



Wind Farm Developments

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CLEAN ENERGY FINANCE CORPORATION u

SUBMISSION u

by Ž

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Submissions should focus on the key themes and be submitted by email to '
cefc@treasury.gov.au by 5:00 pm AEDT on 8 December 2011. '

INTRODUCTION U

To supplement the consultation process, the CEFC review panel is seeking written submissions from stakeholders and their experiences on the key themes for the review:

- 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.

SUBMISSION U

Questions u

- How do you expect the CEFC to facilitate investment?
 - CEFC should be prepared to risk participate using equity commitments and or guarantees where market gaps exist and act as barriers to the uptake of clean energy technologies;
 - CEFC needs to be aware of both the timing, and the risk and reward nature, of its potential investments;
 - CEFC should support community projects as these offer the most scope to change the perceptions of some technologies such as wind;
 - CEFC should avoid projects that would on a business as usual basis be funded by the commercial sector to avoid crowding out;
 - CEFC should have a longer term risk profile and look for orderly exit to recycle capital for new projects once the risk profile is commercially saleable and digestible.
- Are there principles beyond financial viability that could be used to prioritise investments, such as emissions impact or demonstration affect?
 - A simple ROI or similar derivative is not appropriate as the sole measure for CEFC;
 - A matrix approach which balances the need for a diverse portfolio which has elements of low hanging fruit in the early stages with a more risk aggressive stance in later stages as capital is recycled and available for use may be more appropriate;
 - Using all the financial capacity at CEFC's disposal to bring about the greatest amount of clean energy development and climate change

mitigation in the shortest time possible reflecting the slow start should be the yard stick;'

- Early stage commercialisation will have a role in the portfolio as will enhancements to proven or existing technologies that offer the largest climate change mitigation;'
 - Time to exit for value should be a criteria.'
3. What are the opportunities for the CEFC to partner with other organisations to deliver its objectives?'
- A number of IPP's are struggling due to the market uncertainty and co-funding to reduce this uncertainty and ensure project builds would be desirable as part of the portfolio;'
 - Co-funding offers the scope for the limited capital to be used to optimal effect;'
 - Transparency as to the approach, criteria, expected outcomes, and timing is above all, desired.'

THE MARKET GAP AND OVERCOMING IT

Questions

4. How could the CEFC catalyse the flow of funds from financial institutions?'
- Outside of the vertically integrated generator retailers (gentailers) the lack of Power Purchase Agreements are the biggest barrier to market uptake in wind;'
 - Non recourse project finance is only available at levels sufficient to deliver a least cost if revenue certainty can be secured. This is not available in Australia presently and does not appear likely to change in the short term given the political dynamic;'
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?'
- The major inhibitor is the lack of certainty in long term climate change policy and therefore the perceived risk in taking a longer term view on any carbon price and accordingly, the electricity price.'
6. What non-financial factors inhibit clean energy projects?'
- Lack of political cohesion on how to deal with a carbon price in the electricity market.'
 - Market power of gentailers will stifle innovation and least cost solutions.'
7. Are there special factors that inhibit energy efficiency projects?'

OTHER ISSUES u

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8. How do you see the CEFC fitting with other government initiatives on clean energy? ’
- CEFC has to think of innovative ways to deliver the certainty markets need ’ to take long term views and thereby pursue clean energy investments that ’ bring about climate change mitigation. ’
 - Use its investment experience to better inform policy making at all levels of ’ Government. ’

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