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Committee Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

29th July, 2009

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

Dear Committee Secretary,

The Investor Group on Climate Change (IGCC) welcomes the opportunity to submit to the Senate Economics Committee on the Renewable Energy Target (RET) Legislation. The IGCC considers the RET a critical element of the Government's suite of Climate Change related policies and submits that investors consider that the RET Bills should be passed through parliament without further delay.

IGCC represents mainstream Australian investors, with total funds under management of over $500 billion, and other key participants in the investment community. Members of IGCC invest in all sectors of the economy, emissions-intensive and low-emissions alike, and are part owners of most of Australia's large companies. IGCC accepts the science of climate change and considers that prudent management of related investment risks is the only responsible course of action for institutional investors.

In order for investors to incorporate the risks and opportunities of climate change into their investments, they require clear regulations and market rules. The RET provides investors with the clear rules they need in order to invest in renewable energy generation in Australia in the short to medium term. Without an 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.

IGCC members with specific renewable energy projects on their books are currently unable to finalise capital raisings for these projects. They now fear that they will not be able to sustain the costs of on-going project due diligence, regulatory approvals and endless marketing rounds to potential investors. The certainty of an expanded RET is necessary to finalise funding arrangements and project implementation.

Similarly, for asset institutional asset owners (such as superannuation funds), as long as there are delays in a clear, expanded RET, investment in renewable energy projects will remain little more than a minor, alternative investment strategy for mainstream investors. The practical consequence of further delays to the RET is that investments that could have been allocated to renewable energy projects will be allocated to other asset classes. This causes a further round of delays for project commencement as investors turn their attention to investment allocations they can make with clearer risk / reward equations.

The broader consequences of delayed renewable energy generation capacity for Australia are much more serious for institutional investors. If a renewable energy industry does not develop in Australia, the level of carbon risk associated with other investments in the Australian economy is highly likely to increase. Energy intensive industries that are not able to access low-carbon energy supply will attract higher risk premiums for investors in future. For Australian institutional investors that part own companies and assets in all sectors of the Australian economy, this increases the level of systemic carbon exposure of their portfolios and devalues these assets.

Having recognised that climate change presents a material long term economic and investment risk to their portfolios, institutional investors require clear regulatory regimes that support investment in low-carbon and low-emissions business models in Australia. An expanded RET is a critical part of the transition to a low-carbon economy and mitigated carbon risk in investment portfolios.

If the objective of the Government's climate policy is to reduce the net carbon intensity of energy generation capacity in the Australian economy, then the RET must be passed without delay.

Yours sincerely,

Nathan Fabian
Chief Executive Officer
Investor Group on Climate Change