

8 December 2011

Ms Jillian Broadbent  
CEFC Expert Review  
By email: [cefc@treasury.gov.au](mailto:cefc@treasury.gov.au)

Dear Ms Broadbent

**Re: Clean Energy Finance Corporation Expert Review**

The Moreland Energy Foundation Ltd (MEFL) welcomes the opportunity to provide input to this review.

***Summary***

This submission recommends that:

1. CEFC funds be used to invest in appropriate energy efficiency projects targeting the residential and small business sectors
2. Issues of overlap between the Renewable Energy Target and CEFC investment be given further consideration
3. Mechanisms be put in place to ensure distributed community-owned energy projects are able to access CEFC financing
4. Low emissions technologies that are eligible for CEFC financing must meet a maximum emissions intensity measured at the point of use rather than point of generation

***Energy efficiency in residential and small business sectors***

Energy efficiency offers some of the lowest cost greenhouse gas emissions abatement opportunities. Many of these opportunities have not been taken up. In the case of the residential and small business sectors, this is largely due to the high volume, low margin nature of energy efficiency activities, and the long repayment periods where repayment is linked to energy savings (as is the case with energy performance contracting arrangements). As a result, private capital is generally not available to finance these activities.

The CEFC could support residential and small business energy efficiency by providing finance for larger-scale energy efficiency projects on the basis that these projects are low cost but may require long repayment periods.

MEFL has been delivering energy efficiency to households and businesses through a variety of mechanisms, and is developing implementation models for delivery of large-scale retrofitting in the residential and small business sectors which may be suitable for CEFC financing, and would

help unlock the significant potential in these sectors. We would welcome the opportunity to discuss these opportunities further with you.

### ***CEFC and the Renewable Energy Target***

The Renewable Energy Target (RET) is designed as a market mechanism to deliver 20% renewable energy in Australia by 2020. Technologies that have become or will become commercial as a result of the market for Large-scale Renewable Energy Certificates (LRECs) under this scheme do not fit the definition of near-commercial technologies and should not be eligible for Clean Energy Finance Corporation (CEFC) investment.

This does not necessarily mean that CEFC-financed projects should be ineligible to create LRECs. It merely reinforces the importance of ensuring that the CEFC investment approach excludes projects which are able or will become able to attract private finance. This would include large-scale wind farms, which have been and will continue to be independently viable under the RET (despite the current depression in LREC prices, which are expected to recover by 2015).

A broader question exists about whether all CEFC-financed projects should be ineligible to create LRECs. If LRECs are available for CEFC-financed projects, the funds allocated to the CEFC may be seen to be simply reducing the cost of achieving the 20% target, rather than delivering additional reductions to Australia's overall greenhouse gas emissions above the 20% target. However, if LRECs are not available for CEFC-financed projects, CEFC-financed projects including many potential community-owned projects would be placed at a disadvantage to currently commercial projects like large-scale privately owned wind farms, which rely on LRECs to underpin their business case.

One advantage of allowing near-commercial CEFC-financed projects to access LRECs is that many potential projects would be unviable if they are unable to access LRECs, even with favourable CEFC investment. Without these projects, the RET is likely to deliver only a few large-scale energy technologies like big privately owned wind farms. The RET combined with CEFC finance may deliver a more diverse suite of technologies and ownership structures.

This issue requires further consideration.

### ***Distributed energy and community-owned projects***

One type of project that could be prioritised for investment is distributed energy projects, particularly those proposed under a community ownership model.

There is mounting evidence that decentralised energy generation located close to homes and businesses will help improve the efficiency of the energy network and reduce greenhouse gas emissions and energy costs by minimising line losses and reducing or deferring the need for expensive network augmentation.

Community ownership models are a perfect match for decentralised energy projects located within communities. Community ownership models provide the social licence for a project to take place, provide a testing ground for new pre-commercial technologies and have a significant

demonstration value. The Hepburn Wind project is a good example, having sparked an explosion of interest from other communities wanting to take more control of their energy supply.

MEFL has worked with the Moreland City Council to implement a distributed energy project, and has investigated options for the establishment of a community-owned renewable energy project. In both cases significant obstacles have been encountered including the difficulty of obtaining finance for relatively new business models.

The CEFC could help address this obstacle by prioritising community-owned projects on the basis that they build social licence, provide a testing ground for new pre-commercial technologies and have demonstration benefits beyond the direct greenhouse gas abatement per dollar invested.

### ***Eligibility of low emissions technologies***

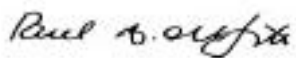
A proportion of the CEFC funds are available to finance 'low emissions' technologies. It is important to ensure that a strict maximum emissions intensity is established for projects eligible for investment under this stream.

The emissions intensity needs to be measured at the point at which the energy is consumed, rather than at the point of generation, in recognition of the significant energy and greenhouse gas savings associated with distributed energy projects.

### ***Further information***

Please do not hesitate to contact Eli Court on 03 9385 8529 or via [eli@mefl.com.au](mailto:eli@mefl.com.au) for further information about any of the issues raised in this submission.

Yours sincerely



Paul Murfitt

CEO