

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 81

Topic: Clean Energy Finance Corporation – Annual Appropriations

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Senator CORMANN asked:

Senator CORMANN: Thank you for that. What about the difference between the annual appropriations over the forward estimates and the underlying cash balance? There is a \$263.9 million difference there, too.

Ms Baum: Do you mean the special appropriations of \$2 billion per annum?

Senator CORMANN: I am talking about the annual appropriations and the underlying cash balance. There is a difference there of \$263.9 million over the forward estimates.

Ms Baum: The annual appropriations will be equity commercial loans and concessional loans. The impact on the underlying cash is the 7.5 per cent upfront write-down, which has an impact on UCB and, depending on what numbers you are looking at, the running costs for this year.

Senator CORMANN: Are you able to provide us in gross dollar amounts for each year both the projected write-offs and the interest received, and are there any other dollar amounts that account for the difference? You might be able to give us that on notice.

Mr Ray: Yes, we can take that on notice.

Answer:

Expenditure on the CEFC has been accounted for in the *Mid-Year Economic and Fiscal Outlook 2011-12* (MYEFO 2011-12). The Government will provide \$2 billion a year for five years from 2013-14 into the CEFC with an additional \$60 million to be provided to support the establishment and operating costs for the CEFC from 2011-12. In 2014-15, interest revenue from investments will have a positive impact on the fiscal balance of \$88.6 million and a positive impact on the underlying cash balance of \$60.8 million.

The *Clean Energy Finance Corporation Act 2012* Explanatory Memorandum outlines the CEFC's fiscal balance and underlying cash balance implications. These figures differ from MYEFO 2011-12 due to an additional forward estimate year. The CEFC will have a net negative impact on the fiscal balance of \$1,346.4 million over the forward estimates and a net negative impact on the underlying cash balance of \$321.2 million over the same period.

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\$m	2012-13	2013-14	2014-15	2015-16	Total
Special Appropriations	nil	2000.0	2000.0	2000.0	6.000.0
Annual Appropriations	19.6	18.8	18.9	nil	57.3
FB	-19.6	-466.8	-454.7	-405.2	-1346.4
UCB	-19.6	-168.8	-120.9	-11.9	-321.2

The fiscal and underlying cash balance impacts include a prudent recognition that some investments may not be recovered, and interest revenue. The fiscal balance impact also includes the concessional component of loans, which is recognised up front and unwound over the life of the loan. This treatment reflects budget accounting standards and is consistent with the treatment of similar investments. The Treasury expects that taxpayers will receive a positive return on these investments over time.