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Clean Energy Finance Corporation Expert Review Panel
The Treasury

Submitted by email: cefc@treasury.gov.au

To whom it may concern

Clean Energy Finance Corporation Expert Review

The Council of Capital City Lord Mayors (CCCLM) welcomes the opportunity to provide comments to the Expert Review Panel to supplement the consultation process on the Clean Energy Finance Corporation.

The CCCLM comprises the Lord Mayors of Australia's eight capital cities and the Chief Minister of the ACT. Collectively the cities are implementing a range of initiatives in response to climate change and we appreciate the opportunity to provide our expertise and experience.

Scope of the CEFC

How do you expect the CEFC to facilitate investment?

The CCCLM understands that the CEFC is not intended to compete directly with the private sector in the provision of financing but rather act as a catalyst to private investment which is currently not available. In this capacity, we envisage that the CEFC would enable projects to be delivered that would otherwise not be delivered without an element of CEFC gearing or leverage, in effect accelerating the delivery of these projects.

On the basis of an expected return on investment for projects, we suggest that the CEFC should present financing options on the basis of the application submission. In relation to financing costs it is suggested that the CEFC consider using CPI as the base line (plus risk rating) rather than the money market as a base. This would allow the CEFC to maintain the value of their money, build in a small risk premium as appropriate but still provide cheaper finance to organisations to further promote these initiatives.

Are there principles beyond financial viability that could be used to prioritise investments, such as emissions impact or demonstration affect?

Beyond financial viability other principles which could be used to prioritise investments include:

- quantum and timescale of reduction in greenhouse gas emissions
- cost of carbon abatement for the CEFC element of investment
- demonstration of new technologies or new ways of implementing projects and carbon abatement
- contribution to balancing energy supplies, reducing coal fired spinning reserve and increasing security of supply
- contribution towards reducing peak power that is contributing to the very high network investments and associated charges and electricity bills
- replicability of projects
- new low and zero carbon energy markets e.g. renewable gases from waste for injecting into the natural gas grid pipeline

- stage of the asset management lifecycle to obtain a good return on investment, and
- funding provided by the applicant towards delivery of the project

What are the opportunities for the CEFC to partner with other organisations to deliver its objectives?

The opportunities for the CEFC to partner with other organisations to deliver its objectives should include local government, either directly or indirectly with or through private sector partners.

The market gap and overcoming it

How could the CEFC catalyse the flow of funds from financial institutions?

The CEFC could catalyse the flow of funds from financial institutions by making up the very often relatively small financial shortfall in the economics of a clean energy project to enable the project to happen.

What experiences have firms in the clean energy sector had with trying to obtain finance; have term, cost or availability of funds been the inhibitor?

No comment.

What non-financial factors inhibit clean energy projects?

Non- financial factors that can inhibit implementation of clean energy and energy efficient projects include:

- monopoly of utility providers creating difficulty in implementing new technologies
- lack of availability of clean energy technologies in Australia

The experience of the City of Sydney in implementing decentralised energy (both trigeneration and renewable energy) found the primary non-financial factor to be regulatory and institutional barriers to decentralised energy. The City of Sydney has outlined how these barriers could be addressed in its submission to the Prime Minister's Task Force on Energy Efficiency, borrowing on experience of the removal of similar barriers in the UK.

Special factors that inhibit energy efficiency projects?

Special factors that inhibit energy efficiency projects include:

- mindset or lack of awareness in organisations of the connection between energy/emission savings and cost savings
- expectation of very short simple payback criteria, i.e. less than 1 year
- lack of knowledge or understanding of how larger projects, e.g. precinct scale trigeneration work in terms of their finance written down over longer periods of time, i.e., 15 or 20 years, rather than shorter periods
- lack of resource capacity to develop and implement clean and efficient energy projects on a larger scale
- established practices of not adopting a whole of lifecycle procurement/asset management approach

Other issues

How do you see the CEFC fitting with other government initiatives on clean energy?

The CCCLM sees the CEFC as complementary to other government initiatives on clean energy. Financing of low or zero carbon initiatives "clean energy" and energy efficiency from the clean energy sector complements grant funding as financing options for organisations.

If the carbon price, CEFC and other government initiatives are successful there should be a significant reduction in emissions and increased growth in clean energy projects. Not only will this improve security of supply but it

should also impact on planned network upgrades that are responsible for increasing electricity bills (currently 50% of electricity bills and to rise to 60% by the end of the current 5 year determination period), particularly for peak supplies. This should reduce the amount of planned network investment on poles and wires on a business as usual basis not only in the current 5 year determination period but into the future. The reduction in network investment will benefit all consumers and the economy, through the avoided investment in network upgrades.

Thank you once again for the opportunity to provide comments. This submission was prepared with the kind contributions from the following, who would be pleased to expand upon comments provided in this document.

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Yours sincerely

A handwritten signature in cursive script that reads "Cheryl Thomas".

Cheryl Thomas
EXECUTIVE DIRECTOR