

# CEFC cornerstone investment in Australia's first unlisted clean energy infrastructure fund

## Up to \$80 million equity investment from CEFC in agreement with Colonial First State Global Asset Management

### SUMMARY

The Clean Energy Finance Corporation (CEFC) has an agreement with the Direct Infrastructure division of Colonial First State Global Asset Management (CFSGAM)<sup>1</sup> to establish Australia's first unlisted clean energy direct infrastructure investment platform for institutional investors, the CFS Australian Clean Energy Infrastructure Fund. The CEFC will provide up to \$80 million as the initial cornerstone investor in the Fund that will invest in renewable energy, energy efficiency or low emissions technology.

"Both the debt and equity markets for clean energy projects in Australia are relatively immature compared with Europe and the US, and high quality projects struggle to access finance. At the same time, there are many superannuation funds and fund members who want to invest in this sector. The establishment of the first focused direct infrastructure fund will meet this need and provide an example that others can follow."

**Oliver Yates**

*CEO, Clean Energy Finance Corporation*

The Fund will facilitate the participation of institutional investors in the Australian clean energy sector. CFSGAM will seek to raise a further \$300 million to \$500 million over the next three to five years.

The Fund will invest in transactions where the underlying assets meet the CEFC's project eligibility criteria, including both green field developments ready for construction and mature operating assets using established technologies. Potential seed investments include:

- commercial solar photovoltaic leasing for shopping centres and other commercial sites;
- large-scale utility renewable energy opportunities; and
- other large-scale clean energy opportunities such as major energy efficiency projects at commercial and industrial sites.



<sup>1</sup> Colonial First State Global Asset Management (CFSGAM) is the consolidated asset management business of the Commonwealth Bank of Australia Group (CBA) and is part of CBA's Wealth Management division. It is 100% owned by CBA.

As the first unlisted direct infrastructure investment vehicle solely focused on clean energy investment in Australia, the CFS Australian Clean Energy Infrastructure Fund will help overcome market barriers in equity financing for clean energy projects and expand the financing options for this sector.

Superannuation funds and other institutional investors have increasingly been interested in low emissions and sustainable investment opportunities, particularly in the mid-sized investment market. The CFS Australian Clean Energy Infrastructure Fund will help meet the needs of these investors and the growing interest from superannuation fund members in socially responsible investment (SRI) investments.

By providing a new investment option for superannuation funds and other institutional investors, the Fund will attract new sources of investment in renewable energy, unlocking new sources of capital for the market and expanding the investor base for this sector.

### PROJECT IMPACT

#### Creating Australia's first unlisted clean energy infrastructure fund

The CFS Australian Clean Energy Infrastructure Fund is the first unlisted direct infrastructure investment vehicle solely focused on clean energy investment in this country. While specialist clean energy investment platforms have been available in the UK, Europe and the US for some years, there are no such specialist platforms in Australia.

In its work with co-finance partners to overcome market barriers in the debt



financing market, the CEFC has identified that clean energy projects in Australia find it challenging to raise equity finance. The creation of a focused direct infrastructure investment vehicle will create both a pool of finance and also help develop specialist expertise amongst institutional investors and fund managers. Thus the CEFC is creating new opportunities for institutional investors to make renewable energy a part of their portfolios while contributing to meeting public policy and societal goals to scale up renewable energy investment and deployment.

This initial clean energy investment vehicle will demonstrate the potential of this investment class and provide a positive model and experience that might be adopted more widely.

#### Filling a demand from institutional investors

In Australia and globally, the providers of capital for financing clean energy investment have been primarily commercial banks, other financial intermediaries and utilities. The long-term investment horizons of many institutional investors should be well matched to the profile of clean energy infrastructure assets.

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### *Project Impact continued...*

Increasing the allocation to this asset category by institutional investors — whose assets form some of the largest pools of private capital, is critical to the future scaling up and widespread deployment of clean energy.

Investors are increasingly recognising that reducing the emissions exposures in their portfolios is a strategic investment priority. Reflecting this, there has been a growing interest by institutional investors in investments that reduce their exposure to climate change and to the impact of actions being taken around the world to address climate challenges.

The number of superannuation funds in Australia becoming signatories to the United Nations Principles for Responsible Investment (UNPRI) is also growing and these funds have undertaken to meet environmental, social and governance (ESG) principles in their investments.

Consumer demand and advocacy has led to an increase in the number of superannuation funds offering a socially responsible

investment (SRI) option that takes into consideration social and environmental performance in addition to financial performance.

Superannuation funds are therefore looking for investment vehicles that help them meet this growing interest from members and their UNPRI obligations. Generally, Australian investors prefer to utilise local opportunities to increase their allocations to low emissions investments.<sup>2</sup>

The CFS Australian Clean Energy Infrastructure Fund will invest in assets that meet the CEFC's renewable energy, energy efficiency and low emissions technology, thereby providing an investment facility that meets this gap in the market.

### **Expanding clean energy financing options**

As well as debt finance, many larger clean energy projects also need to raise equity finance. The CEFC's cornerstone investment in the CFS Australian Clean Energy Infrastructure Fund will assist in the development of this new asset class in Australia.

The Fund will attract co-investors such as superannuation funds that are keen to invest in clean energy and energy efficiency thereby attracting new sources of investment for renewable energy. By unlocking new capital sources for the renewable energy market, the fund will assist in expanding the investor base for this sector.

As the pipeline of investments grows, and a track record of success and stable

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<sup>2</sup> The Investor Group on Climate Change (IGCC), Australia and New Zealand.

### *Project Impact continued...*

performance established, other investors are expected to join in the future.

This transaction enables the CEFC to add equity finance to its debt finance solutions and help overcome financing barriers across the Australian clean energy sector.

“Australian superannuation funds and other institutional investors have expressed interest in finding an attractive way to invest directly into low carbon energy infrastructure. The CEFC cornerstone investment is a first step in establishing a unique clean energy platform and working with those institutional investors in achieving their investment objectives.”

### **Perry Clausen**

*Head of Direct Infrastructure, Colonial First State Global Asset Management*

## FINANCE

CEFC is providing up to \$80 million as the initial cornerstone investor.

Colonial will seek to raise a further \$300 to \$500 million over the next three to five years.

### **Colonial First Stage Global Asset Management**

(CFSGAM) is the consolidated asset management division of the Commonwealth Bank of Australia.

It is a global asset management business with experience across a range of asset classes and specialist investment sectors. It is one of the largest managers of Australian sourced funds, with a growing presence in international markets. CFSGAM and First State Investments collectively manage over A\$171.7 billion (as at 30 June 2014) on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial planners and their clients worldwide.

CFSGAM Direct Infrastructure was established in 1994 and has over 19 years' experience in unlisted infrastructure investments with over A\$4.5 billion funds under management.

The Clean Energy Finance Corporation (CEFC) invests using a commercial approach to overcome market barriers and mobilise investment in renewable energy, energy efficiency and low emissions technologies.

As at 30 June 2014, the CEFC has contracted investments of over \$900 million in projects with a total value of over \$3 billion. The CEFC invests for a positive return, with its more than 40 direct investments and 25 projects co-financed under aggregation programs expected to achieve an average financial yield of about 7 per cent.

These CEFC investments are expected to achieve abatement of 4.2 million tonnes of CO<sub>2</sub>e per annum with a positive net benefit to the taxpayer in the order of \$2.40 per tonne CO<sub>2</sub>e. They help to improve energy productivity for businesses across Australia, develop local industries and generate new employment opportunities.

The CEFC operates under the *Clean Energy Finance Corporation Act 2012*. More information is available on our website [www.cleanenergyfinancecorp.com.au](http://www.cleanenergyfinancecorp.com.au)

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