

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry Portfolio
Budget Estimates 2014-15
3 June 2014

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY

TOPIC: ARENA/CFC Project Transition

REFERENCE: Question on Notice (Hansard, 3 June 2014, page 30)

QUESTION No.: BI-59

Senator XENOPHON: I might put something more on notice about this because time is short.

Mr Frischknecht: I would be happy to.

Senator XENOPHON: So if you can on notice. There is that transition when something that is a nascent emerging technology then becomes a mainstream proven technology—so how would you jump from an ARENA type thing to a CFC? If you could give me some more details on that—

Mr Frischknecht: There is overlap.

ANSWER

ARENA covers the whole spectrum of technology development from early research through to near commercial deployment, whereas the Clean Energy Finance Corporation (CEFC) is very much at the commercial or near commercial end.

By and large the CEFC is a debt provider and ARENA is an ‘equity’ provider in the form of partnership grants. ARENA and the CEFC overlap in providing funding to near commercial projects, where ARENA has provided funding and CEFC provides a loan, sometimes to the same project. Normally as a technology develops commercial financing (both debt and equity) is used more and more to fund projects and ARENA funding diminishes as a proportion of the project funding. In this way, as technologies develop towards becoming commercially viable, ARENA provides a gradually lower proportion of funding for each project and commercial finance providers, including the CEFC, provide a higher proportion of project funding.

ARENA has a productive working relationship with the CEFC information is shared about projects to be jointly considered so there is limited duplication of effort.