Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: CEFC
Question: BET 484-490
Topic: CEFC Funds
Reference: written - 19 June 2015
Senator: Wong, Penny

Question:

484. How many projects have been funded to date in the 2014/15 financial year? How many projects in total since the creation of the CEFC?
485. What are the total investment figures to date for the 2014/15 financial year for the CEFC? What is the expected rate of return?
486. How much investment has the CEFC made since its creation, and what is the rate of return on this investment?
487. I refer to the CEFC Investment Mandate Direction 2015, which called for the CEFC to deliver an average return of 4-5 per cent above the Government bond rate, without any additional risk. Can the CEFC explain the challenges it is facing in achieving this?
488. How much does the CEFC have left to invest this financial year?
489. What has been the default rate for 2013/14 and so far this financial year?
490. Has the CEFC made any transition plans in the event it is abolished?

Answer:

484. In the 2014/15 financial year, the CEFC made 7 new investments, for a total since inception of 55 direct investments.

485-486. The CEFC invested $484m in the 2014/15 financial year, bringing its current contracted portfolio of investments to a total $1.2bn as at 30 June 2015, or a cumulative total of over $1.4bn in commitments to invest since inception. Reports are still being finalised for the rate of return on investments made within the 2014-15 year as several of the investments were finalised close to year end. The estimated expected rate of return for these investments will be presented in the quarterly investment report for Q4, 2014-15 on the CEFC's website on or before 31 July. An indicative estimate of the expected rates of return on the total portfolio (since inception) is approximately 6 per cent. The rate of return is a weighted average rate for the portfolio of investments, once fully deployed and across the lifetime of the investments. It includes all projected income from the investment, is based on assumptions made at the time the investment is committed, and as such is an indicative forecast only, given variables such as potential for material movement in assumptions between time of contractual and financial close, establishment fees and costs, floating rates, penalty fees, early repayment fees, etc.

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487. Please refer to the attached correspondence from the CEFC Chair Jillian Broadbent AO which outlines challenges in attaining the various objectives of the 2015 Investment Mandate. The challenges to attaining the objectives still exist.

488. The CEFC is appropriated to its Special Account in its enabling legislation, with credits to the account of $2 billion each year on 1 July from 2013 to 2017 inclusive.

As at 30 June 2015 $4 billion had been appropriated into the CEFC Special Account. Through 30 June 2015 the Corporation had drawn $1,131.6m from the Special Account and returned $50.6m to the Special Account, leaving a net $2.9 billion in the CEFC Special Account. Against this balance, the Corporation had contractual commitments for funding approximately a further $90 million of investments (included in the Corporation's current portfolio of $1.2 billion), and therefore the amount available for investment was approximately $2.8 billion. Note that on 1 July 2015 this figure increased to approximately $4.8 billion through the annual appropriation to the CEFC Special Account.

489. The CEFC's rate of default to date (including Low Carbon Australia-initiated transactions) are as follows:

2012-13	2013-14	2014-15
0%	0%	0%

As at the time of writing the Corporation had no evidence that any of its transactions were in default, however, like any lender it is inevitable that at some point one of the portfolio's loans will go into default. When this occurs it is important to understand that the Corporation may recoup none, some or all of its investment principal and outstanding interest owing. In accordance with the relevant accounting standards, the Corporation provisions for losses given default on a specific and statistical basis, but to date has not experienced an actual loss.