

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20-21 November 2013

Question: SBT 54

Topic: CEFC projections

Hansard Page: Page 73-74, 20 November 2013

Senator BUSHBY asked:

54.

Ms Broadbent: It is returned to the taxpayers by accumulating returns in the Clean Energy Finance Corporation. The act was drafted such that returns to the Clean Energy Finance Corporation got directed into the Australian Renewable Energy Agency. So it was to be paid in dividends to ARENA.

Senator WONG: So onto budget?

Mr Yates: Yes.

Ms Broadbent: Yes, onto the budget. In a sense it saved the budget paying money into ARENA.

CHAIR: I presume that has not happened yet.

Ms Broadbent: No, it has not happened yet. We have only been going for six months.

CHAIR: Is it anticipated to happen at any time in the near future?

Senator LUDLAM: [inaudible]

CHAIR: They are still operating at the moment. Do you foresee any plans to actually return any—

Ms Broadbent: If we continue at the pace of investment, we certainly would be paying dividends to ARENA.

CHAIR: Do you have any projections of when?

Ms Broadbent: Our projects were at the end of 2015.

CHAIR: What kind of range of quantum at that point?

Senator WONG: You are entitled to take it on notice, if you would like. If you are not able to give direct—

Ms Broadbent: We did do some estimates on that.

CHAIR: I am happy to take that on notice.

Answer:

54. Under the *Clean Energy Finance Corporation Act 2012*, revenues from investments received by the Clean Energy Finance Corporation are paid into the Corporation's operational accounts and the surplus in those operational accounts is paid back to the Special Account. Upon an application to the Minister, the CEFC can make a payment to ARENA.

Both the *Treasury Portfolio Budget Statement (PBS) 2013-14* and the *Pre-Election Economic and Fiscal Outlook (PEFO) 2013* included forward estimates which showed that by 30 June 2015 the CEFC was forecasting to have accumulated earnings (excluding non-cash concessionality charges and the associated income from the unwind of these charges) of approximately \$47 million. This figure does not include the public debt interest costs of financing the CEFC's investments, as (consistent with all government agencies) this is recognised in the Australian Office of Financial Management 2013-14 PBS and PEFO estimates.

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It is from these “surpluses” that a payment could have been hypothecated for ARENA. It is the Government’s policy to abolish the CEFC and accordingly speculation as to the current level of surpluses that would be generated in out years and extent of payments that could be declared for ARENA are hypothetical.

Given the CEFC’s early stage of development and operation, the CEFC Board has not to date considered or adopted a policy on the conditions under which it would make application for payments to be made to ARENA, but it should be noted the Board’s 2018 Portfolio vision as established in the *CEFC Investment Policies* includes the target of a “steady flow of dividends to ARENA”.

Any such policy in relation to payments to ARENA would need to consider a number of different variables at the time of making each application for payment. These would include, among other things, the:

- relative merits of making payment(s) to ARENA for it to provide grants as opposed to further investment opportunities available to the CEFC if there were to be a constraint on CEFC capital;
- liquidity requirements to ensure the CEFC was able to meet all of its own debts and obligations in a timely manner;
- longer-term trends and forward estimates of an ongoing payment stream to ensure that payments were relatively predictable and reliable and not given to significant negative variation between years based on underlying economic or fiscal conditions, or underlying profitability in any one given year;
- project opportunities available to ARENA;
- the financial needs of ARENA and the Australian Government’s preferences as to whether this ought to be met from consolidated revenues or out of the CEFC Special Account in a given fiscal period; and
- Australian Government policy in relation to carbon abatement and how ARENA and the CEFC fit vis a vis Direct Action and/or other Government policies and initiatives at the time.

Essentially it would be incumbent upon the Corporation, in consultation with the Responsible Ministers, to ascertain the best way of converting Government value in the CEFC (as the Corporation’s sole owner) to Government value in payments to ARENA (as ARENA’s sole owner) at the appropriate point in time.