

Senate Standing Committee on Environment and Communications
Legislation Committee
Answers to questions on notice
Environment portfolio

Question No: 211
Hearing: Additional Estimates
Outcome: Agency
Programme: Clean Energy Finance Corporation (CEFC)
Topic: Options for reinvestment of profit
Hansard Page: 81
Question Date: 08 February 2016
Question Type: Spoken

Senator Ludlam asked:

Senator LUDLAM: Okay, there are two choices. That is helpful to clarify. Minister, you have just taken a question on notice as to whether there was a direction, although Ms Dickson has just identified that no direction was given as far as CEFC was concerned. So I might just put a second one on notice to you, if I could, around whether it is a conscious decision to let the CEFC retain that money and reinvest it in its own work or whether you have a view as to whether it should go to ARENA—more at the start-up R&D innovation?

Senator Ruston: I will take that on notice and get the minister to respond.

Senator LUDLAM: Thank you. ...

Answer:

The answer to the honourable Senator's question is as follows:

The decision to request a payment to ARENA is one for the independent CEFC Board to make and the Minister to approve.

A decision to distribute CEFC retained profits to ARENA needs to be made for strategic reasons rather than on either an ad hoc or automatic basis.

While profits are retained in the CEFC Special Account and available for reinvestment by the CEFC, there are less funds that have to be borrowed by the Commonwealth to fund the investments being made by the CEFC. Clearly this has a positive impact on the Commonwealth's budget in terms of a lower Public Interest Debt (PID) cost.

If profits are distributed by the CEFC to ARENA and ARENA uses this money to provide a grant or pay operational costs then there is a cost to (and therefore negative impact on) the Commonwealth's budget as all grants have to be expensed upon issuance of the grant.

Distributions from the CEFC to provide additional funding to ARENA therefore need to be made where there are strategic benefits beyond a "business as usual case" and the additional cost to the Commonwealth budget needs to be carefully weighed against the benefits expected to be achieved.

To date, it has been a conscious decision to allow the CEFC retained earnings to remain in the CEFC Special Account.