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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THE CEFC CREATION STORY
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 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.
## CEFC’s Creation Story

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>2010</td>
<td>CEFC part of <strong>Clean Energy Future</strong> package Funding the transition to a clean energy economy</td>
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<td>2011</td>
<td>Independent Expert Review Panel established</td>
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<td>2012</td>
<td><strong>Mar</strong> - Expert Review Panel Report Handed Down  <strong>Aug</strong> - Legislation to establish the CEFC enacted  <strong>Dec</strong> - Inaugural Independent Board Appointed  <strong>Dec</strong> - Board Appoints Inaugural CEO and Executives  <strong>Apr</strong> - CEFC is officially “stood up”</td>
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<td>2013</td>
<td><strong>Jul</strong> - First investments completed  <strong>Sep</strong> - Change of Government then followed</td>
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<td>2016</td>
<td><strong>Sep</strong> - Embraced by Government with a new mandate to include focus on Cities, Great Barrier Reef and Innovation Fund</td>
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INVESTING TO DELIVER POSITIVE FINANCIAL AND PUBLIC POLICY OUTCOMES

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

EMISSIONS REDUCTION
Will the project deliver a significant reduction in carbon emissions?

MARKET IMPACT
Will the project drive other investments and leverage additional capital?
TOOLS OF THE TRADE
GOVERNANCE AND RISK MANAGEMENT FRAMEWORKS ARE ESSENTIAL TO SUCCESS
**AND A CLEAR INVESTMENT STRATEGY THROUGH DECARBONISATION 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 |

*Source: ClimateWorks*
## Decarbonisation

### The Challenge
- Low Carbon Electricity
- Energy Efficiency
- Electrification & Fuel Switching
- Bio-sequestration & Other Emissions Reduction

### Decarbonisation Pathways
- Carbon Intensive Electricity
- Inefficient Energy Use
- Large Emissions from Transport
- Non Energy Emissions

### CEFC’s Role

<table>
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<tr>
<th>Emissions Drivers</th>
<th>Strategic Origination Framework</th>
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<tbody>
<tr>
<td>Carbon Intensive Electricity</td>
<td>Property</td>
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<tr>
<td>Inefficient Energy Use</td>
<td>Infrastructure &amp; Transport</td>
</tr>
<tr>
<td>Large Emissions from Transport</td>
<td>Bio-Fuels &amp; Bio-Products</td>
</tr>
<tr>
<td>Non Energy Emissions</td>
<td>Agriculture &amp; Bio-Sequestration</td>
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### Transforming Clean Energy Investment

- Wind
- Infrastructure & Transport
- Large Scale Solar
- Bio-Fuels & Bio-Products
- Grid & Storage Solutions
- Agriculture & Bio-Sequestration
- Bio-Energy (Inc WTE)
- Manufacturing, Resources & Industry
- Property

### Contributing To

- Net Zero Global Emissions in 2nd Half of the Century
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
THE NEW JONESES

SOLAR PV
SOLAR PANEL OPTIMISATION
ENERGY MANAGEMENT SOFTWARE
HOME ENERGY MANAGEMENT SOFTWARE
BEHIND THE METER SOFTWARE AND HARDWARE
BATTERY
EV CHARGING
EV
ENERGY RETAILER
SMART GRID

CEFC
CLEAN ENERGY FINANCE CORP.
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”

<table>
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<tr>
<th><strong>1. Emissions reductions / CEFC Capital</strong> (seek to maximise ratio or a stepped improvement in non RE sectors)</th>
<th><strong>6. Liquidity</strong> (structuring opportunities such that they are more easily repackaged and traded for capital recycling purposes)</th>
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<td><strong>2. Is our money catalytic to the project proceeding or to achieving the public policy objective?</strong></td>
<td><strong>7. Risk adjusted return</strong> (reflects yield &amp; risk profile) and impact on PBR</td>
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<td><strong>3. Demonstration effect</strong> (first, biggest, new and innovative technologies, etc…).</td>
<td><strong>8. Concessionality required</strong> (minimise or justify)</td>
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<td><strong>4. Leverage</strong> (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.</td>
<td><strong>9. Diversification</strong> across sectors and portfolio construction considerations (noting the 50% Renewable Energy requirement)</td>
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<tr>
<td><strong>5. Legal tenor and quantum</strong> (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.</td>
<td><strong>10. Reputation and brand impact</strong> (e.g. community support and reputation and profile of key participants)</td>
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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

Australia’s emissions, 1990 to 2030 (Mt CO2-e)

- Trajectory to minus 5% 2020 target
- Trajectory to minus 26% 2030 target
- Trajectory to minus 28% 2030 target
- Trajectory to minus 45% (CCA recommended target)

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