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Committee Secretary
Senate Economics Legislation Committee
P O Box 600
Parliament House
Canberra
ACT 2600

By e-mail: economics.sen@aph.gov.au

RE: Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009 and a related bill

Eureka Funds Management (Eureka) welcomes the opportunity to submit to the Senate Economics Legislation Committee on the Renewable Energy Committee on the Renewable Energy Target (RET).

Eureka is a privately owned wholesale funds management company with Australian Superannuation Funds as its main investor base. Following extensive due diligence in the renewable energy sector to determine if such investments would be economically viable and provide a potential hedge against climate change impacts, Eureka has been seeking to establish a Clean Energy Fund for superannuation funds to invest in Australian Renewable Energy projects. However, in order for investors to assess the risks and opportunities of climate change investments, they require clear regulations and market rules. The amending RET legislation provides investors with the clear rules they need in order to invest in renewable energy generation in Australia in the short to medium term – and forms a condition precedent for any investment in Eureka's Clean Energy Fund.

Without the expanded RET in place, investments in new renewable energy projects will not proceed, causing a delay in Australia's transition to a low-carbon economy and significantly affecting the future development of the renewable energy sector in Australia.

Eureka believes that, due to the size of investment required to meet the expanded RET, Australian superannuation funds will need to be a significant source of capital for development of the renewable energy sector in Australia. However, as long as there are delays to the expanded RET, investment in renewable energy projects is most likely to be no more than a minor, alternative investment strategy for mainstream investors. The practical consequence of further delays to the RET legislation is investment that could have been allocated to renewable energy projects

will be allocated to other asset classes. This would cause a further delay to project commencement as investors turn their attention to investment allocations they can make with clearer risk / reward outcomes.

Similarly, continued delay comes with a capacity cost. As with other developers and investors, Eureka has been carrying the cost of due diligence on the sector, marketing the fund to potential investors as well as progressing wind farm investigations in Tasmania and elsewhere. In the current challenging economic climate, companies can only carry the costs of these delays for so long, after which projects are either abandoned or put on hold as focus is switched to other jurisdictions with greater regulatory certainty, or to other asset classes such as social or economic infrastructure. Without certainty of the expanded RET, investment in Australia's renewable energy sector will be delayed, reallocated to another investment sector and / or moved offshore. In effect, the immediate opportunity to grow the renewable energy sector in Australia will be lost, as happened in 2003 under the previous Government.

The 20% Renewable Energy Target establishes the market that will provide for the long-term development of the renewable energy sector in Australia, providing certainty for both developers and investors to commit to building a sustainable renewable industry that will support the Government's objectives in reducing greenhouse emissions into the future.

By coupling the RET legislation with the CPRS legislation, the Government is risking the failure of both, which would be a catastrophic outcome both for Australia and the renewable energy sector. Hence Eureka considers it essential that the RET legislation is decoupled from the CPRS legislation, so that the RET can be passed through both houses of Parliament without further delay. This will free up investors to consider substantial investment in the Australian renewable energy sector.

Eureka would welcome the opportunity to present to the Senate Economics Legislation Committee on these matters.

Yours faithfully,



Bob Kelly
Managing Director
Eureka Funds Management