



Australian Government

**Department of Climate Change, Energy,
the Environment and Water**

Inquiry into Treasury Laws Amendment (2022 Measures No. 4) Bill 2022 [Provisions]

Submission to the Senate Economic
Legislation Committee

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Background and overview

This submission relates specifically to Schedule 8 of the Treasury Laws Amendment (2022 Measures No. 4) Bill 2022 (the Bill): amendments to the *Clean Energy Finance Corporation Act 2012 (CEFC Act)*.

The Clean Energy Finance Corporation (CEFC), as established by the *CEFC Act*, is an independent statutory authority with an objective to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets legislated by the *Climate Change Act 2022*.

The CEFC invests in accordance with its legislation, the *CEFC Act* and investment mandate directions. The CEFC makes investments in clean energy technologies and projects, typically alongside private sector investors and financiers. It also partners with the finance industry to attract, develop and mobilise existing and new sources of capital for the clean energy sector, including climate bonds, equity funds and other financial mechanisms. The CEFC's investment objectives are to catalyse and leverage an increased flow of funds for the commercialisation and deployment of renewable energy, energy efficiency and low emissions technologies and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets. The Board reports to Parliament through its responsible Ministers.

The CEFC will play a crucial role in delivering Rewiring the Nation (RTN) in partnership with the Department of Climate Change, Energy, the Environment and Water. The CEFC has ten years of investment experience in the sector and has executed its mission with a high degree of success, including investment into electricity generation, transmission, distribution and storage.

This measure is a significant step in the Government's plan to reduce Australia's emissions by 43% on 2005 levels by 2030 and keeping Australia on track for net zero by 2050.

The *CEFC Act* (in conjunction with other legislation such as the PGPA Act) sets out the governance and regulatory frameworks applicable to the agency. This Schedule modifies the *CEFC Act* to enable the CEFC to receive additional funds needed to implement RTN and establish the Powering Australia Technology Fund (PATF). This schedule also streamlines the ability of the Government to provide the CEFC with additional funds in the future through additional appropriations of the Parliament. The Schedule also clarifies the CEFC's governance arrangements in specifying its nominated Minister.

The need for the bill

Schedule 8 to the Bill:

- Provides the CEFC additional funds of \$11 billion to implement RTN.
- provides the fund's \$500m to the CEFC to facilitate the establishment of the PATF.
- Streamlines the ability of the government to provide the CEFC with additional funds in future through additional appropriations of the Parliament.
- Clarifies the CEFC's governance arrangements in specifying its nominated Minister, as arrangements have evolved since the *CEFC Act* was first drafted and the CEFC established. These changes reflect the current arrangements.

Additions to the CEFC special account currently require amendment of the *CEFC Act*. This Schedule will allow funds to be credited through appropriations of Parliament, such as by passing a relevant appropriation bill. This amendment will simplify the process for the CEFC to receive additional funds in the future, if required, to support the energy transformation. Any credits added to the CEFC Special Account could only be invested or spent consistently with the *CEFC Act*.

The Government's \$20 billion RTN election commitment will modernise Australia's electricity grids, lower the cost of electricity bills for consumers, help manage the transition of the electricity system, and increase renewables in the grid. Funding for RTN projects across Australia is to be delivered through a partnership between the new Rewiring the Nation Office (RTNO) in the Department of Climate Change, Energy, the Environment and Water, and the CEFC. The CEFC will be the finance arm and the Australian Energy Market Operator (AEMO) the system planner. The National Electricity Market operator will, where appropriate, assist as a technical adviser. AEMO and the RTNO will provide advice on technical project feasibility, while the CEFC will remain entirely independent in its investment decisions.

The \$500 million PATF was previously announced as the Low Emissions Technology Commercialisation Fund (LETCF) and fully costed as part of the 2020–21 MYEFO (October 2021). It has no impact on the Government's underlying cash balance. The Fund is expected to provide a positive financial return and leverage at least another \$500 million from the private sector. The PATF was renamed to reflect the Government's priorities and will provide funding for investment to support growth or expansion of clean technology projects, businesses and entities, including via venture capital and growth capital.

The PATF is similar to the functions of the CEFC's existing Clean Energy Innovation Fund (CEIF). The CEFC considers the CEIF to be a very successful part of its portfolio, and a function it would like to continue, noting it has almost fully committed the \$200 million CEIF allocation in the fund in CEFC's investment mandate.

Specific directions relating to RTN and PATF investments will be set out in an updated Investment Mandate, to be issued by the responsible Ministers. As per Section 65 of the *CEFC Act*, an Investment Mandate direction must not have the purpose, or likely to have the effect, of directly or indirectly requiring the Board to, or not to, make a particular investment or be inconsistent with the *CEFC Act* and its object.

Outline of the Bill

Schedule 8 Amendment of the Clean Energy Finance Corporation Act 2012

Schedule 8 to the Bill, makes amendments to the CEFC Act to enable the Government to implement its \$20 billion RTN commitment and modernise Australia's electricity grids. Implementing the commitment will help to put downward pressure on electricity bills for consumers, manage the transition of the electricity system, and increase renewables in the grid.

This Schedule seeks to provide the CEFC with funding to support their role implementing RTN:

- \$11 billion for the RTN fund.
 - A further \$8 billion is intended to be credited to the CEFC Special Account in the future.
- \$500 million for the PATF.

This Bill does not include the appropriation for the RTNO and the reference to the \$1 billion fund in the explanatory Memorandum is included for context only. This separate \$1 billion is to be administered by the RTNO to be used for investments in eligible RTN projects where required to support their timely delivery. Investments from these funds may include complementary equity to projects funded by the CEFC.

The CEFC Act describes a number of functions to be undertaken by the responsible Ministers, which are currently listed in the CEFC Act as the Treasurer and the Finance Minister. The CEFC Act also currently requires the responsible Ministers to agree which responsible Minister takes on the additional role of nominated Minister.

The references to the Treasurer would be replaced with “the Minister administering the Act”, reflecting the current administrative arrangements established by the *Acts Interpretation Substituted Reference Order 2017*. Under the proposed amendments, the Nominated Minister would be “the Minister administering the CEFC Act”, unless the Responsible Ministers agree it should be the Finance Minister. This amendment reflects the determination made by the former Minister for Finance and former Minister for the Environment and Energy on 12 October 2016, and provides greater transparency with regards to the administrative arrangements associated with the CEFC Act, for the Australian public. These amendments do not expand or change the powers of the Ministers or the Government in relation to the CEFC.

Conclusion

The proposed amendments to the CEFC Act in the Bill allow the CEFC to invest in vital infrastructure without removing the safeguards around their independence or investment mandate. The proposed amendments allow the CEFC to unlock an additional \$500 million to invest in much needed clean technology and innovation.