

GREEN BANK TOOLS OF THE TRADE

LEADING THROUGH DEMONSTRATION, CO-INVESTMENT,
AGGREGATION AND RISK MITIGATION

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6TH ANNUAL GREEN BANK CONGRESS
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CEFC
CLEAN ENERGY FINANCE CORP

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THE CEFC CREATION STORY

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CEFC MISSION

To accelerate **Australia's transformation** towards a more **competitive economy** in a carbon constrained world, by acting as a **catalyst to increase investment in emission reductions.**



WHO WE ARE

- AUD10 billion capital
- Australia wide footprint
- Independently-run government owned organisation
- Private sector expertise with a public policy purpose
- Innovative finance, including debt and equity
- A unique mix of finance and clean energy experts
- Proven track record in clean energy investment

CEFC'S CREATION STORY

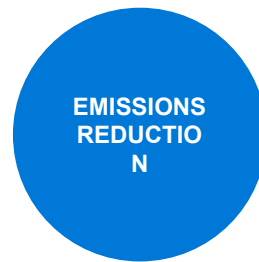
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2010		CEFC part of Clean Energy Future package Funding the transition to a clean energy economy
2011		Independent Expert Review Panel established
2012	MA R	Expert Review Panel Report Handed Down
	JUL	Legislation to establish the CEFC enacted
	AU G	Inaugural Independent Board Appointed
	DE C	Board Appoints Inaugural CEO and Executives
2013	AP R	CEFC is officially " stood up "
	JUL	First investments completed Change of Government then followed
2016	SE P	Embraced by Government with a new mandate to include focus on Cities, Great Barrier Reef and Innovation Fund

INVESTING TO DELIVER POSITIVE FINANCIAL AND PUBLIC POLICY OUTCOMES



Is there a positive risk adjusted return, reflecting yield and risk profile?



Will the project deliver a significant reduction in carbon emissions?



Will the project drive other investments and leverage additional capital?

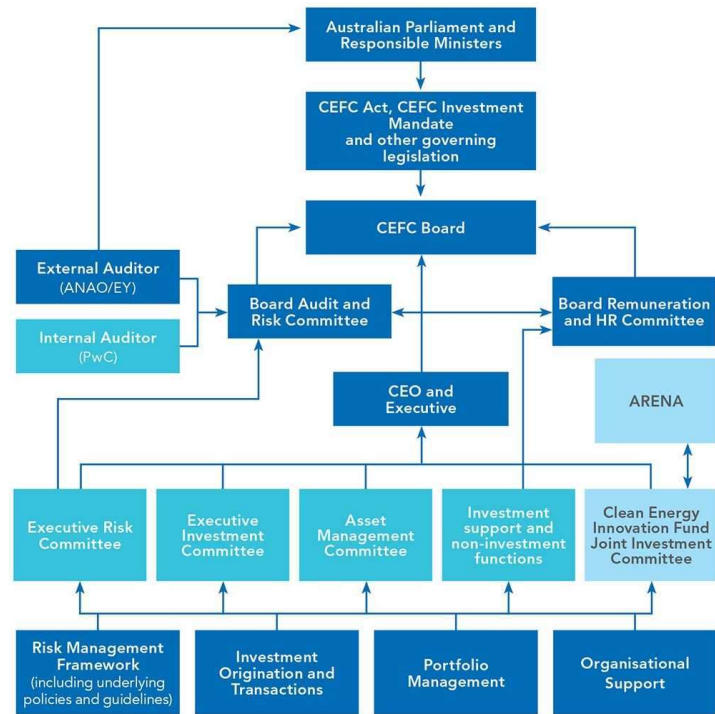
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TOOLS OF THE TRADE

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GOVERNANCE AND RISK MANAGEMENT FRAMEWORKS ARE ESSENTIAL TO SUCCESS

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.... AND A CLEAR INVESTMENT STRATEGY THROUGH DECARBINISATION PATHWAYS



PRODUCE LOW CARBON ELECTRICITY

Transition to zero carbon electricity sources such as solar, wind and more hydro



USE ENERGY MORE EFFICIENTLY

Choose assets and equipment that uses less energy to get more out of the energy used – particularly in areas such as buildings, industry, transport and infrastructure



SWITCH TO ELECTRICITY & CLEANER FUELS

Switch as many energy-using activities to **electricity** (powered by clean energy) and everything else switches to low emissions alternatives (e.g. **biofuels**)



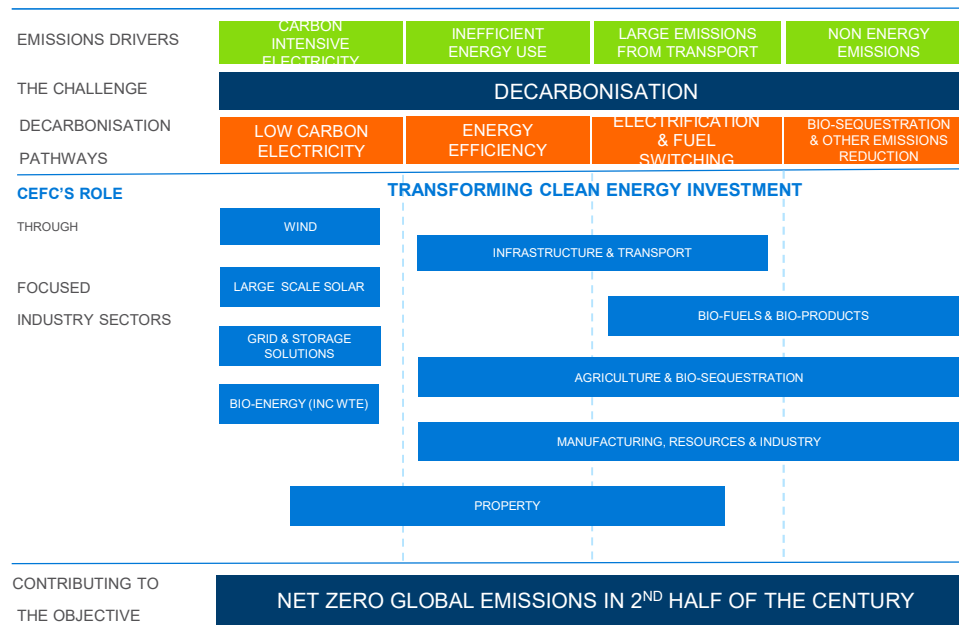
REDUCE NON ENERGY EMISSIONS

Reduce these emissions through **process improvements**, CCS in industry, material switching and offset residual emissions through **bio-sequestration**

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Source: ClimateWorks

STRATEGIC ORIGATION FRAMEWORK



MULTIPLE SOURCES OF CAPITAL



CEFC DIRECT

Our direct investments can include both **debt products and equity investments**, or a combination of both.



INDIRECT DEBT

We support smaller-scale clean energy projects alongside **co-financiers**, as well as invest in **climate bonds**.



INVESTMENT FUNDS

We invest in **major clean energy projects** together with other investment funds in order to **catalyse additional investment**.



INNOVATION FUND

We invest in **innovative technologies and businesses** that benefit from growth or **early stage capital**.

FINANCING ENERGY EFFICIENCY THROUGH CO-FINANCING & AGGREGATION FACILITIES

CEFC's CO-FINANCE PROGRAMS HAVE DELIVERED MORE THAN \$700M VIA 5,500+ PROJECTS



Over 2,400 projects for lower emissions **light vehicles & farm machinery**



Over 1,150 **upgrades to buildings, manufacturing** processes or equipment

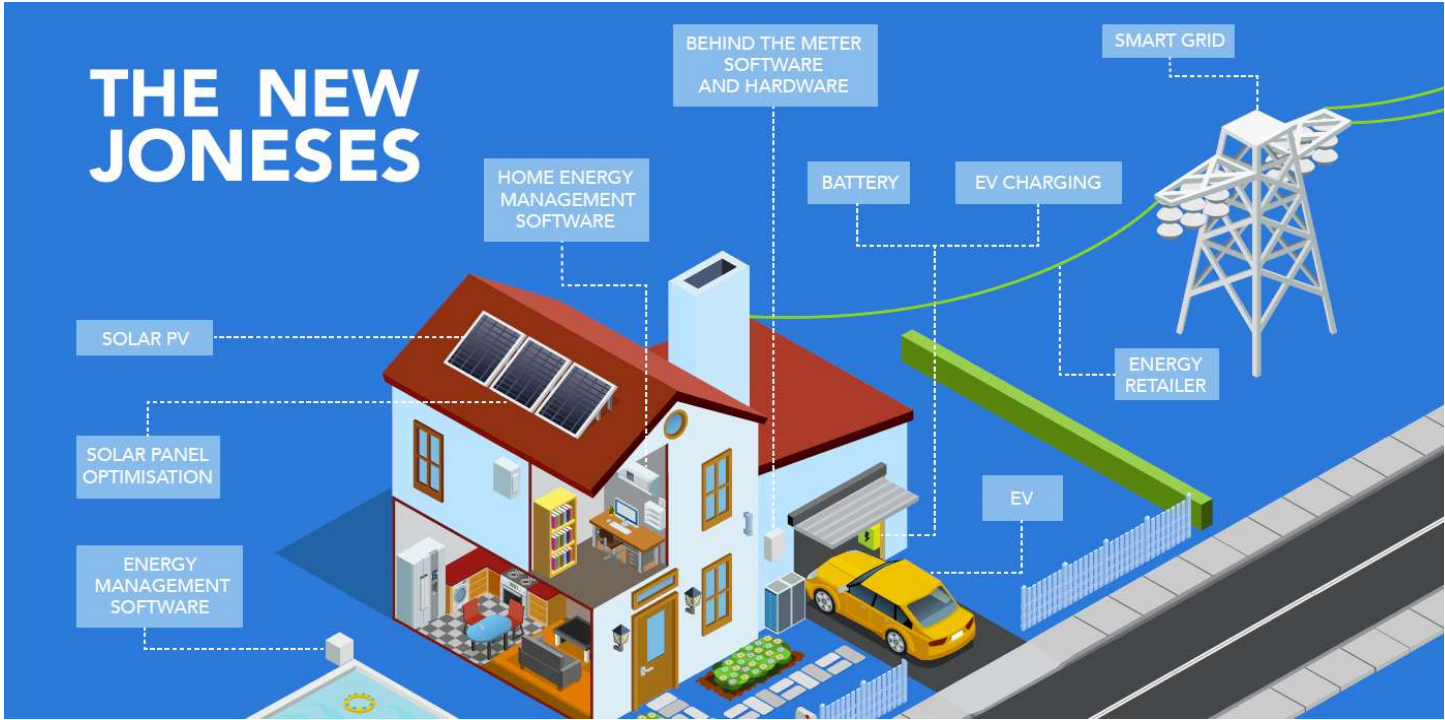


Over 1,950 **solar PV** installations (on or off grid)



Finance is available for energy efficiency equipment, clean energy infrastructure, buildings, energy from waste and bioenergy, vehicles, solar and storage

Source: CEFC as at 30 June 2018



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**REFLECTIONS
&
NEXT STEPS FOR THE FUTURE**

KEYS TO SUCCESS



EXPERT

We have a breadth of expertise across our target sectors, working closely with project partners to deliver clean energy outcomes which make economic and commercial sense while lowering carbon emissions.



INDEPENDENT & COMMERCIAL

We take a commercial approach to our activities, delivering a positive financial return on our investments, while also delivering on our public policy purpose to increase finance for Australia's clean energy transformation.



TRANSFORMATIVE

We operate at the forefront of the finance and clean energy sectors, helping businesses meet sustainability and economic goals and benefit from rapid advances in clean energy technologies.



INNOVATIVE

We provide tailored debt and equity finance to businesses and projects which develop and commercialise clean energy technologies at early and later stages of development.

INVESTMENT PRIORITISATION GUIDELINES

MORE “BANG FOR BUCK”

Maximise emission reductions while **minimising the amount of capital** “Achieving greatest impact for capital deployed”

1. Emissions reductions / CEFC Capital (seek to maximise ratio or a stepped improvement in non RE sectors)	6. Liquidity (structuring opportunities such that they are more easily repackaged and traded for capital recycling purposes)
2. Is our money catalytic to the project proceeding or to achieving the public policy objective?	7. Risk adjusted return (reflects yield & risk profile) and impact on PBR
3. Demonstration effect (first, biggest, new and innovative technologies, etc...).	8. Concessionality required (minimise or justify)
4. Leverage (CEFC investment relative to other capital). Leverage in terms of the project, as well as potential secondary leverage of third party capital into subsequent projects.	9. Diversification across sectors and portfolio construction considerations (noting the 50% Renewable Energy requirement)
5. Legal tenor and quantum (tenor longer than 10 years need to be justified, with appropriate amortisation and margins) Can the intended outcome be achieved for less outlay? Amortisation preferred, where possible.	10. Reputation and brand impact (e.g. community support and reputation and profile of key participants)

LOOKING AHEAD...



Research and advocacy for **non-energy emissions**, including agriculture, transport, sequestration



Investment required in **nation-building projects** such as Snowy 2.0, Tas Battery of the Nation and interconnectors

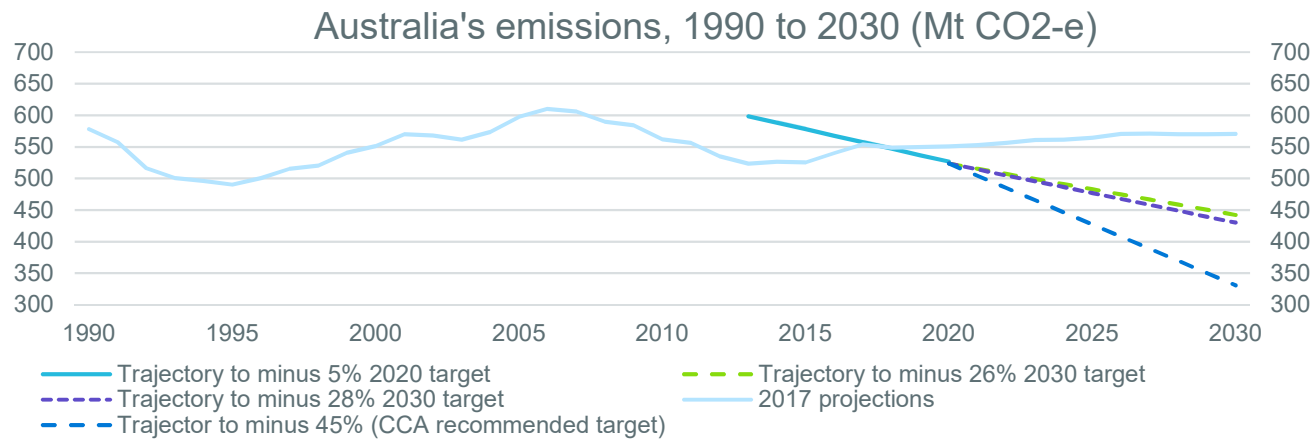


More **distributed energy** and technologies to assist integration into the grid



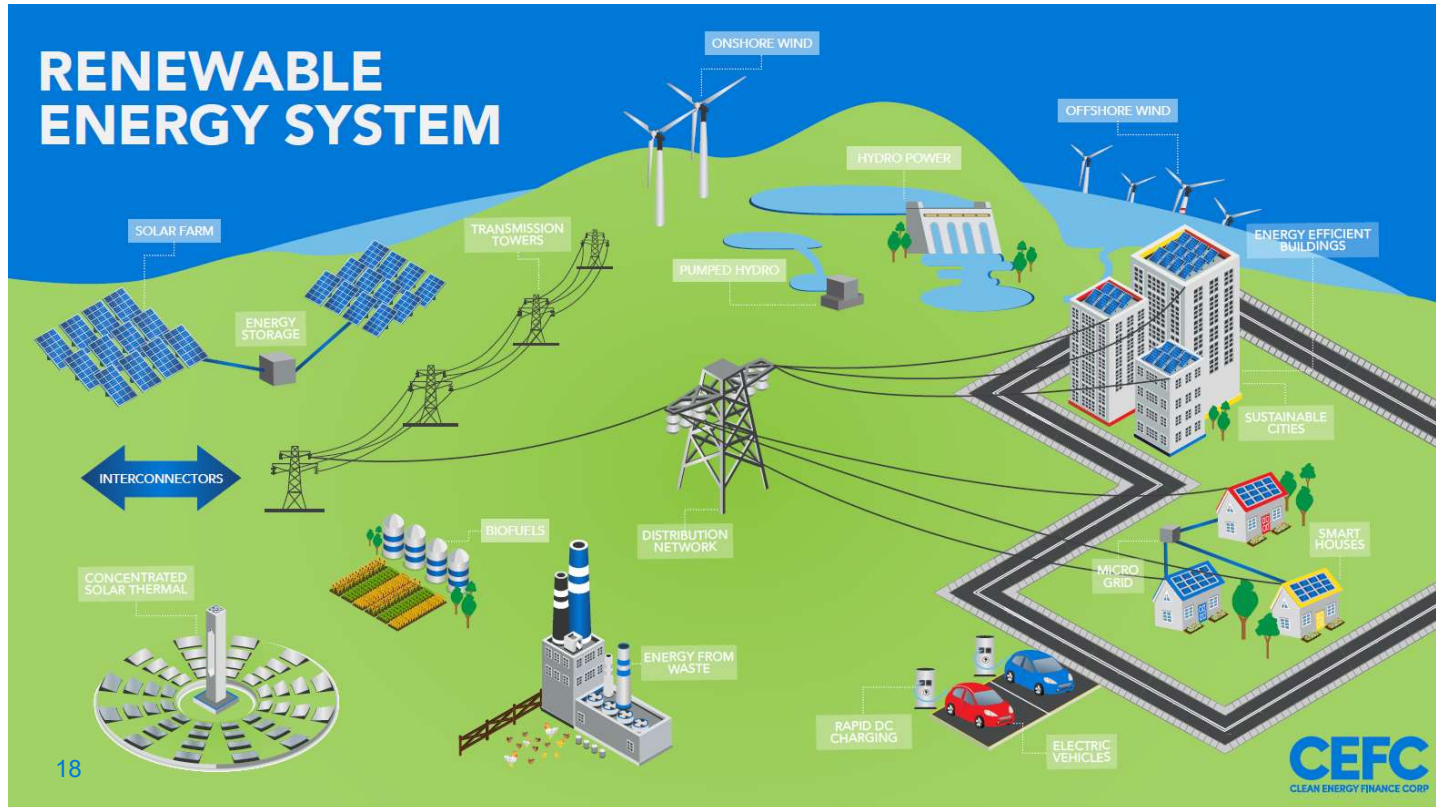
Solving the investment challenge to unlock **renewable energy hubs** and finance **storage** projects

AUSTRALIA'S EMISSIONS CHALLENGE



Source: Department of the Environment & Energy, Australia's emissions projections 2017 & Climate Change Authority 2015

RENEWABLE ENERGY SYSTEM



CEFC

**TRANSFORMING
CLEAN ENERGY
INVESTMENT**

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