

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Clean Energy Finance Corporation

Question: BET 16

Topic: Emissions Reduction Target

Reference: Hansard page no. 61 - 01 June 2015

Senator: Waters, Larissa

Question:

Senator WATERS: Thanks, Mr Yates, and the other CEFC officials for the great work that you are doing. In previous estimates you have told us that you think CEFC alone could deliver about half of the government's five per cent emissions reduction target. How are you tracking in relation to that estimation?

Mr Yates: I think we may have provided an answer to that on notice last time. I am happy to provide an answer to that on notice.

Answer:

The CEFC has committed investment of some 12 per cent of the CEFC's total \$10 billion in appropriations available under the CEFC Act. The CEFC's committed investments to date include projects that, once constructed and operational, are estimated to achieve annual abatement of approximately 4.2 million tonnes CO₂e p.a.

It is important to note that the CEFC does not claim that the projects it invests in will bring about abatement in isolation of other government policies, or general economic parameters (e.g. the RET, the former carbon price, or various state government incentives). Because the CEFC works applying commercial rigour, its participation as an investor in projects is as a complementary mechanism to those policies to help deliver abatement. In respect of the finance of pre-existing assets, the CEFC only attributes abatement to the extent of any specific new abatement activity which occurs as a result of that funding (e.g. a building upgrade which delivers specific energy efficiency gains). Therefore it is unclear what proportion of this abatement could have been achieved without investments from the CEFC.

Any projection of the amount of abatement that CEFC funded projects might ultimately involve would require forecasting a range of variables, including general market conditions, relevant state and federal government policies, the portfolio mix and the multiple of private sector funding which is leveraged into those projects (e.g. between large scale project finance and financing programs for smaller scale SME energy efficiency investments; the variable capital intensity of carbon savings across different sectors and types of projects and technologies).

As such, a reliable further estimate of future emissions reductions attributable to the CEFC's investments would not be feasible.