



Choose Suntech, Choose Australian Technology

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The CEFC Review Panel
The Treasury
Langton Crescent
Parkes ACT 2600

15 December 2011

via email: cefc@treasury.gov.au

Dear Review Panel

RE: Clean Energy Finance Corporation (CEFC) Expert Review Request for Submissions

Suntech Power Australia (Suntech) would like to submit the following information for consideration by the CEFC Expert Review Panel as it enquires into:

- the scope for the operations of the CEFC;
- the market gap in financing low emissions technologies;
- how this gap in financing could be overcome; and
- how the CEFC could work with other government and market organisations.

Suntech has a strong interest in the continuing development of policies and programs that will lower the carbon-intensity of the Australian economy and ensure the ongoing development of a sustainable and viable solar photovoltaic (PV) industry.

Suntech is a manufacturer of solar cells, panels, and building-integrated solar solutions. Our products service the residential, commercial, and utility-scale markets. Suntech acknowledges that the financial assistance provided to the low emissions technology sector, in particular solar PV, has so far lacked consistency and sustainability. The CEFC should be underpinned by stability and transparency in order to support the development of low emissions technologies in the long-term.

Suntech believes in a model for CEFC that will facilitate the increase of renewable energy generation in Australia and provide a consistent, reliable and stable long-term market for solar PV. Suntech appreciates the opportunity to provide input into this process of enquiry.

Sincerely,

Jenny Lu
Regional Manager
Suntech Power Australia



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1 Who is Suntech?

Suntech is a world leader in small-scale solar PV systems. Suntech designs, develops, manufactures and markets a variety of high quality, cost effective and environmentally friendly PV cells and modules for electric power applications in the residential, commercial, industrial and public utility sectors. The company was delighted to open its first office in Australia in December 2007. Headquartered in North Sydney, Suntech Australia has quickly grown to become one of Australia's pre-eminent suppliers of high-quality and cutting-edge solar PV modules.

Suntech has a long-standing affinity with Australia. The company's founder and global CEO, Dr. Shi Zhengrong, is an Australian citizen and developed many of his world-leading solar power technologies during his time working at the University of New South Wales. Suntech is keen to work with policymakers in Australia to develop a robust policy setting that will ensure that solar PV will play a key role in the further development of a strong, viable and sustainable renewable energy industry.

Suntech looks forward to further strengthening its operations in Australia and helping to further develop Australia's fledgling solar power industry, and helping combat the effects of climate change. Below is a brief historical outline of Suntech's development since its establishment in 2001:

- **January 2001:** Established Wuxi Suntech Power Co., Ltd. and commenced business operations in May 2002.
- **August 2005:** Suntech Power Holdings Co., Ltd., or Suntech, was incorporated.
- **December 2005:** Listed on New York Stock Exchange (NYSE), at \$15 per share.
- **July 2006:** Signed a 10-year material contract with MEMC worth \$6 billion USD - ensures Suntech's material supply for the next 10 years.
- **August 2006:** Announced agreement to acquire MSK Corporation, a leading PV module manufacturer and Building-Integrated PV (BIPV) company in Japan.
- **August 2006:** Establishment of Suntech America Inc. and Suntech Shanghai Branch.
- **January 2007:** Suntech Europe established to expand customer base in EMIA regions.
- **May / June 2007:** Announces plans to construct a thin film R&D and manufacturing facility in Shanghai and signature of 10-year polysilicon supply contract with Hoku Materials.
- **February 2008:** Suntech becomes largest producer of PV modules worldwide and third largest producer of PV cells.
- **February 2008:** Opens sales offices in Germany, Spain and South Korea.
- **March 2008:** Suntech invests \$100 million in Nitel Solar to strengthen partnership and support polysilicon plant development.
- **April 2009:** Swinburne University of Technology teams up with Suntech to create next generation of solar PV modules.
- **November 2010:** Suntech acquires 375 MW of Wafer Capacity from a subsidiary of Galaxy

Technology investments.

- **February 2011:** Suntech, in partnership with Zachary Holding, undertakes to construct 150MW (AC) Solar Farm in Arizona, USA.

2 Scope of the CEFC

Suntech recognises that the CEFC will not provide grants, and supports its directive to be a commercially-oriented financing corporation, which will make a positive return on its investment. Suntech advocates the CEFC's investment in businesses and projects in the clean energy sector with the objective of facilitating the flow of funds into the commercialisation and deployment of clean energy technologies, including solar PV.

Suntech has no pre-determined expectation of how the CEFC will facilitate investment. However, we strongly maintain that any investment facilitation or financing process needs to be transparent, quickly assessed and provide industry long-term certainty. Irrespective of which investment facilitation strategy is undertaken by the CEFC, it is essential that it forms the basis of a reliable and long-term strategy. This funding process should *not* involve a lengthy tender/submission process, rather the process should be based upon a pre-determined set of project pre-conditions that are required in order to access the CEFC funding. Once a project achieves these pre-conditions, the process and conditions for the release of funds needs to be clearly stated and rapidly enacted.

A critical factor in the funds being successful will be for them to provide a tenure of 15-25 years. If the government wishes to "recycle" the funds, funding for established projects can be sold at a later date to commercial financiers since the projects will have demonstrated returns, and the financial markets for these renewable projects will have matured.

In achieving its investment objectives, Suntech is supportive of the CEFC forming intelligent partnerships with other organisations on projects and investments. These partnerships should demonstrate tangible value and deliver accountable results.

3 Overcoming the market gap

Suntech recognises that the CEFC does not intend to compete directly with the private sector in the provision of financing to the clean energy sector, and supports the intention of the CEFC to act as a catalyst to private investment that is currently not available for clean energy technologies.

3.1 Complementary Financing

In order to most beneficially catalyse the flow of funds from financial institutions, the CEFC should be permitted to look at complementary financing to reflect the true value of solar PV. For example, solar PV technology should be able to access existing government subsidies provided to other forms of energy

generation, for example, diesel subsidy, network upgrade costs and other fossil fuel generation subsidies. Such methods of complementary financing would greatly enhance the opportunity to catalyse the flow of funds from financial institutions, providing additional funding support and security throughout the investment process.

3.2 Cost Distortion

There are non-financial factors that inhibit clean energy projects, including the distortion of the actual costs of energy generation by the current electricity market. The Government should commission a thorough review of the current market structure, in order to enable distributed energy generation to compete on an equal basis. Distributed energy generation remains the most cost effective way to meet Australia's growing energy demand. However, the funding of distributed energy generation, and the subsequent benefits, are fragmented among many participants. There need to be added incentives within the energy market, for example to utility providers, to investigate alternative solutions for network upgrades that incorporate renewable energy generation as a way to help distribute energy generation across the energy grid.

3.3 Competition

Suntech acknowledges that a key issue with all financing is Power Purchase Agreements (PPAs), the contracts between electricity generators and purchasers. In order to address current market inadequacies, the CEFC needs to encourage competition in the marketplace amongst PPA providers. Currently there is significantly limited competition among PPA providers and as a result there are only limited incentives for retailers and generators to integrate distributed energy generation.

In addition to addressing the limited competition from the providers of PPAs, the CEFC should consider mechanisms that will provide for the creation of longer term PPAs (10-25 years).

4 Other Issues

3.1 Impartiality

Suntech believes that a truly effective CEFC needs to be independent of Government and be objective and impartial in its investment decision-making. The Government must not place itself in a position to select "winners" based on political motivations. The CEFC should establish a funding security process and allow the market to fund the most competitive solutions without interference from Government.

5 Recommendations

1. Suntech recommends that any financing process undertaken by the CEFC needs to be transparent, quickly assessed and provide long-term certainty.

2. Suntech encourages the CEFC to look at complementary financing in order to reflect the true value of renewable energy technologies, including solar PV.
3. Suntech advocates that solar PV should be able to access existing government subsidies provided to other forms of energy generation in order to make funding processes more competitive.
4. Suntech recommends that the Government commission a thorough review of the current electricity market structure, in order to address issues of cost distortion.
5. Suntech supports a model where the CEFC operates independently of Government influence, and establishes a secure funding process whereby the market determines the most competitive funding solutions.
6. Suntech recommends the CEFC seek to encourage competition in the market among PPA providers, in order to incentivise retailers and generators to integrate distributed energy generation.

6 Conclusion

Suntech reiterates that in order for Australia's renewable energy sector, including the solar PV industry, to deliver innovative results, the CEFC's role will be to develop an investment environment that results in certainty and stability, and enables the industry to thrive independently.

Suntech has a strong interest in the continuing development of policies and programs that will lower the carbon-intensity of the Australian economy and ensure the ongoing development of a sustainable and viable solar PV industry. Suntech looks forward to the CEFC providing a consistent, reliable and stable long-term investment market in support of such development.