



Fact Sheet – Clean Energy Innovation Fund

What is the Clean Energy Innovation Fund?

The Turnbull Government will retain and reinvigorate the Clean Energy Finance Corporation and the Australian Renewable Energy Agency as part of our strong commitment to supporting jobs and innovation through investment in clean and renewable energy in Australia.

We are establishing a \$1 billion Clean Energy Innovation Fund to support emerging technologies make the leap from demonstration to commercial deployment.

The fund will help emerging clean energy technologies make the leap from demonstration to commercial deployment. This will accelerate Australian innovation and create jobs of the future, while delivering a financial benefit from the investment of public money.

ARENA has expertise in supporting the development of renewable energy technology and is perfectly positioned to work with the CEFC's expertise in administering loans and equity financial products.

The innovation fund will commence in July 2016.

What kind of projects and businesses will be eligible?

The fund will target projects and businesses that use technologies that have passed beyond the research and development stages but are not yet established or of sufficient maturity, size or otherwise commercially ready to attract sufficient private sector capital.

Investments will have the primary purpose of earning income or a profitable return and may be in the form of debt products or equity investments or a combination of both. 'Clean energy' technologies include renewable energy, energy efficiency and low emissions technologies.

The fund will target projects such as large scale solar with storage, off-shore energy, biofuels and smart grids. An example could be a large scale solar facility with storage in Port Augusta.

Since 2012, both the CEFC and ARENA have identified projects where a different form of financing would have been the best way for government assistance to bridge the gap between research and commercial application.

These are the sorts of projects that the Clean Energy Innovation fund will target. The CEFC and ARENA will use their collective experience and stakeholder relationships to identify suitable projects and businesses.

The fund will allow Australia to capitalise on the \$1 billion in grants that ARENA has awarded since 2012, by taking these technologies to the next stage.

How will the Clean Energy Innovation Fund be managed?

Through an updated investment mandate, the Government will direct the CEFC to make some of its legislated funds available for the Clean Energy Innovation Fund. Starting with \$100 million in 2016-17, an additional \$100 million will be available each subsequent year up to the \$1 billion total.

This steady growth path is important to ensure that the fund provides opportunities for private and institutional co-financiers and does not overwhelm the market or overcapitalise businesses.

The Government will also set a target rate of return and describe the risk level for the fund.

The fund will operate as a diversified portfolio of investments with a long term but commercial outlook. Earnings over time will be sufficient to exceed operating expenses and the cost of Government borrowing.

The fund will be jointly managed by ARENA and the CEFC, drawing on their complementary experience and expertise. ARENA will help develop and provide primary technical review of proposals and make recommendations for investment approval.

The CEFC Board will then apply its investment expertise in considering that approval. ARENA and the CEFC will jointly provide the ongoing client management in relation to investments.

Both ARENA and the CEFC have well-established governance arrangements, internal risk management systems and stakeholder engagement programmes to support the fund. The governance arrangements of the fund will include allowance for its future sale subject to the decisions of Government.

Why is the Government creating the Clean Energy Innovation Fund?

Clean energy is a core part of the transition of Australia's energy sector to low emissions over the course of this century. Australia's electricity sector is comparatively emissions intensive and is the largest contributing sector to national emissions.

As the Chief Scientist has noted, Australia is facing a critical decade where production of new energy technologies needs to be scaled up if the energy market is to do its share to reach Australia's emissions reduction target. Having a variety of technologies available will help ensure the market can invest in the right technology at the right time.

The Clean Energy Innovation Fund marries the Government's commitment to innovation and emissions reduction with a more business-like approach to providing Government support.

The fund will expand the availability of innovative equity and loan financing to better match the growing maturity of the clean energy technology sector.

Moving from grants to investments allows taxpayers to reap a financial benefit from government support and will address market barriers (novelty, small scale) that deter commercial venture investors.

Filling this investment gap will help ensure new clean energy technologies can make the leap from demonstration to commercial application.

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