

29th November 2011

Secretariat
Clean Energy Finance Corporation
Department of the Treasury
Canberra ACT 2601
cefc@treasury.gov.au



Dear Sir/Madam,

Clean Energy Finance Corporation

The Australian Industry Greenhouse Network (AIGN) welcomes the opportunity to respond to the Issues Paper for the Clean Energy Finance Corporation (CEFC).

AIGN is a network of Australian industry associations and businesses that have a serious interest in climate change issues and policies. Its members account for over 90% of Australia's mining, manufacturing and energy transformation emissions, and play a key role in forest sequestration. AIGN member associations and corporations are listed at Attachment A.

1. Objective of the CEFC

The stated objective of the CEFC is:

"...to overcome capital market barriers that hinder the financing commercialisation and deployment of renewable energy, energy efficiency and low emissions technologies." And

"The CEFC will act as a catalyst to private investment which is currently not available and thereby contribute to reducing carbon emissions and cleaner energy." Issues Paper

The key task of the CEFC expert review panel is to clearly define, in the context of a price on greenhouse gas emissions from 1 July 2011 and established energy markets, the market failure in the finance industry that is leading to the claimed economically inefficient levels of private investment in reducing emissions, and in clean energy supply and demand.

This task is not just important for directing the investment strategy of the Corporation itself but, perhaps even more importantly, for providing transparency to the emissions, energy and manufacturing markets that could be influenced whenever the Corporation decides to make an investment. The greater the clarity in the Corporation's place in these markets, the lower the potential for unintended consequences to the majority of private investors.

AIGN recommends that the expert panel adopt, as a guide to defining the market failure to be addressed by the CEFC, the complementarity principles agreed by COAG in December 2008 (see http://www.coag.gov.au/coag_meeting_outcomes/2008-11-29/docs/20081129_complementarity_principles.pdf).

AIGN looks forward to a compelling statement on market failures to be addressed by the CEFC and rigorous evidence of the claimed economically inefficient levels of private investment in reducing emissions, and in clean energy supply and demand.

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2. Scope of the CEFC

An important issue for establishing the scope of the CEFC is the definition of areas into which it will make investments.

Within the context of the market failure to be addressed, AIGN recommends that the CEFC be technology neutral. In this respect, the expert panel should question the exclusion from eligibility of investment in carbon capture and storage technologies — surely, for example, if a commercial case can be made for the manufacture in Australia of a particular technology used in CCS, then this should not be outside the focus of the CEFC.

AIGN suggests that, by adopting a non-prescriptive approach to the technologies and innovations that might be eligible, the CEFC is likely to uncover a broader range of commercial investment opportunities.

3. The market gap and overcoming it

In the context of AIGN's comments above on the objective of the CEFC, it is important for the expert panel to not only identify the market failure but also to be assured that intervention will be beneficial, and that intervention via the CEFC is the appropriate response.

In AIGN's experience (and that of the Productivity Commission), most of the market failures that have been identified for policy intervention over and above an emission price have been to do with information gaps. It is possible that the CEFC may be able to play a role in 'matchmaking' clean energy project proponents with a range of sources of finance. In this way it may be found that no CEFC financing is in fact required for many projects.

4. Other issues

AIGN is concerned that intervention by the CEFC through preferential finance or equity in any market, whether it is the emission, energy or technology manufacture markets, is likely to distort those markets by discriminating among market participants. The CEFC will need to be very clear in how it intends to avoid these inefficient consequences of its intended interventions well before it makes its investments.

In relation to how the CEFC finance works in concert with other government policies intended to achieve the same objectives, we again refer the expert panel to the COAG principles. AIGN would hope that if the CEFC proceeds there are a number of the over 200 government programs and policies identified by the Productivity Commission that could be abolished. If this is not the case, then importantly the CEFC should not add further to the replication that already exists.

AIGN would be pleased to discuss these issues with the expert review panel.

Yours sincerely

Michael Hitchens

Chief Executive Officer

(Note: AIGN makes all its submissions public)



Attachment A: AIGN Membership

Industry Association Members

Australian Aluminium Council
Australian Coal Association
Australian Food and Grocery Council
Australian Forest Products Association
Australian Industry Group
Australian Institute of Petroleum
Australian Petroleum Production and Exploration Association
Cement Industry Federation
Federal Chamber of Automotive Industries
Minerals Council of Australia
National Generator's Forum
Plastics and Chemicals Industries Association

Individual Business Members

Alcoa World Alumina - Australia
Adelaide Brighton Ltd
BlueScope Steel Ltd
BP Australia Limited
Caltex Australia
Cement Australia Pty Ltd
Chevron Australia Pty Ltd
ConocoPhillips Australia
CSR Limited
ExxonMobil Australia Limited
Hydro Aluminium Kurri Kurri Pty Ltd
Incitec Pivot Ltd
Inpex Browse Ltd
International Power GDF-Suez Australia
Leightons Holdings Ltd
Origin Energy Limited
Qenos Pty Ltd
Rio Tinto Australia Limited
Santos Limited
Shell Australia Limited
Stanwell Corporation Limited
Tomago Aluminium Company Pty Ltd
Thiess Pty Ltd
Wesfarmers Limited
Woodside Petroleum Limited
Xstrata Coal Australia Pty Ltd

