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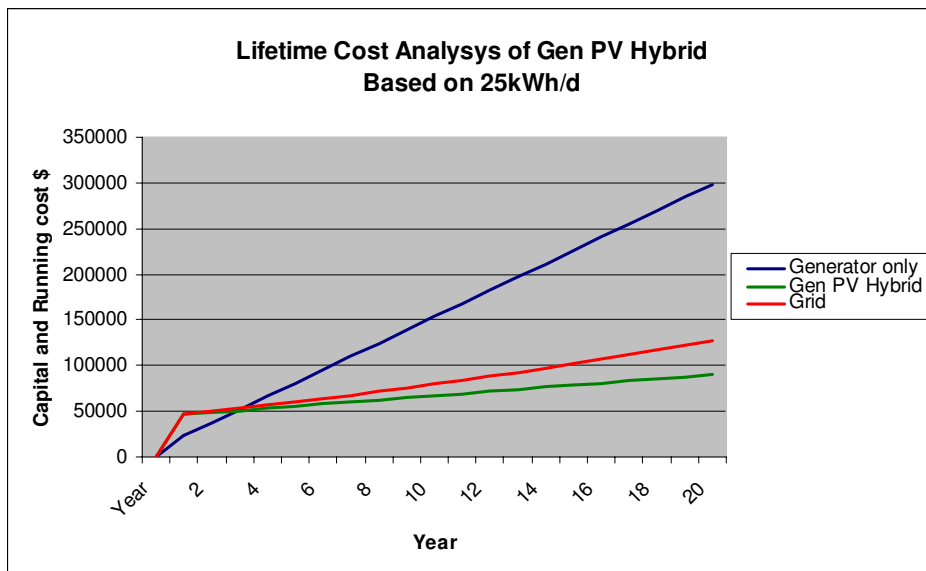
Rainbow Power Companies Submission to the:

CLEAN ENERGY FINANCE CORPORATION EXPERT REVIEW REQUEST FOR SUBMISSIONS

1. How do you expect the CEFC to facilitate investment?

Although renewable energy systems can achieve significant savings over the life of the system due to their low ongoing running costs, the major obstacles to the deployment of renewable energy technologies is their high up front capital costs.

For example, diesel generators are the primary source of electricity in remote areas with little or no access to the grid. Our modelling indicates that renewable energy systems can facilitate significant financial savings over the medium term (5 - 20 years).



The CEFC could facilitate the removal of this obstacle by leveraging its capital to secure low interest loans to customers installing renewable energy systems. Savings from the reduced running costs can be used to pay the CEFC loan back in full.

This process would allow broad and ongoing access to finance for renewable energy projects in Australia.

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

The purpose of the CEFC needs to be carefully considered. If the prime objective of the fund is to reduce greenhouse gas emissions then CO2 reductions should be considered in project selection.

If the CEFC has broader objectives for the promotion of renewable energy like energy security, then other measures should be used as well.

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

In the past Australian renewable energy funding models have promoted a lack of Installer responsibility regarding ongoing system performance. This has promoted a industry that has tendered to promote low cost systems consisting of low quality products. Customers have not had the required skills to assess the long term benefits of installing quality equipment.

The CEFC could address this issue by not only offering finance to end use customers but also to companies that use models where customers pay for the energy produced by RE systems rather than for the system itself.

An example of this would be a renewable energy developer accessing CEFC assisted finance to install a grid interactive system on a customer's premises. A power purchase agreement would be in place between the customer and developer for the purchase of energy created by the system.

This model would require the installer to manage the risks associated with guaranteeing ongoing energy production from the system.

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

Refer to Q1

5. 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?

So far finance for renewable energy systems has been limited to personal loans. During the SHCP Summerland credit union offered bridging finance for customers at home loan rates until the \$8000 federal rebate was paid. Assistance from the CEFC in gaining access for customers to more competitive rates would be a great benefit.

6. What non-financial factors inhibit clean energy projects?

The major obstacle to renewable energy projects has been equitable access to energy markets. Traditionally the Australian Energy Market has been developed around a centralized base load generation model. FIT's have been used to overcome market obstacles to distributed renewable energy and provide a subsidy to develop the industry.

Clearly, Australia is retracting its use of subsidised FIT's. State governments (NSW, SA) have identified that RE should be paid for the value of its exported energy at the wholesale cost of electricity. Other benefits have been identified but it has been claimed that these are difficult to quantify and have therefore been excluded from future RE export prices. It is critical that the Australian energy market is reviewed to identify benefits from distributed renewable energy and find ways of pricing these benefits into the market.

Also direct and indirect fossil fuel subsidies need to be systematically removed from the Australian energy market. These subsidies manipulate the market and promote investment in inefficient generation technologies. The recent example of Cobbora coal mine in NSW demonstrates this point. Coal contracts have been sold to local electricity generators at 1/4 of the current export price. These state government decisions significantly retard the adoption of new generation technologies by artificially reducing the input costs of favoured technologies. This market manipulation perpetuates the need for ongoing subsidies for renewable energy projects to become viable against the subsidised competition.

7. Are there special factors that inhibit energy efficiency projects?

Currently the Australian energy market has only limited price signals that promote energy efficiency and demand management. It is critical that ongoing market reform occurs to develop price signals that these areas bring to deferment of infrastructure investment.

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

Over the past few years it has become increasingly obvious for the need for government harmonisation regarding renewable energy policy. The interaction of the Federal governments RECS multiplier and various State based FIT's lead to unsustainable demand for small scale PV systems in Australia.

After experiencing this boom and bust and observing the waste that occurs when an industry crashes, I encourage the CEFC to work closely with other federal and state institutions to create sustainable policies that provide ongoing support for the industry, rather than short term programs.

In addition, it is important that the CEFC provides assistance to a broad range of renewable energy technologies and project sizes. Funding through the CEFC should be available for both large and small scale projects. Government organizations should not be involved in picking winners with technologies or individual projects but should provide a consistent and stable set of rules that renewable energy business of all sizes can work within.

If you have any further questions regarding this submission, I can be contacted on 0266891430.

Kind Regards

Paul O'Reilly

Director

Rainbow Power company