

What will the Target Portfolio achieve?

OUTCOMES

- Diversification of renewable energy generation sources in Australia
- Significant awareness & adoption of energy efficiency across industries
- Significantly lower emissions in Australia
- Matched private sector funds from co-financiers of 3:1
- Demonstrable improvement of the flow of funds into the clean energy sector from:
  - Institutions
  - Individuals
  - Commercial banks
- Financial self-sufficiency by 2016
- Steady flow of dividends to ARENA by 2017

What does the CEFC mean for Australian Renewable Energy and Low Emissions projects?

For the Australian Renewable Energy Industry 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:

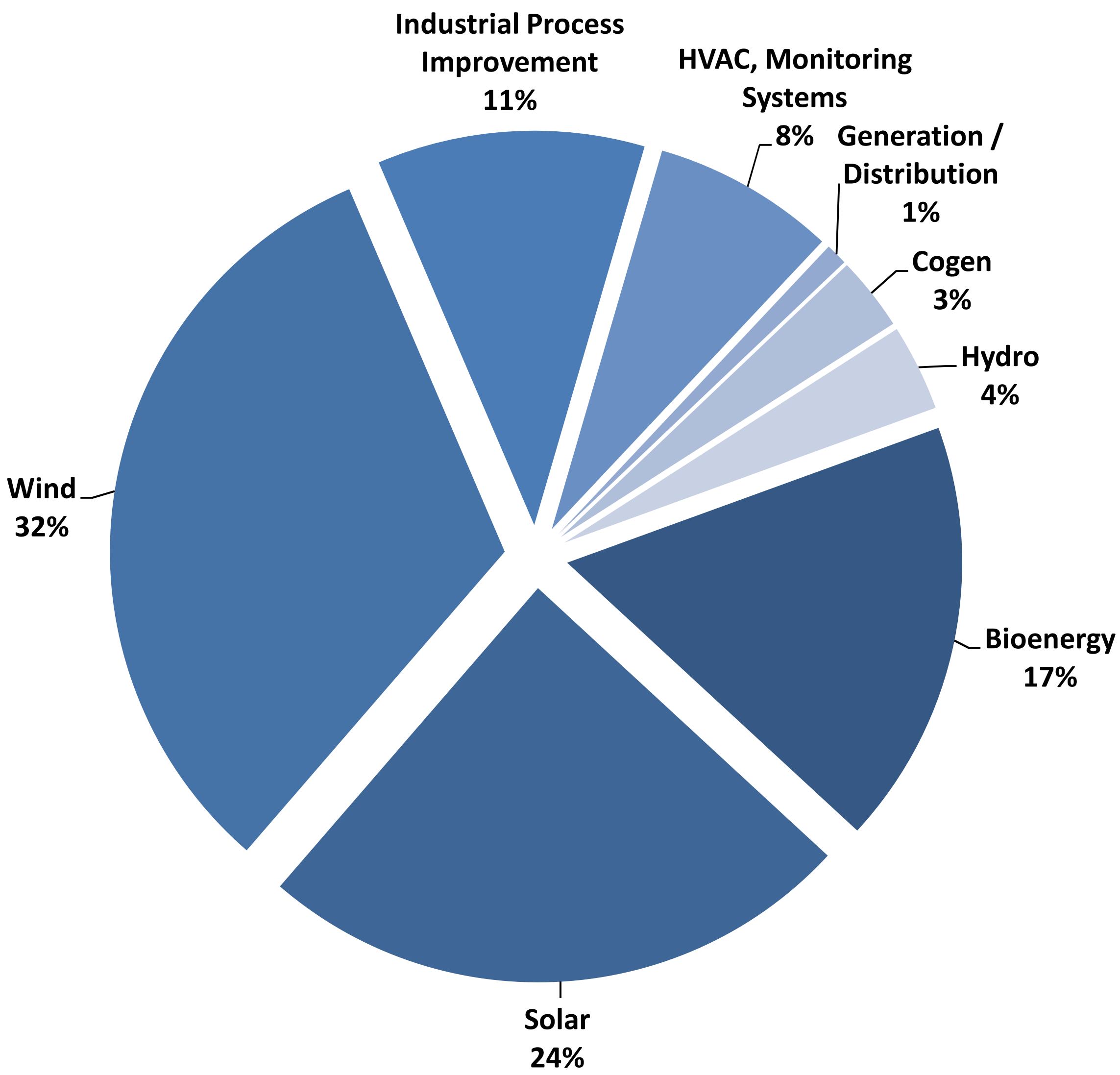
- Project Financing: Wind, solar, biogas and waste-to-energy, precinct level distributed generation
- Corporate Loans: energy efficiency and low emissions projects (transport businesses renewing its fleet with more energy efficient models; food processing and manufacturing facilities replacing equipment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

What response has the CEFC received?

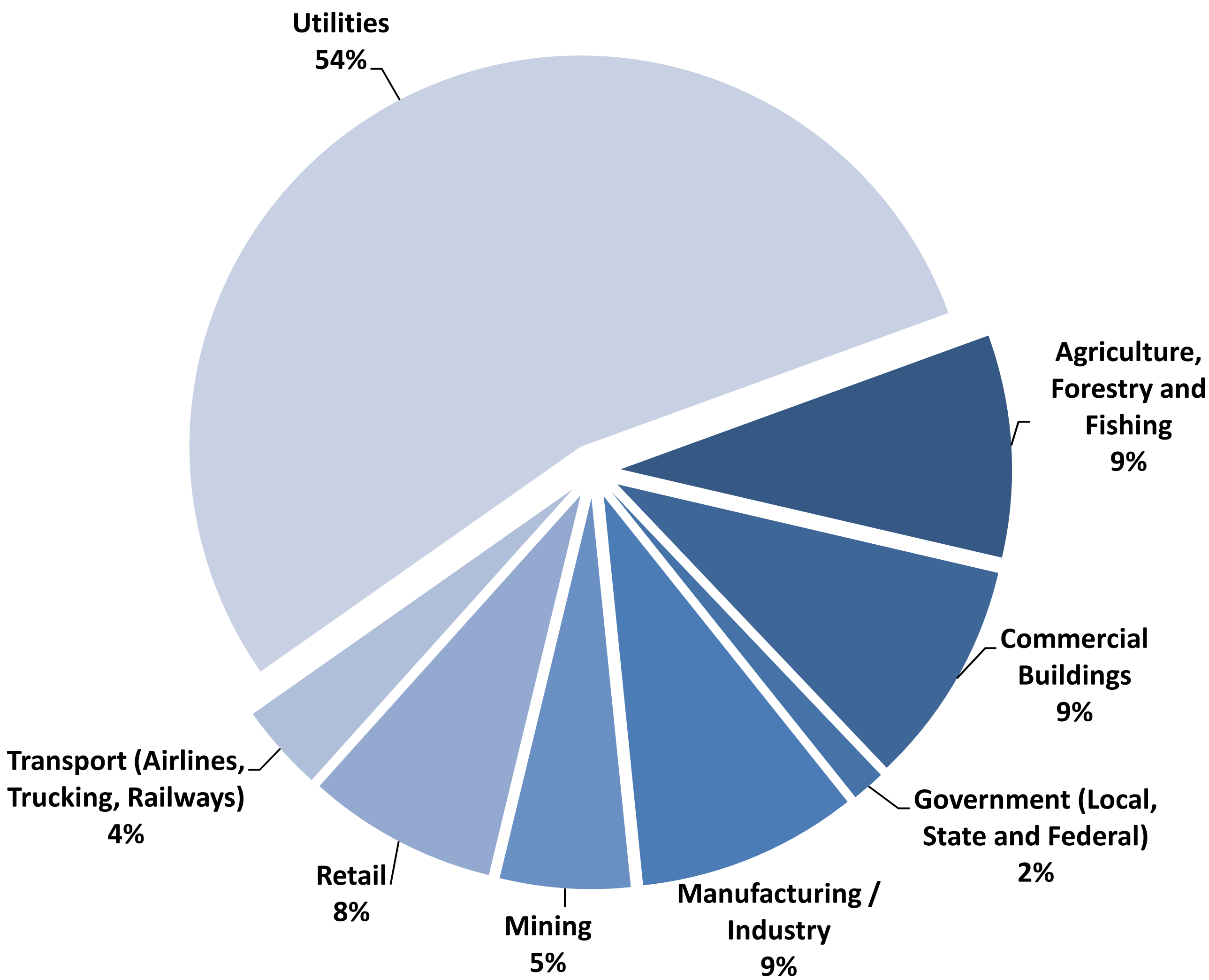
The CEFC has received and amazing response from the renewable energy industry:

- The CEFC is currently involved in active discussions with more than 50 project proponents who are seeking around $2 billion of CEFC funds
- There are a further 100 projects in the pipeline. These projects will leverage private sector funds in a ratio of approximately 3:1
- The project proposals are across a wide range of renewable and clean energy technologies, across all Australian states and a complete cross section of industry sectors

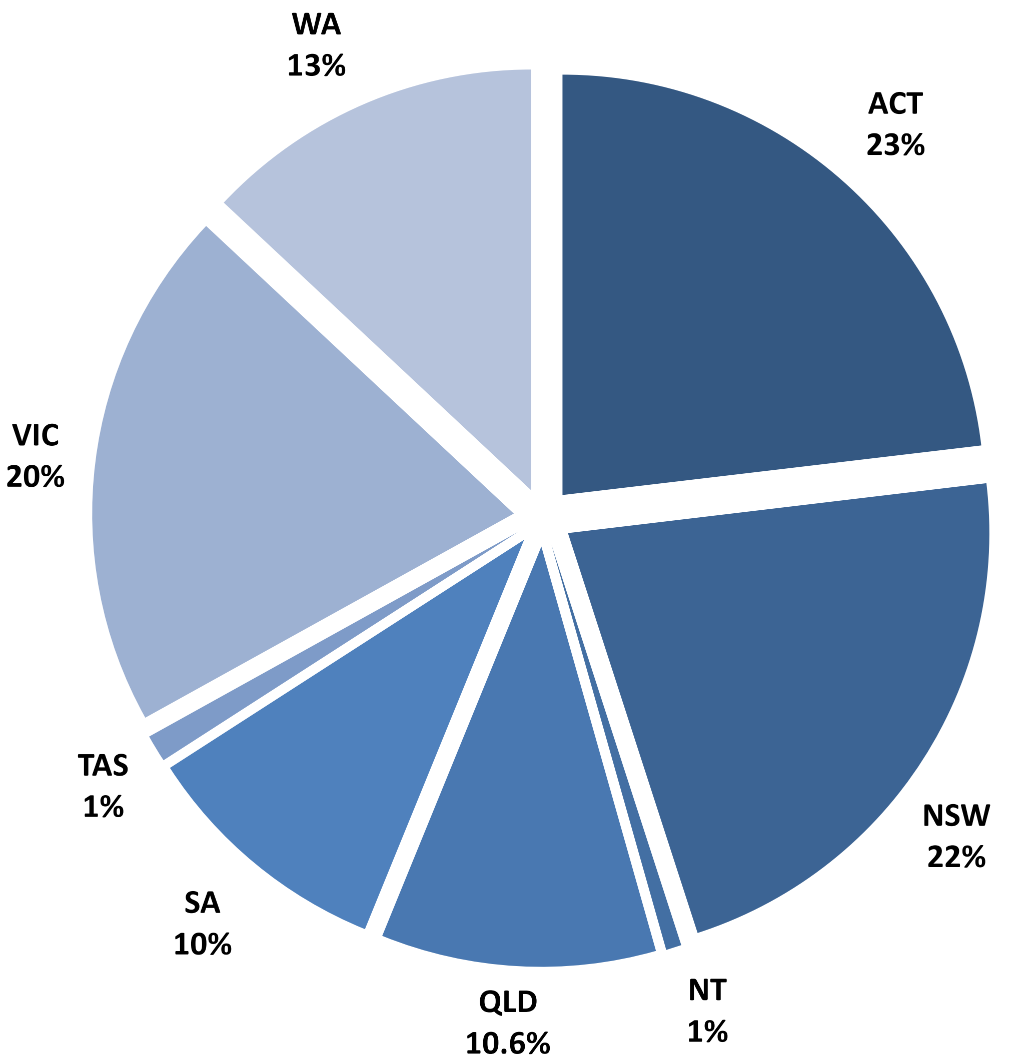
Proposals – by technology



Proposals – by industry

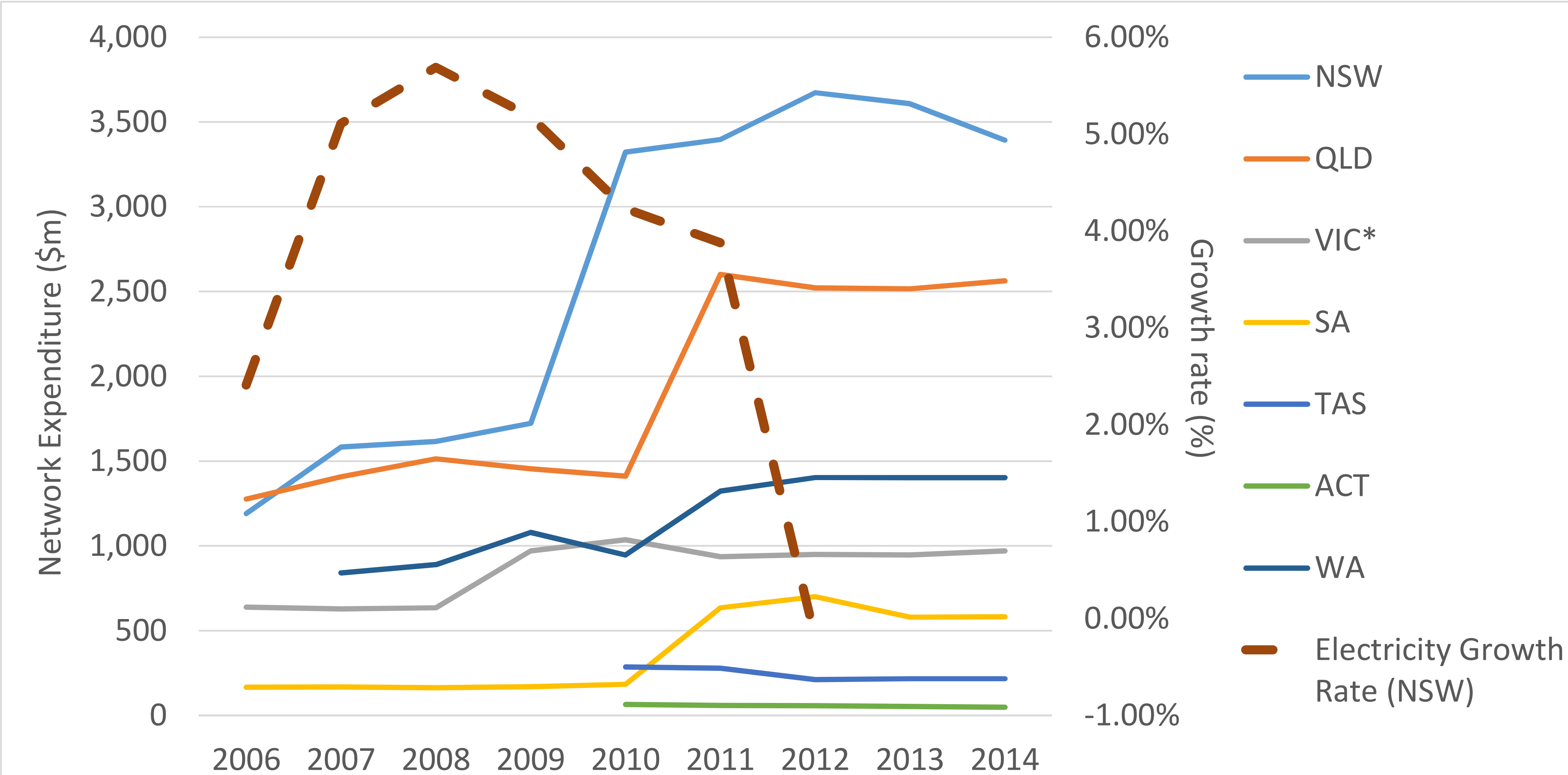


Proposals – by state



$40bn spent over five years, demand begins to fall

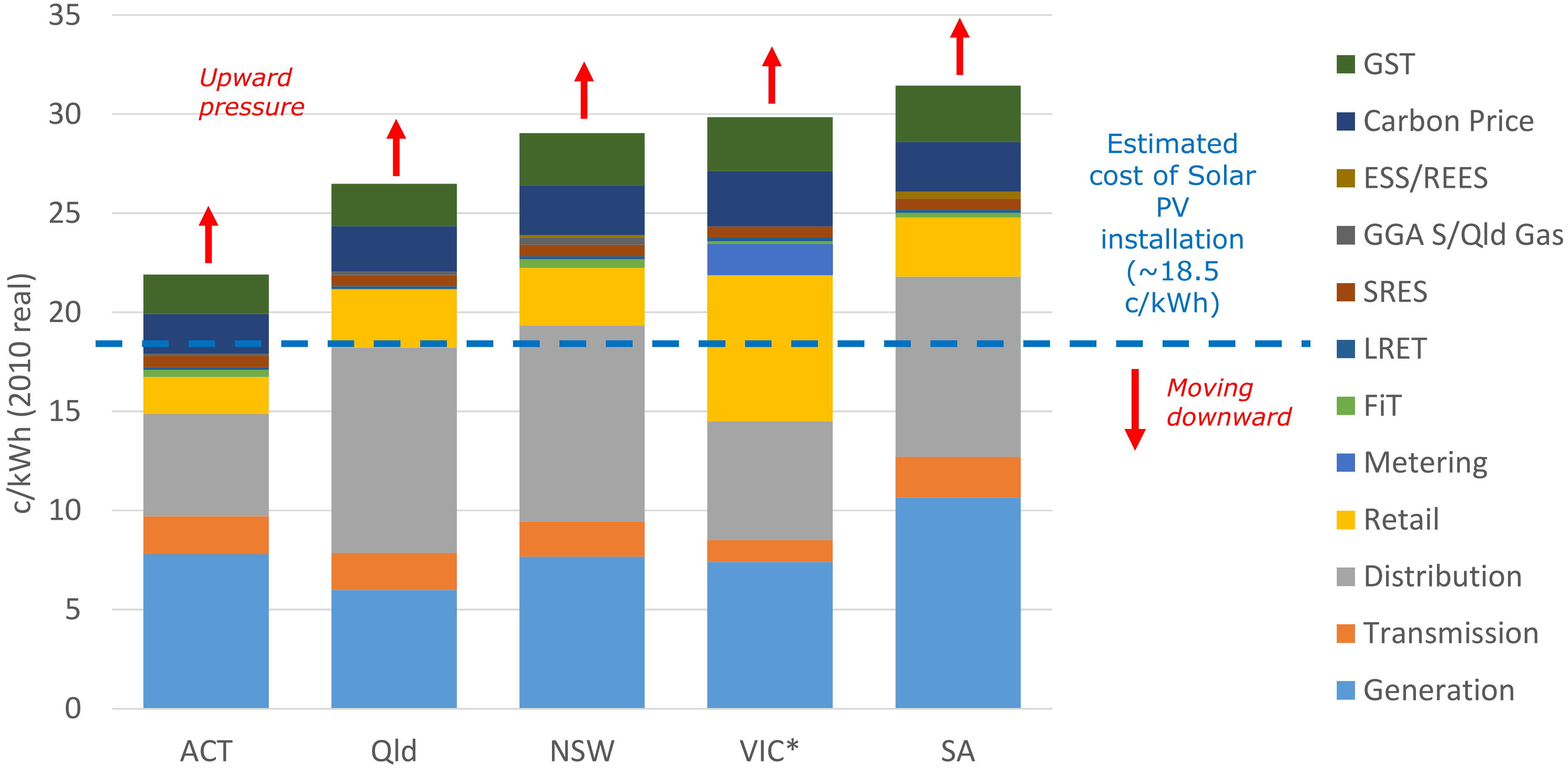
- More than $40 billion is being invested in electricity distribution and transmission networks within the current 5-year regulatory period
- Demand is starting to fall



Source: E Langham et al. (ISF), Building Our Savings, 2010 (updated)

Network expenditure is driving the cost of electricity up

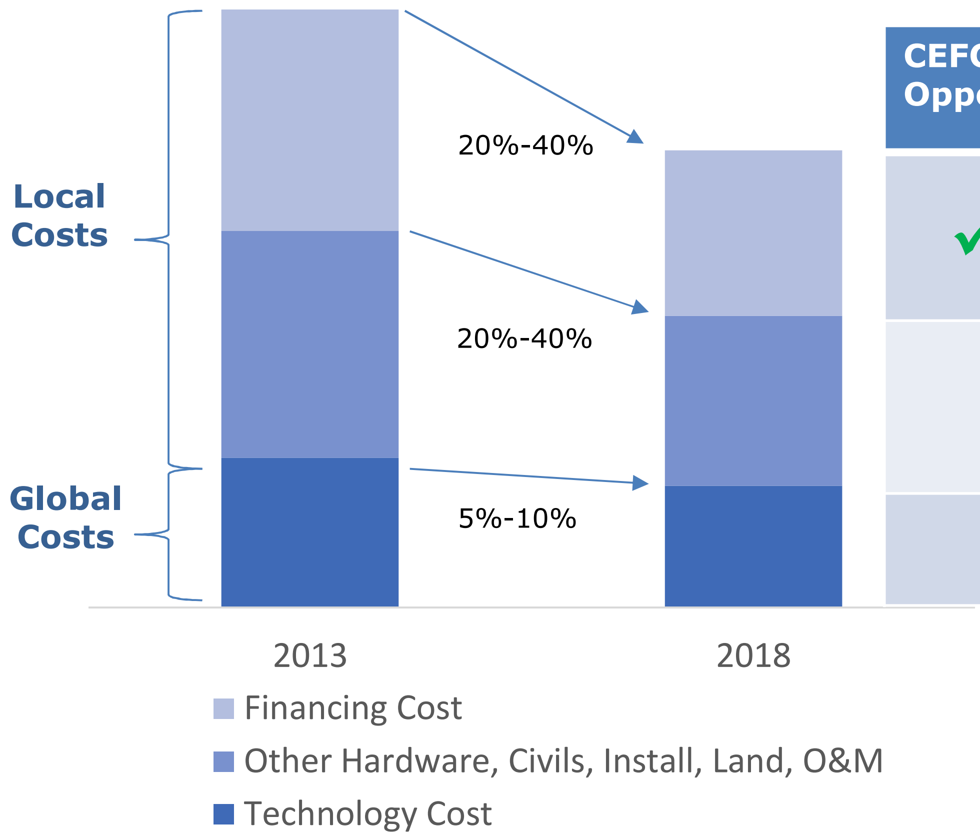
- Over last 5 year period, electricity prices nationally have risen on average by 70-80% and network charges now make up half of an electricity bill
- This has increased the relative competitiveness of Solar PV



*Source: AEMC Future Possible Retail Electricity Price Movements,2010; Treasury modelling (*Vic = 2012)*

CEFC can help to lower the cost of financing and overall LCOE costs

LCOE Drivers



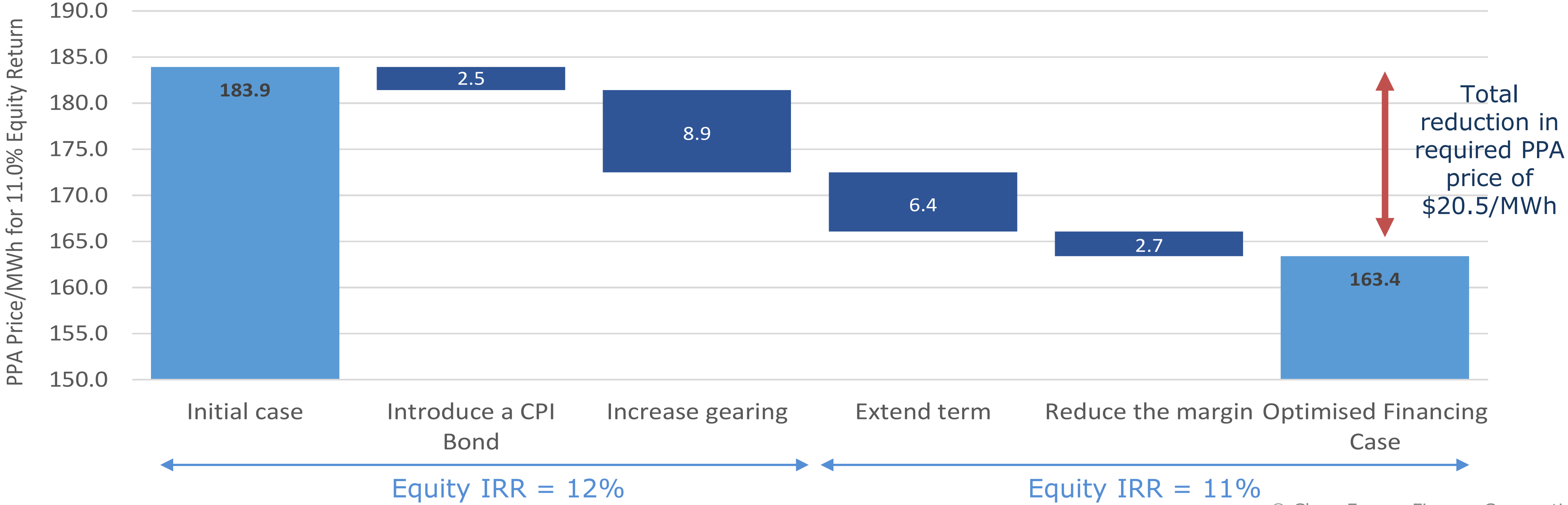
CEFC Opportunity?	CEFC Role
✓✓✓	Accelerating adoption of global best practice in co-financing and investing directly in solar projects and opportunities
✓✓	Investment into companies that affect the supply chain costs, such as manufacturing. Leveraging limited grant funds further to increase volume of deployment
✗	Limited – Global supply/demand driving cost reduction

The unique role CEFC can play in reducing financing costs for Renewable Energy and Low Emissions Projects

- The CEFC can lower the cost of financing by providing:
  - Improved gearing levels (more comparable to global markets)
  - Extended debt maturities and flexible amortisation profiles
  - Innovative products, such as inflation indexed bonds
  - Potentially, a listed fund on the ASX
  - Finally, lower cost funding

An example of the potential impacts of using CEFC financing

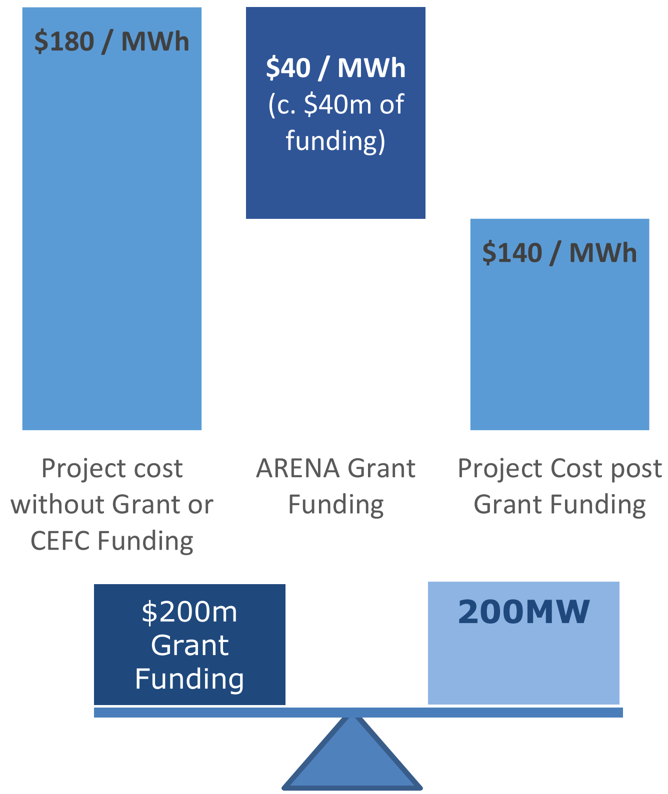
- For a $200m project, utilising 70% commercial financing, the PPA price required for an 12% equity return is ~$184/MWh
- Making the following financing changes, reduces the risk and the required PPA for an 11% equity return to $163/MWh:
  - Use a CPI bond for half the senior debt (saves $2.5/MWh)
  - Increase the gearing by 5% (saves $8.9/MWh)
  - Extending the debt term, reducing risk and therefore the required return (saves $6.4/MWh)
  - Reduce the risk margin by 1% (saves $2.7/MWh), comparable to US pricing today



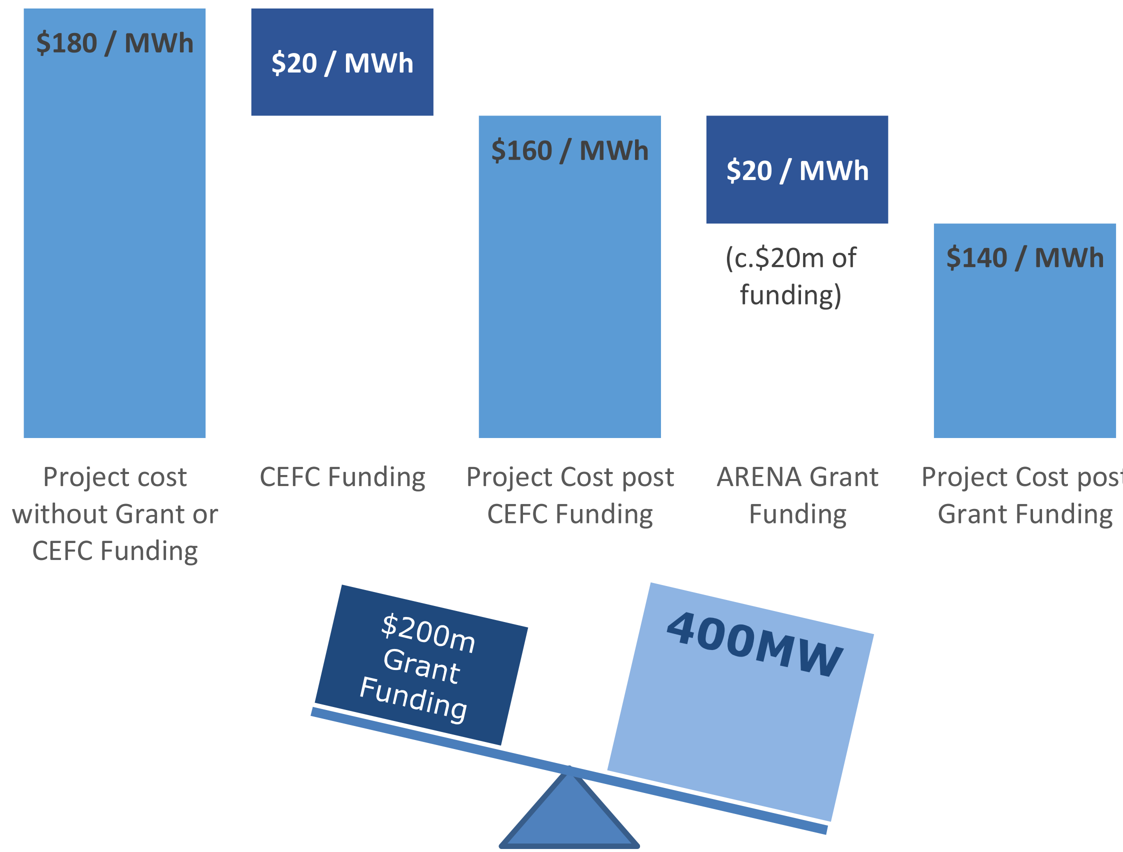
Case Study - How CEFC can work with ARENA to optimise funding

TRADITIONAL GRANT SUPPORT APPROACH

50MW Solar Project – $180m – 25% Capacity Factor



CEFC / ARENA INNOVATION



CEFC is taking part of the risk allocation (for an appropriate return):

- International vs local terms
- Post PPA merchant risk
- Longer Terms to reduce refinance risk to equity

Summary

- The CEFC is here to help you to get deals done
- CEFC can provide financing with terms that improve the capital structure for your projects
- The combined power of the CEFC and ARENA will close transactions

Visit our website for more information **cleanenergyfinancecorp.com.au**

Follow us on Twitter **@CEFCAus**

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