

2 November 2018

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Re: Research & Development (R&D) Tax Incentive Changes

Carnegie Clean Energy Limited is an Australian, ASX-listed (ASX: CCE) wave energy technology developer and solar/battery microgrid project developer with approximately 11,000 Australian Shareholders. Carnegie is pleased to have the opportunity to formally comment on the proposed changes to the Research and Development (R&D) Tax Incentive under the Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018.

Carnegie is the 100% owner and developer of the CETO Wave Energy Technology intellectual property which has been developed in Australia. The R&D Tax incentive has been a key enabler of the ongoing development of the Australian owned CETO technology over the past decade including supporting the delivery of innovative demonstration projects such as the Perth Wave Energy Project.

The R&D Tax incentive program has made Australia an attractive place to develop innovative technology such as CETO. The availability of this support mechanism for small Australian companies developing new technologies has been one of the reasons why Carnegie has historically maintained its headquarters, employees and ownership of its intellectual property in Australia.

The proposed change to introduce a \$4 million cap on the R&D Tax Incentive cash rebate for companies with aggregated annual turnover below \$20 million will have a detrimental impact on Carnegie's activities in Australia. As the Committee may have seen in the news, the proposed changes are negatively impacting Carnegie's ability to deliver its innovative CETO 6 technology in the Albany Wave Energy Project, which is also supported by ARENA and the WA State Government.

The retrospective application of these proposed changes (coming into effect from July 1, 2018) is particularly challenging for companies like Carnegie who had already planned and invested in significant R&D activities scheduled to be undertaken over the next few years. Any changes should be planned further in advance so as not to adversely impact R&D already planned or underway.

Changing the R&D Tax incentive as proposed will make Australia a less compelling option for R&D investment globally, not only for Carnegie but also for many other small technology developers. Unfortunately, the proposed changes appear likely to benefit a few large corporations but hurt many small technology developers who are constantly working to raise funds to undertake R&D activities. Carnegie would strongly encourage the Government to re-consider introducing an annual cap on the R&D Tax Incentive cash rebate and would welcome the opportunity to speak with the Committee about the impact of these changes on innovation in Australia.

Yours sincerely,



Jonathan Fiévez
Chief Executive Officer