

**SENATE ECONOMICS COMMITTEE BUDGET ESTIMATES  
CLEAN ENERGY FINANCE CORPORATION  
OPENING STATEMENT BY MS JILLIAN BROADBENT AO  
CHAIR OF THE BOARD OF DIRECTORS**

**5 JUNE 2013**

I thank you for the opportunity to appear before the Committee and provide an opening statement. We hope to achieve better clarification and an improved understanding of what the CEFC is doing, its long term goals and how it can be an effective government policy mechanism.

In the pursuit of meeting emissions targets, cleaner energy is a goal for most countries. The establishment of government owned specialised investing institutions is a widely adopted policy tool to complement direct funding initiatives for clean energy.

The Australian Government commissioned an Expert Review, to assess whether such a sector specific financial institution would be effective for Australia.

I chaired the Expert Review Panel which, and after wide consultations and submissions from a broad spectrum of the economy, identified inhibitors to Australia's financing of clean energy. We concluded that the CEFC, through progressing energy efficiency, low emissions investment and developing the clean energy sector (its financing, skills and technologies) could be an effective policy tool to enhance Australian industries preparedness for a carbon constrained world. The Australian Government accepted the Review recommendations, the Australian Parliament passed legislation to bring it into effect and a Board and Executive, with strong commercial experience in industry and finance, were put together.

The directions about the performance of the CEFC's investment functions are contained in the Investment Mandate, agreed between the CEFC Board and the responsible Ministers of Treasury and Finance.

Since Mr Yates' inaugural attendance at Senate Estimates in February 2013, the Corporation has been "stood up" and has received its Investment Mandate from the Responsible Ministers. The CEFC Board, considering the Investment Mandate, has published its Investment Policies on the Corporation's website, in accordance with our Act. I am pleased to table a copy of those for the Committee today.

Among others, the key elements of the Investment Mandate are:

- to adopt a commercial approach and apply commercial rigour when making investment decisions;
- to manage risks so as to be financially self-sufficient;
- to adopt a benchmark rate of return based on the five year Government bond rate;
- having capacity to offer concessionality which is limited to \$300 million in any one financial year;
- to consider the potential impact on other market participants when making investment decisions.

As a Corporation we have determined our "commercial approach" to involve:

- not making grants, but ensuring the investment recipient has the capacity to repay;

- sound risk management principles
- participating and leveraging with co-financiers to increase the flow of funds to the sector;
- working with the industry in a flexible way to progress projects.

Consistent with this approach we have been engaged in building the Corporations portfolio.

Achievements and activities to date:

- We have established our office in Sydney and recruited key personnel.
- We are involved in "active discussions" with more than 50 project proponents who are seeking around \$2 billion of CEFC funds. There are a further 100 projects in the pipeline. In aggregate, these projects will leverage private sector funds in a ratio of approximately 3:1.
- We have completed the merger of Low Carbon Australia's staff, platforms and programs and are expanding successful financing models.
- We have formulated and published on the Corporation's website definitions, guidelines and methodologies for eligible clean energy technology investments.
- We established the CEFC's 2018 Target Portfolio and outcomes (attached).
- On energy efficiency projects, we are engaged with a number of large Australian companies and public sector entities (universities and local governments).
- We are in discussions with major financial institutions concerning participation as a co-financier in various utility scale renewable and low emission technology projects.
- We have advanced progress with ARENA concerning joint resourcing and funding to ensure optimum funding involvement by both bodies to enable projects to proceed.
- We are considering participation in a listed vehicle for portfolio investments in commercial renewable technology projects.
- We are responding to the superannuation funds interest in the establishment of a co-funded clean technology investment vehicle.

As a participant with other financial institutions, the CEFC is a policy tool which can respond to changing dynamics. It is cost efficient for government and recipients and develops a market through co-investment, participation and persuasion, rather than handouts. Our interface with the finance and clean energy industry is confirming the findings of the Review Panel and supportive of the CEFC operating model.

## 2018 Target Portfolio

The Board has determined its 2018 Target Portfolio and outcomes as follows:

