

CLEAN ENERGY FINANCE CORPORATION

ALL ENERGY CONFERENCE



9 October 2013

1. Introduction to the CEFC
2. Project Financing
3. Corporate Lending
4. Aggregation Financing
5. Summary
6. Q&A Panel Session



Presenters from the CEFC Team



Oliver Yates
CEO



Theodore Dow
CIO



Ludovic Theau
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Rory Lonergan
Director



Henry Anning
Associate Director



Kim Lawrence
Executive Director



Paul Greenop
Director

CEFC

- The CEFC was established to accelerate Australia's transition to a low carbon future
- CEFC is a specialist financier that bridges the gap between private and public sector funding for renewables, energy efficiency and low emissions projects
- Access to \$10 billion in funds legislated to the CEFC Special Account as \$2 billion per annum from 2013 to 2017 inclusive
- Operates commercially with a public policy purpose, with investment decisions made by experienced private sector board, independently of Government
- Invests responsibly and manages risk to achieve its target rate of return and achieve financially self-sufficiency before 2016
- In a short timeframe, the CEFC has achieved significant carbon abatement at a negative cost through its 11 recent investments, investing almost \$500 million

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

What has CEFC achieved so far?

- CEFC investment has catalysed over **\$2.2 billion of investment** into clean energy, energy efficiency and low emissions projects, including \$536 million from the CEFC
- CEFC investments are responsible for **3.88 million tonnes of carbon abatement**
- Emissions reduction is generated at a **negative cost (net benefit) of \$2.40 per tonne of CO2e abated**
- 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 **strong pipeline** of emissions reductions proposals that support current government policy and a **dedicated and experienced team** ready to execute these transactions

What has the CEFC financed?

Wind

- \$37.5m of senior debt finance for the construction and operation of the Taralga Wind Farm
- \$50m towards the refinancing of Macarthur Wind Farm
- \$70 million in debt financing for Pacific Hydro's Portland Wind Farm

Solar

- \$40m of senior debt to co-finance a major solar greenhouse development near Port Augusta
- \$60.0m of senior debt for Moree Solar Farm

Energy Efficiency

- \$50m funding for CBA Energy Efficiency Loans for businesses
- \$50m funding for CBA Energy Efficiency Loans for not-for-profits
- \$550,000 loan to Baw Baw Shire Councils to upgrade street lights
- \$7.0m of on-bill financing for Origin Energy customers

Low Emissions

- \$75 million corporate loan to EDL for waste to energy projects

Why is the CEFC needed?

- Catalysing transactions
- Providing liquidity
- Assisting Australian industry and jobs
- Facilitating commercial bank participation in the sector
- Matching financing to the asset life
- Changing the risk profile
- Enabling projects without a PPA
- Lower required returns
- Aggregation funding

What structures is the CEFC using?

- **Project Finance:** for larger utility scale renewable projects as well as smaller projects that have specific features that may make them harder for commercial banks to finance alone
- **Corporate Finance:** for corporates that may have one or more renewable, low emissions or energy efficiency projects of various sizes
- **Aggregation funding:** to catalyse large numbers of smaller projects in conjunction with commercial banks, such as the CBA facility

Project Finance

Ludovic Theau

What do we mean by Project Finance ?

- The funding of a project on the basis that debt and equity will be paid back **solely from the cash-flow generated by the project.**
- Key features
 - Special purpose investment vehicle
 - Debt financiers do not have recourse to sponsors who provide equity
 - Comprehensive contracting framework
 - An identified revenue stream (often from long term contracts such as PPAs)
 - Comprehensive covenant and security package in favour of financiers
- Project Financing is most appropriate for large scale capital investments in energy infrastructure (above \$50-100million)
 - Solar farms, wind farms, biofuel and biomass facilities

CEFC Role in the Project Finance Market

- Closing an identified funding gap as **co-financier** alongside other banks
- By providing a structural solution
 - Incremental debt capacity
 - Longer dated lending
 - Optimising a borrower's repayment profile
 - Subordinated lending
 - Below market interest rates in limited circumstances
- By assessing and assuming specific financing risks
- By providing commercial and financial advice

As of 20 August CEFC had \$250m project financing commitments outstanding

CEFC Approach to Project Finance

As a project financier, the CEFC:

- Takes a **commercial** approach
- Focuses on projects at the **later stages** of development
- Expects the project to **repay capital and interest**
- Focuses on **larger scale lending** CEFC (typically \$30m or more)
- Lends at or close to **market terms** - limited ability to provide concessional finance (\$300m p.a.)
- As a sector focused bank, invest substantial resources and time to offer a quality service to our borrowers and clients

Macarthur Wind Farm Refinancing

Creating market liquidity

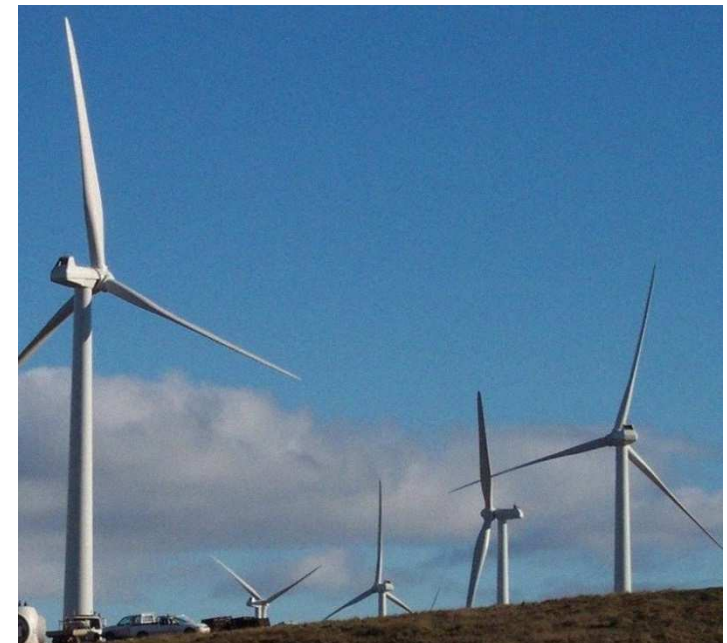
- The CEFC provided \$50 million as part of a \$529m debt package to refinance a 50% stake in Macarthur Wind Farm (S-W Victoria)
- CEFC's involvement is on the same terms as the other syndicated members to **provide market liquidity**
- CEFC investment helped demonstrate that developers of large-scale renewable projects in Australia can **successfully complete a development-finance-exit cycle**
- The \$1 billion Macarthur Wind Farm is the largest in the southern hemisphere and consists of 140 turbines with a capacity of 420 megawatts
 - Fully operational since January 2013



Portland Wind Farm Financing

Meeting the Funding Gap

- The CEFC provided \$70 million to enable the final stages of the Portland Wind Farm to be built.
- CEFC's involvement involved highly structured and long dated lending.
- Pacific Hydro has guaranteed the PPA obligations for the life of the project.
- CEFC involvement:
 - allowed Pacific Hydro to expand generation capacity and develop **its retail electricity business.**
 - Helped increase the availability of PPA providers in the Australian market.



Moree Solar Farm Financing

Meeting a Funding Gap – taking an identified market risk

- The CEFC provided \$60 million of senior debt to FRV and Pacific Hydro's 56 MW Moree Solar Farm on market terms and conditions
- CEFC **underwrote all of the senior debt**
- The project also has the benefit of an **ARENA grant**
- CEFC investment will enable the further development of **on-grid, large scale solar** (in particular **single axis tracking**)
- CEFC is taking **merchant power price risk** – the lack of a PPA had previously stymied efforts to secure funding



Taralga Wind Farm

\$37.5 million senior debt finance from CEFC

- The CEFC is a co-financier providing \$37.5m in senior debt for the \$280m construction and operation of the Taralga Wind Farm, NSW
- The CEFC is a co-lender alongside ANZ and EKF as part of an international consortium of Australian and overseas financiers
- The Taralga Wind Farm will have the capacity to generate 106.8MW and supply approx. 45,000 homes, **avoiding carbon emissions by 250,000 tonnes p.a.**
- The project will **utilise Australian manufactured towers made in Portland from BlueScope steel**, providing a boost to local industry
- During the two year construction phase a **workforce of up to 200** will be required and local contractors and suppliers will be used whenever possible

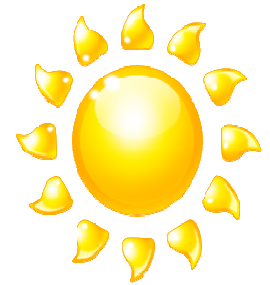


Sundrop Farms

Rory Lonergan

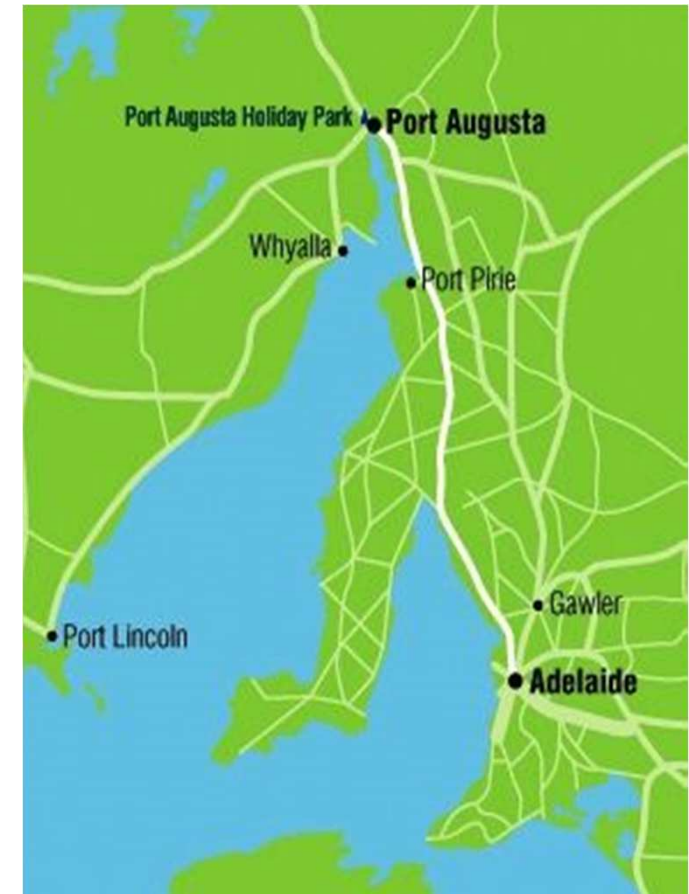
Sundrop Farms Solar Thermal Greenhouse

- Unique application of renewables technology with no reliance on regulatory incentives such as RET
- Leading edge sustainable food production for semi-arid regions
- CEFC has agreed to provide a loan to Sundrop Farms to build a 20 hectare greenhouse in Port Augusta which:
 - uses a parabolic trough solar field to collect solar thermal energy
 - uses the solar thermal energy for heating, cooling and electricity
 - uses the solar thermal energy to desalinate ocean water to produce fresh water to grow over 15,000 tonnes of high quality truss tomatoes per year for metropolitan markets across Australia
- Project will employ about 200 people in Port Augusta.
- The construction phase will also provide substantial opportunities for local and State-based businesses.



Background

- Sundrop approached CEFC in early March after unsuccessfully attempting to raise private sector debt finance.
- Sound project economics but the project appeared to be between traditional banking areas of project finance vs agribusiness.
- CEFC worked with Sundrop to conclude a syndicated facility in August 2013
- CEFC will fund approximately one quarter of the project cost, with a private sector bank to provide a further quarter, and the remainder by equity.



Project Highlights

- “World first” project providing important demonstration impact
- Widespread public support
- Employment opportunities in a regional area
- Leading edge sustainable food production in semi-arid regions
- Innovative deal where CEFC was a catalyst and advocate in helping to raise private sector finance



Project Highlights

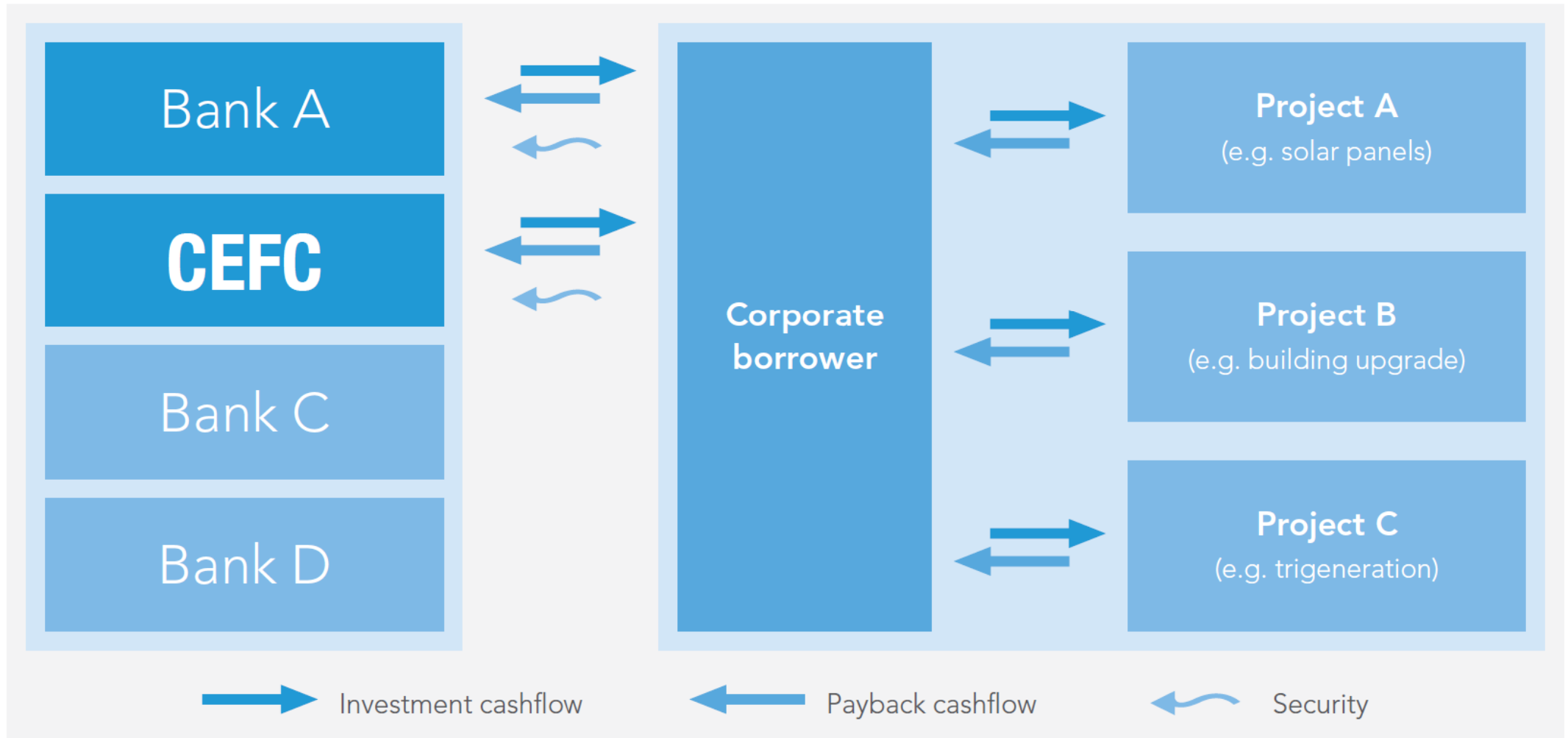
- Sundrop must grow tomatoes to detailed specification for project to succeed
- Investors in this project assessed a range of risks, including:
 - technology (different elements of solar system, greenhouse and desalination facility)
 - integration risk
 - construction risk
 - labour risk
 - horticultural risk



Corporate Finance

Henry Anning

CORPORATE FUNDING STRUCTURE



Investment Summary

- \$75M corporate loan to Energy Developments Limited
- For investment in new projects:
 - Waste coal mine gas
 - Landfill
 - Hybrid renewables
- First project funded by the CEFC facility is the \$20M, 18MW Moranbah North Expansion



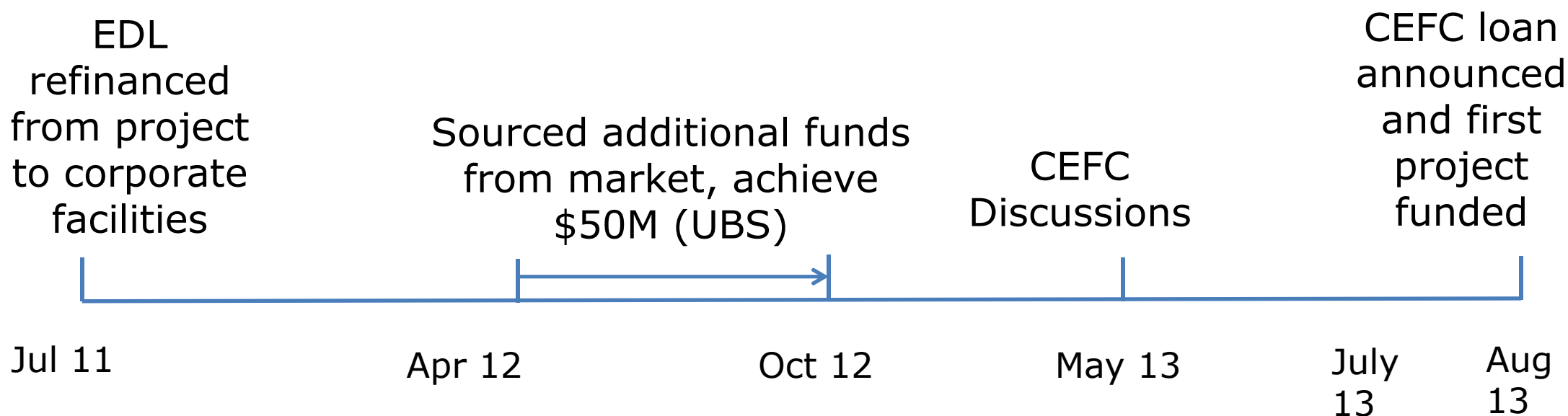
Why Waste Coal Mine Gas?

- About 5% of Australia's emissions
- Potential 2020 abatement is estimated to be 10 MT CO₂-e
- Utilising fugitive emissions reduces environmental impact and provides a reliable source of baseload power
- WCMG can be captured and used in generators to generate electricity either to power the mine, or feed into the grid

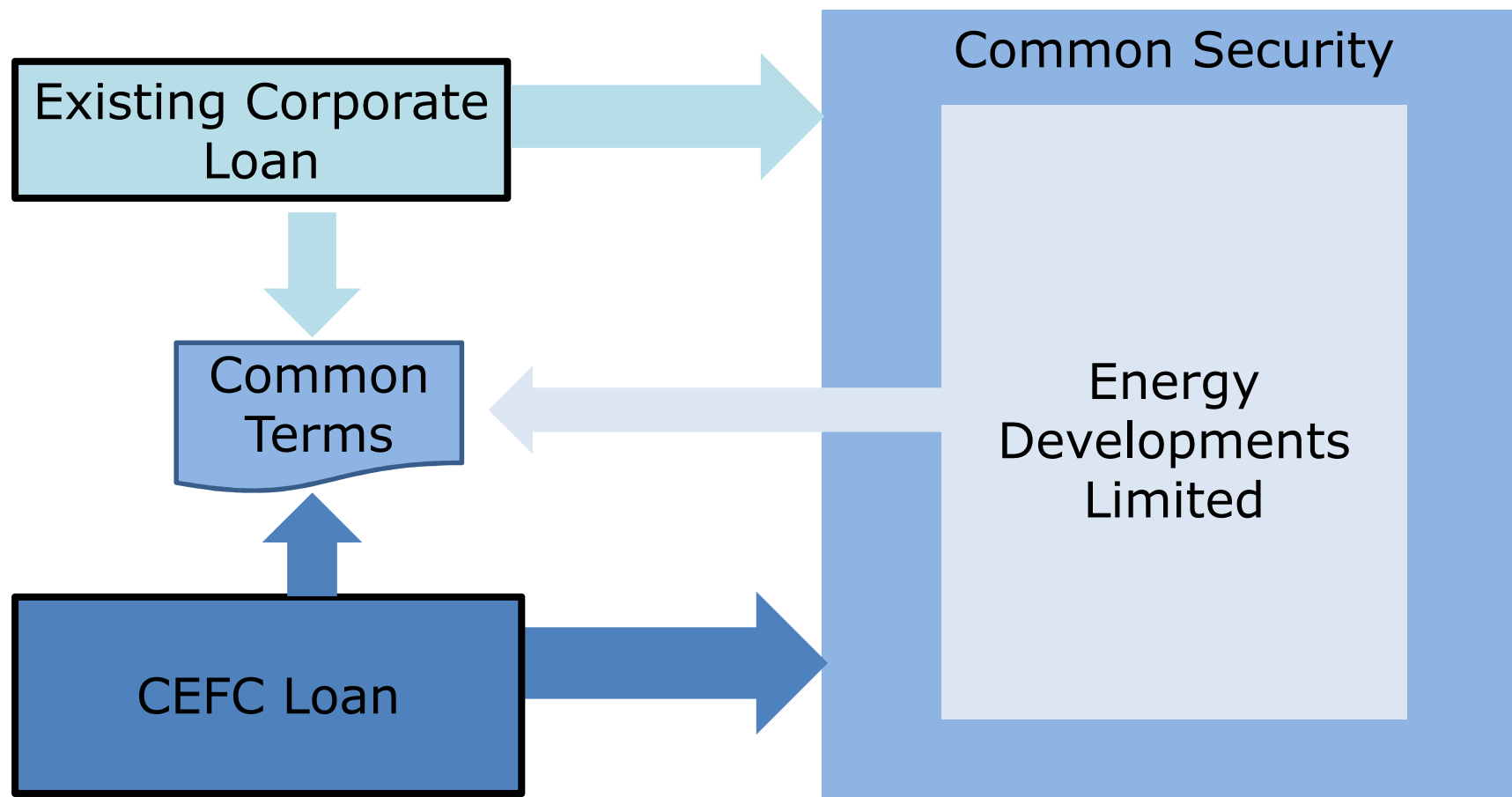


What was the reason for CEFC involvement?

- Significant growth opportunities being constrained by capital availability



Additional CEFC Facility



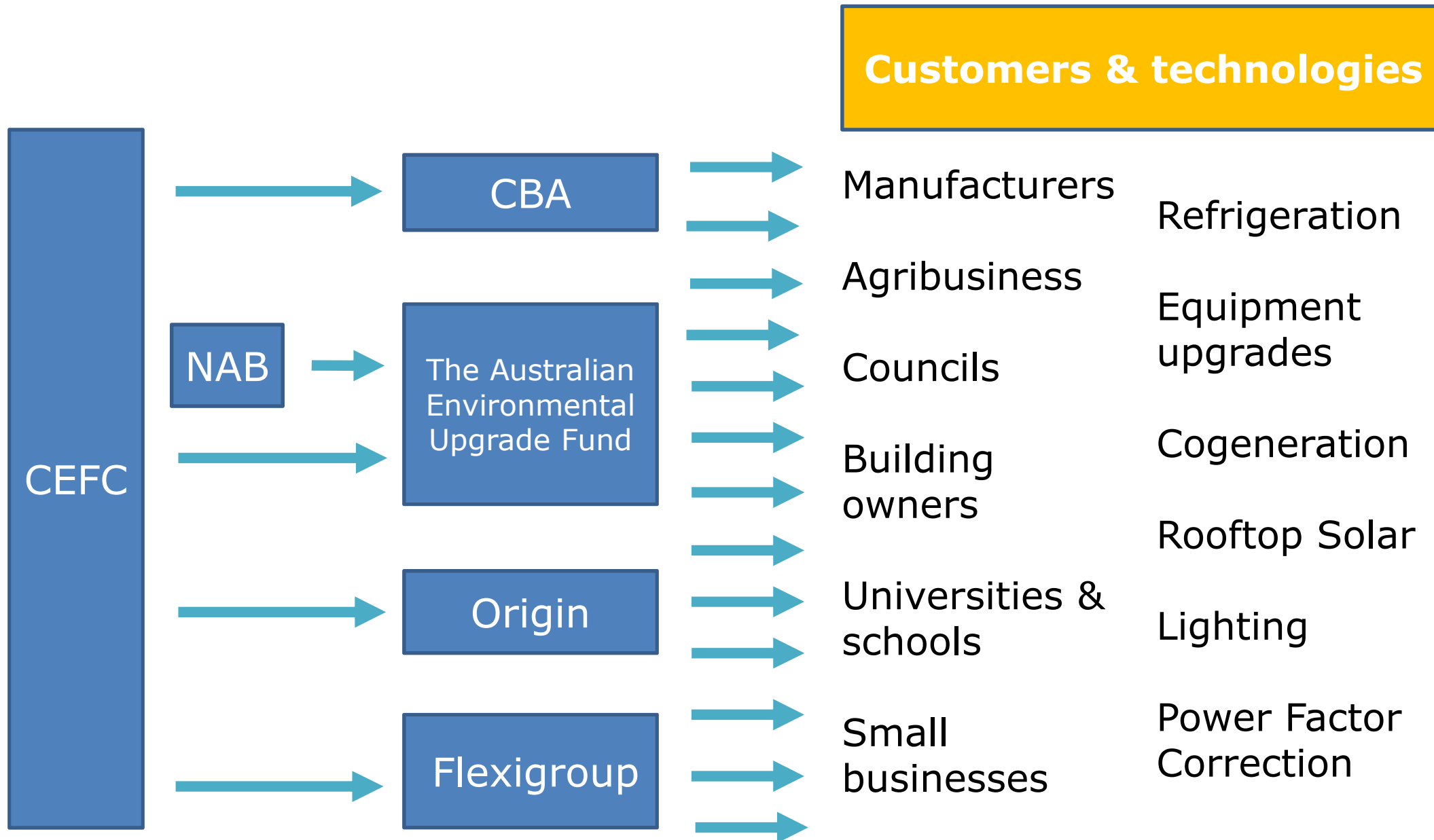
Future market opportunities

- Template for corporate deals with other corporates such as EEO companies (efficient way to aggregate)
- Template for other forms of distributed generation
- Funding of other WCMG, vent air methane and landfill gas operators
- Funding of remote and regional mine site and community hybrid renewables projects

Aggregation and On-Bill Finance

Kim Lawrence and Paul Greenop

Aggregation Strategy – what is it?



Wide range of finance

- Loans
- Leases
- Environmental upgrade agreements
- Onbill (hire purchase) finance

Enhancements to finance:

- Longer terms to match technology paybacks
- Interest rate incentives to encourage early investment
- Unique delivery mechanisms – onbill and EUA finance
- Efficient delivery via Flexigroup vendor finance
- CEFC understanding of technology and business case assists financier



Energy Efficient Loans for Not-for-Profits

A \$100 million co-financing arrangement between the CEFC and CBA to fund clean energy projects with not-for-profit clients

- Product targeted at not-for-profits with anticipated focus on local government
- CBA enters into a loan with the customer
- CEFC co-administers overarching fund with CBA
- Loan value will range from \$500,000 to \$5m +
- Loan terms offered up to 12 years
- Available nationwide for project opportunities which meet CEFC eligibility criteria
- Local council loans will include security provision over general rates income
- Product is technology agnostic so long as the project results in a demonstrated energy savings/carbon abatement outcome

Local council projects financed since 2010



Energy Efficient Loans For Private Sector

A \$100 million co-financing arrangement between the CEFC and CBA to fund clean energy projects with medium sized businesses

- Product targeted at industrial and commercial corporates
- CBA enters into loan with customer
- CEFC co-administers overarching fund with CBA
- Loan value will range from \$500,000 to \$5m +
- Loan terms offered up to 7+ years
- Available nationwide for project opportunities which meet CEFC eligibility criteria
- Minimum security is taken over financed project equipment but may extend to additional securities where those exist
- Product is technology agnostic so long as the project results in a demonstrated energy savings/carbon abatement outcome

Energy Efficient Loans with CBA – Business Case Studies

Labelmakers

- Labelmakers provides label printing services for some of the nation's best known consumer brands and printing labels for its own wine division.
- Labelmakers installed three new energy efficient presses costing \$5.3 million, which operate at twice the speed, using half the energy of the company's old presses



Coolstores

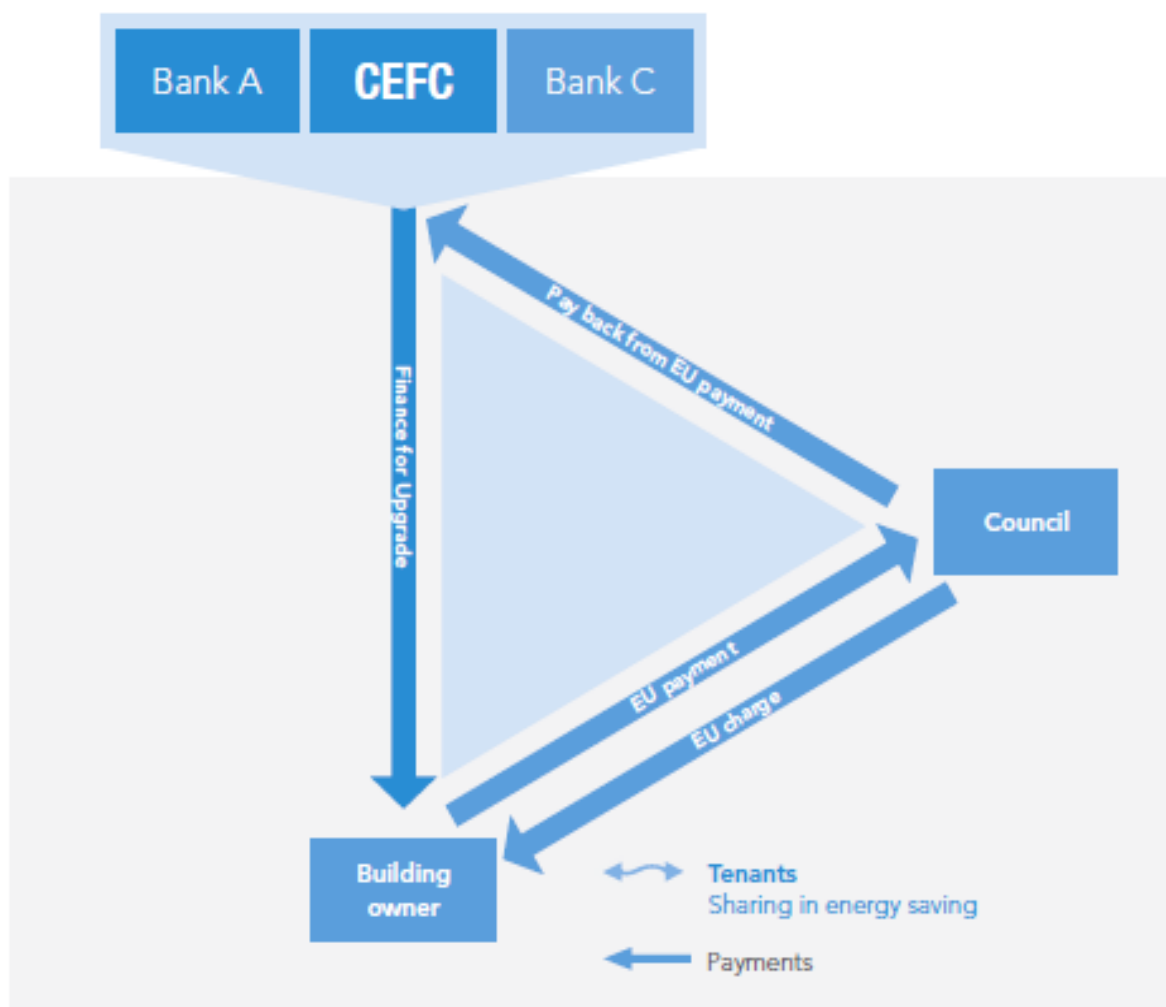
- Family owned and operated business Radevski Coolstores is a major Goulburn Valley supplier of apples and pears to Coles supermarkets
- A new ammonia-based refrigeration system services its 16 cool rooms and reduces costs by over \$140,000 a year, and carbon emissions by about one quarter



Environmental Upgrade Agreements (EUAs)

Key Features:

- Similar to a loan with fixed repayment dates
- Council creates a charge on the land (similar to a rate) for each loan repayment
- Council collects rates and pays to financier
- Mechanism for building owners to obtain contribution from tenants where tenants benefit from lower energy bills



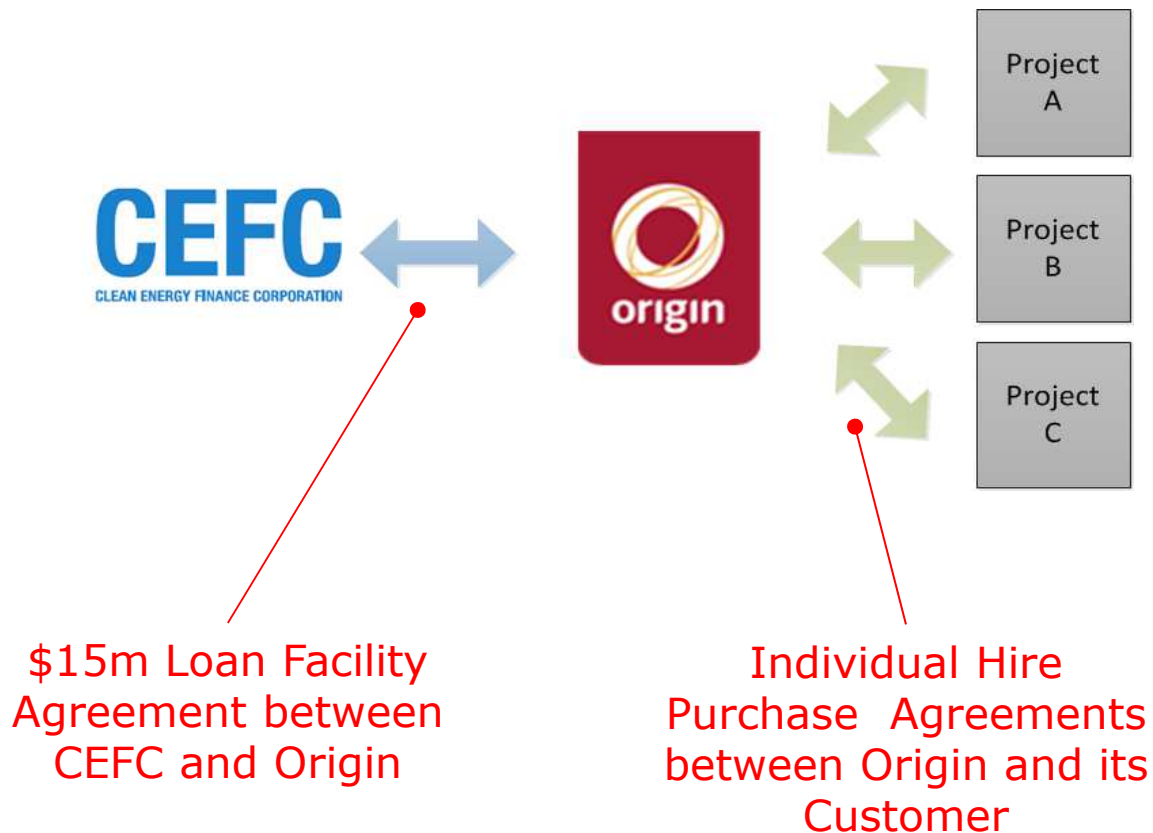
EUAs – CEFC, NAB and Eureka Funds Management

- **CEFC & NAB** are jointly funding Environmental Upgrade Agreements for buildings - via The Australian Environmental Upgrade Fund managed by **Eureka Funds Management**
 - TAEUF Fund supports the energy efficiency retrofit of non-residential buildings
- Legislation enabling EUAs is in place for the \$2 bill City of Melbourne **1200 Buildings** program and for all of NSW
 - Cities of Sydney, Parramatta, North Sydney, Newcastle and Lake Macquarie now offer EUAs, with more on the way
- Available through NAB relationship manager or Eureka Funds Management
- Case Study: A \$1.3 million energy efficiency upgrade (financed by an EUA) to the multi-use 1960s high-rise CQ building at 123 Queen Street, Melbourne, is delivering energy cost savings greater than 50 per cent and creating savings of \$180,000 a year

On-Bill Finance for Energy Efficiency

CEFC & Origin Energy's Co-Finance Facility

On-Bill Finance for Energy Projects



SAM SAMPLE
123 SAMPLE STREET
SAMPLE TOWN VIC 1234

Service Address: 123 SAMPLE ST SAMPLE TOWN VIC 1234
Meter Read: Estimated
National Meter Identifier (NMI): 7777777777

Account Summary: 21 Feb 12 to 21 May 12

Opening Balance	\$XXX.XX
Payments Received - Thank You	\$XXX.XXCR
Balance Carried Forward	\$X.XX
New Charges	
Total Electricity Charges Incl. Discounts (see over for details)	\$XXX.XX
Total Amount Due - Incl. Overdue Amount	\$XXX.XX
New Charges Incl. GST Charges of	\$XXX.XX

Important Information
For more information on greenhouse gas emissions visit originenergy.com.au, climatechange.vic.gov.au or call us on 1300 661544.

Origin Energy Electricity Ltd ABN 30 011012 387

Electricity
Tax Invoice: 100000012345 Issued: 21 May 12

Enquiries & moving address 1300 661544
(9AM - 6PM Local Time Mon - Fri)

Faults or emergencies, call Powercor (24hrs) 13 24 12

Visa or MasterCard Payments (processing fee may apply, see reverse) 1300 658 783

Account No: 123 456 789 101

Total Amount Due: \$xxx.xx
Due Date: 06 Jun 12

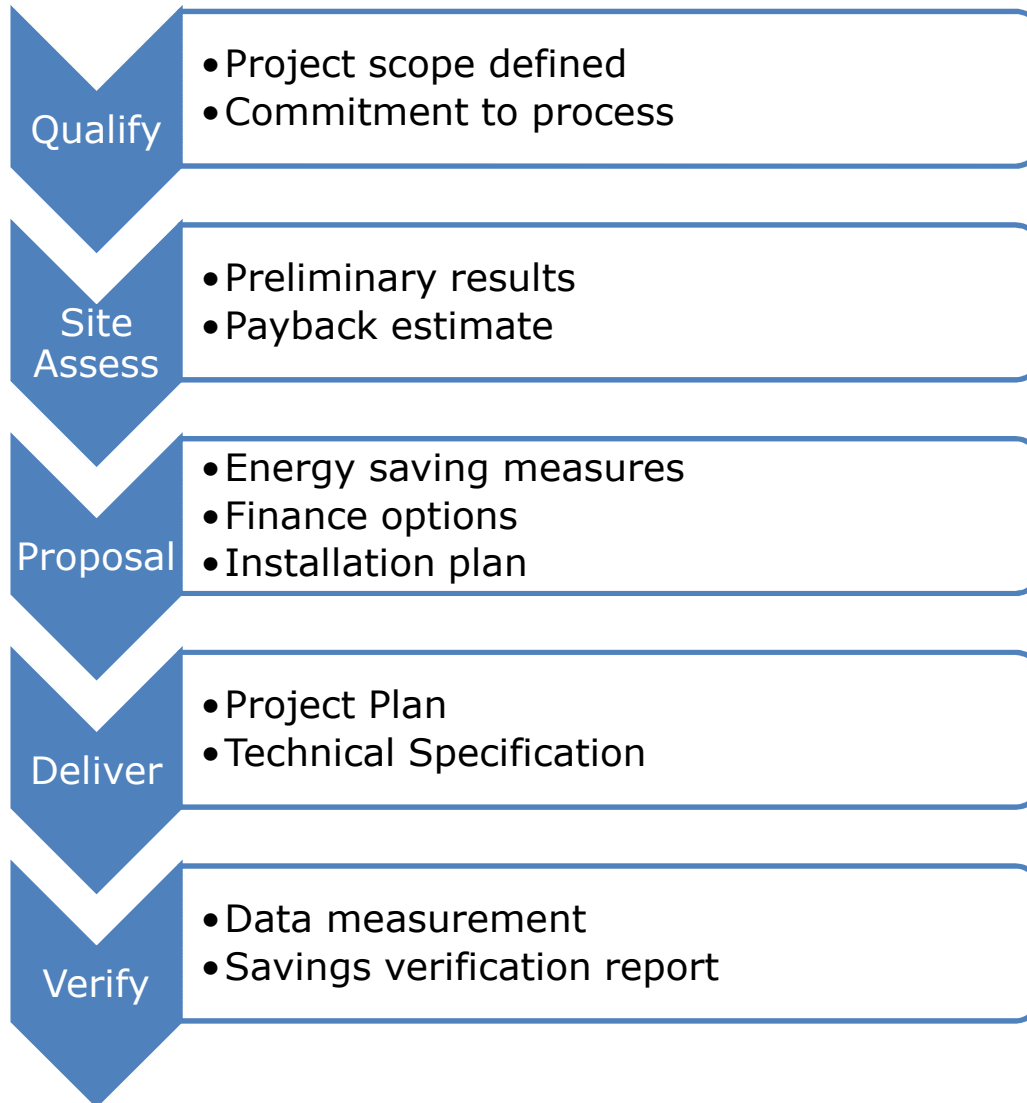
Your Current Energy Agreement is:
FlexiChoice

Your Average Daily Usage & Indicative Greenhouse Gas Emissions

Key: kWh — Tonnes (indicative greenhouse gas emissions)

Average Cost Per Day:	\$X.XX
Average Daily Usage:	x.xx kWh
Same Time Last Year:	x.xx kWh
Indicative Greenhouse Gas Emissions (Tonnes)	
Generated This Account:	x.xT
Same Time Last Year:	x.xT
Saved With a Green Product:	N/A

Implementing energy saving projects through On-bill finance



Energy Smart Finance - Leases from \$3k - \$100k+

CEFC & Flexi Group's Partnership

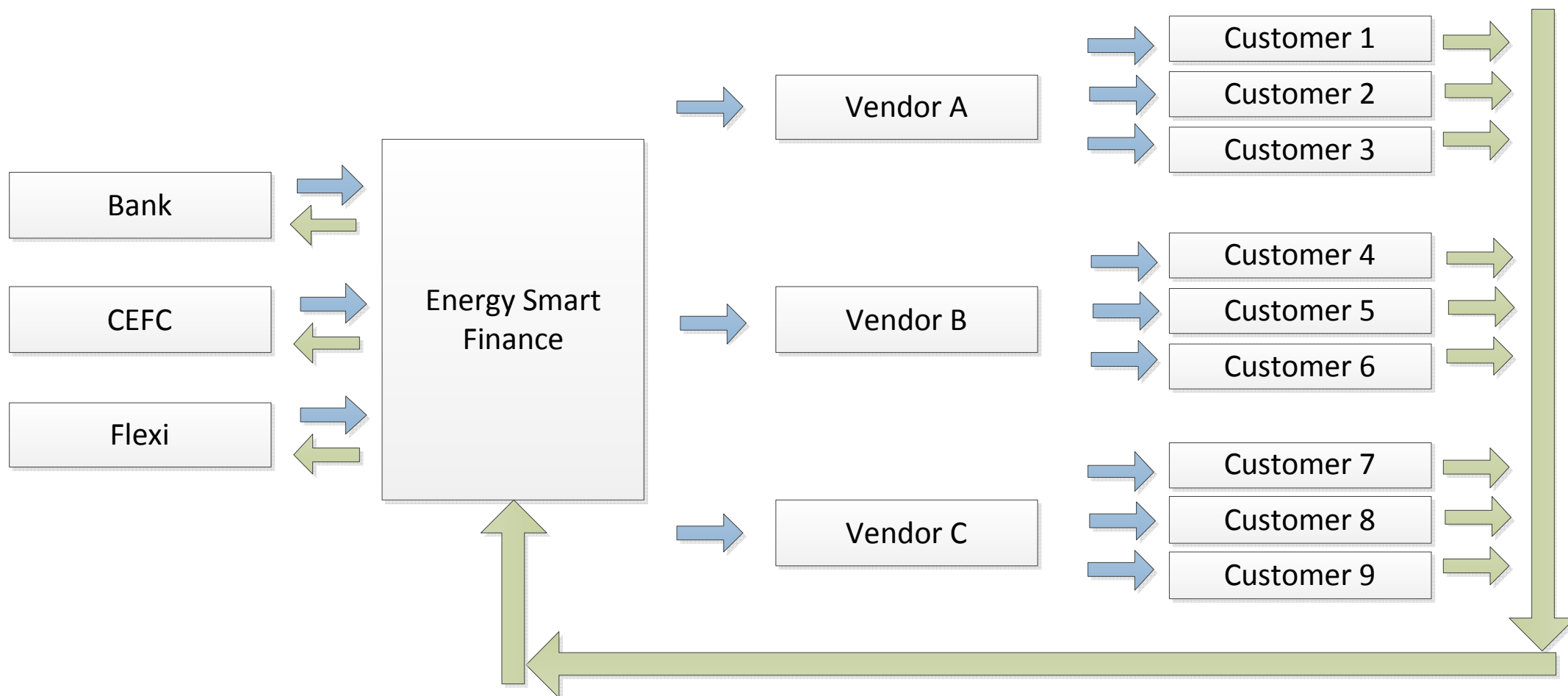
Energy Smart Finance

Finance Providers

\$ Equipment

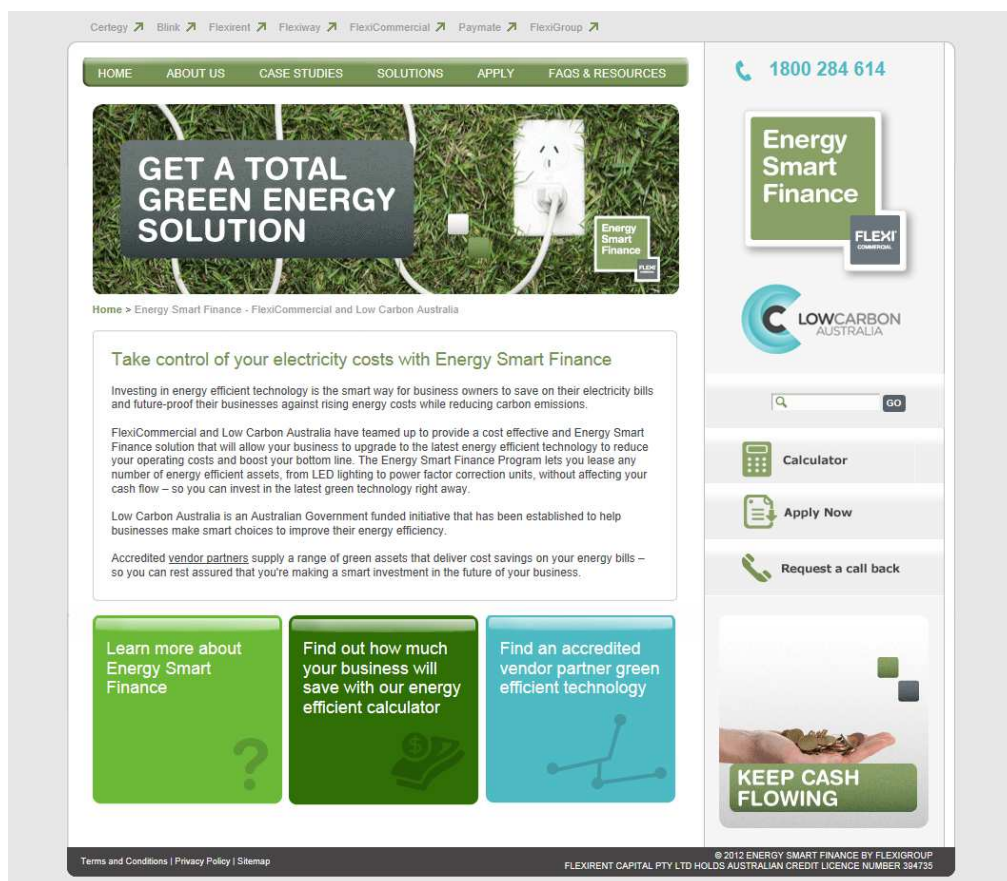
Install Equipment

\$ Repayment



Aggregate \$ Repayment

Flexi customers and vendors



Customer

- Calculator to estimate monthly payments
- On-line application form with quick credit decision and response

Vendors

- On-line application form – streamlined process for <\$500k p.a. finance needs
- List of accredited vendors on website
- Case study opportunities to promote product

Wrap up

Ted Dow

Questions for the team?



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CEO



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CIO



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Director



Henry Anning
Associate Director



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Paul Greenop
Director

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