Clean Energy Finance Corporation Expert Review
Submission: Australian Air Quality Group, December 2011

Although the CEFC is intended to be commercially oriented and to make a positive return on its investments, projects need to be prioritised by the costs and benefits to the community.

As suggested in Question 2 of the 'Request for Submissions' document, there are indeed principles beyond financial viability that should be used to prioritise investments. Other important considerations include the magnitude of the reduction in greenhouse emissions compared to the amount invested, as well as savings in energy costs, the health effects of air pollution and impacts on native forests or biodiversity.

Biomass projects, for example, may have detrimental effects on biodiversity and increase emissions of health-hazardous PM2.5 and PAH (polycyclic aromatic hydrocarbon) pollution. The Commonwealth Government commissioned research to develop a standard methodology to estimate the health costs of air pollution – see "A Methodology for Cost-Benefit Analysis of Ambient Air Pollution Health Impacts", available at: http://www.environment.gov.au/atmosphere/airquality/publications/cost-benefit-analysis.html The costs of pollution should therefore be estimated using the recommended methodology. Any projects involving significant health or biodiversity impacts should not be funded.

Achieving the best possible outcome for available funds

One way of achieving the best possible outcome for available funds can be illustrated using information in the just-released consultation document for Canberra "Weathering the Change". Pathway 2 includes a range of measures to reduce emissions by 9,844 kilotonnes (kt) of CO_2-equivalent. Improving energy efficiency of buildings is projected to reduce emissions by 2,233 kt, with the additional benefit of estimated savings in reduced energy costs of $20 for every kt of reduced emissions. Sustainable transport is projected to reduce emissions by 1,238 kt and sustainable waste by 719 kt. In both cases the reductions in energy costs are substantially greater than the implementation cost.

Implementation of similar schemes for the whole of Australia would result in the greatest reduction in emissions for the least cost. A potential role for the CEFC would be to work with other organisations that would be prepared to determine needs, offer advice, as well as administer and manage the loans. A possible model is Vancouver's 'Greenest City' Home energy loans program - http://vancouver.ca/greenestcity/energyloan/ Parallel scheme would need to address energy efficiency of commercial buildings, sustainable transport and sustainable waste.

To date, the track record for administering Australian Green Loans schemes has been somewhat unfortunate. The problem is not a lack of need, nor lack of major benefits that could be achieved by successfully-implemented schemes, but the need for effective quality control and administration. The CEFC should therefore work with other organisations with expertise to provide the high level of quality control and administration required for successful implementation of viable schemes to generate the desired reductions in energy use and cost savings.

Canberra's proposed energy-saving schemes, together with Vancouver's proposed home energy loans scheme, could serve as role models of how partner organisations (e.g. state and local governments or private partners) could operate such schemes.

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