CEFC
CLEAN ENERGY FINANCE CORPORATION

Senate Standing Environment and Communications Legislation Committee

Inquiry into the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 [Provisions] and related bills

PUBLIC HEARING

Tuesday, 26 November 2013
Committee Room 2S3, Parliament House, CANBERRA

Opening Statement by Ms Jillian Broadbent AO – Chair of the Board of the Clean Energy Finance Corporation

[*Tabled by Leave*]

I thank the Committee for inviting the Clean Energy Finance Corporation here today to provide evidence into the Committee's inquiry into the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 [Provisions] and related bills.

The Clean Energy Finance Corporation has made a comprehensive submission, and has confined its remarks exclusively to the one bill that concerns it, the Clean Energy Finance Corporation (Abolition) Bill 2013 ('the Abolition Bill')

As a concept, the Clean Energy Finance Corporation was conceived by the original Multi-Party Climate Change Committee process and had a further extensive scrutiny by an Expert Review Panel, of which I was privileged to be Chair. More than 170 submissions were received and 80 consultations undertaken and this information considered by the Expert Review.

Having conducted that Review, it is worth quoting some comments I made in my letter of transmittal to the then responsible Ministers:

> *The establishment of a $10 billion fund dedicated to invest in clean energy will catalyse and leverage the flow of funds for commercialising and deploying renewable energy, low emissions and energy efficiency technologies. In this way we will be preparing and positioning the Australian economy and industry for a cleaner energy future.*

The then Government accepted the report and the Parliament legislated to create the Corporation with the C*lean Energy Finance Corporation Act 2012* ('the CEFC Act'). The importance of outlining the historical sequence is to reiterate for the Committee that the foundation of the Corporation was underpinned by a solid base of evidence.

That evidence which supported the CEFC's establishment has been soundly reinforced by the experience and results of our 15 months of operation:

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- The Australian Government has used the medium of the Investment Mandate to instruct the Corporation to use commercial rigour and avoid excessive risk
- The Board has adopted a conservative approach to building its investment portfolio – principally focused on debt investments on terms matched by private sector co-financiers and with a minimum of funds invested in equities
- The CEFC is making money for the Commonwealth over and above the cost of funds – which mean the taxpayer is getting lowest cost abatement
- The Board has put in place a rigorous system of risk management, investment selection and corporate governance;
- Each CEFC investment is required to provide positive externalities and demonstrate how it successfully addresses market barriers; and
- Not one of the CEFC's investments - or before the CEFC, those by Low Carbon Australia - has fallen into default after three years of collective experience.

But perhaps the best argument for the CEFC is what it has actually achieved in short order:

- CEFC funded projects involve over 500MW of clean electricity generation capacity installed or supported, covering renewables and Low Emissions Technologies
- The CEFC has developed a total portfolio of $536 million and through our co-finance partners have invested in projects over $2.2 billion in value
- The CEFC is delivering abatement at negative cost (i.e. benefit) to the taxpayer of $2.40 per tonne of CO2 abated (net of government cost of borrowing)
- The CEFC is investing across a broad range of technologies including wind, solar, bioenergy, energy efficiency and low emissions technologies
- The CEFC invests in projects that are demonstrating the benefits of proven technologies in the Australian market
- The CEFC has conducted active discussions with 37 proponents for $4.5 billion in projects and initial assessment of a further 142 projects together representing 179 projects and $14.9 billion of opportunity
- The CEFC has 39 investments in the portfolio to 20 August 2013
- The CEFC's investments will deliver an estimated 3.88 million tonnes of CO2-e abated annually
- CEFC investments assist in building Australia's clean energy supply chain capability
- The CEFC is funding projects in regional and rural Australia, supporting 21st century jobs in local communities
- Many industries are benefiting from CEFC financing, including agribusiness, property, manufacturing, utilities and local government
- Co-financing is integral to the CEFC strategy. Through matched private sector funds of $2.90 for each $1 of CEFC investment, the CEFC has been able to catalyse over $1.55 billion in non-CEFC private capital

investment in projects and programs to deploy renewables and to improve energy efficiency.

- The 11 investments originated by the CEFC to date exceed the five-year Australian Government bond rate. The CEFC investments to 20 August 2013 carry an average yield of 7.33 per cent. The five-year bond rate across the portfolio was 3.11 per cent.

If the CEFC is abolished, there is no provision for transition to another scheme or program. The staff will be terminated within 28 days of passage if not prior and a highly-functioning, commercially-skilled pool of expertise will be lost to the public sector.

Without the CEFC as a focused fund to work with the sector to address market gaps, the economy will likely experience a real pullback of emissions-reducing project investment, market barriers will persist and the positive budget outcomes from this emissions abatement will be foregone.

In summary:

- The CEFC is delivering all of the presumed benefits;
- The commercial approach taken by the CEFC has meant that the presumed negatives of such a fund have not been realised; and
- The CEFC has exceeded its expectations and is delivering substantial abatement while making a return for the taxpayer
- It will cost the taxpayer more to shut down the CEFC than it will save.
- The CEFC is an efficient and effective way to assist the Government meet its targets under Direct Action.

The CEFC model has proved a highly valuable policy tool. We have invested 5 percent of the CEFC's total $10 billion fund. If the full amount were to be invested with a like emissions reduction outcome and the same level of co-financing participation, then this would contribute 60 percent of the total abatement required to meet the bi-partisan 2020 national abatement target, and at the same time deliver a net positive return to the taxpayer of over $200 million per annum.

I thank the Committee again for the invitation to give evidence and make myself, Mr Yates, Mr Powell and Ms McDonald at the Committee's disposal for questioning.

ENDS