
The Parliament of the Commonwealth of Australia

Advisory Report on the

Clean Energy Finance Corporation Bill 2012

Clean Energy Legislation Amendment Bill 2012

Clean Energy (Customs Tariff Amendment) Bill 2012

Clean Energy (Excise Tariff Legislation Amendment) Bill
2012

House of Representatives
Standing Committee on Economics

May 2012
Canberra

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Chair's foreword

The Australian Government's Clean Energy Future Legislation Package in 2011 included a commitment to establish the Clean Energy Finance Corporation (CEFC) to facilitate the flow of finance into the clean energy sector. Following a review by an Expert Panel, chaired by Jillian Broadbent AO, the Government adopted the recommended design and introduced the Clean Energy Finance Corporation Bill 2012.

The CEFC's objective is to overcome capital market barriers that hinder the financing, commercialisation and deployment of renewable energy, energy efficiency and low emissions technologies. In short, this market failure in Australia means that the private sector is not investing in clean energy technology projects on a scale that is desirable if we are to realise our potential as an innovator and producer of clean energy. The CEFC is a mechanism to bring the finance and clean energy sectors closer together.

In establishing the CEFC, the Government is making a significant investment in Australia's clean energy future. While the Government will provide the organisation with a broad mandate, the independent CEFC Board will be responsible for investing in clean energy projects. All investment decisions will be made through a commercial filter. Finance will be offered on the least generous terms; enough to enable a project to enter the commercial arena, but not to create substantial negative externalities or market distortions. It is envisaged that there will also be co-investment with the private sector.

The CEFC will expect to make returns on investments, but in making its investment decisions will also take into account other positive community and environment benefits that the private sector would not necessarily consider. This commercial approach to investment decisions combined with its consideration of

the positive external benefits make the CEFC a key component of Australia's clean energy strategy.

The CEFC will complement the carbon price, renewable energy target and other programs and initiatives to encourage and facilitate development of the clean energy sector. The CEFC will be part of an innovation chain, investing in projects and technologies that are at the later stage of development and are viable commercial prospects. Other programs such as the Australian Renewable Energy Agency provide grants at the earlier research and development stage. To give effect to these agency and program relationships as part of the Clean Energy Future Package, provision is made for the sharing of appropriate information between the CEFC and relevant agencies.

As part of its inquiry, the committee also looked at the Clean Energy Legislation Amendment Bill 2012, the Clean Energy (Customs Tariff Amendment) Bill 2012, and the Clean Energy (Excise Tariff Legislation Amendment) Bill 2012. Changes in the Clean Energy Legislation Amendment Bill: support the establishment of the CEFC; give effect to other government commitments in relation to the coverage of gaseous fuels – liquefied petroleum gas (LPG), liquefied natural gas (LNG) and compressed natural gas (CNG); and make other technical amendments to improve the operation of the carbon pricing mechanism.

In response to calls from the gaseous fuels sector and the recommendation of the Joint Select Committee on Australia's Clean Energy Future Legislation, LPG, LNG and CNG not used for transport purposes will now be covered by the carbon pricing mechanism rather than the fuel tax system. This amendment will mean that it will be easier for industry to manage its cash flow, firms will have more flexibility in managing their carbon liabilities, and compliance costs will be reduced.

The treatment of LPG and LNG that is not used for transport purposes will align with the arrangements for liquid fuels under the carbon pricing mechanism. The changes to the coverage of LPG and LNG will take effect from 1 July 2013 to allow transitional and compliance arrangements to be considered, developed and implemented.

Bringing non-transport CNG under the carbon pricing mechanism will reduce compliance costs for small producers and reduce administrative costs for Government in relation to excise. If the Bill is passed, the CNG changes will be able to commence on 1 July 2012 as CNG is produced from a natural gas that is already subject to an upstream price under the carbon pricing mechanism. The Excise and Tariff bills also give effect to changes to the treatment of non-transport CNG, by exempting it from customs and excise duty.

The Clean Energy Legislation Amendment Bill also contains provisions to enhance the operation of reporting entities under the National Greenhouse and Energy

Reporting Act by streamlining the nomination of the person responsible for reporting on the organisation's carbon emissions. The Bill also seeks to remove the requirement for regulators to publish 'total energy consumption', and retain the more appropriate 'net energy consumption' requirement, as it does not include the transformation of one energy commodity to another.

The Bill also proposes to enhance the security of the Australian National Registry of Emissions Units, by providing the regulator with additional time (from 48 hours to five business days) to make decisions about giving effect to a transfer instruction and dealing with suspicious transactions.

This Bill also includes technical amendments to the Carbon Farming Initiative (CFI) by simplifying the process of finalising methodology determinations, to provide more time to approve the methodologies of existing projects and facilitate their transition to the CFI.

I would like to thank the organisations that participated in the hearing in Canberra. I also thank my colleagues on the committee for their contribution to the report.

Julie Owens MP
Chair



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Membership of the Committee

Chair	Ms Julie Owens MP
Deputy Chair	Mr Stephen Ciobo
Members	Mr Scott Buchholz MP Mr Stephen Jones MP Dr Andrew Leigh MP Ms Kelly O'Dwyer MP Mr Craig Thomson MP
Supplementary members	Mr Paul Fletcher MP Mr Dan Tehan MP

Committee Secretariat

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Terms of reference

On 24 May 2012 the Selection Committee requested the Committee to inquire into and report on:

- Clean Energy Finance Corporation Bill 2012;
- Clean Energy Legislation Amendment Bill 2012;
- Clean Energy (Customs Tariff Amendment) Bill 2012
- Clean Energy (Excise Tariff Legislation Amendment) Bill 2012

Under Standing Order 222(e), reports of the Selection Committee are treated as having been adopted by the House when they are presented.



List of abbreviations

ANREU Act	Australian National Registry of Emissions Units Act
ARENA	Australian Renewable Energy Agency
CFI	Carbon Farming Initiative
CEFC	Clean Energy Finance Corporation
CNG	compressed natural gas
FTC	fuel tax credit
JSCACEFL	Joint Select Committee on Australia's Clean Energy Future Legislation
LNG	liquefied natural gas
LPG	liquefied petroleum gas
OTN	obligation transfer number
RET	Renewable Energy Target



Recommendation

2 Issues in the Bills

Recommendation 1

The House pass the Clean Energy Finance Corporation Bill 2012, the Clean Energy Legislation Amendment Bill 2012, the Clean Energy (Customs Tariff Amendment) Bill 2012, and the Clean Energy (Excise Tariff Legislation Amendment) Bill 2012.