

**Clean Energy**

**Finance Corporation Expert Review**



**SUBMISSION BY  
QANTAS AIRWAYS LIMITED**

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## **Introduction**

The Qantas Group welcomes the establishment of the Clean Energy Finance Corporation (CEFC) to advance the commercialisation and deployment of clean technologies. Qantas supports the use of CEFC to accelerate the introduction of advanced technology and the rapid deployment of emissions reducing technologies in the aviation industry. Qantas believes the CEFC should have a broad ranging mandate to enable it to provide low interest finance to encourage the development of new technologies. Further comments on the key themes of the review are provided below.

## **Scope of the CEFC**

### *Facilitation of Investment*

By offering low interest finance opportunities the CEFC could effectively facilitate investment in clean energy projects and overcome the market gap which exists in the provision of finance.

In bridging the market gap, it may be necessary for CEFC to underwrite projects with investment potential to demonstrate commercial viability and to provide initially a lower risk option for the private sector, including for “first-of-kind” projects.

### *Principles of Investment*

We believe the CEFC would be most effective if its investment guidelines are sufficiently broad to encourage a diverse range of projects. The investment strategy of CEFC can make a significant contribution to the reduction of emissions by enabling projects that might not otherwise be immediately attractive to traditional finance arrangements. Qantas also supports the ability for any individual, organisation or government agency to bid for finance from the CEFC.

Beyond financial viability, we believe that priority should be given to projects that support carbon reduction in industries that cannot viably reduce emissions otherwise. The aviation industry, which has a proven track record of substantial improvements in fuel efficiency, is now at a point where accelerating emission reduction beyond its existing capability will not be possible without support to improve the viability of new projects. Examples include the development of Sustainable Aviation Fuel (SAF) which, in addition to significantly reducing the emissions associated with aviation, can also provide secondary benefits for the Australian economy such as the creation of a new industry that will bring additional job opportunities, investment and skills and stimulate regional economies. The second example is continuing to invest in new technology such as next generation fuel efficient aircraft which provide significant reductions in

greenhouse gas emissions allowing the industry to accelerate the transition to a low carbon economy.

CEFC would benefit from appropriately transparent mechanisms designed to facilitate industry participation in project assessment. This would leverage the considerable knowledge already held by a variety of sectors on the most promising pathways to a low carbon future.

## **The Market Gap and Overcoming It**

### *Non-Financial Inhibitors to Clean Energy Projects*

Qantas believes that the development of a viable, sustainable aviation fuel industry will be heavily reliant upon the establishment of the key supply chain elements such as a reliable and secure supply of suitable the feedstock essential to achieving commercial scale. The provision of low cost financial instruments will greatly increase investor confidence to overcome perceived project risks associated with the development of new supply chains.

Qantas believes mechanisms should be established to ensure projects which are dependent on sovereign loan guarantees are not compromised if such guarantees were to be withdrawn, for reasons other than the commercial or technical viability of the project. In such circumstances, replacement financing may prove unaffordable and/or liquidity could be impaired.

## **Relationship with other Government Initiatives**

The CEFC complements other government initiatives which support investment, such as the Australian Renewable Energy Agency (ARENA). It is important that the CEFC does not encumber or inhibit access to other sources of funding.

Qantas would therefore support the CEFC providing clear guidance for investment, expected return on investment, levels of acceptable planning and the size of likely investments to provide investment certainty for business. Finally, any such guidance would be considerably enhanced by a transparent, time bound and clearly articulated application process for funds that limits administrative burden and keeps applicants well informed of progress throughout the process.