Chapter 4

Institutions under the Clean Energy Package

4.1 There a number of important institutions operating under the Clean Energy Package that are designed to advise on, and work towards, achieving Australia's carbon pollution reduction goals. As part of the Government's proposal to repeal the Clean Energy Package, two institutions—the Climate Change Authority and Clean Energy Finance Corporation (CEFC)—have been earmarked for abolition and a third—the Australian Renewable Energy Agency (ARENA)—will have its funding substantially reduced. This Chapter examines the impact that these changes will have on Australia's ability to comprehensively address climate change.

Importance of the Climate Change Authority

4.2 As noted in Chapter 3, the Climate Change Authority is an independent statutory agency, established by the *Climate Change Authority Act 2011* (Cth). It provides expert advice on Australian climate change policy, including through a scheduled series of reviews of climate programs and legislation.[1]

4.3 Since it commenced operation on 1 July 2013, the Climate Change Authority has completed a comprehensive review of the Renewable Energy Target,[2] as well as a review of Australia's targets for, and progress toward, reducing Australia's greenhouse gas emissions.[3] The committee notes that the Climate Change Authority's budget was just $6.3 million in the 2012-13 financial year.[4]

4.4 The Climate Change Authority (Abolition) Bill 2013 proposes to abolish the Climate Change Authority and relevant functions would be transferred to the Department of the Environment.[5] The bill was passed by the House of Representatives on 21 November 2013, but the Senate rejected the bill on 3 March 2014.[6]

4.5 Submissions expressed concern about the abolition of the Climate Change Authority, taking the view that it needs to be retained as an important source of transparent, independent analysis and advice on Australia's key climate change

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1 Climate Change Authority, *Targets and progress review*, Final report, February 2014, p. 19; see also *Climate Change Authority Act 2011*, s. 11.

2 Climate Change Authority, *Renewable Energy Target Review Final Report*, December 2012, and see also http://climatechangeauthority.gov.au/ret/overview (accessed 27 February 2014).

3 Climate Change Authority, *Targets and progress review*, Final report, February 2014.

4 Climate Change Authority, *Annual Report 2012–13*, p. 20.

5 Climate Change Authority (Abolition) Bill 2013, *Explanatory Memorandum*, p. 3.

6 *House of Representatives Votes and Proceedings No. 7*, 21 November 2013, pp 137–138; and *Journals of the Senate No. 15*, 3 March 2014, pp 497–498.

policies.[7] Many pointed to the politicised nature of climate policy in Australia in recent years. For example, Mr Hanson from the ACF commented that:

> The Climate Change Authority has a vital role to play in Australian climate policy and it should be retained. Australian climate policy has been politicised in recent years, leading to poor environmental outcomes. Policy instability has also undermined environmental confidence. Stable long-term policy will require an agreement to respect the evidence and listen to independent advice. The Climate Change Authority, modelled on a central bank, is tailored precisely to provide rigorous, transparent advice on the interface between climate science, international affairs and domestic climate policy.[8]

4.6 The Climate Institute agreed:

> Australia has a track record of highly politicized approaches to climate policy…Australia needs its climate policies to be based on a sound foundation of evidence rather than a political agenda. As an independent statutory authority, the CCA [Climate Change Authority] is a cornerstone of this policy foundation. Its role as a rigorous review of existing policies, along with the government's legislated requirement to respond publicly to the CCA's recommendations, ensure that the process of climate policy development and adjustment maintains a level of impartiality and transparency that would not otherwise be present if these functions were brought within a federal department.[9]

4.7 Ms Kirsten Rose from the Sustainable Energy Association described the abolition of the Climate Change Authority as 'one of the greatest potential losses':

> …the Climate Change Authority is not only independent of any politics but also multidisciplinary. It takes all of those—the Department of Environment, the CSIRO [Commonwealth Scientific and Industrial Research Organisation] and scientific organisations of other countries—and puts them all together, and synthesises it. So, that synthesis is incredibly important, and I think that is where an enormous amount of the value comes. And if you are taking advice in each ear, from different entities, you miss that synthesis. I think it is important.[10]

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7 See, for example, The Climate Institute, *Submission 2*, p. 7; Mr Erwin Jackson, The Climate Institute, *Committee Hansard*, 5 February 2014, p. 12; Reverend Evan Pederick, Deputy Chair, Anglican EcoCare Commission, *Committee Hansard*, 31 January 2014, p. 62; CCSA, *Submission 44*, p. 13; Professor David Karoly, *Submission 72*, p. 2; Environment Victoria, *Submission 25*, p. 3; Wentworth Group, *Submission 95*, p. 6; WWF-Australia, *Submission 67*, p. 22; ACF, *Submission 14*, pp 2–3; Mr Jamie Hanson, ACF, *Committee Hansard*, 5 February 2014, pp 32–33, 37; GetUp! Action for Australia, *Submission 47*, pp 3–4.

8 Mr Jamie Hanson, ACF, *Committee Hansard*, 5 February 2014, pp 32–33.

9 The Climate Institute, *Submission 2*, p. 7.

10 Ms Kirsten Rose, Chief Executive, Sustainable Energy Association, *Committee Hansard*, 31 January 2014, p. 9.

4.8 Mr Nathan Fabian from the IGCC told the committee that this independent advice was also important from an investment perspective:

> Governments changing their minds on climate policy or successive governments changing policies is an unfortunate reality that we are dealing with as long-term investors. The benefit of an institution like the Climate Change Authority is that it looks to the fundamental risks of what is happening on climate change and provides well-researched advice on the long-term emissions reduction trajectory that we should consider. So it is a way for us to see through policy volatility, understand the underlying risks we are dealing with and try to factor those in…you need an independent voice that is doing good research. That is important for those of us in the business and investment community that need to make long-term decisions.[11]

4.9 In its submission, the Climate Change Authority itself described the Government's decision to abolish the Authority as 'puzzling':

> ….particularly given the complexities and far-reaching ramifications of climate change—that any government should choose to deny itself access to informed and balanced advice from an independent body like the Climate Change Authority.[12]

4.10 Mr Bernie Fraser, Chair of the Climate Change Authority, elaborated on this at the committee's hearing:

> The opportunity to assemble a group of people, assuming they are good people, independent people and expert people, and ask them to cover particular climate issues from all those different perspectives, weigh up the different science, environment, economic and social consequences and put some advice to government seems to me to be an obvious thing for any government to want to do in its own interests rather than to cut off that potentially useful source of advice.[13]

4.11 The Climate Change Authority noted suggestions that its work could be conducted by a government department, but argued that:

> …well constituted and resourced bodies – I believe the Climate Change Authority is of that ilk – can augment that 'official' advice in ways which add value to any government interested in getting the best possible spread of considered and independent views. First, and as hard as official bodies might strive to provide independent advice, their being part of the everyday government process can be, in practice, a real constraint – certainly compared with a statutory body whose independence is explicitly acknowledged (and required) in legislation. Secondly, departments and other official bodies reporting to Ministers and caught up in the demands

11 Mr Nathan Fabian, IGCC, *Committee Hansard*, 7 March 2014, p. 17; see also IGCC, *Submission 93*, p. 2.

12 Climate Change Authority, *Submission 51*, p. 2.

13 Mr Bernie Fraser, Chair, Climate Change Authority, *Committee Hansard*, 7 March 2014, p. 34.

> and timetables of on-going government business have less opportunity and flexibility than good statutory bodies to conduct the depth of research and consultation which is critical to providing informed and balanced advice.[14]

4.12 In response to questioning from the committee as to whether the Climate Change Authority's work could be conducted, for example, by a government department, Mr Fraser reiterated the above points and also noted that:

> I know this from firsthand experience. I went from the Treasury to the Reserve Bank. In Treasury I was very much caught up with budgetary processes and meeting ministerial requests. I tried very hard to be responsive on all sorts of things. To then go to the Reserve Bank, to a statutory body with independence in legislation and no sort of entanglement in day-to-day matters, gave me an opportunity to sit back, do research and think about things. The change was quite dramatic. The quality of the work and the advice that comes forward is very different.[15]

4.13 Mr Fraser further expressed concern that the independence of the public service may be being threatened by staff cuts and growth in ministerial staff. As such:

> That traditional source of strong, independent advice from the bureaucracy is under threat. I say I suspect this is happening because I cannot be sure. No-one can be sure because, unlike an independent body like this, which releases its reports—the reports are public and transparent—it is not very often that the public is aware of what departments are advising their ministers on. There is not the same transparency…I do not believe governments in their own interests would want to rely—just on advice from the Public Service or the bureaus, as good as they might be around the place, when they are confronted with something so challenging and so complicated as climate change.[16]

Importance of the Clean Energy Finance Corporation

4.14 As noted in Chapter 3, the CEFC is an integral institution under the Clean Energy Package. It is established by the *Clean Energy Finance Corporation Act 2012* (Cth) and has the power to invest in financial assets for the development of Australian-based renewable energy technologies, low-emission technologies and energy efficiency projects. The Corporation has the power to enter into investment agreements itself, and make investments through subsidiaries.

4.15 The CEFC has defined its mission as accelerating Australia's transformation towards a more competitive economy:

> The CEFC increases the flow of funding to the commercialisation and deployment of Australian-based renewable energy, low emissions and energy efficiency technologies by mobilising public and private sector

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14 Climate Change Authority, *Submission 51*, p. 2.

15 Mr Bernie Fraser, Chair, Climate Change Authority, *Committee Hansard*, 7 March 2014, p. 34.

16 Mr Bernie Fraser, Chair, Climate Change Authority, *Committee Hansard*, 7 March 2014, p. 34.

> capital and skills, so preparing and positioning the Australian economy and industry for a carbon-constrained world. [17]

4.16 The CEFC operates with a $10 billion fund from the Government, with $2 billion provided per annum for five years. The first instalment was paid on 1 July 2013.

4.17 The CEFC received operational funding of $18.3 million in the 2012–13 financial year and had a staff of 45 employees.[18]

4.18 As at 20 August 2013, the CEFC portfolio of investments consists of 12 transactions to a value of $482 million and $54 million worth of investments transferred from Low Carbon Australia.[19] Of the combined $536 million investment, 56% has been spent on renewables, 30% has been spent on energy efficiency and 14% has been spent on low emission technology.[20] The fund has attracted $1.55 billion in private sector co-financing and facilitated over $2.2 billion in projects delivering approximately 4 million tonnes of abatement.[21]

4.19 The Clean Energy Finance Corporation (Abolition) Bill 2013 proposes to abolish the CEFC.[22] The bill was passed by the House of Representatives on 21 November 2013, but the Senate rejected the bill 10 December 2013.[23] On 20 March 2014 the Government reintroduced the Clean Energy Finance Corporation (Abolition) Bill 2013 [No. 2] into the House of Representatives for debate.[24]

4.20 The committee received considerable evidence from submitters advising against abolishing the CEFC due to its positive investment in renewable and clean energy technology and returning a profit to the Government.[25]

Support for the Clean Energy Finance Corporation

4.21 There was general submitter support for the CEFC.[26] For example, the ARRCC indicated that they are 'strongly in favour' of retaining the CEFC and that it

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17 CEFC, *Submission 75*, p. 6.

18 CEFC, *Annual Report 2012–13*, pp 24 and 82.

19 Low Carbon Australia was a Government-owned corporation tasked with managing a small pilot energy investment fund since 2010. Low Carbon Australia's investment function was transferred to the CEFC on its establishment. See CEFC, *Annual Report 2013–13*, p. 60.

20 CEFC, *Annual Report 2012–13*, p. 14.

21 CEFC, *Submission 75*, p. 7.

22 Climate Change Authority (Abolition) Bill 2013, *Explanatory Memorandum*, p. 3.

23 *House of Representatives Votes and Proceedings No. 7*, 21 November 2013, pp 137–138; and *Journals of the Senate No. 15*, 3 March 2014, pp 497–498.

24 *Votes and Proceedings of the House of Representatives*, No. 30, 20 March 2014, p. 399.

25 See, for example, 350 Australia, *Submission 33*, p. 2; Consecration Council of South Australia, *Submission 44* p. 3.

26 See, for example, Mr John Hawkins, *Submission 7*, p. 15; ARRCC, *Submission 21*, p. 5; Energetics, *Submission 59*, p. 2; WWF-Australia, *Submission 67*, p. 15; AUSTELA, *Submission 76*, p. 6; and Mr Tim Buckley, *Committee Hansard*, 7 March 2014, pp 18–19.

must remain well funded.[27] Energetics likewise found that the CEFC 'has provided an effective body to support business and should be continued'.[28]

4.22 AUSTELA declared that the 'CEFC has performed its intended and mandated functions effectively and is needed to address key market failures and barriers to investment…'.[29]

4.23 Environment Victoria urged that the CEFC be retained, noting that it drives decarbonisation of Australia's energy supply while returning a profit.[30]

4.24 Mr John Hawkins commented that the CEFC is worthwhile as it 'is both able and willing to fund or co-fund projects unattractive to the private sector alone'.[31] Mr Hawkins noted that the CEFC is successful due to its lower cost of funds, singular focus, expertise in assessing projects and long term objective.[32]

4.25 Mr Buckley from the Institute for Energy Economics and Financial Analysis told the committee that the function the CEFC performs in the market is unique and necessary for Australia to reduce its carbon emissions:

> …the CEFC is meant to lead the way, to pave for new technologies for deployment in the Australian market to show that they are financially viable. In a regulatory framework that works, that makes entire sense. The domestic institutions will learn by that process and then follow. They will probably invest in deal 3, 4, 5, or 6 and then fund 100 per cent of those thereafter. You need the CEFC to pave the way to show that this can be done economically and viably with the right policy.[33]

4.26 WWF-Australia outlined the importance of the CEFC's mission in helping the energy sector, the largest contributor to Australia's greenhouse gas emissions, transition to clean technology and equipment. WWF-Australia stated:

> The energy sector is the major contributor of Australia's greenhouse gas emissions and will also need to do more of the heavy lifting as some sectors like agriculture struggle to meet required emissions reduction targets. This means the energy sector will need to undergo massive transformation over the coming decades if we are to meet our global and domestic targets.[34]

4.27 Dr Justin Wood argued that shutting down the CEFC would be an act of 'hubris' and will leave Australia 'manifestly unprepared to compete in the carbon

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27 ARRCC, *Submission 21*, p. 5.

28 Energetics, *Submission 59*, p. 2.

29 AUSTELA, *Submission 76*, p. 6.

30 Environment Victoria, *Submission 25*, p. 4.

31 Mr John Hawkins, *Submission 7*, p. 15.

32 Mr John Hawkins, *Submission 7*, p. 15.

33 Mr Tim Buckley, *Committee Hansard*, 7 March 2014, pp 18–19.

34 WWF-Australia, *Submission 67*, p. 15.

constrained twenty-first century'.[35] Dr Wood noted that other countries have developed similar institutions that are operating effectively at reducing carbon emissions:

> …similar green banks have proved their worth in countries such as Germany and Brazil and the CEFC projects profitable returns through its vital role as a 'patient capital' investor…[36]

4.28 The CCWA suggested that the CEFC performs a unique function and does not duplicate other funding bodies as it is specifically focused on the low emissions sector.[37] The Council therefore rationalised that any decision to abandon the CEFC 'could only be based on ideological grounds rather than consideration of the financial and investment merits of the fund'.[38]

Contributing to Australia's energy targets

4.29 It was noted by submitters that the CEFC has made significant contributions to Australia's energy targets.[39] For example, the ARRCC observed that due to the work of the CEFC, 'the level of power generation from coal has been declining, while power generation from sources such as wind, solar, hydro and bio-energy has been increasing'.[40]

4.30 The AYCC expressed their concern at the Government's intention to abolish the CEFC when it 'has played a critical role in providing investment in renewable technologies'.[41]

4.31 Indeed, the CEFC submitted to the inquiry that within a short period of time (between August 2012 and August 2013), it has funded projects that have contributed over 500 MW of clean electricity generation, delivered abatement at a negative cost of \$2.40 per tonne of CO_2 abated and invested in wind, solar, energy efficiency and low emissions technology.[42]

Return on investment

4.32 In addition to the positive effect that the CEFC has on helping Australia meet its international targets on emissions reduction, submitters also noted its positive return on investment for the Government. For example, Sustainable Energy Now highlighted the absurd position of abolishing the CEFC while it is achieving its target and making a return on investment:

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35 Dr Justin Wood, *Submission 28*, p. 2.

36 Dr Justin Wood, *Submission 28*, p. 2.

37 Consecration Council of South Australia, *Submission 44* p. 8.

38 Consecration Council of South Australia, *Submission 44* p. 8.

39 See, for example, ARRCC, *Submission 21*, p. 5; and AYCC, *Submission 32*, p. 5.

40 ARRCC, *Submission 21*, p. 5.

41 AYCC, *Submission 32*, p. 5.

42 CEFC, *Submission 75*, p. 30.

> The CEFC provides significant commercial funding capital to projects that achieve carbon abatement at very low or zero cost and in some cases even significant economic savings. It claims it can deliver half the abatement targeted by the federal government, and still turn a profit to the government. It will add rather than subtract to the budget balance, and ensure that tens billions of dollars of private capital is invested in Australia. Clearly the CEFC is needed or else the private sector would already have funded such projects. It is simply not logical to wind up an agency with this capacity.[43]

4.33 Doctors for the Environment remarked that even without accounting for health externalities, 'the CEFC has proven economically successful and pays dividends to the government'.[44] The organisation also suggested that the role and scope of the CEFC be expanded to facilitate investment in aspects of public health policy impacted by the effects of climate change. Doctors for the Environment considered that this would 'optimise decision making and give the maximum reduction in externality health costs'.[45]

4.34 350 Australia similarly questioned the rationale for abolishing the CEFC while it makes a return on investment and contributes to emissions reduction:

> The Clean Energy Finance Corporation must remain as an essential and commercially viable part of moving Australia to a low carbon and ultimately zero emission economy. The CEFC is already growing long term business investment and jobs in clean, low carbon technologies.[46]

4.35 Ms Gillian Broadbent, Chair of the CEFC, told the committee that:

> The CEFC is effective in catalysing private capital expenditure into emissions reduction and energy productivity, and private capital expenditure is critical to improving Australia's productivity…If the CEFC is able to continue to invest in the same form that it has to date, it will be making a positive contribution 2014–15 budget.[47]

4.36 The CEFC indicated to the committee that its abolition will 'cause an annual fiscal balance loss of between $125 million and $186 million per annum once the Corporation reaches an investment base of $5 billion'.[48]

Opposition to the CEFC

4.37 The Grattan Institute argued against retaining the CEFC stating that 'since its inception, there has been a problem with the rationale for the CEFC and a definition of

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43 Sustainable Energy Now, *Submission 34*, p. 3.

44 Doctors for the Environment Australia, *Submission 13*, p. 4.

45 Doctors for the Environment Australia, *Submission 13*, p. 4.

46 350 Australia, *Submission 33*, p. 10.

47 Ms Gillian Broadbent AO, Chair, CEFC, *Committee Hansard*, 7 March 2014, p. 20.

48 CEFC, *Submission 75*, p. 27.

the problem that its existence is intended to solve'.[49] The Grattan Institute commented that:

> We are not aware of any evidence-based analysis that demonstrates the Australian financial market is systematically failing to fund attractive investments in clean energy….
>
> A thorough and logical analysis of the market failures and financial barriers that confront clean energy technologies considerably constrains the justifiable role for the CEFC.[50]

4.38 The Grattan Institute recommended the Government should instead create a system of raising capital by issuing bonds. The Grattan Institute explained:

> The creation of a liquid market for clean energy infrastructure bonds could potentially mobilise sources of finance from superannuation funds or institutional investors with an appetite for this appetite class. Having catalysed such a market as both a buyer and seller, the CEFC could then withdraw when sufficient market liquidity had been established.[51]

4.39 The Grattan Institute also sought to downplay arguments that the CEFC is a worthwhile endeavour due to its financial return to the Government. The Grattan Institute explained that:

> Arguments that it is profitable or contributing to emission reduction are not relevant and the fact that substantial public funds have been deployed to refinance existing wind farms suggests a distraction from a role that addresses financial market barriers to deliver lower cost, clean energy outcomes.[52]

4.40 The CEFC explained why no other agencies or financial institutions are currently capable of fulfilling the role that it undertakes:

> The CEFC operates as a sector-focused financial institution that provides market based support and long-term financing. The CEFC is a professional and functional operation with a flexible, high performing team of 44 staff with extensive experience in investments, portfolio management, finance, corporate treasury, legal, risk management, governance, corporate affairs, human resources, marketing and communications and government.
>
> The CEFC has added to the expertise and shared learning across the finance sector to build Australia's capacity to fund clean energy projects. The CEFC's legislative framework, funding and commercial approach for a public good outcome enable it to invest more time, effort and resources in transactions which have the public policy benefits it is charged to deliver. Such transactions might take more than a year to reach financial close because, for example, they are small, yet still complex; or, are remote and

49 Grattan Institute, *Submission 22*, p. 5.

50 Grattan Institute, *Submission 22*, p. 5.

51 Grattan Institute, *Submission 22*, p. 5.

52 Grattan Institute, *Submission 22*, p. 5.

> involve special challenges like transmission issues; or, are first in-kind technology that involves a range of skill sets that are not easily assembled in larger financial institutions.[53]

4.41 Ms Gillian Broadbent AO, Chair of the CEFC, further advised that:

> …there are financial barriers just be virtue of the lack of experience and risk appetite in the existing financial system. Our focus is working with whatever initiatives the government takes in this area to try and facilitate the financing around those initiatives. We are not a stand-alone entity. We can work with an ERF [Emissions Reduction Fund]; we can work with an emissions trading scheme. All of those initiatives change the financial parameters of each investment transaction, and we work to make them commercial and persuade other financial institutions about the commerciality of those investments.[54]

Cuts to the Australian Renewable Energy Agency

4.42 ARENA is an independent statutory authority established by the Commonwealth government on 1 July 2012 under the *Australian Renewable Energy Act 2011* (Cth). It has two objectives:

- to improve the competitiveness of renewable energy technologies; and
- to increase the supply of renewable energy in Australia.[55]

4.43 ARENA was established with a budget of $3.2 billion until 2020 to:

- fund renewable energy projects;
- support research and development activities; and
- support activities to capture and share knowledge.[56]

4.44 Since it was established ARENA has successfully launched four new programs and manages 181 projects which account for committed funds of approximately $960 million.[57]

4.45 During the recent Additional Estimates hearings, ARENA advised that:

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53 CEFC, *Submission 75*, p. 7.

54 Ms Gillian Broadbent AO, Chair, CEFC, *Committee Hansard*, 7 March 2014, p. 23.

55 *Australian Renewable Energy Act 2011*, s. 3; see also Australian Renewable Energy Agency (ARENA), *About ARENA*, http://arena.gov.au/about-arena/ (accessed 20 January 2014); ARENA, *Annual Report 2012-13*, p. 10. Note that ARENA assumed responsibility for a number of projects from the former Australian Centre for Renewable Energy (ACRE), the Department of Resources, Energy and Tourism, and the Australian Solar Institute: ARENA, *History*, http://arena.gov.au/about-arena/history/ (accessed 20 January 2014).

56 ARENA, *About ARENA*, http://arena.gov.au/about-arena/ (accessed 20 January 2014); ARENA, *Annual Report 2012-13*, pp 10 and 18.

57 ARENA, *Changes to ARENA's funding*, http://arena.gov.au/news/changes-to-arenas-funding/ (accessed 20 January 2014). For more information on relevant projects, see: www.arena.gov.au and ARENA, *Annual Report 2012-13*.

> We span the entire innovation chain from desktop research through to demonstration projects—that are typically innovative technology—all the way to near-commercial deployments. Some examples of those might be university research, first ocean deployments of wave technologies and large-scale solar farms….[58]

4.46 In terms of its relationship with the CEFC, ARENA stated that:

> By and large the CEFC is a debt provider and we are an equity provider in the form of grants…We cover the whole spectrum,…whereas the CEFC is very much at the commercial or near commercial end. We have a good productive working relationship with the CEFC in the sense that we share information about projects so that there is limited duplication of effort.[59]

Proposed funding changes

4.47 The Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 proposes to amend the *Australian Renewable Energy Act 2011* (Cth) to change ARENA's funding to 'partially offset the costs associated with repealing the carbon tax'.[60] The changes would:

- 're-profile' $370 million in funding for the ARENA over the forward estimates (2014–15 to 2016–17) to later years (2019–20 to 2021–22);[61] and
- reduce funding for the ARENA by $434.9 million over the forward estimates (2014–15 to 2016–17).[62]

4.48 Several submissions expressed concerns about the proposed cuts to ARENA's funding.[63] Indeed, some suggested that ARENA's budget needs to be increased rather than decreased.[64] As Professor Garnaut identified:

58 Mr Frischknecht, ARENA, *Estimates Hansard*, Economics Legislation Committee, 27 February 2014, p. 8.

59 Mr Frischknecht, ARENA, *Estimates Hansard*, Economics Legislation Committee, 27 February 2014, pp 8–9.

60 Clean Energy Legislation (Carbon Tax Repeal) Bill 2013, Schedule 5 and *Explanatory Memorandum*, p. 76.

61 This aspect was announced by the previous Labor Government in the 2013 Budget.

62 Clean Energy Legislation (Carbon Tax Repeal) Bill 2013, Schedule 5 and *Explanatory Memorandum*, p. 76.

63 See, for example, Doctors for the Environment Australia, *Submission 13*, p. 5; Sustainable Energy Now, *Submission 34*, p. 6; Ms Kirsten Rose, Chief Executive, Sustainable Energy Association, *Committee Hansard*, 31 January 2014, p. 7; Climate Action Newcastle, *Submission 48*, p. 4; Recurrent Energy, *Submission 71*, p. 2; Sunshine Coast Environment Council, *Submission 78*, p. 6; AUSTELA, *Submission 76*, p. 9; UnitingJustice Australia, *Submission 68*, p. 8; Greenbank Environmental, *Submission 63*, p. 12; Dr Barry Naughten, *Submission 96*, p. 2; Recurrent Energy, *Submission 71*, p. 4.

64 Sustainable Energy Now, *Submission 34*, p. 6; CCSA, *Submission 44*, p. 3.

> The main question about the future of ARENA relates to whether adequate financial resources will be provided through the budget for it to function effectively in its contribution to reduce greenhouse gas emissions.[65]

4.49 Evidence to the committee emphasised the important role of ARENA in research and development in the renewable energy industry in Australia and therefore greenhouse gas emissions reductions.[66] The committee heard that ARENA has a different role compared to, for example, the CEFC, because ARENA 'is focussed more on developing more on technologies that are in earlier stages'.[67]

4.50 Indeed, the CEFC itself was highly supportive of ARENA's work, noting that ARENA 'can support earlier stage technologies and research that is non-financeable to the CEFC'.[68] The CEFC further noted that, if it were not abolished, revenues received by the CEFC could be a potential revenue stream to ARENA under the Clean Energy Finance Corporation Act.[69]

4.51 Similarly, Mr Fabian from the IGCC told the committee that ARENA 'fills a really critical gap':

> We have traditionally had a problem of ventures moving from early scale—from the CSIRO stage—to a venture that is investable by institutions.[70]

ARENA's response

4.52 On 13 November 2013, the ARENA released a statement acknowledging the Government's intention to reduce ARENA's funding, but noted that 'ARENA still has more than $2.5 billion in funding to manage until the year 2022'. ARENA stated that:

> This announcement does not affect ARENA's funding for the current year, nor the funding for those projects that have a signed funding agreement with ARENA. ARENA's total funding envelope, including committed (and spent) funds remains substantial at around $2.5 billion...[71]

4.53 ARENA further stated that it:

> ….is currently evaluating the impact the intended change will have on its existing programs and those projects in the pipeline. However, applications for funding through the Emerging Renewables Program, the Accelerated Step Change Initiative, the Community and Regional Renewable Energy

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65 Professor Ross Garnaut, *Submission 105*, p. 1.

66 Sustainable Energy Now, *Submission 34*, p. 6; WWF-Australia, *Submission 67*, p. 23; Clean Energy Council, *Submission 16*, pp 6–7.

67 Mr Stephen Gates and Mr Benjamin Rose, Sustainable Energy Now, *Committee Hansard*, 31 January 2014, p. 29.

68 CEFC, *Submission 75*¸ p. 42.

69 CEFC, *Submission 75*, p. 43.

70 Mr Nathan Fabian, CEO, IGCC, *Committee Hansard*, 7 March 2014, p. 13.

71 ARENA, *Changes to ARENA's funding*, http://arena.gov.au/news/changes-to-arenas-funding/ (accessed 20 January 2014); see also Mr Frischknecht, ARENA, *Estimates Hansard*, Economics Legislation Committee, 27 February 2014, p. 5.

Program and the Regional Australia's Renewables – Industry Program are still being accepted.[72]

4.54 During Additional Estimates, ARENA advised that:

> The board has been examining what impact the proposed budget reductions have on ARENA's projects and programs. Any existing commitments, be they contractual commitments or board commitments, are unaffected.[73]

4.55 ARENA further advised that, in relation to open programs, such as the Regional Australia's Renewable program:

> …the board's view is that there is sufficient funding available to follow through on the majority of the program envelope that had been planned for that program.[74]

Committee comment

4.56 The committee agrees with evidence that the Climate Change Authority plays an important role in providing *independent and transparent* expert advice and analysis to government on Australia's climate change policies. It is vital that the review of, and advice on, the targets and policies that underpin our response to climate change are conducted by an expert, multi-disciplinary agency independent of government. The committee urges the government to retain the Climate Change Authority. The committee supports the recent decision of the Senate to reject the Climate Change Authority (Abolition) Bill 2013 and recommends that the bill be withdrawn.

Recommendation 7

4.57 The committee recommends that the Climate Change Authority be retained and that the Government withdraw the Climate Change Authority (Abolition) Bill 2013.

4.58 The Clean Energy Finance Corporation (CEFC) undertakes important work to help Australia reach its emissions reduction targets and assist businesses and industry to move towards a clean energy economy. In only a relatively short period of time, the CEFC has increased the flow of funding to help in the development of renewable energy projects and low emissions and energy efficiency technologies. Through its work the CEFC has also been responsible for creating jobs and growing Australian businesses. Remarkably, while facilitating all of this action the CEFC is expected to make a substantial average return to the Government. The committee agrees with submitter comments that removal of the CEFC is based purely on ideology and is not based on a rational examination of its policy objectives.

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72 ARENA, *Changes to ARENA's funding*, http://arena.gov.au/news/changes-to-arenas-funding/ (accessed 20 January 2014).

73 Mr Frischknecht, ARENA, *Estimates Hansard*, Economics Legislation Committee, 27 February 2014, p. 5.

74 Mr Frischknecht, ARENA, *Estimates Hansard*, Economics Legislation Committee, 27 February 2014, p. 8.

4.59 The committee acknowledges the work that the CEFC undertakes and its importance as part of a range of policy measures to help Australia reduce carbon emissions. The committee supports the recent decision of the Senate to reject the Clean Energy Finance Corporation (Abolition) Bill 2013 and recommends that the bill be withdrawn.

Recommendation 8

4.60 The committee recommends that the Clean Energy Finance Corporation be retained and that the Government withdraw the Clean Energy Finance Corporation (Abolition) Bill 2013.

4.61 The committee is concerned about the proposed cuts to funding for the Australian Renewable Energy Agency (ARENA). Clearly ARENA plays a crucial role in research and development in the renewable energy industry, particularly in relation to technologies that are in early development stages. The committee notes ARENA's statements that existing programs will not be affected. However, the committee is concerned that there is the potential for the cuts to affect new initiatives into the future.

4.62 The committee notes that the cuts to ARENA are contained in the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 and one of the reasons for the cuts is to 'partially offset the costs associated with repealing the carbon tax'. The committee does not consider that the carbon pricing mechanisms should be repealed, and therefore the cuts are clearly unnecessary.

Recommendation 9

4.63 The committee recommends that the funding cuts to the Australian Renewable Energy Agency contained in the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 not be passed and that funding for the 'One Million Solar Roofs' program be additional and not come out of the Agency's existing funding.