

Financing the energy transition

By Ian Learmonth, CEO, Clean Energy Finance Corporation



The Clean Energy Finance Corporation (CEFC), Australia's specialist clean energy investor, is responsible for investing \$10 billion on behalf of the Australian community to accelerate the nation's sustainable transition to low emissions.

With the backing of the Australian government, the CEFC brings a unique combination of financial expertise, technical knowledge and industry experience to the challenge.

The CEFC invests in renewable energy, energy efficiency and low emissions technologies. It is active across the economy, working alongside other investors to cut emissions, whether in agriculture, cleantech innovation, energy generation and storage, infrastructure, property, transport or waste.

CEFC INVESTMENT UPDATE

CEFC capital has been critical to building Australia's clean energy sector, and remains central to filling market gaps, whether driven by technology, development or commercial challenges. This was especially the case in 2019-20 as banks and other mainstream investors refocused their attention to address the challenges of the COVID-19 pandemic.

With new investment commitments of just over \$1 billion in 2019-20, the CEFC has continued to invest through the economic disruption of the pandemic. Lifetime investment commitments reached \$8 billion by 30 June 2020, helping spur a total of \$27.3 billion in investment commitments to clean energy initiatives across the economy.

Reflecting its maturing portfolio and the commercial rigour of its investment approach, the CEFC has also seen \$1.66 billion of its capital repaid, to be available for reinvestment in clean energy initiatives.

INVESTMENT TRENDS

The scale of the emissions challenge suggests Australia requires significant new investment across the economy. While changes in investment patterns are evident in some sectors of the economy, in other areas the transition to lower emissions is yet to begin in earnest.

In this context, the CEFC has a clear focus on increasing private sector investment flows to address a diverse range of emissions challenges – recognising that lower, economy-wide emissions can best be achieved through a multi-sectoral approach.



RENEWABLES AND GRID INFRASTRUCTURE

Having financed more than 3GW of solar and wind renewable energy, the CEFC continues to work closely with the renewables sector to address emerging market developments. This includes a focus on how the CEFC can catalyse finance into Renewable Energy Zones (REZ), grid upgrades, the integration of significant storage and renewables and the potential for grid security services.

The CEFC supports renewable energy projects operating in the most strategic parts of the grid, as well as those that may benefit from a hybrid of technologies across generation and storage.

This is reflected in the CEFC's investment in 2019 in Total Eren's Kiamal Solar Farm – Victoria's largest solar project – supporting the installation of a synchronous condenser to strengthen north-western Victoria's electricity grid.

The CEFC has also invested in Neon's Hornsdale Power Reserve in South Australia, which is providing an Australian-first, large-scale demonstration of the potential for battery storage to provide the stabilising inertia services that are critical to the further integration of renewable energy into the grid.

ADVANCING HYDROGEN FUND

The CEFC Advancing Hydrogen Fund has up to \$300 million available to support the growth of a clean, innovative, safe and competitive Australian hydrogen industry.

Hydrogen has the potential to make a substantial contribution to our clean energy transition, reducing emissions across the economy while

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underpinning the development of an important domestic and export industry.

Renewable hydrogen can enable the deep decarbonisation of notoriously difficult-to-abate sectors, particularly in transport and manufacturing, while accelerating the contribution of renewable energy across the economy.

Eligible projects can include those which advance hydrogen production, develop export and domestic hydrogen supply chains, including hydrogen export industry infrastructure, establish hydrogen hubs and help build domestic demand for hydrogen.

AUSTRALIAN RECYCLING INVESTMENT FUND

Australia's waste sector is undergoing an important transition, requiring significant investment in infrastructure and equipment, including upgrades to existing assets, as well as the installation of new assets.

Through the \$100 million Australian Recycling Investment Fund, the CEFC is focused on large-scale projects which use clean energy technologies to support the recycling of waste plastics, paper, glass and tyres.

The CEFC expects to provide either debt and/or equity finance to eligible larger-scale commercial and industrial projects through the Fund – typically requiring \$10 million or more of CEFC debt or equity capital.

CLEAN ENERGY INNOVATION FUND

The Clean Energy Innovation Fund, which was created to invest \$200 million in CEFC capital in early-stage clean technology companies, is the largest, dedicated cleantech investor in Australia.

The Fund invests in companies with experienced and capable management teams, a competitive edge in technology and innovation, and the potential for both domestic and global market application of their technologies.

These companies demonstrate the strength of Australian innovation in the clean energy transition, and are pursuing diverse opportunities ranging from mobility and smart cities, agriculture, the circular economy and industry, and many others.

CLEAN ENERGY AND ASSET FINANCE

The CEFC supports Australian businesses, manufacturers, households and the farming sector to take advantage of the latest clean energy

GROUND-BREAKING CEFC INVESTMENTS

- Investment in West Australian Sulphate of Potash (SOP) production to help build a world-leading, low-emissions fertiliser industry while supporting significant carbon abatement in the agricultural sector.
- Investment in the Pilbara Minerals Lithium-Tantalum Project (Pilgangoora), to help build Australia's capacity to supply much-needed resources for the clean energy technologies that will play a vital role in increasing the use of renewables in the future energy mix.
- A cornerstone investment in a BNP Paribas green bond, linked to the new forward-looking Australian Climate Transition Index (ACT Index) to identify companies likely to perform well in a world undergoing a 2°C transition and to continue to play a part of the Australian economy in a 2°C future.
- Increased investment in cleaner, greener homes, with investment in the Bank Australia Clean Energy Home Loan to spearhead the construction of market-leading, energy efficient housing, and energy efficient upgrades to existing homes.
- Investment in Australia's second large-scale, energy-from-waste (EfW) plant, being built at East Rockingham in Western Australia. When complete, the facility will process some 300,000 tonnes of residual waste per year, reducing annual emissions by more than 300,000 tonnes of CO₂-e, the equivalent of taking about 64,000 cars off the road.

technologies to accelerate their transition to a low emission, sustainable future.

Through its tailored asset finance programs, the CEFC has delivered more than \$1.27 billion to some 18,000 smaller-scale clean energy projects Australia-wide.

Eligible projects range from small-scale rooftop solar and battery storage, to energy efficient manufacturing and farm equipment, as well as improved building insulation, heating and cooling, demand management systems and low emission vehicles.

CEFC 2019-20 INVESTMENT HIGHLIGHTS

- New CEFC investment commitments of more than \$1 billion, supporting 23 clean energy investments with a combined value of \$4.2 billion in the year to 30 June 2020.
- CEFC finance extended to new areas of the economy, delivering Australia's first dedicated green bond fund, the CEFC's first green home loan, and a material uplift in the capacity of Australia's largest battery in South Australia.
- New investment commitments of just over \$13 million in three cleantech innovators, as well as increased investment of \$3.4 million in a further two Innovation Fund portfolio companies to accelerate their growth.
- More than \$187 million in CEFC wholesale finance to support ~6,700 smaller-scale investments in clean energy projects, including in agribusiness, property and transport.
- New investment commitments in 2019-20 targeting more than one million tonnes of carbon abatement annually.
- Continued strong financial performance despite the challenging economic environment, with almost \$942 million in CEFC finance recycled through repayments, sales and redemptions over the year, to be available for further investment by the CEFC.

CEFC and Total Eren's Kiamal Solar Farm in Victoria

