Dissenting Report –
Mr Steven Ciobo MP, Deputy Chair,
Ms Kelly O'Dwyer MP, Mr Scott Buchholz MP,
Mr Paul Fletcher MP and Mr Dan Tehan MP,
Liberal Party of Australia

Introduction

The Clean Energy Finance Corporation Bill 2012, the Clean Energy Legislation Amendment Bill 2012, the Clean Energy (Customs Tariff Amendment) Bill 2012, and the Clean Energy (Excise Tariff Legislation Amendment) Bill 2012 (the Bills) are an extension of the Government's Carbon Tax package.

Liberal Members of the Committee believe these Bills will be expensive to taxpayers, expose them to underwriting a significant amount of commercialisation risk, and provides for this to occur at the wrong time given the economic challenges Australia faces. It is striking that taxpayers will be asked to fund projects that will not deliver lower electricity prices, however will in fact, add to cost of living pressures being exacerbated by Labor's carbon tax.

Liberal Members are also concerned the Government's approach to the enabling legislation is deliberately crafted to constrain flexibility and require legislative revision by the Parliament. We note the CEFC's funding is removed from typical budgetary discretion owing to the method of legislative appropriation. As Australia has experienced a very signification erosion of our fiscal position owing to Government decisions, the CEFC and its funding is a clear Labor policy indulgence funded by taxpayers.

The CEFC is directed to invest taxpayers' funds in admitted high-risk technologies that have failed to attract requisite private-sector capital. Not only is there inherent risk presently associated with the clean-energy sector, there is also insufficient clarity attaching to the management of risk of loss of taxpayers funds invested through the CEFC.

Liberal Members of the Committee are particularly concerned by the lack of diligence betrayed in both verbal and written responses to questions in the public hearing on the issue of the assumed default rate. Liberal Members were not provided with a satisfactory response to how the forecast default rate was formulated and we remain concerned there is a very real risk of unacceptable losses accruing from defaulting investments.

Liberal Members of the Committee are also concerned operating costs of the CEFC appear unrefined. Start-up costs for the CEFC in the first year are $57.3 million and are provisioned for the CEO's remuneration, staff remuneration, and consultancy fees. That notwithstanding, these are all yet to be determiend and were not able to be provided to the Committee.

Portentously, under section 41 of the CEFC Bill, these do not have to be referred to the Remuneration Tribunal. The Committee was also not provided with the board member's fees, as they were yet to be determined by the same Tribunal.

Liberal Members of the Committee hold the view the CEFC is a politically driven creation being implemented at the behest of the Australian Greens Party and the Labor Party, inappropriately rushed through the House of Representatives Standing Committee on Economics with little opportunity for genuine scrutiny.

The creation and operation of the CEFC will come at significant cost to taxpayers. This is driven by the very real risk associated with investing in the clean-energy sector and the future pressure the CEFC will place on government revenue.

Perversely the beneficial environmental outcomes will be low, with the CEFC not expected to deliver any reduction in domestic energy prices, nor have any impact on Australia's ability to meet our Renewable Energy Target.

Liberal Members of the Committee have sought to highlight serious concerns and shortcoming with the Bills in this dissenting report and, as they are connected with Labor's Carbon Tax, recommend they be opposed.

Risk to Taxpayers

Default Rate

The Coalition members of the Committee are all too aware of the cost, waste and mismanagement of the Government programmes including the Home Insulation Programme (HIP) and Building the Education Revolution (BER).

Time and time again, Government forecasts have proven wrong, budgets have been blown and taxpayers have been left with little or nothing to show for the billions added to public debt.

Liberal Members of the Committee were concerned that Departmental testimony indicated many of the underlying assumptions which impact the viability of the CEFC and its cost to taxpayers are based on little evidence beyond Government direction.

Treasury could provide no substantive explanation as to how the default rate for investments was arrived at or whether they bear any similarity to experiences in Australia or overseas:

> **Mr TEHAN:** You talked about this 7½ per cent. What evidence is that based on—this default rate? What programs have you looked at? What other investments have you looked at to come up with this rate? What evidence has led you to the 7½ per cent?

> **Mr Nicol:** The 7½ per cent was based on discussions between departments when the body was initially conceived. It was some time ago, so it is stretching my recollection, but it was based on a broad view, I think, of the inherent risk of the industry. Every investment vehicle in any industry is going to have a write-off rate of some description.
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> **Mr TEHAN:** So what did you look at? Did you look at the Solar Flagships Program, for instance?
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> **Mr Nicol:** I will have to take that on notice to get exact details.[1]

The response from Treasury to the question on notice was simply to restate that "The rate of 7.5 per cent is an average across the portfolio of CEFC investments and is based broadly on expected performance of the corporation, noting the risk of the industry in which the CEFC will invest, particularly the potential for higher risk in renewable energy sector."

It is clear to the Coalition that Treasury could not provide any evidence on how this figure was determined.

Failure to Heed Past Lessons

Mindful of the Solar Flagships Program and ZeroGen project which together received some $800 million in taxpayer funds and delivered little, Coalition members of the Committee were eager to understand how these experiences were factored into modelling of expected failure/default rates and the anticipated CEFC investment strategy.

Remarkably, Treasury testimony suggested these significant project failures had not been considered and no assurance could be made similar incidents of large-scale taxpayer losses would be avoided:

> **Mr CIOBO:** I go to that conservative estimate allowance of 7.5 per cent. What has Treasury looked at with regard to, for example, the $700 million Solar Flagships Program the Australian government was involved in? What mistakes were made there that will not be made with respect to investment by CEFC in this case?
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> **Mr Waslin:** Solar Flagships was a grant program. The CEFC will be making investments. The board will have the responsibility for determining the investments. They will be co-financing with the private sector, so they are brought on board. They are not directly comparable because the Solar Flagships is a grant program.

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[1] Mr David Nicol, Department of Finance and Deregulation, *Committee Hansard*, Canberra, 28 May 2012, p. 9.

> **Mr CIOBO:** How much money was lost/granted on the Solar Flagships Program by taxpayers?
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> **Mr Waslin:** It is not on the Treasury program.
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> **CHAIR:** It is not a relevant question when you are talking about a grant.
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> **Mr Waslin:** A grant, by definition, is a payment with no—
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> **Mr CIOBO:** No, that is why I am asking how much money is allocated?
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> **CHAIR:** It is not what you asked.
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> **Mr Waslin:** I do not know that number; it is not in the Treasury portfolio.
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> **Mr CIOBO:** Would you let us know. What about the ZeroGen project?
>
> **Mr Waslin:** As I said, they are not projects within the Treasury portfolio.
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> **Mr CIOBO:** I am just mindful that $700 million was spent on Solar Flagships, $100 million on the ZeroGen project—that is $800 million. I am just interested to know what lessons have been learned from mistakes that will help to guide investment decisions of Australian taxpayer funds in future?[2]

No Legislated Safeguards

Given the remarkable size of the investment in CEFC and accounts of massive losses in Australian-based and international renewable energy projects, the Liberal Members of the Committee are concerned there is no explicit stop-loss strategy included in the Bill as an ultimate safeguard for taxpayers:

> **Mr BUCHHOLZ:** What mechanisms do you have in place should the write-offs you have budgeted for be exceeded by the market? Would you stop lending money? Is there any mandate, or are there any provisions you guys have spoken about, like how bad is bad before you say, 'We can't continue to forge ahead with this'? Is there a line in the sand where, bang, you say, 'This is enough; we are not throwing good money after bad,' or is it just, 'Ten billion is the number; when it's gone, it's gone'?
>
> **Mr Waslin:** One of the board's functions, as listed in provision 14(1)(b) of the bill, is:

[2] Mr Mike Waslin, Department of Treasury, *Committee Hansard*, Canberra, 28 May 2012, pp. 19

> … to ensure the proper, efficient and effective performance of the Corporation's functions …
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> So it is incumbent upon the board to invest within that requirement. They are not going to go out there and say, 'We're going to blow everything.' That is not consistent with the requirement. That is why we have an independent board and why people of a high standard are appointed to the corporation—to ensure the efficient operation of the corporation.[3]

Market Distortions

Crowding Out

As a significant borrower on capital markets, the Government is already responsible for the upward pressure on interest rates driving up the cost of finance for businesses and homeowners with mortgages.

Given the $10 billion investment in the CEFC will be funded by a commensurate amount of Government debt, Coalition members of the Committee view the CEFC as detrimental to the wider economy and further risk to the Nation’s fiscal position.

Funding Inferior, Less Efficient Technology

Treasury testimony made repeated mention of the principle purpose of the CEFC: to invest in projects and technologies which would otherwise not receive private sector funding.

Following questioning by a Coalition member of the Committee, Treasury confirmed investments could be made which the private sector had assessed as being too risky or delivering sub par returns.

Inherent in this admission is that taxpayers will be asked to underwrite the riskiest of investments in exchange for some of the lowest possible returns. Risk to capital aside, taxpayers will certainly not get value for money:

> **Mr CIOBO:** Yes, but I am asking why, in the department of climate change's view, these projects would not get up?
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> **Ms Wilkinson:** They would not get up if they could not receive funding on commercial terms which are available at the moment.

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[3] Mr Mike Waslin, Department of Treasury, *Committee Hansard*, Canberra, 28 May 2012, p. 13.

> **Mr CIOBO:** From the private sector?
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> **Ms Wilkinson:** That is correct.
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> **Mr CIOBO:** And would that be a reflection of risk? This is what we were talking with Treasury before. Do you think the private sector would consider them too risky to fund?
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> **Ms Wilkinson:** It would be because the private sector made an assessment that the return was not sufficient to cover the issues that they were concerned about, and certainly the private sector would not take into account the externalities that Mr Waslin was talking about.[4]

This strategy risks supporting inferior technologies not capable of delivering a market rate return at the expense of promising technologies competing for a share of the Renewable Energy Target:

> **Mr CIOBO:** Earlier you made comments, Ms Wilkinson, about CEFC altering the composition of renewable energy sources. Why will the operation of CEFC alter the composition of renewable energy sources?
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> **Ms Wilkinson:** I am thinking in the long term. I am thinking about the fact that the CEFC might support and provide funding for the deployment of renewable energy sources which would not otherwise get up.
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> **Mr CIOBO:** Why would they not otherwise get up?
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> **Ms Wilkinson:** The mandate of the Clean Energy Finance Corporation is to identify projects which they consider consistent with their mandate. [5]

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[4] Ms Jenny Wilkinson, Department of Climate Change and Energy Efficiency, *Committee Hansard*, Canberra, 28 May 2012, p. 20.

[5] Ms Jenny Wilkinson, Department of Climate Change and Energy Efficiency, *Committee Hansard*, Canberra, 28 May 2012, p. 20.

Taxpayers Value

Return on Investment

While acknowledging the CEFC as a 'business', Treasury was unable to answer whether the CEFC would be subject to guidelines to which other Government Business Enterprises (GBEs) must comply.

Significantly, Treasury was also unable or unwilling to provide assurances shareholders (taxpayers) would receive value for their investment:

> **Mr FLETCHER:** And I am also interested to know whether the CEFC is required to comply with section 4.7 of those guidelines which says that all GBEs are required to add shareholder value. Mr Waslin, are you confident that the $10 billion that the Australian taxpayer is going to put into this venture is going to be a good investment for the Australian taxpayer?
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> **Mr Waslin:** It is designed to overcome the financial barriers for the clean energy sector.
>
> **Mr FLETCHER:** That is not actually the question I am asking. The question I am asking is this. It is from the point of view of the Australian taxpayers as $10 billion of taxpayers' money is being put into this venture. I am interested to know—
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> **Mr Waslin:** It is a governmental policy issue. The government can decide how it wishes to make its investments and how to spend its funds.
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> **Mr FLETCHER:** So the government has made that decision. What I am interested to know is whether Treasury is confident that that would be a good investment.
>
> **Mr Waslin:** That is a comment on policy.[6]

Rate of Return

Under questioning from Coalition members it was clear that the Treasury could not state the expected rate of return for taxpayer dollars spent.

> **Ms O'DWYER:** Speaking of investments, then, it is probably worth looking at the investment mandate. What is the target rate of return for the investments that the government will make?
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> **Mr Waslin:** Under the legislation the investment mandate is made by the government with the board, so the investment mandate cannot be physically done prior to the passage of the legislation and the board being

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[6] Mr Mike Waslin, Department of Treasury, *Committee Hansard*, Canberra, 28 May 2012, pp. 16

> appointed. The government has publicly stated that the expectation will be around the government bond rate, which is what was included in the expert review panel's report.

Under further questioning Mr Waslin conceded that Treasury had provided no modelling on the rate of return and further conceded that "It is up to the government to determine the target rate of return."

Overseas funds

Treasury were asked to provide specific examples of similar overseas funds.

> **Ms O'DWYER:** Like Dr Leigh, I would also like to apologise for the short amount of time and notice you have had to be here, because we only invited you on Friday, and it is rather a shame that there has not been more time for you to prepare. A number of the questions I am going to ask I suspect you will need to take on notice. I am interested in following up on my colleagues Dan Tehan and Steve Ciobo's line of questioning in relation to the failure rate. You may need to take this on notice. Would you be able to provide us with a list of overseas examples of funds overseas, a list of their failure rates and also their rates of return?

Treasury provided only partial answers in response citing the United Kingdom Green Investment Bank (which is yet to make any investment). It did not provided any information on its rate of return.

Similarly, Treasury cited the United States Department of Energy Loans Program and again did not provide the rate of return on investment.

Investment mandate

Treasury were questioned about the significance of s61 of the legislation, specifically, what was meant by "Australian based investment" that would form part of the investment mandate.

> **Ms O'DWYER:** What about overseas investment? What about companies that are predominantly owned by foreign or overseas investors?

> **Mr Waslin:** We are talking about where the assets would be located and not the ownership.

> **Ms O'DWYER:** So, so long as the assets are here, for the purpose of this section of the bill, you would say that that makes it an Australian-based investment?

Mr Waslin: Yes

Ms O'DWYER: Irrespective of the fact that the guidelines have not yet been drafted?

Mr Waslin: That is what is behind the solely or mainly based. It is a similar approach to what the UK Green Investment Bank is also taking.

Ms O'DWYER: But it would be up to the board to take a different view?

Mr Waslin: Basically the board is to come up with what is solely or mainly Australian based.

It is unclear whether Australian taxpayer money will simply be sent offshore.

Electricity Prices

The CEFC is vaunted by the Government as an instrumental part of the Carbon Tax package. Its premise is to fund renewable energy technologies with a view to making clean energy cheaper than that generated by fuels trapped under the Carbon Tax.

Considering $10 billion is to be invested by taxpayers in the CEFC, the Coalition members of the Committee were surprised to learn that no mandate had been provided to invest in technology which would offset increases to electricity prices under the Carbon Tax.

The Department of Climate Change and Energy Efficiency confirmed no modelling had been conducted to determine whether electricity prices would be higher or lower with the CEFC:

Mr CIOBO: Should Australian taxpayers therefore expect to see the retail price of electricity decrease as a result of their $10 billion investment in renewables through the CEFC?

Ms Wilkinson: Again, it depends. In most jurisdictions in Australia, the retail electricity price is determined by independent pricing tribunals, and they key off the wholesale electricity price. So a lower wholesale electricity price, by and large, translates into a lower retail electricity price.

Mr CIOBO: On your modelling, does the price decrease as a result of the operation of the CEFC? Is it larger than, equal to or less than the forecast increase in electricity prices as a result of the introduction of the carbon tax?

Ms Wilkinson: As I said, I am not aware of modelling undertaken within the department of climate change. I can take that on notice—modelling what the impact of the CEFC is. It is difficult to actually undertake that modelling until the CEFC has been finalised in all its elements, including things like the investment mandate.

Mr CIOBO: But you are confident that it will reduce wholesale electricity prices, even though you have not done any modelling?

Ms Wilkinson: No, I guess I am just making a statement of fact as to what determines wholesale electricity prices, and one of the important things is the actual cost of investing in new generation technologies.[7]

Cost to Taxpayers

Estimated Write-offs

Coalition members of the Committee are deeply concerned with revelations that, in the unlikely case Treasury estimates and assumptions are correct, the CEFC will still be responsible for investment losses totalling some $600 million over four years:

Mr CIOBO: Based on that 7½ per cent figure Treasury forecasts, therefore, that the Clean Energy Finance Corporation will lose $150 million in the year 2012-13, $150 million in 2013-14, $150 million in 2014-15 and $150 million in 2015-16. Is that correct?

Mr Nicol: I do not think you can characterise it that way because the fund will be making investments that will—

Mr CIOBO: You are expecting defaults of $150 million for each of those years.

Mr Nicol: The budget has included a provision for $150 million of investments that will not be recovered.

Mr CIOBO: So Treasury forecasts that taxpayers will lose $150 million a year, purely based on investments, not returns, each year for four years—a total loss of $600 million. This is just on investments, I am not talking about returns.[8]

[7] Ms Jenny Wilkinson, Department of Climate Change and Energy Efficiency, *Committee Hansard*, Canberra, 28 May 2012, p. 22.

[8] Mr David Nicol, Department of Finance and Deregulation, *Committee Hansard*, Canberra, 28 May 2012, p. 8.

As outlined earlier, given the estimated default rate is a 'guess' only, losses could very well be much higher and put the goal of CEFC self-sustainability at risk or, indeed, the total $10 billion investment:

> **Mr Nicol:** We are assuming that 7½ per cent of the investments each year are not recovered.
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> **Mr CIOBO:** So are you saying that you think in reality the default rate will be higher than that or lower than that?
>
> **Mr Nicol:** At the moment that is our best guess.[9]

Arbitrary Start-up Costs

The Coalition members of the Committee were concerned with the arbitrary funding, some $60 million, for the start-up and establishment of the CEFC.

Treasury was unable to explain how these significant funds were allocated and what proportion would be allocated to the remuneration of the Board, CEO, staff and consultancy.

> **Ms O'DWYER:** Will each of the board members receive fees?
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> **Mr Waslin:** Yes, and they will be paid as determined by the Remuneration Tribunal.
>
> **Ms O'DWYER:** Do you have any expectation around what those figures will be?
>
> **Mr Waslin:** No, not at this stage. The Remuneration Tribunal will make the decision.
>
> **Ms O'DWYER:** They will make the decision; but in coming up with this figure have you made a provision? Do you have an expectation around where it might be or in what range?
>
> **Mr Waslin:** No. The Remuneration Tribunal will make a decision. Other like institutions could be the Future Fund.
>
> **Ms O'DWYER:** And the fees there would be what?
>
> **Mr Waslin:** I do not know. We would have to take that on notice.[10]

Concerns which were raised about the budgeted figures, which were not higher in earlier years as one would expect, were not addressed and called into question the assumption the CEFC can, in time, become self-sustaining:

> **Ms O'DWYER:** I am interested in understanding a little bit more about the board and the operating costs associated with the Clean Energy Finance Corporation. The Inspector-General of Taxation in appropriations costs about $1.5 million.

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[9] Mr David Nicol, Department of Finance and Deregulation, *Committee Hansard*, Canberra, 28 May 2012, p. 7.

[10] Mr Mike Waslin, Department of Treasury, *Committee Hansard*, Canberra, 28 May 2012, p. 12

According to the appropriations that we are looking at here over the forward estimates, we are looking at around about $60 million—to be exact, $57.3 million over the forward estimates. Can you perhaps provide us with a little more information as to exactly what that $60 million is going to be funding?

Mr Waslin: There will be around 40 staff, when it is fully operational. There will be accommodation and a lot of start-up expenses. The corporation will need to take legal advice in terms of entering into contracts—due diligence for entering into contracts. Basically, it is setting up all the computer systems and consultancies on understanding the proposals.

Ms O'DWYER: As I look at these appropriation figures, there is not, for instance, a lot of money in year 1 or even in years 1 and 2; it is effectively the same throughout.

Mr Waslin: Government is giving the corporation money to help with its establishment. During the initial years they are not expecting that there will be a return, but the expectation from the expert review panel is that the corporation will become self-sufficient and able to fund its own operating expenses from its earnings.

Ms O'DWYER: What is that expectation based on?

Mr Waslin: For the expert review panel, that was one of the—

Ms O'DWYER: This is a bit circular.[11]

No Impact on the Renewable Energy Target

For the $10 billion invested and the inherent risk 'picking winners' in the renewable energy sector, especially given the Government's track record, it concerns the Coalition members of the Committee there is no guarantee of additional renewable energy generation capacity over and above the bipartisan Renewable Energy Target:

Mr CIOBO: My questions in the first instance are probably to Treasury although obviously Climate Change is welcome to contribute as well. The mandatory renewable energy target is 20 per cent. Is that correct?

Mr Waslin: The RET—yes.

Mr CIOBO: As a result of the CEFC, what will be the energy target into the future

[11] Mr Mike Waslin, Department of Treasury, *Committee Hansard*, Canberra, 28 May 2012, pp. 11-12

> as a result of its operation?
>
> **Mr Waslin:** The renewable energy target is 20 per cent. That is government policy.
>
> **Mr CIOBO:** So, 20 per cent with or without the CEFC?
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> **Mr Waslin:** Yes.[12]

In fact, testimony from the Department of Climate Change and Energy Efficiency revealed that in the absence of this very risky $10 billion investment Australia is nonetheless forecast to achieve the Renewable Energy Target.

> **Mr CIOBO:** So the department of climate change has done modelling that looks at whether we can meet our renewable energy target without the operation of the CEFC?
>
> **Ms Wilkinson:** Yes. The renewable energy target has been in place for some time. We have done a number of modelling exercises which predated the announcement of the Clean Energy Finance Corporation.
>
> **Mr CIOBO:** Great. Can we meet our renewable energy target without the CEFC?
>
> **Ms Wilkinson:** As I said earlier, the modelling certainly suggests that, with the combination of the carbon price and the renewable energy target in that model, you would expect the renewable energy target to be met. [13]

To Coalition members of the Committee, this evidence highlights the inherent flaw in the often-quoted principle purpose of the CEFC to 'overcome financial barriers' for projects rather than pursue investments in projects which would deliver the greatest possible environmental benefit.

Undue Political Influence

Appropriation Measures

The Coalition members of the Committee formed the view the Bill is intended to bind future governments to the annual appropriations to the CEFC.

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[12] Mr Mike Waslin, Department of Treasury, *Committee Hansard*, Canberra, 28 May 2012, p. 4.

[13] Ms Jenny Wilkinson, Department of Climate Change and Energy Efficiency, *Committee Hansard*, Canberra, 28 May 2012, p. 21.

In what seems to be a politically motived strategy, the first payment to the CEFC Special Account is timed to take place near or during the caretaker period ahead of the next federal election thereby limiting the ability of an incoming government to make changes to the funding model or wind up the CEFC.

It is interesting to note legislating automatic appropriations in this manner is uncommon in the Australian context, and will require the Parliament to amend or repeal the associated legislation to make any changes.

While the Treasury seemed to infer automatic endowment would provide some certainty for co-investors, tellingly, no evidence as to why this measure is strictly necessary was provided:

> **Mr FLETCHER:** My last question for you is about section 46, which deals with the appropriation. Could you just explain the effect of that arrangement—so that is appropriating $2 billion a year over five years—and why that is necessary? And, specifically, is that intended to lock in a future government such that it is not able to reverse this?
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> **Mr Waslin:** The way in which it works is that the moneys are appropriated to a special account. Through section 48, the corporation may request funds from the special account when it needs those funds either to pay its operating expenses or for loans, but for the initial period of three years it will have funds for operating expenses. Getting to your point, from the public consultations, the importance of the way the corporation is being set up is that if it needs to enter into long-term contracts, because of the nature of this, the corporation's credibility depends upon the private sector's acceptance that the corporation will have the funds when it needs those funds. So, if it enters into a contract to lend over five years—
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> **Mr FLETCHER:** I have heard the explanation. Let me ask this question: is this a common arrangement?
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> **Mr Waslin:** The difference is that the corporation has had a special account set up. The alternative would have been to provide the $10 billion directly to the corporation, and it could invest the $10 billion and, therefore, it would have the funds over the whole period. This appropriation arrangement and the operation of the special account is that it draws down the funds only when it needs them for investment in the clean energy sector. The idea was not to establish a corporation with a large pool of funds which would go off and then become a money market corporation. It is designed to keep it focused on investing in the clean energy sector.

> **Mr FLETCHER:** Is it a common arrangement to legislate so that there is a series of appropriations in a piece of legislation dealing with one government owned corporation?
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> **Mr Youngberry:** There are other examples where we provide appropriations over a period of time—most notably, the replenishments for the International Development Association, which is under the World Bank, where we do provide a special appropriation that exists through time to provide certainty for that funding.
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> **Mr Nicol:** My recollection is that in medical research, I think, or in general research we also have a similar mechanism.[14]

Lack of Proper Scrutiny

The Coalition members of the Committee took exception to the short notice provided ahead of the public hearings and the limited time allotted which saw key witnesses ill-prepared to answer even the most basic questions.

Coalition members note the Chair opposed a motion extending the duration of the hearing and the tenure of the enquiry until 30 August 2012. This would have provided an opportunity for public comment and for expert witnesses (at other locations) to be called:

> **Ms O'DWYER:** You are arguing against the whole existence of House of Reps Standing Committee on Economics in that case. The first notice of this inquiry by the House of Representatives into this particular issue was a press release that was issued on Friday. The hearing is now today, on Monday, and the report, according to the current tabling, is going to be on Wednesday. That is, we have less than a week to deal with a $10 billion bill. My view would be that not enough scrutiny has been applied to this bill. There would be substantial witnesses who would be prepared to come before this committee to provide evidence. It is simply not enough for us to have a two-hour hearing today that has been called on effectively in the dead of night to try to deal quickly with this legislation because the government wants to avoid scrutiny.[15]

[14] Mr David Nicol, Department of Finance and Deregulation, *Committee Hansard*, Canberra, 28 May 2012, pp. 17-18.

[15] Ms Kelly O'Dwyer MP, Standing Committee on Economics, *Committee Hansard*, Canberra, 28 May 2012, p. 2.

The appropriations connected with these bills amount to at least $10 billion. It is unacceptable only two hours were allocated for their scrutiny and that the hearing was summarily guillotined by the Chair:

> **Mr CIOBO:** Can I ask the Department of Treasury—
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> **CHAIR:** You are going to have to call it a day, Mr Ciobo.
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> **Mr CIOBO:** Opposition members have had serious concerns about $10 million worth of investment—
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> **CHAIR:** And the opposition have had the bulk of the questions today.
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> **Mr CIOBO:** Well, that is great that, for $5 billion an hour, they are getting the chance to ask some questions! We have many more questions on our side we would like to continue asking.
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> **CHAIR:** I am sorry; I am going to call the meeting—
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> **Mr CIOBO:** So you are going to shut us down?
>
> **CHAIR:** I am … [16]

Conclusion

The Coalition members of the Committee oppose the Bills on the basis that they are connected with the Government's Carbon Tax package.

Notwithstanding this, the CEFC represents an unacceptable risk to taxpayers of which the Coalition members of the Committee believe Treasury and the Department of Climate Change and Energy Efficiency failed to demonstrate a proper understanding.

Even assuming all assumptions are correct, the CEFC will see upwards of $600 million lost in write offs and no increase in Australia's capacity to meet the Renewable Energy Target. To put it plainly, for all the risk, and it is substantial, there is no environmental gain.

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[16] Steven Ciobo MP, Standing Committee on Economics, *Committee Hansard*, Canberra, 28 May 2012, p. 23.

Perversely, rather than supporting competitive renewable energy technologies which can be delivered at no cost to taxpayers, the CEFC risks over representing inferior projects in the market by providing what essentially amounts to a subsidy.

Finally, given the deteriorating fiscal position of the Government since 2007, it seems almost unthinkable the Government would legislatively commit to fixed appropriations over the forward estimates.

Recommendation

The House does not pass the Clean Energy Finance Corporation Bill 2012, the Clean Energy Legislation Amendment Bill 2012, the Clean Energy (Customs Tariff Amendment) Bill 2012, and the Clean Energy (Excise Tariff Legislation Amendment) Bill 2012.

Steven Ciobo MP

Deputy Chair

Kelly O'Dwyer MP

Scott Buchholz MP

Paul Fletcher MP

Dan Tehan MP