



Australian Government



CEFC Investment Policies

September 2024

The CEFC is a corporate Commonwealth entity established by the Australian Government under the *Clean Energy Finance Corporation Act 2012* (CEFC Act).

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This document sets out the Clean Energy Finance Corporation Investment Policies for the purposes of Section 68 (*Investment policies*) of the CEFC Act. A copy of these policies is available on the CEFC website: www.cefc.com.au (in accordance with Section 68(3) of the CEFC Act).

1. Introduction

The Clean Energy Finance Corporation (the 'CEFC' or the 'Corporation') exists to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets.

We invest in accordance with our governing legislation, the *Clean Energy Finance Corporation Act 2012* (CEFC Act) and the *Clean Energy Finance Corporation Investment Mandate Direction 2023* (Investment Mandate).

We are a corporate Commonwealth entity under the governance regime of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and governed by an independent Board (the Accountable authority under the PGPA Act). The Board reports to the Australian Parliament through its responsible Ministers.

As a specialist investor our role is to collaborate with investors, innovators and industry leaders to spur substantial investment where it will have the greatest impact. This requires deep sector experience, investment expertise and portfolio strength.

In operating within the parameters of the CEFC Act and Investment Mandate, we anticipate and respond to the environment and market conditions in which we operate.

This means maintaining the flexibility to reduce our investment activity and/or our risk appetite where CEFC support is not required and focusing our investment activity and/or our risk appetite to fill market gaps where the private sector is less active.

We also play an important role in supporting the energy system transition, in particular through the Rewiring the Nation (RTN) Fund, working with governments, industry, regulators, project sponsors, businesses and private sector financiers to provide the finance required.

We seek to achieve our objectives through the prudent application of capital in accordance with the CEFC Act, the Investment Mandate, the Investment Policies set out in this document and other supporting internal policies, procedures and guidelines.

We adopt an investment approach consistent with the Investment Mandate for the General Portfolio, the Rewiring the Nation Fund and for each Specialised Investment Fund (collectively, the Investment Portfolios). This includes identifying and managing risks inherent in our investments and across our organisation.

Our investment activities are directed towards achieving the policy purpose, maintaining the risk profile of the Investment Portfolios and delivering the respective benchmark returns as established by the Investment Mandate. We can provide concessional finance and provide longer tenor where our policy objectives justify this.

The CEFC Investment Policies reflect the priorities set out in the Investment Mandate and the requirements under the CEFC Act and include:

- Investing in businesses or projects for the development, commercialisation or deployment of clean energy technologies
- Investing in businesses that supply goods or services needed to develop or commercialise clean energy technologies
- Supporting activities and projects that may not otherwise proceed or bring forward these activities or projects
- Delivering positive externalities and public policy outcomes from our investments
- The commercial imperatives of the CEFC, including building and maintaining investment diversification
- The requirement to target the benchmark rate of return relevant to the particular portfolio or fund
- Environmental and social impact considerations
- Acting commercially yet taking risks where other financiers and investors are reluctant
- Opportunities for the provision of local employment.

2. Purpose of this document

Section 68(1) (*Investment policies*) of the CEFC Act states:

The Board must formulate written policies to be complied with by the Corporation in relation to the following matters:

- (a) The investment strategy of the Corporation
- (b) Benchmarks and standards for assessing the performance of the Corporation's investments and of the Corporation itself
- (c) Risk management for the Corporation's investments and for the Corporation itself
- (d) A matter specified in the regulations

These Investment Policies should be read in conjunction with the Corporate Plan and the Annual Performance Statements that set out investment strategies, performance targets and achieved performance each year.

The Investment Policies are subject to periodic review by the Board and are also subject to review after any change to the Investment Mandate (in accordance with Sections 68(5) and 68(6) of the CEFC Act respectively). The Board has determined that the Investment Policies should be reviewed at least biennially or more frequently as required.

The Board also reserves its right to change or amend the Investment Policies from time to time.

3. Investment Mandate

Under section 64 of the CEFC Act, the Australian Government may from time to time issue directions (referred to as the Investment Mandate) about the performance of the CEFC investment function.

Pursuant to Section 68(7) of the CEFC Act, the CEFC must comply with these Investment Policies which, in turn, must be consistent with the Investment Mandate.

The Investment Mandate directs the CEFC to perform its investment function to deliver on the object of the CEFC Act, namely, to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets.

This includes:

- (a) Investing in businesses or projects for the development or commercialisation of, or in relation to the use of, clean energy technologies
- (b) Investing in businesses that supply goods or services needed to develop or commercialise, or needed for use in, clean energy technologies
- (c) Giving guarantees in accordance with Section 69 of the CEFC Act

The facilitation of the object includes supporting activities and projects that may not otherwise proceed or bringing forward these activities or projects. The investments covered by paragraph (b) have particular importance for supporting resilient clean energy supply chains and enhancing sovereign capacity to deliver on both short and long term emissions reduction targets.

The Investment Mandate further tasks the Board with delivering on the CEFC's purpose through the establishment and operation of the:

- 1. General Portfolio
- 2. Rewiring the Nation Fund
- 3. Specialised Investment Funds comprising of:
 - a) Advancing Hydrogen Fund
 - b) Clean Energy Innovation Fund
 - c) Powering Australia Technology Fund
 - d) Household Energy Upgrades Fund

Together with other Commonwealth, State and Territory policies and programs, CEFC's investments will contribute to both Australia's greenhouse gas emissions reduction targets and the target of achieving 82 per cent renewable electricity in Australia's electricity grids by 2030. These investments to facilitate a clean energy economy will also deliver enhanced employment opportunities, particularly in regional Australia.

A link to the Investment Mandate, along with the related Explanatory Statement, can be found on the Federal Register of Legislation:

www.legislation.gov.au.

4. Governance framework

4.1 Introduction

The Board has structured the operations of the CEFC to conduct its investment activities and corporate functions within its legislative framework.

Good governance is critical to the success of the investment function. Producing performance in line with defined investment objectives and benchmarks requires that sufficient time, expertise and organisational capability be applied to support the CEFC decision-making processes. These objectives are best served through the clear identification and separation of responsibilities of the Board and the CEFC Executive Team.

4.2 Roles of the Board and the Executive Team

As set out in the CEFC Act, Investment Mandate, the PGPA Act and as generally accepted in the private sector, the Board has responsibility for overseeing the efficient and effective operation of the CEFC. This includes prudent oversight and governance of investment decision making processes and risk management.

Under Sections 79 (*Delegation by Board*) and 80 (*Delegation and sub delegation by CEO*) of the CEFC Act, the Board may delegate some of its powers to the CEO or individual Board members. The CEO may in-turn further delegate to senior members of staff.

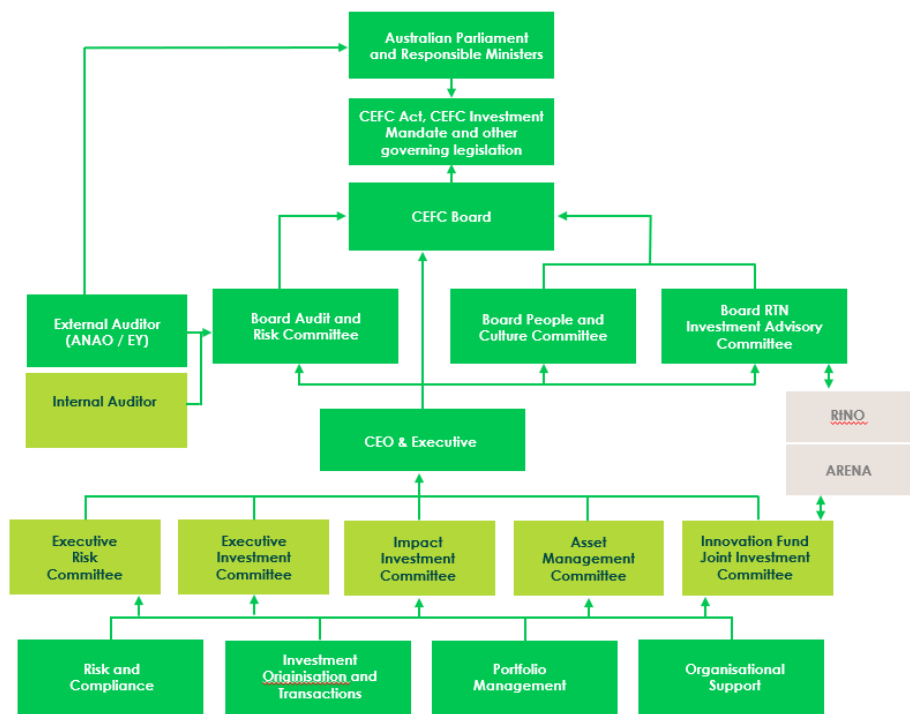
The Board has established committees to advise or assist in the performance of its or the Corporation's functions (under Section 43 - *Committees*) of the CEFC Act. Separately, in managing the Rewiring the Nation Fund, the Board may seek and consider the advice of the Rewiring the Nation Office (RtNO), the Australian Energy Market Operator (AEMO) and/or the Australian Energy Infrastructure Commissioner (AEIC).

The Board has established Investment Delegations that provide conditional authority for the CEO to approve investments that meet specific criteria.

The Executive Team is responsible for assisting the CEO and Board in making investments, conducting reviews and managing day-to-day investment matters.

The governance framework within which the Board and its committees interact with the Executive Team is illustrated in *Figure 1: The CEFC Corporate Governance Framework*.

Figure 1: The CEFC Corporate Governance Framework



4.3 Audit and Risk Committee

The Audit and Risk Committee (ARC) advises and assists the Board on financial governance, financial performance, audit, annual reporting, compliance and risk management. The ARC reviews the performance of the investment portfolio against Board guidelines and limits. Amongst other things, it also maintains oversight of the Anti-Money Laundering and Counter-Terrorism (AML/CTF) compliance program along with the broader compliance and risk management conducted throughout the CEFC.

4.4 RTN Investment Advisory Committee

The RTN Investment Advisory Committee was established by the Board to assist it in performing CEFC's role in the delivery of the Australian Government's RTN policy objectives.

The Committee includes independent representatives and provides an additional level of review and evaluation of the more complex and larger-scale transactions considered for potential investment by the RTN Fund.

The Committee's investment review and evaluation includes assessment of the risks and mitigants of a particular transaction, and whether a proposed transaction aligns with Rewiring the Nation policy objectives, considering matters such as project delivery risk, proposed financing structures and financial modelling and sensitivities. The RTN Investment Advisory Committee aids the decision-making processes of the CEFC in advancing the RTN policy objectives. The RTN Investment Advisory Committee is not an investment decision-making body and the CEFC Board retains overall responsibility for investment decisions, including those related to the Rewiring the Nation Fund.

4.5 Executive Investment Committee

The CEO has established the Executive Investment Committee (EIC) to assess new investment proposals. The EIC is responsible for reviewing investment opportunities and making recommendations to the Board or CEO. It oversees progress of transactions until financial close¹, at which point oversight transfers to the Asset Management Committee (AMC).

¹ 'Financial close' for this purpose occurs when the CEFC has provided funding following satisfaction (or waiver) of all relevant conditions precedent (or as otherwise agreed between EIC and relevant stakeholders).

4.6 Impact Investment Committee

The CEO has established the Impact Investment Committee (IIC) to assess investment proposals related to early-stage companies. These investments form part of the Powering Australia Technology Fund. The IIC provides oversight of relevant IIC investments in relation to investment evaluation, selection and execution, and in so doing, provides support for investment decisions and asset management processes.

4.7 Innovation Fund Joint Investment Committee

The Board and CEO have established the Innovation Fund Joint Investment Committee (JIC) to provide oversight of the Clean Energy Innovation Fund which is managed on behalf of the CEFC by Virescent Ventures (VV), a specialist clean-tech investment manager, partly owned by the CEFC. As well as drawing on the expertise and experience of the CEFC and VV, the JIC also includes as members experts from ARENA and independent industry specialists. The purpose of the JIC is to provide oversight of the Innovation Fund's investment evaluation, selection, execution and portfolio management processes. In so doing, the JIC provides support to the investment review and asset management processes.

4.8 Asset Management Committee

The CEO has established the Asset Management Committee (AMC) to oversee the management of the investment portfolio. The AMC has oversight of the management of all investments post financial close² for an investment that is within the remit of the EIC and contractual close³ for an investment that is within the remit of the IIC, until they are fully repaid or exited. The AMC is responsible for reviewing the performance, including investment risk, of the CEFC portfolio of investments. This involves monitoring the individual investments as well as the performance of the portfolio as a whole against the CEFC Portfolio Diversification Construction Guidelines (Table 3) and Mandatory Portfolio Limits (Table 2). Both the Chief Asset Management Officer and the Chief Risk Officer are members of the EIC and AMC providing continuity of oversight.

² 'Financial close' for this purpose occurs when the CEFC has provided funding following satisfaction (or waiver) of all relevant conditions precedent (or as otherwise agreed between EIC and relevant stakeholders).

³ 'Contractual close' for this purpose occurs when the CEFC has executed binding contractual documentation which commits the CEFC to an investment.

4.9 Executive Risk Committee

The CEO has established the Executive Risk Committee (ERC) to provide executive level guidance and ownership of enterprise-wide risk management. The ERC reviews the system of identification, management and monitoring of risks associated with the CEFC itself, in accordance with the CEFC Risk Management Framework (see part 5 of this document). The ERC supports the Audit and Risk Committee and the Board on matters of enterprise-wide risk management.

4.10 Committee participation with DCCEEW

The CEFC is a founding member of the Department of Climate Change, Energy, the Environment and Waters (DCCEEW) Rewiring the Nation Advisory Committee. This facilitates the Board and Executive team seeking, and taking into account, advice of DCCEEW's Rewiring the Nation Office, the Australian Energy Market Operator and the Australian Energy Infrastructure Commissioner in respect of the CEFC's Rewiring the Nation Fund activities.

5. Risk management

As noted in section 2 (Purpose of this document), Section 68(1)(c) (*Investment policies*) of the CEFC Act requires the Board to formulate written policies with respect to risk management for the Corporation's investments and the CEFC itself.

CEFC Investment Policies embody the investment strategy, benchmarks and standards for assessing performance and investment risk management for the CEFC. The Board has formulated the CEFC appetite for risk addressing investment, regulatory, operational and reputational risks.

The CEFC has established a Risk Management Framework that focuses on six pillars of risk management activity, to provide a holistic approach to risk management on an enterprise basis and across all business disciplines. The six pillars of risk management activity applicable to the CEFC business are:

1. Governance
2. Strategy
3. Risk Analysis
4. Culture and Conduct
5. Controls
6. Assurance

These functional pillars work progressively and collectively to identify and manage risks and thereby reduce the effects of uncertainty on objectives. In combination, these activities, (along with underlying supporting policies and procedures), form the CEFC Risk Management Framework.

As a responsible investor, the CEFC is conscious that return does not come without risk and, furthermore, the level of investment returns should be

commensurate with the risk assumed unless a lower return is explicitly accepted to facilitate specific policy outcomes.

An investment strategy that is too risk-averse would not allow the CEFC to fulfil its statutory objective and public policy purpose. On the other hand, an approach which is too tolerant of investment risk could lead to higher than acceptable capital losses.

Rewiring the Nation Risk Appetite

The exposure of \$19 billion of investment to the electricity sector – with a heavy focus on new build transmission and storage – is an activity with heightened project and concentration risk. The Australian Government has recognised this in providing the CEFC Board with an ability to take elevated risk in the Rewiring the Nation fund, and the elevated risk appetite is expected to be a valuable tool to address the nation's investment needs.

As a public policy investor, the CEFC will seek out the minimum level of risk that allows the policy objective to be achieved. However, higher levels of risk and/or lower returns may be required in order to achieve policy objectives. The specific types and levels of risk taken will be specific to each project. In each case, this will be assessed as required to enable such a project to proceed or overcome unnecessary delays to achieve the objectives of the Rewiring the Nation policy.

The Investment Mandate specifies in relation to Rewiring the Nation Fund that operating with a commercial approach (in the context of the objectives of the Rewiring the Nation policy), the Board must seek to develop a fund that in aggregate has an acceptable level of risk, having regard to the terms of the CEFC Act and the focus on particular areas identified in the Investment Mandate as it applies to the Rewiring the Nation Fund.

The level of risk (including, without limitation, any relevant individual risk and the overall risk level) deemed acceptable by the Board may be higher for the Rewiring the Nation Fund than for the General Portfolio and the Specialised Investment Funds. This reflects the differences in the types of investments (and the associated risks, including, without limitation, concentration risks and regulatory risks) being made for the purposes of the Rewiring the Nation Fund.

Specialised Investment Fund Risk Appetite

In targeting the applicable benchmark return for each of the Advancing Hydrogen Fund, Clean Energy Innovation Fund, Powering Australia Technology Fund and Household Energy Upgrades Fund, operating with commercial approach, the Board must seek to develop a portfolio for each Specialised Investment Fund that in aggregate has an acceptable but not excessive level of risk, having regard to the terms of the CEFC Act and the focus on particular areas identified in Section 16 of the Investment Mandate as it applies to each Specialised Investment Fund.

The level of risk deemed acceptable by the Board may be higher for each Specialised Investment Fund than for the General Portfolio. This reflects the differences in the types of investments being made for the purposes of each Specialised Investment Fund.

6. Investment strategy

6.1 Introduction

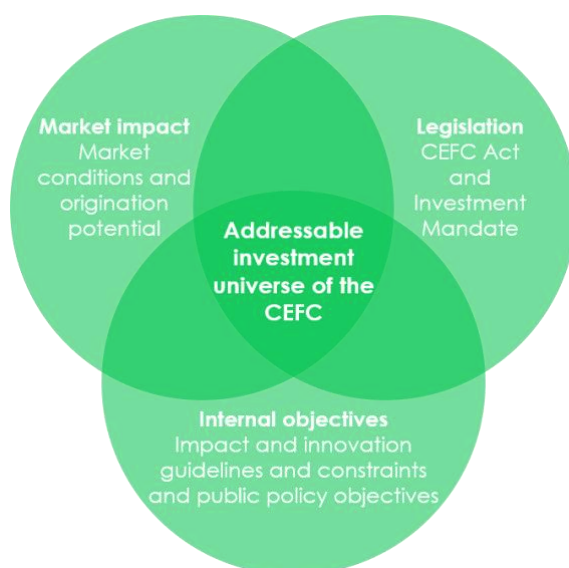
The Board oversees governance of the CEFC investment function which includes oversight of the General Portfolio, the Rewiring the Nation Fund and the Specialised Investment Funds. This includes development of an investment strategy and approach which is consistent with CEFC's obligations under the CEFC Act, the Investment Mandate and typical commercial investment risk management practices. The Board's investment strategy takes a medium to long term outlook.

The universe of potential investments for the CEFC is defined by legislation and regulatory requirements, market demands, the investment objectives applicable to the Investment Portfolios respectively and their respective risk settings. Successfully aligning the investment objectives and principles so that they maximise the CEFC universe of potential investments allows the CEFC the greatest flexibility in achieving its objectives. Refer *Figure 2: CEFC Addressable Investment Universe*.

Section 58(3) (*Investment function*) of the CEFC Act provides that in performing its investment function the CEFC must ensure that, at any time on or after 1 July 2018, at least half of the funds invested at that time for the purposes of its investment function are invested in renewable energy technologies. The balance of funds invested may be directed to other complying investments. The Investment Mandate may also direct the CEFC to include a focus on specific theme(s), for example sectors, technologies or stages of commercial development (as noted in more detail in Section 6.2).

These basic portfolio and fund construction requirements have been extended into a broader set of guidelines, as set out in this document.

Figure 2: CEFC Addressable Investment Universe



6.2 Investment approach and portfolio and fund guidelines

Overview

The CEFC must perform its investment function to deliver on the objective of the CEFC Act, namely, to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets. The Investment Mandate directs this through the establishment of the:

- (a) General Portfolio
- (b) Rewiring the Nation Fund
- (c) Specialised Investment Funds.

These CEFC Investment Policies have been devised reflecting the statutory and legislative requirements of the CEFC. In determining its investment approach, the Board has adopted a commercial investment risk management approach appropriately modified for the policy objectives of the CEFC. As a consequence of such approach, a wide number of factors must be considered prior to making investment decisions. When the CEFC evaluates an opportunity for investment, three broad threshold factors are considered:

1. Complying investment criteria

The CEFC's ability to invest is limited by legislation, which sets out certain criteria that must be met for the opportunity to be a complying investment (for more detail, see Complying Investment and Other Requirements, Part 6.3). In addition to these criteria and the requirement to comply with the Investment Mandate, the CEFC will also consider whether a proposed investment would generate positive externalities and public policy outcomes, such as overcoming market failures, achieving significant emission reductions, market learnings or alleviating financing impediments.

2. Focus Areas

The Board must focus on clean energy technologies and financial products and structures that work to support Australia's greenhouse gas emissions reduction targets. In doing so the Board is strongly encouraged to prioritise investments that:

- (a) Unlock greater penetration of renewable energy and accelerate decarbonisation of Australia's electricity grid, while considering the potential impacts on reliability and security of electricity supply
- (b) Support the deployment of clean energy technologies in Australian industry
- (c) Support the development of clean energy manufacturing and processing capabilities in Australia
- (d) Support technologies and projects to assist Safeguard Mechanism facilities to reduce their emissions, consistent with Australia's national trajectory to net zero and while supporting their international competitiveness
- (e) Support greater uptake of clean energy technology measures in residential dwellings.

In addition to these focus areas, the Board should continue to seek out investments into:

- (f) Clean energy projects and businesses that support delivery of the Government's Reef 2050 Long-Term Sustainability Plan
- (g) Recycling or recycled content projects utilising clean energy technologies, with a particular focus on projects that promote National Waste Policy Action Plan 2019 targets and/or drive the use of recycled content, including waste plastics, paper, glass and tyres.

3. Investment selection criteria

Once eligibility has been established, the CEFC undertakes a thorough evaluation of the commercial merits and relative investment attractiveness of prospective investments. The selection of particular investments is influenced by the anticipated emission reduction outcomes and impacts, the risk profile of the investment and having regard to the risk settings of each Investment Portfolio. The risk profile includes consideration of factors including, but not limited to, financial, ESG and reputational considerations.

4. Portfolio diversification strategy

The tightly defined nature of the CEFC Addressable Investment Universe heightens the risk of concentrated positions within the Investment Portfolios. This risk is managed by defining a series of diversification parameters which are designed to reduce the potential systemic risks posed by concentrated exposures in any single investment, technology, industry, counterparty or geography. Accordingly, consideration is given to the impact that an individual investment will have upon these portfolio concentration parameters (for more detail, see Portfolio Diversification and Risk Management Strategy, Part 6.7). The Board reserves the right to invest selectively, within its discretion, and in accordance with its appetite for risk.

Investment activities are reported in the CEFC Annual Report and Quarterly Investment Reports, which are published on the CEFC website: www.cefc.com.au

General Portfolio

The CEFC seeks to make commercial investments that counter market failures, address financing impediments and help achieve its broader public policy objectives. The Board has established portfolio parameters as part of the risk appetite for the General Portfolio. These parameters provide for heavier weighting towards senior debt securities and loans in the General Portfolio.

The CEFC may invest in businesses and projects that develop, commercialise or use renewable energy, low emissions or energy efficiency technologies. In addition, the CEFC may also invest in businesses that supply goods or services needed to develop or commercialise, or needed for use in, renewable energy, low emissions or energy efficiency technologies.

The Board and Executive Team are cognisant of the fact that, relative to its private sector counterparts, the investment function of the CEFC is focused upon a more narrowly defined and mission critical target market. The limitations of such a tightly defined Addressable Investment Universe constrains the capacity for risk reduction by portfolio diversification. This heightens the requirement for prudent risk management.

The Investment Mandate establishes the factors to be considered when assessing projects for the General Portfolio, which include obligations to:

- (a) Apply commercial rigour
- (b) Have regard to the potential effect of each proposed investment on other market participants.

Rewiring the Nation Fund

Rewiring the Nation is the Australian Government's program to make clean energy more accessible and affordable across Australia. This program is investing \$20 billion to modernise Australia's electricity grid and infrastructure.

In addition to the DCCEEW RtNO, the program is being delivered by three other partners:

- The CEFC is administering this program's finances and has access to \$19 billion of low-cost finance for Rewiring the Nation
- AEMO is providing technical advice for this program
- The AEIC is providing advice to communities who are concerned about energy infrastructure projects.

In addition to the \$19 billion of low-cost finance available to the CEFC, \$1 billion has been allocated to the DCCEEW-administered Rewiring the Nation Special Account. The Special Account will enable DCCEEW to invest in the timely delivery of eligible projects, with investments requiring approval from relevant Ministers. Investments may include complementary equity investments or underwriting and other financing to support delivery.

Investment factors

The Investment Mandate establishes the factors to be considered in assessing projects under the Rewiring the Nation Fund which include:

1. Whether the proposal supports the development or acceleration of an Integrated System Plan ('ISP') project or other electricity transmission project identified by the Board which satisfies or otherwise supports Paragraphs (2) or (3)
2. Whether the proposal supports the development or acceleration of a project required to enhance long duration grid storage, enhance electricity distribution network infrastructure (including distributed energy resources), or enhance electricity grid infrastructure to support a hydrogen hub or offshore electricity project
3. Whether the proposal otherwise serves to reduce the greenhouse gas emissions, or supports or strengthens the security, reliability and affordability, of Australia's electricity grids (including demand management projects)

A key distinction to the CEFC's General Portfolio and the Specialised Investment Funds, the CEFC Board may seek and consider the advice of the RtNO, the AEMO and/or the AEIC. This advice is expected to cover non-financial aspects that will be essential for successful program delivery - such as the ISP itself, state grid-energy system benefits, social licence issues or the priorities of Energy Ministers and the jurisdictions they represent.

In addition, intergovernmental agreements may be reached between the Australian Government and State and Territory counterparts. Where

agreements are considered, the CEFC and RtNO will work closely to provide potential models and structures that would achieve the objectives.

Notwithstanding that, intergovernmental agreements may be informed by and developed in consultation with the CEFC, agreements are not binding on the CEFC Board and do not commit the CEFC to making Rewiring the Nation investments in the specific projects within them. However, when agreements have been informed by the CEFC's analysis, investment proposals within them will carry weight – particularly where aligned with the ISP (or non-National Electricity Market (NEM) equivalent).

The Board must consider opportunities to enhance benefits to electricity consumers from its Rewiring the Nation investments and the renewable energy generation facilitated by those investments.

Specialised Investment Funds

The Investment Mandate identifies four Specialised Investment Funds that have their own focus areas, financial allocation, return and risk settings. These are the Clean Energy Innovation Fund, Advancing Hydrogen Fund, Powering Australia Technology Fund and Household Energy Upgrades Fund.

1. Clean Energy Innovation Fund

The Clean Energy Innovation Fund makes available up to \$200 million for investment in emerging clean energy technology projects and businesses that involve technologies that have passed beyond the research and development stages but are not yet established or of sufficient maturity, size or otherwise commercially ready to attract sufficient private sector investment. The fund works alongside innovators, investors, government and corporates to expand the Australian climate tech industry and help companies flourish.

2. Advancing Hydrogen Fund

The Advancing Hydrogen Fund makes available up to \$300 million in concessional finance to support the growth of a clean, innovative, safe and competitive Australian hydrogen industry. Renewable hydrogen can enable the decarbonisation of difficult-to-abate sectors of our economy, particularly in transport and industry, while accelerating the contribution of renewable energy and contributing to energy efficiency. The Advancing Hydrogen Fund focuses on projects where there is State or Territory Government financial support or policy alignment with the National Hydrogen Strategy.

In considering investment proposals under the Advancing Hydrogen Fund, the Board shall prioritise projects that promote the objectives of the National Hydrogen Strategy and that focus on one or more of the following:

- (a) advancing hydrogen production projects
- (b) developing export and domestic hydrogen supply chains, including hydrogen export industry infrastructure
- (c) establishing hydrogen hubs
- (d) other projects that assist in building domestic demand for hydrogen

3. Powering Australia Technology Fund

The Powering Australia Technology Fund makes available up to \$500 million for investments to support the growth or expansion of clean energy technology projects, businesses and/or entities (of any form including, without limitation, companies and funds) to facilitate the development, commercialisation or take up of clean energy technologies. The fund seeks to facilitate and make investments in early and growth stage businesses, projects and other entities that are developing, commercialising and supporting the deployment of technologies that have the potential to accelerate Australia's transition to net zero emissions by 2050. These may include but are not limited to, investments in companies, projects, funds and other entities across sectors of the economy such as:

- Energy generation, distribution, storage and consumption, including solar, wind and waste to energy, battery storage, low and no-carbon fuels
- The built environment, including energy efficient building materials, modular buildings and building management systems
- Transport and mobility systems, including businesses and business models that accelerate the uptake of electric vehicles and other forms of low emissions mobility
- Sustainable land use and land management technologies, methods and practices.

The Board must aim to leverage at least \$500 million from the private sector across the portfolio of investments made under this fund.

4. Household Energy Upgrades Fund

The Household Energy Upgrades Fund makes available up to \$1 billion for concessional finance to support the private sector to provide concessional loans to incentivise the uptake of clean energy technology measures for residential dwellings. The fund seeks to increase sustainability across the housing sector, including through investment in energy efficiency upgrades, high performing appliances and battery-ready solar PV. This fund must aim to leverage an equal amount of private sector finance across the portfolio.

The Household Energy Upgrades Fund must support clean energy technology measures for existing residential dwellings and knock down rebuild projects that exceed the then current national construction code requirements, prioritising those in lower categories of energy performance. The design eligibility criteria shall exclude high value properties, on the basis that owners are more likely to be in a stronger position to self-finance relevant upgrades and the housing stock is likely to have higher levels of clean energy technology integration.

6.3 Complying investment and other requirements

The legal framework for the CEFC establishes requirements for the exercise of the investment function. Specifically, the CEFC may only make investments that:

- Are directly or indirectly in "clean energy technologies", including businesses that supply goods or services needed to develop or commercialise, or are needed for use in, clean energy technologies
- Are not a "prohibited technology"

- Are “solely or mainly Australian-based”
- Take the form of a “financial asset” (which may include, in limited circumstances, guarantees or derivatives)
- Have developed Australian Industry Participation (‘AIP’) plans (where applicable) recognising the importance of increased sovereign capacity to the deployment of clean energy technologies and resilient clean energy supply chains.

The Corporation must also:

- Consult with the Department of Finance in relation to the application of the Government’s Buy Australian Plan
- where practical, encourage the increased use of local content in the deployment of clean energy technologies.

The Rewiring the Nation Fund and the Specialised Investment Funds have specific additional requirements that are particular to them and the policy intent behind them.

Requirement 1 – Clean energy technologies

Section 59 (*Complying investments*) of the CEFC Act defines “complying investments”. As well as satisfying the other criteria, a complying investment must be a “clean energy technology” and satisfy the requirements of Section 60 (*Clean energy technologies*) of the CEFC Act, which in turn specifies three categories of clean energy technologies, namely:

1. Renewable energy technologies: Includes (a) hybrid technologies that integrate renewable energy technologies; and (b) technologies (including enabling technologies) that are related to renewable energy technologies.
2. Energy efficiency technologies: Includes technologies (including enabling technologies) that are related to energy conservation technologies or demand management technologies.
3. Low emission technologies: The Board has established guidelines as required by Section 60(5) (*Clean energy technologies*) of the CEFC Act setting out the matters to which it will have regard in satisfying itself that a technology is a low emission technology.

Requirement 2 – Prohibited technologies

Irrespective of whether a particular technology is a clean energy technology, as defined in the CEFC Act, if it falls into one of the categories prohibited under Section 62 (*Prohibited technology*) of the CEFC Act it is ineligible for CEFC investment. Prohibited technologies are:

1. technology for carbon capture and storage (within the meaning of the National Greenhouse and Energy Reporting Act 2007)
2. nuclear technology
3. nuclear power.

Requirement 3 – Solely or mainly Australian-based

Investments made by the CEFC must be solely or mainly Australian-based. Section 61(2) (*Australian-based investments*) of the CEFC Act specifies that the Board must make guidelines setting out the circumstances, conditions

or other matters to which the Board will have in regard to satisfying itself that an investment is solely or mainly Australian based. The Board has issued guidelines as required by the CEFC Act to assist in determining if an investment is “solely or mainly Australian-based”. These guidelines are published on the CEFC website: www.cefc.com.au (in accordance with Section 61(4) of the CEFC Act).

Requirement 4 – Financial assets

Where the CEFC invests directly, that investment can only be in Financial Assets. The term “Financial Assets” is defined under Sections 4 (*Definitions*) and 63(2) (*Financial assets*) in the CEFC Act and is drawn from the Australian System of Government Finance Statistics: Concepts, Sources and Methods (as updated from time to time).

The CEFC cannot directly acquire physical assets, such as property or any type of fixed asset. Within the context of financial assets, the CEFC generally seeks to avoid acquiring a controlling interest in an operating entity. As a corporate Commonwealth entity, special rules apply that regulate the formation of subsidiaries under the CEFC and PGPA Acts. See *Figure 3: Financial Assets*, sets out a summary of relevant elements.

Figure 3: Financial Assets

Assets are defined in the **Australian System of Government Finance Statistics: Concepts, Sources and Methods** as instruments or entities over which ownership rights are enforced by institutional units and from which economic benefits may be derived by holding them, or using them, over a period of time.

Financial Assets are assets that are in the form of financial claims on other economic units (for example, cash and deposits; investments, loans and placements; accounts receivable; advances outstanding and equity).

All other assets are described as non-financial assets and include fixed assets (that is, real estate and buildings), inventories, valuables (for example, works of art) and non-produced assets (for example, natural forests and mineral reserves).

Note also that Section 4 (*Definitions*) of the CEFC Act defines an asset as real or personal property, a legal or equitable right in the same, or any other legal or equitable right.

Requirement 5 – Guarantees

Section 69 (*Guarantees*) of the CEFC Act limits the use of guarantees as part of CEFC investment activities. The CEFC may only provide a guarantee for repayment of a loan where that loan would be a complying investment under the CEFC Act, and that guarantee is consistent with these Investment Policies.

The Investment Mandate imposes further restrictions on the use of guarantees by the CEFC. Except in relation to the Rewiring the Nation Fund, the Board must avoid the use of guarantees where possible and ensure that all guarantees are limited and quantifiable.

Requirement 6 – Derivatives

The CEFC is not permitted to acquire derivatives for the purpose of speculation or leverage, per the limits set out in Section 70 (*Derivatives*) of the CEFC Act. However, the CEFC may acquire a derivative to:

- Protect the value or returns of an investment
- Achieve indirect exposure to financial assets for a purpose in connection with the CEFC investment function
- For transactional efficiency for a purpose in connection with the CEFC investment function.

The CEFC has not been established for the purpose of speculating on tradable financial market instruments or commodities, nor to absorb such risks on behalf of counterparties.

6.4 Investment instruments

The CEFC may invest across the capital structure in publicly traded or privately held instruments, including and without limitation:

- Senior debt
- Subordinated debt
- Preferred equity/convertible debt
- Common equity
- Interests in Pooled Investment Schemes, Trusts and Partnerships
- Net profits interests, royalty interests, and entitlements to volumetric production payments.

This capacity is limited under the Investment Mandate as follows:

- For concessional loans, except in relation to the Rewiring the Nation Fund and the Household Energy Upgrades Fund, by a portfolio limit of \$300 million in net present value terms per annum.
- For guarantees, except in relation to the Rewiring the Nation Fund, by a portfolio limit of 5 per cent of the total amount credited to the Special Account under Section 46 (*Credits to the Account*) of the CEFC Act.

6.5 Investment screening and selection

Upon establishing complying investment status, the CEFC is required to apply a commercially rigorous approach in the evaluation of a prospective investment. The investment approach and level of risk deemed acceptable is informed by the risk settings and objectives of the portfolio and funds as set out in the Investment Mandate.

Screening of investments is focused on identifying the value drivers expected to generate a positive financial return for each investment. Depending on the type of investment, this may include identifying and assessing the future cashflows expected to service debt or the potential growth in a business that could increase the value of an equity investment. Individual investment prospects are initially screened against a number of risk parameters and financial structuring mitigants. The overall process and some key decision factors are set out in *Figure 4: Investment Screening Process*.

The CEFC employs a structured approach to risk screening where a core set of risks that are universally applicable to investment activities are identified and considered at a threshold level. Strength of management or sponsorship, financial flexibility, operating margins and industry competitiveness are often relevant key factors for the consideration of any investment. There is also frequently a more detailed set of risk factors which will vary across individual sectors (for example, renewable energy versus energy efficiency) as well as within sectors (for example, wind versus solar) and across individual investment proposals (for example, conservative versus leveraged capital structures).

In seeking to advance an individual investment proposal through its various stages of assessment, the focus of the CEFC is, firstly, upon identifying unique and generic critical risk factors and, secondly, upon ensuring they can be adequately addressed through due diligence or investment structuring. If the key risks cannot be addressed to the satisfaction of the CEFC, the investment will not proceed.

Figure 4: Investment screening process

Investment risk screening	Screen and prioritise specific areas of focus	Detailed analysis evaluation
<ul style="list-style-type: none"> – Technology – Operational – Regulatory – Credit – Counterparty – Refinancing – Market impact – Earnings stability – Liquidity – Co-financier involvement – ESG factors 	<p>General portfolio</p> <ul style="list-style-type: none"> – Investments that unlock greater penetration of renewable energy and accelerate decarbonisation of Australia's electricity grid while considering reliability and security of electricity supply. – Investments that support the deployment of clean energy technologies in Australian industry and the development of clean energy manufacturing and processing in Australia. – Investments in technologies and projects to assist Safeguard Mechanism facilities to reduce their emissions. – Investments that support greater uptake of clean energy technology measures in residential dwellings. <p>Specialised Investment Funds</p> <ul style="list-style-type: none"> – Investments in emerging clean energy technology projects and businesses that have passed beyond the Research and Development stages (Clean Energy Innovation Fund) – Investments that support the growth of clean, innovative, safe and competitive Australian hydrogen industry (Advancing Hydrogen Fund) – Investments that support the growth or expansion of clean energy technology projects, businesses and/or entities to facilitate the development, commercialisation or take up of clean energy technologies (Powering Australia Technology Fund) – Investments that support the private sector to provide loans to incentivise the uptake of clean energy technology measures in for residential dwellings (Household Energy Upgrades Fund) <p>Rewiring the Nation</p> <ul style="list-style-type: none"> – Proposal supports the development or acceleration of an Integrated System Plan project or other electricity transmission project. – Proposal supports the development or acceleration of a project required to enhance long duration grid storage, enhance electricity distribution network infrastructure (including distributed energy resources), or enhance electricity grid infrastructure to support a hydrogen hub or offshore electricity project. – Whether the proposal otherwise serves to reduce the greenhouse gas emissions, or supports or strengthens the security, reliability and affordability, of Australia's electricity grids (including demand management projects). 	<p>Public policy benefits</p> <ul style="list-style-type: none"> – Emissions reduction, environmental benefits (including waste reduction) – Private sector leverage and investor base expansion – Technology expansion and development – Innovation in finance and/or market delivery models <p>Financial return</p> <ul style="list-style-type: none"> – Margin – Fees – Concessionality <p>Financial structuring considerations</p> <ul style="list-style-type: none"> – Capital structure – Term – Leverage – Counterparty guarantees – Collateral security <p>Portfolio impacts and benchmark return</p> <ul style="list-style-type: none"> – Portfolio diversification – Target of return set in the Investment Mandate

Investment risk screening

The CEFC is exposed to counterparty risk when extending finance to other parties. There is the macro risk that any business may fail or default on its payment obligations. At the portfolio levels, diversification and concentration guidelines are applied to asset, entity, technologies and industry exposures within the relevant portfolios.

The CEFC is also indirectly exposed to market risk and, most commonly, energy market risk associated with a general fall in prices of energy and in particular, a fall in realised (as compared to expected) prices for electricity. Such price changes may adversely impact the returns of the asset and ultimately a borrower's ability to make repayments in accordance with a loan facility or expected return from an equity investment.

Technology risk is another risk the CEFC becomes exposed to and is defined as the risk of losses arising due to technology not operating as effectively as predicted which may arise from design, engineering and/or implementation issues. Renewable energy, energy efficiency and low emissions technologies all present varying degrees of technological risk depending on the nature of the technology under consideration, the nature of the technology's application in the subject investments, the technology's stage of development along the innovation chain, and the nature and pace of innovation in competing technologies.

Each individual investment will carry its own risks for underperformance (for example, delays in construction or installation). Technology risk can also be impacted by regulatory risk associated with the use of the particular technology. Assessment, analysis and mitigation for technology risk is a key component of the CEFC investment risk analysis process.

Key risks are assessed by conducting technical due diligence and integrating those findings and outcomes with financial analysis and modelling. Critical considerations for CEFC technical due diligence include the historical data on the reliability of the technology, the assessed suitability of the technology for the purpose and location, the degree of customisation required, levels of testing undertaken, and the confidence levels expressed regarding the expected performance of the technology.

Due diligence and financial modelling analysis of the business case, along with assessments of other key investment risks, are used to determine appropriate investment structures, financial covenants, and the required legal undertakings from the investee. This is designed to enhance and protect the CEFC position.

Specific focus areas under the Investment Mandate

The Investment Mandate directs the CEFC to include a focus on specific themes, technologies and sectors (for more detail, see Other Requirements, Part 6.8).

Detailed analysis, including financial structuring

The CEFC adopts a sector-specific approach to financial structuring that recognises the differences in the types of investment from one sector to another. Financial analysis and structuring are designed to increase the likelihood of realising the expected financial return and to help mitigate downside exposure when investments underperform.

Public policy outcomes

CEFC investments are intended to generate positive public policy outcomes which are at the core of the CEFC purpose. Leveraging and mobilising private sector capital will, over time, have a cumulative impact across the economy and positively impact emissions reduction in Australia.

Positive public policy outcomes result from technologies moving faster along the innovation chain and down the cost curve and from a greater degree of familiarity and acceptance in conventional financing markets. They also flow from improvements in technology design, supply chain depth, construction practices, operating skills, financing structures and market risk appetite.

Public policy benefits that are considered and taken into account in evaluating investment opportunities are set out within the CEFC Environmental, Social and Governance (ESG) Policy.

6.6 Investment approach

The following considerations guide the investment and risk management approach of the CEFC:

- Recognition of the inherent uncertainty in investment markets and the encouragement of an approach of continual sceptical enquiry
- Consistent with the obligation to deliver on the objective, the Board must have regard to positive externalities and public policy outcomes for all investments
- The CEFC Act, with its dedicated special appropriation and Investment Mandate, allows an investment approach different from that of private sector commercial banks or investment funds, noting such an approach must be pursued with a high degree of prudence and analytical rigour
- Quantitative and qualitative assessment of risk factors are important when considering potential investments
- There must be an appropriate understanding of the prevailing macro-environment and its potential impact on the portfolio or funds or individual investments.

The following principles guide the CEFC approach to developing opportunities for investment:

- The role of the CEFC is to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets
- A flexible and diversified approach to asset allocation and investment selection as appropriate within the requirements of the CEFC Act and

the Investment Mandate, including the focus areas and portfolios specified in the Investment Mandate

- For the General Portfolio, a broadly diversified allocation across individual assets and sectors in order to produce more stable expected risk-adjusted returns and a consistent achievement of objectives
- The role of the CEFC is to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets
- As a matter of policy, the CEFC may be the sole investor of a proposed clean energy investment if this is important in the context of the energy transition, and it is aligned with the Investment Mandate
- Adopting a commercial approach means assessing investments on a case-by-case basis, with a view to providing funds on as close to market terms as possible so a project can proceed in a timely manner or to achieve the required public policy outcomes specified in the Mandate
- The CEFC considers public policy benefits, including the priorities set out in the Investment Mandate, in making investment decisions and in determining when it is appropriate to provide concessional finance.

Concessional

A concessional loan is a loan made on more favourable terms than the specific borrower could obtain in the market, and is one means by which the cost of the transition can be offered on more favourable terms.

Concessional elements of a loan may include a number of non-market characteristics that result in benefit to the borrower and could occur via alternate risk positions, finance costs or loan tenors, etc. CEFC will use these tools at its discretion to enable projects to proceed by overcoming financing barriers.

Concessional is the difference between the loan's nominal value at the concessional rate and fair value at the market rate of finance on equivalent terms (or where no market rate is available – an assumed market rate), calculated by reference to a discounting of all future cash receipts. Concession therefore represents the opportunity cost that the CEFC has forgone by providing the loan on more favourable terms than the market would otherwise have provided.

The amount of concessional to be provided is determined by CEFC and is that amount required in order to enable each specific project to proceed or be bundled to achieve the objectives, or to be directly passed on, to reduce the cost to consumers. As such, the amount of concession required will be specific to each project.

Rewiring the Nation

Rewiring the Nation objectives include delivery of the energy transition without unnecessary delay and a lowering of cost to consumers, particularly households and businesses in remote, rural and metropolitan areas. Concessional finance can help to achieve the objectives.

The CEFC Board is required to consider opportunities to enhance benefits to electricity consumers from its Rewiring the Nation investments and the renewable energy generation facilitated by those investments.

Accordingly, Rewiring the Nation expects to use concessionality as a means to pass benefits through to consumers.

Rewiring the Nation is expected to involve deeper concessionality than has been observed in the historical portfolio of CEFC investments and a greater quantity of concessionality overall, so the advice above is even more important in the context of this \$20 billion financing program. There will be large (non-cash) accounting losses recorded in early periods with concessional charges recorded in full at the time of commitment. CEFC, in its reporting, has historically ensured that accounting charges for concessional losses are appropriately distinguished from actual credit performance of loans.

Household Energy Upgrades Fund

All investments made under the Household Energy Upgrades Fund may deploy the amount of concessionality it deems required in order to provide concessional loans to incentivise uptake of clean energy technology measures for residential dwellings. CEFC will only apply concessionality in line with the risk and return settings and to optimise impact in line with the Government's objectives for the Household Energy Upgrades Fund.

Investment and Consumer Benefit

Rewiring the Nation investments are expected to include debt, equity or hybrids to ensure delivery of projects needed to support the electricity transformation in the long-term interests of electricity consumers consistent with the NEM objective. There are four primary ways Rewiring the Nation may be used to apply downward pressure on retail electricity prices:

1. **Solving** – Where financing arrangements have proven intractable under existing arrangements, Rewiring the Nation can work creatively to solve for gaps in the capital structure in order to enable the transaction to close and construction to proceed.
2. **Elimination of unnecessary delay** - Grid investment brings benefits to the system by enabling more low emissions, low cost generation to connect to the system prior to market exits - which will help to suppress prices. Rewiring the Nation's participation will (a) unlock a known or estimable amount of new generation, and (b) eliminate unnecessary delays, therefore bringing forward the assessed market, emissions and consumer benefits. Overcoming unnecessary delay may necessitate earlier and greater use of concessionality by Rewiring the Nation to stimulate earlier investment decisions (as opposed to linear deployment over the program life).
3. **Bundling of projects** - can deliver efficiencies of scale through equipment procurement and construction contracting, and act to enable timely delivery of projects. This is particularly relevant in the current global economic environment where global supply chains have been severely tested by unprecedented global demand for decarbonisation and geopolitical concerns around energy security. There are also cost and social benefits in optimising deployment of workers to projects that are built sequentially.
4. **Direct pass through** – Rewiring the Nation could use concessionality for projects on the basis that the lower cost of finance is verifiably passed through to the consumer as a part of the investment contract. This is a known amount that can be measured in dollar terms.

AEMO's 2022 ISP findings indicate that the greatest downward pressure on future electricity prices (all investments in delivered prices) will be best achieved by reducing undue delays to Australia's transmission delivery along with the rapid development of system, including transmission assets that connect new renewable energy resources, firming infrastructure and orchestration of consumer energy resources, will enable the energy transformation towards net zero emissions that will most efficiently achieve the objectives. The electricity sector is a key enabler of Australia's economy, and these investments will underpin an electricity system that continues to provide reliability and security, help meet regional and national climate targets, and contribute significantly to regional jobs and economic growth.

Investment selection and approval process

The investment selection and approval process is designed for gating and screening investments to ensure that there are multiple "checkpoints" for risk before a given investment proposal is approved. The progression of the investment may be paused while additional due diligence or market specific research is undertaken.

The typical investment selection and approval process is set out in *Figure 5: Investment selection and approval process*.

It involves three phases of assessment of opportunities, including complying investment analysis. A given opportunity typically passes each stage before it advances to the next.

The Board is kept informed of investment opportunities as they progress through all phases.

Figure 5: Investment selection and approval process



Assessment process

Phase 1 of the assessment process involves a high-level screening of investment opportunities and focuses on a number of key considerations:

- How does the opportunity fit within CEFC investment objectives and on what basis was complying investment status determined?
- Does the investment contribute to any focus areas in the Investment Mandate?
- Why is the involvement of the CEFC requested?
- What financial market impediments is the transaction addressing?
- How attractive of an economic proposition is the transaction?
- Who is the primary sponsor or proponent and what is their track record of success?
- Does a co-financier support the opportunity?
- What additional key elements to completion remain, even with CEFC involvement?
- Will the investment include public policy benefits?
- Are there any initial exclusion list or Reputational Risk concerns especially with regards to CEFC's ESG Policy?

Phase 2 requires a more detailed screening of the opportunity and, for debt investments, the assignment of a shadow credit rating. A risk capital value is also assigned to both debt and equity investments.

Within this phase, a broader set of factors are considered as part of identifying and evaluating critical risks to success. These include understanding the execution capability of key transaction counterparties, assessing critical technical and engineering factors, evaluating the appropriateness of the proposed capital structure and considering the contribution of the investment towards meeting the public policy purpose objectives of the CEFC and the focus areas in the Investment Mandate.

This process involves the identification of key risk areas, financial modelling and further external due diligence analysis of technical, legal and financial risks. Within this phase, detailed investment terms and conditions designed to mitigate the key risks are developed in conjunction with project sponsors.

Phase 3 involves a thorough review of external due diligence and the investment contract arrangements pursuant to final approval.

This stage of the investment process focuses on covering off key risks identified in the first two screening phases either through review of appropriate due diligence as scoped out in Phase 2, or further refinement of investment structuring.

The approach to screening described here provides only a general framework for assessment. The key risks specific to and the merit of each individual investment are determined on a case-by-case basis.

Investment decisions are considered in the context of portfolio limits, diversification and concentration guidelines, the public policy objectives of the CEFC Act and the Investment Mandate.

6.7 Portfolio diversification and risk management

The CEFC faces geographical and industry concentration risks, noting the legislative requirement to have at least half of the funds invested in renewable energy technologies. The sector-specific purpose of the CEFC does limit the scope for diversification. For the portfolio and the funds, diversification and concentration guidelines are applied to help manage concentration risk. However, the Board recognises that concentration risk will be necessarily higher in the Rewiring the Nation Fund, given the size of the energy infrastructure projects the Fund was designed to support.

The CEFC Act and the Investment Mandate specifies certain Mandatory Portfolio Limits. These are set out in *Table 2: Mandatory Portfolio Limits*. The Board Portfolio Diversification and Construction Guidelines are set out in *Table 3: Board Portfolio Diversification and Construction Guidelines*.

The purpose of these guidelines is to:

- Achieve the objective of facilitating broad and diversified financial flows throughout Australia to support the growth of renewable energy, low emissions and energy efficiency technologies (including any focus areas specified in the Investment Mandate).
- Operate as part of a risk management strategy directed at minimising the impact on the overall portfolio returns of any potential losses on individual assets due to overweight concentrations or systemic sector risks.

With these objectives in mind, the Board has set concentration guidelines across a number of exposure categories including individual transaction exposures, technology type, industry concentration, state geographies and type of investment security.

Table 1: Mandatory portfolio limits

Measure	Limit
Renewable energy technologies	From 1 July 2018, at least half of the funds invested for the purpose of the investment function are to be invested in renewable energy technologies.
Guarantees	5 per cent of the amount credited to the Clean Energy Finance Corporation Special Account under Section 46 (<i>Credits to the Account</i>) of the CEFC Act, other than guarantees in relation to the Rewiring the Nation Fund.
Concessional loans	The amount of concessionality provided in any one financial year is limited to \$300 million, except in relation to Rewiring the Nation Fund and the Household Energy Upgrades Fund
Exposure to portfolio risk	<p>For the General Portfolio acceptable but not excessive level of risk.</p> <p>For the Rewiring the Nation Fund, the level of risk may be higher than the General Portfolio and the Specialised Investment Funds.</p> <p>For the Specialised Investment Funds, the level of risk may be higher than the General Portfolio.</p>

Table 2: CEFC Portfolio diversification and construction guidelines

General Portfolio Investments	
Capital available	\$9.5 billion
Preferred minimum individual transaction size	\$20 million*
Preferred maximum individual transaction size	\$250 million
Concentration of technology	No more than 40 per cent of the portfolio invested in any single technology

Rewiring the Nation Fund	
Capital available	\$19 billion
Estimated capital allocation	Very Large Projects (\$2.5b or more) ~ \$9b Large Projects (\$1.0 to \$2.5b) ~ \$4b Other Projects (\$1.0b or less) ~ \$6b
Limit on development/early works exposure	Less than 5%

Specialised Investment Funds	
Clean Energy Innovation Fund capital available	\$200 million
Advancing Hydrogen Fund capital available	\$300 million
Powering Australia Technology Fund capital available	\$500 million
Household Energy Upgrades Fund capital available	\$1 billion

**In adopting a commercial approach, the preferred minimum CEFC investment size is \$20 million for direct investments in the General Portfolio in order to maintain transactional efficiencies. However, lower values may be considered where the transaction falls within a focus area under the Investment Mandate and does not apply to investments undertaken in the Specialised Investment Funds. In order to address smaller transactions and the small and medium enterprise (SME) market in an efficient manner, the CEFC preference is to establish pooled financing programs and strategies which leverage the larger market reach of financial intermediaries such as external fund managers and commercial banks.*

6.8 Other requirements

The CEFC Act and Investment Mandate also require the CEFC to:

- Where practical and appropriate, in order to facilitate the Corporation's investment functions, seek to cooperate and collaborate with other Commonwealth entities and any state and territory entities that are also able to support investments in clean energy technologies
- Not act in a way that is likely to cause damage to the Australian Government's reputation
- Have regard to Australian best practice in determining its approach to corporate governance principles
- Develop policies with regard to environmental, social and governance issues and First Nations investment screening procedures. (Refer to the CEFC ESG Policy that is available on the CEFC website: www.cefc.com.au)
- Only invest in projects with an Australian Industry Participation Plan where such plans are required under the Australian Government's AIP Plan policy.

In assessing investments, where practical, take into account that:

- Social licence for the deployment of clean energy technologies is essential to their success
- The provision of local employment opportunities in the delivery of clean energy technologies is a priority for the Australian Government
- Projects in the waste sector should demonstrably adhere to the accepted waste hierarchy policies, to avoid, reduce, reuse and recycle waste
- Bioenergy project should source sustainable feedstocks, including avoiding adverse impacts on native forests.

About the CEFC

The CEFC is an experienced specialist investor with a deep sense of purpose: we're Australia's 'green bank', investing in our transition to net zero emissions by 2050. With access to more than \$30 billion from the Australian Government, we're backing economy-wide decarbonisation, from renewable energy and natural capital to energy efficiency, alternative fuels and low carbon materials. In parallel, we're focused on transforming our energy grid, backing sustainable housing and supporting the growth of our climate tech innovators. We collaborate with co-investors, industry and Government, recognising the urgency of the decarbonisation task. We also invest with commercial rigour, aiming to deliver a positive return across our portfolio.