

10 November 2022

Committee Secretary
Joint Standing Committee on Trade and Investment Growth
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary

Response to *Inquiry into Australia's transition to a green energy superpower*

The Clean Energy Investor Group (CEIG) welcomes the opportunity to make this submission to the Joint Standing Committee on Trade and Investment Growth ('the Committee') and its Inquiry into Australia's transition to a green energy superpower.

CEIG represents domestic and global renewable energy developers and investors, with more than 11GW of installed renewable energy capacity across more than 70 power stations and a combined portfolio value of around \$24 billion. CEIG members' project pipeline is estimated to be more than 18GW. CEIG strongly advocates for an efficient transition to a clean energy system from the perspective of the stakeholders who will provide the low-cost capital needed to achieve it.

In May 2022 CEIG welcomed the new federal government and offered to work with the government on its plans to make Australia a renewable energy superpower.¹ We are pleased that *the Climate Change Act 2022* has come into law and sets emissions reduction targets of 43% below 2005 levels by 2030 and net zero by 2050.

CEIG is pleased that the new federal government has reset the energy policy debate in Australia and ushered in a new model of cooperation between jurisdictions. In August 2021 CEIG published *Clean Energy Investor Principles* (the 'Investor Principles') a five-part plan to guide governments to encourage low-cost capital investment in clean energy and we commend this report to the Committee.²

The Investor Principles report drew on new research commissioned by CEIG which included interviews with our member companies. Our research documented that the governance and rules of the National Electricity Market (NEM) are not fit for purpose for the era of clean energy transition. The NEM's out-dated rules and governance structures

¹ CEIG (May-22) [Investors promote market reforms to deliver new federal government's renewable energy superpower ambitions](#)

² CEIG (Aug-21), [Clean Energy Investor Principles](#)

delay clean energy investment and will make it harder for Australia to become a green energy superpower.

A key finding of the Investor Principles research is that risks and barriers to clean energy investment put a premium on the cost of equity of 100 to 250 bps. In the context of the 'Step change' scenario for the NEM, this would amount to around 10% of the clean energy development pipeline, or about \$7 billion.

Our primary recommendation to the Committee is that these legacy risks and barriers in the NEM are a critical obstacle to any policy to make Australia a green energy superpower. Creating an attractive investment environment in the NEM is a prerequisite to bringing in significant inbound investment into the next 'superpower' level of investment.

There is a need for the federal government to consider ways to support investment by improving revenue certainty for new developments.

One important measure would be to implement a Guarantee of Origin scheme covering electricity generation to address the risks to the renewable energy PPA market from the expiry of the Renewable Energy Target Large Generation Certificate framework in 2030.

Another important measure as part of the *Your Future Your Super* Review would be to amend the unlisted infrastructure benchmark used for the performance test to exclude investments in clean energy assets from the MSCI Index or from any other unlisted infrastructure index that might be developed as an alternative to the MSCI Index and to adopt a benchmark return of 7.5% for investments in clean energy assets. The details of our recommendations can be found in our [submission to the Commonwealth Treasury](#).

CEIG supports commonwealth agencies supporting inward investment and trade to support the clean energy transformation. Our members include international investors who have already brought capital to help decarbonise the NEM and have a useful perspective on these issues.

CEIG thanks the Committee for the opportunity to provide feedback on the Inquiry and looks forward to continued engagement on these critical issues. Our Senior Advisor Dan Cass can be contacted at dan.cass@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,

Simon Corbell
Chief Executive Officer and Chairperson
Clean Energy Investor Group Ltd