JOHN BRENAN

SUBMISSION TO CEFC

RESPONDANT
John Brenan

STATUS OF RESPONDANT
This is an individual response by a person who is a shareholder in Hepburn Wind and also a member of the governing committee for a family philanthropic fund which makes grants to environmental/clean energy projects.

RESPONSE

1. In its investment strategy, CEFC should avoid the temptation of exciting "blue cloud" research or R&D projects. Australia lags most dramatically in applying known technology (both in energy efficiency and energy generation). As German illustrates, huge strides can be made with what we already know – and should be made. The inherent risk of unsuccessful investment is very low, whereas moderate to high risk in inevitable in "blue cloud" projects.

2. It is important that the evaluation criteria used by CEFC for selecting its investments not be narrowly "commercial" in the conventional sense. A large part of our environmental problem now is that important physical and social goods have been excluded from accounting and cost-benefit analyses. Evaluation should also consider the true cost of alternatives (of not acting, or of business-as-usual energy generation).

3. It is important that CEFC include small-scale and start-up projects in its program and not simply focus on large-scale initiatives. Small-scale projects are perfectly capable of meeting the appropriate commercial standards – as Hepburn Wind evidences.

4. CEFC should look to support projects which not only justify themselves in saving energy or in developing clean energy sources, but which have the additional benefit of contributing to understanding, acceptance and involvement in the shift to non-polluting energy sources within the general community. In this way, a virtuous cycle of change can be created.

5. Community-based projects particularly merit support, not only because of (4) above, but because CEFC involvement will make it easier for other venture capital and trustee organisations to contribute. At present the market sets a forbiddingly high threshold for equity investment and effectively relies upon local enthusiasm combined with philanthropy to surmount that barrier.

6. Community-based projects attract and facilitate "mum and dad" small investors who otherwise tend to have no means of investing effectively or directly in clean-energy developments.

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7. Community-based projects also tend to attract a significant proportion of in-kind investment (of expertise, professional time etc). Such investment is as real as financial investment and contributes to commercial success.

8. Smaller-scale clean-energy projects, more than large-scale projects (particularly those which are effectively just upgrades of existing generating capacity) have the virtue of stimulating

new thinking about dispersed/smart networking solutions and this a critical part of making new energy solutions viable.

9. A significant inhibitor of energy investment is State policy. The Victorian State policy on wind generation is only one of several instances. It will therefore be valuable for CEFC to assist the implementation of overall Federal Government policies by highlighting cases where State policy blocks rational investment; and/or fails to mandate sensible action (as with banning incandescent filament lighting where alternatives exist, or as with failing to mandate solar hot water units for all practicable new installations); and/or encourages inefficient or ineffective investment (as with initial photovoltaic schemes).

10. Some other areas of policy and practice at all governmental levels – such as town planning and transport planning – have large indirect or passive energy implications. CEFC can and should contribute to whole-of-government thinking and action in this regard.