Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

13 – 14 February 2013

Question: AET 50

Topic: **Clean Energy Finance Corporation - Funds**

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Senator BUSHBY asked:

Senator BUSHBY: If I may ask another question on a slightly different thing that has just occurred, in terms of the return to the taxpayer in your enabling legislation or anything that has been prepared, I understand that the $10 billion when you have access to it all is reinvested. So if a borrower repays you get to take the principal and you reinvest that. But as for your obligations to actually contribute dividends to the government and to revenue, is there anything specifically set out at the moment as to how that might work?
Mr Yates: I believe I was using a colloquial analysis of how we would look at this in the private sector.
Senator BUSHBY: But, presumably, if you start making money as an organisation at some point you will start providing a return to your primary shareholder, being the government.
Ms McCulloch: The CEFC's returns will go back to the CEFC to be reinvested in the sector. Because the CEFC is part of the general government sector and is fully accounted for in the government's budget statements, any returns will also be reflected in the government's budget statements. But the actual money, any returns, will be available to the CEFC to reinvest.
Senator BUSHBY: Only the CEFC. Is there any scope for the government of the day to demand a dividend like it can of other GBEs?
Mr Ray: It is not a GBE, so a dividend is not relevant at all. We cannot get dividends from ourselves.
Senator BUSHBY: So, under the way it has been set up as you described, Ms McCulloch, there is no scope for the government to decide that they will take a return out of the CEFC. All money it earns will be retained by the CEFC.
Ms McCulloch: There are some slight complications around relationship with ARENA which I would have to take notice on. ARENA is a complementary body for providing grants to this sector, so there are some complications around that. I will take it on notice and check; but, to the best of my knowledge, the government cannot require the CEFC to return funds.
Senator BUSHBY: Presumably, if the CEFC is able to continue to operate for many years and does it successfully under Mr Yates's guidance, its capital will increase over time if it is successful in making a profit on all its investments.
Ms McCulloch: The basic principle was that it would become self-sustaining.
Senator BUSHBY: Okay. Thank you.

Answer:

The Clean Energy Finance Corporation (CEFC) is intended to be self-sustaining once mature. Therefore, any funds returned to the Corporation from its investments (including any capital and interest earned) will be available for reinvestment or to cover the CEFC’s expenses.

The Corporation’s primary function is to invest its funds in the clean energy sector. As the Corporation is not intended to operate a cash management function, the CEFC Act 2012 establishes mechanisms for flows of payments between the CEFC Special Account and the Corporation that ensure the Corporation can access funds when needed to undertake its investment function, whilst limiting surplus cash reserves.

As such, surplus cash is returned to the Commonwealth, but is available to be drawn on if needed to invest in the clean energy sector. The Government is not able to direct the CEFC to pay a dividend back to the Commonwealth. However if the CEFC is of the view that it has made sufficient returns, section 50 of the CEFC Act 2012 allows the CEFC to choose to direct some of its returns to the Australian Renewable Energy Agency in a manner similar to a dividend.