

21 June 2012

Submission on the Clean Energy Finance Corporation Bill

ACF welcomes the opportunity to provide input into the inquiry into the Clean Energy Finance Corporation Bill. This legislation is vital to Australia's transition to a clean energy economy and the jobs, investment and long-term emissions reduction that come with it.

The world is currently experiencing a boom in clean energy investment that is the beginning of a new industrial revolution. Last year, a record-breaking \$260 billion was invested in new renewable energy projects across the globe.¹ In fact, clean energy investment has hit new records in seven of the last eight years,² and even oil giant BP predicts that renewables will be the fastest growing energy sector every year until at least 2030.³

2011 was also the first year when clean energy investment exceeded investment in fossil fuels,⁴ led by sky-rocketing investments in countries like America, China, India and Brazil. These investments now underpin between 2.3-3 million jobs in clean energy industries worldwide.⁵

Australia has what it takes to be leading this race – world-class renewable energy resources, a skilled workforce and a proud history of innovation. However, of the \$260 billion invested last year, only \$4.7 billion of it was in Australia.⁶

In addition, Australians overwhelmingly support a renewable energy future for Australia – close to 90% support greater investment in clean energy and 80% of Australians believe clean energy investment is good for jobs.⁷

The Clean Energy Finance Corporation (CEFC) comes at exactly the right time to give Australia the leg up we need to enter the race.

Importantly by focusing on the next wave of clean energy technologies, such as solar thermal, geothermal and wave, the CEFC will help provide experience that can reduce the cost or risk of future deployments at scale; drive competition; improve market reliability and security; and accelerate transition if we need to reduce emissions more quickly. In this way it will overcome the barriers which have stymied our clean energy sector for too long, and unlock significant new investment and jobs in Australia.

The provisions of the Clean Energy Finance Corporation Bill will ensure that it is independent and flexible enough to provide certainty to investors while assessing each emerging clean energy

¹ Bloomberg New Energy Finance, 'Solar surge drives record clean energy investment in 2011' <http://www.newenergyfinance.com/PressReleases/view/180> 12 Jan 2012.

² The Climate Institute (2012), *Global Clean Energy Investment Boom* <http://www.climateinstitute.org.au/media-contacts/media-releases/922-global-clean-energy-investment-boom>

³ Deutsche Bank Group (2011), *Investing in Climate Change in 2011. The Mega-trend Continues: Exploring Risk and Return.*

⁴ Los Angeles Times, 'Renewable power trumps fossil fuels for first time' <http://articles.latimes.com/2011/nov/25/business/la-fi-renewables-20111125> 25 November 2011

⁵ Deutsche Bank Group (2011), *Investing in Climate Change in 2011. The Mega-trend Continues: Exploring Risk and Return.*

⁶ The Climate Institute (2012), *Global Clean Energy Investment Boom* <http://www.climateinstitute.org.au/media-contacts/media-releases/922-global-clean-energy-investment-boom>

⁷ Essential Research (2011), *Essential Report 1 August 2011: Renewable Energy Questions* accessed at http://dancass.com/static/files/assets/d451725d/Essential_Report_010811_renewables.pdf



project on its merits. ACF is supportive of the objectives of the CEFC and the broad approach taken to establish it in the Bill.

However, to maximise the efficiency of Australia's investment in clean energy, reduce the risk of distortion of existing markets, provide the greatest opportunity for future low cost energy and unlock a boom in new clean energy jobs and investment, ACF believes that there are two amendments required to the Bill.

1. Definition of renewable energy

The definition of 'renewable energy' in Section 60 of the Bill is very broad, and could include storage and forecasting technologies, hybrid plants and possibly investment in grid.

While ACF is very supportive of investment in key enabling technologies, we are concerned that this broad definition leaves open the possibility of very little investment in new clean energy generating capacity. To maximise investment in new clean energy generation, and ensure Australia reaps the benefits of leading the world in new clean energy technologies, these important enabling technologies should fall into the Clean Energy stream of investment.

2. CEFC investments must be above and beyond the RET

The CEFC and the RET, together with the Australian Renewable Energy Agency, finally equips Australia with a suite of policies that can pull emerging clean energy technologies right through the innovation chain.

However while the time is right, and the mechanisms there, the boom in clean energy investment could still be fettered – perversely by the 20% target.

The target is a vital incentive to support commercial-scale projects, but effectively limits all investment in large-scale clean energy in Australia to 20% of our energy supply, despite up to \$10 billion extra being tipped into the pot.

There are still strong reasons to develop the CEFC even if its projects only add towards the achievement of the 20% RET – the CEFC will ensure a more diverse mix of clean energy technologies in Australia by addressing the complex mix of financial, non-financial and regulatory barriers to emerging clean energy technologies in Australia.⁸ The CEFC will therefore act as 'insurance to Australia securing the lowest cost of energy in a carbon constrained world'⁹ while providing more flexibility to efficiently meet our 80% emissions reduction by 2050 target, or greater.

However, if the CEFC is **over and above the 20% target**, Australia could reap the benefits of increased private investment, more new jobs and a faster transition to a clean energy future.

⁸ These multiple barriers and market failures have been well documented such as in our report *Funding the Transition to a Clean Energy Economy*, page 13,

http://www.acfonline.org.au/sites/default/files/resources/Funding_the_Transition_to_a_Clean_Economy_-_An_ACF_report.pdf

⁹ Clean Energy Finance Corporation (2012), *Clean Energy Finance Corporation Expert Review: Report to Government*.

Increased capacity for a clean energy future

Recent reports from the energy industry indicate that the 20% target can be delivered by the RET together with the carbon price,¹⁰ without the need for the CEFC.

Estimates of what new capacity the CEFC could deliver vary widely¹¹ and are highly dependent on assumptions about the mix of financial mechanisms and technologies the CEFC may employ. However similar projects overseas have unleashed significant new renewable energy generation.

For example, US\$10 billion invested by the US Department of Energy Loan Guarantees Program into solar projects led directly to approximately 3GW of new solar energy generation and 2.5GW of annual PV production capacity.¹² This is approximately half of the new generation capacity expected to be delivered in Australia by the 20% RET.

The CEFC could therefore make a significant contribution to Australia's renewable energy future **over and above what will be delivered by the RET**. And given that the CEFC will focus on supporting emerging technologies, these additional projects will deliver a more diverse, secure and flexible energy generation mix.

Ensuring the CEFC is additional to the 20% RET will minimise the distortion to the existing and planned investments relying solely on the RET, and so avoid crowding those projects out.

Increased jobs and investment

The new projects built under the RET are expected to deliver approximately \$20 billion of private investment into the Australian economy by 2020,¹³ predominantly in the form of wind power.

By comparison, the CEFC could unlock up to \$100 billion of investment in the next wave of technologies, such as large-scale solar.¹⁴ This level of investment, required to effectively address climate change,¹⁵ will not be unlocked if investment is capped at 20% of our energy market.

In addition, while the RET could create approximately 35,000 jobs across Australia,¹⁶ an unfettered CEFC is capable of increasing this to 100,000 jobs in clean, renewable energy Australia-wide over coming decades as the money is invested and reinvested in projects.¹⁷

¹⁰ Sydney Morning Herald, 'Increase in power bills, warns retailer' <http://www.smh.com.au/environment/energy-smart/increase-in-power-bill-warns-retailer-20120502-1xzhl.html> 3 May 2012.

¹¹ Published analysis of the new renewable energy generating capacity range from 1.5GW by ClimateWorks Australia through to 7GW by Bloomberg New Energy Finance. Sources: ClimateWorks Australia (2011), *Low Carbon Growth Plan for Australia, 2011 Update*; Australian Solar Energy Society (2012), *Australian Solar Energy Society Welcomes New Solar Flagships Arrangements* accessed at <http://www.aapmedianet.com.au/MNJ/Release.aspx?R=727361&K=8685907>

¹² National Renewable Energy Laboratory (2011), *DOE helps 'guarantee' future for solar*, accessed at <https://financere.nrel.gov/finance/content/doe-helps-guarantee-future-solar-0>

¹³ Australian Government (2011), *Securing a Clean Energy Future; The Australian Government's climate change plan*.

¹⁴ Australian Conservation Foundation (2011), *The Clean Energy Finance Corporation: Helping Australia Compete*, http://www.acfonline.org.au/sites/default/files/resources/ACF_CEFC_HelpingAustraliaCompete_0.pdf

¹⁵ Institutional Investors Group on Climate Change, Investor Network on Climate Risk, Investor Group on Climate Change (Australia/New Zealand) and UNEP Finance Initiative (2010), *2010 Investor Statement from New York Summit*, accessed at www.iigcc.org

¹⁶ The Climate Institute (2009), *Regional Employment and Income Opportunities Provided by Renewable Energy Generation*, accessed at

<http://www.efsllearninghub.net.au/Portals/0/Resources/Publications/Files/663/TCI%20regional%20employ.pdf>

¹⁷ ABC Lateline Business, *Renewables industry talks up jobs boom*, 11 July 2011.

Increased pollution abatement potential

Both the CEFC and the RET target the deployment of renewable energy in Australia, with the CEFC focused on ensuring there is a diverse mix of clean energy and energy efficiency technologies in Australia. It is therefore missing the point to measure the success of either by their contribution to carbon pollution abatement in the short-term.

In the longer-term, while the RET will help deliver a suite of projects (dominated by the commercialisation of wind energy) **the RET in addition to the CEFC, will deliver a diversity of competitive clean energy technologies in Australia.** This diversity of supply will act as insurance to our prosperity in a low-carbon future and give us the flexibility to meet our legislated 80% emissions reduction target by 2050, or greater.

Mechanisms

ACF has identified two options for ensuring that CEFC investments are new and additional to the 20% target, outlined below.

1: Replace RECs for CEFC projects

The RET already includes a mechanism for waste coal mine gas projects which are eligible to create and sell RECs that are additional to the 20% target.

For every REC a waste coal mine gas project produces, the government replaces a REC back into the market. In this way the government supports waste coal mine gas projects without impacting on the 20% target for renewable energy projects.

The same approach could be taken for CEFC projects to ensure they allow Australia to get beyond 20% without distorting the current market.

This option would not be administratively difficult as the mechanism already exists.

2: Increase the RET

An alternate strategy would be to allow CEFC projects to create RECs without a replacement mechanism. In this instance, to ensure CEFC projects are additional to the 20%, the overall target would need to be expanded through the 2012 RET Review.

ACF believes the Government should immediately commit before the CEFC Bill passes parliament to ensuring that CEFC projects will be new and additional to the 20% target, and request the Climate Change Authority – during the RET Review in late 2012 – to identify and recommend the most appropriate mechanism to achieve this.

For more information, please contact

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The Australian Conservation Foundation is committed to achieve a healthy environment for all Australians. We work with the community, business and government to protect, restore and sustain our environment.

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