

Thursday 21st June 2012

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam,

Re: Clean Energy Council Submission | The Clean Energy Finance Corporation (CEFC)

The Clean Energy Council (CEC) is the peak body representing Australia's renewable energy and energy efficiency industries. The CEC works with its members and the government to identify and address barriers to efficient industry development in the energy efficiency and stationary energy sector. The clean energy industry and its members contribute to the generation of electricity using wind, hydro, solar, biomass, geothermal and ocean energy as well as other emerging technologies and service providers in the energy efficiency sector including solar hot water and cogeneration.

Australia has some of the best renewable energy resources in the world. Taking advantage of those through an institution such as the Clean Energy Finance Corporation (CEFC) can attract a massive amount of investment into clean energy and develop a range of technologies that will enable us to deliver low cost clean energy in a carbon-constrained world.

The current challenge of developing new forms of energy technology is not unique to the clean energy sector, and other technologies such as coal and gas generation have enjoyed decades of public support to get to where they are today. Some level of government support is warranted when long-term investments requiring large amounts of capital are needed to kick-start promising first-of-kind technologies.

The CEFC represents a unique opportunity to provide the institutional and financial support necessary to accelerate the development and deployment of a broad range of clean energy technologies to become part of Australia's mainstream energy mix. Taking advantage of Australia's world leading clean energy resources and driving Australian innovation and ingenuity can ensure that Australia delivers on the target to achieve 20% of energy from renewable energy sources at least cost, and then go above and beyond that target.

Investment in an institution like the CEFC is all the more worthwhile given the risk to our economy if we put all our faith in fossil fuel-based technologies whose costs are increasing quickly. The CEFC will help rapidly bring down the costs of the next generation of clean energy technologies for all energy users. The creation of the CEFC is a significant progression in the development of effective policy to drive new clean energy technologies in Australia. Achieving significant acceleration necessary in the rate of clean energy and energy efficiency investment requires that current market mechanisms be supported and supplemented by mechanisms such as the CEFC. The CEFC has a critical role to play to drive and promote the necessary acceleration of private sector capital, risk management and financial services participation in the energy sector's transformation.

To overcome current market constraints and accelerate commercialization and deployment of low carbon technologies, support is needed in the construction of financial transactions in a way that will enable use of conventional capital markets products such as debt financing, private equity, venture capital and capital from longer term equity investors (like superannuation funds) at an affordable cost.

A summary of the key points the CEC wishes to raise are as follows:

- It is imperative that the CEFC is established as quickly as practically possible.
- The CEFC must be designed with strong organisational and investment governance that is independent of government and not constrained by government policy or budgetary cycles.
- The executive, investment management, transaction origination and governance capabilities of the CEFC must possess the expertise necessary to ensure delivery of the CEFC's core objectives.
- The CEFC must have flexibility to design and evolve over time a suite of financial products and services, including loan guarantees and co-investment that will equip the CEFC to leverage private capital most effectively to accelerate the deployment of clean energy technologies.
- The development and deployment of clean energy in Australia face a range of market and non-market barriers. These must also be addressed and stable and long term policy settings established in order to complement the objectives of the CEFC.
- Financing infrastructure investments including transmission augmentation and extension and new and upgraded interconnectors has the potential to support the accelerated deployment of clean energy technologies and ensure Australia can take full advantage of its world class, distributed clean energy resources. This should be one of the priorities of the CEFC.
- The sources and level of clean energy production, and therefore the dynamics of the market for Renewable Energy Certificates may be impacted by the activities of the CEFC. The CEFC must be cognisant of this impact and ensure, as much as possible that investment certainty in these commercial, least cost renewable energy projects is not undermined.

The CEC urges the Australian Parliament to pass this important legislation as a matter of urgency, to begin unlocking Australia's next generation of clean energy technologies.

CEC looks forward to discussing many elements of this submission further with the Senate Standing Committees on Economics. Please contact me on _____ or _____ to discuss this further.

Kind Regards,

[original signed]

Kane Thornton

Acting Chief Executive Officer

Clean Energy Council