

Department of Economic Development, Tourism and the Arts

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Dear Sir / Madam

Clean Energy Finance Corporation Expert Review - Request for Submissions

The Tasmanian Department of Economic Development, Tourism and the Arts (department) welcomes the opportunity to provide comment in relation to the design and operation of the Australian Government's Clean Energy Finance Corporation (CEFC).

The stated objective of the CEFC is to overcome capital market barriers that hinder the financing, commercialisation and deployment of renewable energy, energy efficiency and low emissions technologies.

The expert review panel will consult with stakeholders and report to the government by mid-March 2012 with recommendations on the:

- Implementation plan for the establishment of the CEFC
- Investment mandate and risk management approach of the CEFC
- Governance arrangements of the CEFC, including the responsibilities, powers and statutory duties of the Board, Chair and Chief Executive Officer.

The department provides the following comment on the consultation questions:

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

The CEFC should facilitate the deployment of wide a range of clean technologies. CEFC financing should be aimed at developing projects that can demonstrate that funding is essential to the project progressing, rather than simply being a replacement for private investment.

Managing the twin goals (and potential tensions) of commercialising new technology and securing financial returns will be a key challenge. A reasonably low cost of carbon reduction should also be a consideration in assessing financing.

The CEFC should also be cognisant of the fact that whilst abatement technology may be subject to high costs in the early years, in the longer term there is the potential for lower costs – especially in a future with higher energy prices and flow-on effects of carbon pricing in the economy.

As it is the stated intention of the CEFC that it will not compete with private sector investment, a key function of any financing of projects should therefore be to identify mechanisms that will assist in unlocking private sector investment.

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

The CEFC has a role to play in providing financing for R&D technologies that may face (especially in the early stages) market barriers to accessing financing and the commercialisation and deployment of new low emissions technologies. This should mean including criteria beyond financial viability as part of the assessment process such as the innovative, strategic and enabling aspects of proposed technologies.

However, financial viability must also be considered in terms of prioritising investment, as any low emissions technology to be credible must be able to compete in the long term with other clean technologies in the market place.

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

The CEFC should seek to partner with appropriate renewable energy/clean technology companies and educational institutions and scientific organisations where such relationships offer the potential to drive the development and deployment of renewable energy, energy efficiency and low emissions technologies.

The relationship with organisations such as Australian Renewable Energy Agency (ARENA) will be important, as both organisations will have areas of overlap. Thus there will need to be careful coordination and collaboration between the CEFC and ARENA to ensure a consistent and coordinated policy approach to developing renewable energy and clean technology. The CEFC must be compatible with the existing funding mechanisms of ARENA.

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

The CEFC should make use of the widest range of funding mechanisms in order to catalyse private funding through such potential mechanisms as loan guarantees, early-stage equity etc.

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

Regulatory uncertainty, lack of clarity about government intentions and policy mechanisms to achieve objectives can inhibit investment. Different schemes at state and federal level also have the potential to distort the market or provide uncertainty to investors.

The CEFC's objectives, its criteria for securing financing, types of financing available (on what grounds funding will not be made available) should be concise and unambiguous to provide certainty and clarity to potential proponents.

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

Energy efficiency projects may be more difficult to package as investments as they may not always be dependent on developing hardware/technology but more systems and process orientated e.g. the use of smart grids and demand-side management.

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

The CEFC must consider the potential for impact on the Renewable Energy Target (RET) and carbon pricing more generally as a consequence of its activities. There needs to be caution to ensure the CEFC does not provide funding to projects and investments that could undermine existing renewable energy sources/sectors (in particular wind and solar).

The CEFC will need to ensure that its activities do not create any market distortion through providing financing in excess of that needed to make projects financially viable. Care needs to be taken to ensure that CEFC funding does not crowd out private sector investment.

General comments

- There should be reconsideration of the decision to exclude native forest residue from eligibility under the RET as this would deprive Australia of a valuable source of renewable energy. Australia lags behind other countries (particularly Europe) in its development and deployment of bioenergy.
- It is assumed that business and facilities eligible for assistance under the Jobs and Competitiveness Program will also be eligible to apply for funding to the CEFC. Major emitters should be given the potential to access financing to seek renewable energy and energy efficiency solutions in order to reduce their emissions.

Please contact John Wimmer by email at john.wimmer@development.tas.gov.au or telephone on (03) 6233 5868 for more information.

Yours sincerely

Mark Kelleher
Secretary

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