CEFC

CLEAN ENERGY FINANCE CORPORATION

ANNUAL REPORT 2013–2014

Clean Energy Finance Corporation ABN: 43 669 904 352

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LETTER OF TRANSMITTAL

Australian Government

CLEAN ENERGY FINANCE CORPORATION

The Hon. Joe Hockey MP
Treasurer

Sen. the Hon. Mathias Cormann
Minister for Finance

Parliament House
CANBERRA ACT 2600

18 September 2014

ANNUAL REPORT FOR 2013-2014

Dear Ministers

On behalf of the Board and Management of the Clean Energy Finance Corporation, I am pleased to present the *Clean Energy Finance Corporation Annual Report 2013-2014*.

This report has been prepared for presentation to the Parliament according to the requirements of the:

- *Clean Energy Finance Corporation Act 2012*
- former *Commonwealth Companies and Authorities Act 1997* [now repealed but of continuing effect by force of the *Public Governance, Performance and Accountability (Consequential and Transitional Provisions) Act 2014]*
- *Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011);* and
- *Commonwealth Authorities (Annual Reporting) Orders 2011.*

This report is comprised of:

- A Report of Operations including additional information required by section 74 *Clean Energy Finance Corporation Act 2012*
- The audited Financial Statements and Notes and Auditor's Report, and
- Mandatory reports under:
    - section 516A of the *Environmental Protection and Biodiversity Conservation Act 1999;* and
    - Schedule 2, Part 4, section 4 of the *Work Health and Safety Act 2011.*

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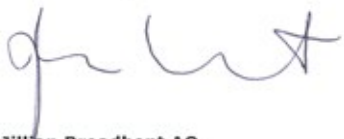
As per the requirements of item 5 of the *Commonwealth Authorities (Annual Reporting) Orders 2011*, this Annual Report was approved by resolution at the 37th meeting of the Board of the Clean Energy Finance Corporation, held at the Corporation's offices, at Level 17, 1 Bligh Street, Sydney on this day of 18 September 2014.

Yours sincerely



Jillian Broadbent AO
Chair
Clean Energy Finance Corporation

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CHAIR'S REPORT

CHAIR'S REPORT

Jillian Broadbent AO

The past year, our first full year in operation, has seen the CEFC build a strong initial portfolio of investments, proving up its model and meeting all our objectives. The portfolio encompasses a wide spread across geographies and technologies.

It has been a challenging and changing operating environment that included the prospect of abolition of the Corporation.

We have emerged from this as a focused and active investor in the sector. This highlights the utility of the Corporation's role in working with organisations across the economy, leveraging funds from co-financiers and catalysing investment to prepare and position Australia to be competitive in a carbon constrained world.

The past year has demonstrated the potential for positive impact that a specific fund, working across the market and investing with the private sector, can have to catalyse change. In operating commercially, the CEFC is minimising the cost to Government of this adaptation.

On 1 July 2013 the first funds became available for investment by the CEFC. In the months prior to this, the CEFC Board and Management had been working to establish an operational institution and to develop sound commercial relationships with the market.

The Corporation's focus has been on early delivery and demonstration of the CEFC's mission 'to accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase private sector investment in emissions reduction'. We were able to make a solid early impact, with a series of significant investments in utility-scale renewable generation projects. This demonstrated to the market how the CEFC could work positively and commercially with other investors.

"At the end of this initial year of investment operations, the CEFC is well positioned to meet its goal to cover operating costs and achieve self-sustainability as its portfolio grows further in the coming years."

Jillian Broadbent AO
Chair, Clean Energy Finance Corporation

By 30 June 2014, the CEFC had successfully built a diversified portfolio of $931 million. The Corporation has invested with a robust, commercial risk management approach and is solidly on track to meet our 2018 Portfolio Vision. Through leveraging of other funds of more than $2.20 for every dollar from the CEFC, these activities have realised total project value of over $3.2 billion. These investments, once constructed and operational, will contribute to over 4.2 million tonnes of CO_2 equivalent abated annually. This abatement has been generated at a negative cost (positive return) of $2.40 per tonne.

The CEFC has pursued an investment strategy reflecting the directive of its Australian Government-issued Investment Mandate: to operate with a commercial approach; targeting the benchmark return and a portfolio across the spectrum of clean energy technologies that in aggregate has an 'acceptable but not excessive level of risk relative to the sector'.

At the end of this initial year of investment operations, the CEFC is well positioned to meet its goal to cover operating costs and achieve self-sustainability as its portfolio grows further in the coming years.

Over its lifetime, the CEFC's current portfolio is presently expected to earn a return of approximately 7 per cent, or around 3.5 per cent above our benchmark cost of the Australian Government five-year bond rate.

This is an average yield, with some areas of the portfolio — most notably the aggregation programs directed at increasing energy efficiency in the public and not-for-profit sectors — exhibiting a significantly lower financial return for the CEFC and a distinct risk profile. Lower yields in these parts of the portfolio reflect the very different inhibitors and characteristics of the various parts of the market they target, and the fulfilment of the CEFC's public policy purpose. In other segments, the CEFC seeks a higher return consistent with our commercial counterparts.

These investments contribute to the diversification of Australia's energy generation sources. Across the portfolio are projects involving renewables; wind, solar, and bioenergy across Australia (both on-grid and off-grid), and innovative approaches to energy efficiency and low emissions technology projects in manufacturing, buildings and local government.

The pace of technological innovation and consumer driven market transformation towards renewable energy, distributed low carbon energy solutions, smart networks and storage is accelerating in major markets like the US, China and Europe. There are growth and productivity benefits to the Australian economy from participation in this transformation.

RENEWABLES

As a source of project finance for utility-scale renewables, the CEFC's participation in the market has demonstrated how its flexibility and capacity to match the financing term to the life of such assets has created space for private financiers to join transactions despite a background of increasing market reluctance.

The CEFC has been one of the most active investors during the course of this year. This has been a period where the market has been subject to considerable policy uncertainty, not only in relation to our own future for a good part of the year, but also in relation to the future of the Renewable Energy Target (RET), the abolition of the carbon pricing scheme, and the future of the Australian Renewable Energy Agency (ARENA).

Notwithstanding, the CEFC's active presence in the market place has demonstrably improved the flow and diversification of funds into the sector — including from new sources such as European and Asian institutions.

ENERGY EFFICIENCY

The experience of rising energy prices over recent years and the anticipation of this trend continuing — particularly for those businesses which utilise gas — has meant a strong demand for energy efficiency and on-site generation as a hedge.

The CEFC's aggregation finance and corporate facilities are employing new models to reach parts of the market that have been underserviced to date. The knowledge base of the finance sector about these technologies is building and there is a growing awareness of, and investment in, the adoption of energy efficient equipment across the economy.

BUILDING INDUSTRY CAPACITY

In developing the working model of the CEFC, it has been reassuring to see the impact of these investments in stimulating business opportunities and developing the skills base in clean energy technologies and new enterprises in the deployment of these technologies.

By working with the banks as a sector-focused entity, with strong financial and energy sector skills, the CEFC has been able to address the deal structuring and risk issues which have inhibited investment. Transactions have been enabled which would otherwise not have proceeded.

The CEFC has been participating largely without making concessional loans. Where limited concessionality has been provided, it is on the basis of being the minimum necessary to enable a transaction to proceed, and largely focused on encouraging public sector, not-for–profits and small and mid-sized business to accelerate energy efficiency uptake.

Despite the question mark over the future of the Corporation, the private sector has embraced working with the CEFC, having the effect of 'crowding in' private sector investment, catalysing investments of over $3.2 billion in total value.

The CEFC has joined its global financing counterparts in the US, UK, Germany, Brazil and China, sharing knowledge and demonstrating its utility in mobilising private capital to achieve emissions reduction. This is delivering low cost emissions abatement for governments seeking economical and efficient market-based approaches.

CONTRIBUTION TO PUBLIC POLICY DEVELOPMENT

Through the course of the year, the CEFC has engaged constructively in various Australian Government public policy development processes making contributions to public policy development, including the Energy White Paper and Emissions Reduction Fund White Paper processes, as well as participating as a contributor to several Parliamentary Committee inquiries.

THE BOARD

I would like to pay tribute to each of the Members of the CEFC Board — Paul Binsted, Michael Carapiet, Ian Moore, Anna Skarbek, Andrew Stock and Martijn Wilder AM, for their whole-hearted commitment, enthusiasm and hard work over often difficult and sensitive times of the past year.

Their unwavering dedication, professionalism and shared vision for the mission and work of the CEFC have been key to our investment success and endurance during this challenging period. They have provided strong insights and vision, and the benefit of their diverse experience. They deserve credit for results achieved.

CEFC EXECUTIVE AND STAFF

Equally important in delivering such a successful result in the face of a challenging operating environment has been the energy, leadership and expertise of our CEO, Oliver Yates, his Executive team, and the strong performance of our experienced and highly committed investment team and staff. Oliver and his team have delivered strong organisational performance and established a high quality operational and investment foundation for the future. I congratulate and thank them all.

THE FUTURE

At the time of writing, a bill to abolish the CEFC remains on the Australian Government's legislative agenda. Whether or not the CEFC continues its work is properly a matter for the Australian Government and the Parliament to determine.

The CEFC Board has affirmed to the Government that the Corporation remains committed to a smooth transition and an orderly shutdown in the event the Abolition Bill becomes law.

The Board and Management remain committed to fulfilling the CEFC's mission and responsibly carrying out the positive duty to perform our investment functions. We hope to have the opportunity to work in concert with the Government's initiatives in emissions reduction.

Interest in CEFC finance remains high. As the industry adjusts to the policy changes of the past 12 months, different demands and opportunities are emerging. The composition of the CEFC's investments over the next year will be subsequently different from 2013–2014. With the CEFC being seen as having a role in the future policy mix, market participants are approaching the Corporation to consider transactions with a longer development timeline.

We have active discussions underway with over 30 project proponents who are seeking CEFC finance of over $1.2 billion (for total project costs of over $3 billion). Since inception, we have received proposals from over 150 project proponents seeking CEFC finance of approximately $4 billion (for total project costs of around $11 billion). The dominant themes in the pipeline of transactions being considered are energy efficiency, waste-to-energy and distributed energy and storage packages which can avoid new investment in transmission.

Throughout, the CEFC has demonstrated its capability and its potential to contribute to the economic transition of Australia's future energy mix. The CEFC is playing a valuable role as an effective catalyst for the public and private sector to overcome current market failures in financing carbon reducing investment at scale. Its activities are developing the capabilities and capacity for lowering emissions and contributing to Australia's global competitiveness in a carbon constrained world.

Jillian Broadbent AO
Chair, Clean Energy Finance Corporation

Image overleaf: Biogas tank onsite at the Richgro plant, Western Australia

CHIEF EXECUTIVE OFFICER'S REPORT

CHIEF EXECUTIVE OFFICER'S REPORT

Oliver Yates

It is just 12 months since the CEFC commenced its investment activities as a sector-focused financial institution providing market-based financing solutions for investments that reduce emissions and increase Australian productivity.

Already, we have invested across most sectors of the economy — building a diverse investment portfolio. Every investment we have made should combine to generate a portfolio return above the government cost of funds, enabling us to deliver carbon emissions abatement at a net positive benefit to the CEFC and the taxpayer.

To 30 June 2014, we have developed a contracted portfolio of investments totalling over $931 million. This portfolio represents a diverse mix across the economy, with projects comprising 62 per cent in renewables, 30 per cent in energy efficiency and 8 per cent in low emissions technologies.

"We have a strong pipeline of future projects across all Australian states. These projects are unlocking the innovation and skill base within our economy that can be mobilised when capital is available."

Oliver Yates, Chief Executive Officer, Clean Energy Finance Corporation

Along with the contribution by our co-finance partners, the CEFC has now been able to catalyse investments in projects worth over $3.2 billion, helping bring new business opportunities, capabilities and jobs across Australia, particularly in regional areas. The Corporation's current portfolio has matched private sector funds of more than $2.20 for each $1 of CEFC investment.

Our broad mandate enables us to work with businesses across the economy — including agribusiness, waste coal mine gas-to-energy, wave energy, bioenergy, and energy efficiency projects across industry and the full spectrum of the built environment. We are plugging gaps and building new financing solutions to make finance available to facilitate investment.

The CEFC has co-financed with all four of Australia's major banks and more than 10 other domestic and international banks. The CEFC's strategy of developing

co-financing programs which aggregate smaller transactions means that almost half of the CEFC's investments are delivered through existing financial institutions and energy service providers.

These co-financing programs are designed to make CEFC finance effectively available to a large number of businesses across Australia, for projects large and small, including a total commitment to solar programs and projects of over $200 million. It means that we are able reach a wide cross-section of the community — from rural producers through to high tech renewables project developers.

We are pleased at how well we are progressing towards the 2018 Portfolio Vision established by the Board. The Corporation's 2012–13 Annual Report highlighted investment areas on which we intended to focus. It is particularly pleasing to bring such a diverse suite of new financings and innovative financial offerings to market in the space of just one year of full operations, including:

- Our $80 million commitment as the initial cornerstone investor under an agreement with the infrastructure division of Colonial First State Global Asset Management (CFSGAM) to the Colonial First State Australian Clean Energy Infrastructure Fund. This should provide a platform in which pension funds can join to invest in this sector. CFSGAM will seek to raise a further $300–$500 million to invest in greenfields developments ready for construction and mature operating assets using established technologies in renewable energy, energy efficiency or low emissions technologies
- After year end, we announced the CEFC will accelerate the solar market with financing support of up to $120 million for three innovative solar PV financing programs offering long-term leasing and power purchase agreements (PPAs), tailored for specific market segments to help further expand and deepen the solar PV offerings in Australia, with:
  - up to $70 million for a program by SunEdison, a leading US vertically integrated solar company
  - a commitment of up to $20 million finance for a program offered by Tindo Solar — the only Australian manufacturer of solar PV panels, also supported by the Solaire Income Fund (a Lighthouse Infrastructure and Impact Investment Group joint venture)
  - a commitment of up to $30 million for a program by Kudos Energy — backed by the US-based Angeleno Group
- CEFC finance is bringing an Australian technology which has been widely implemented overseas back to Australia through $49 million in finance for New Energy Corporation to develop the first municipal waste-to-energy gasification project in Western Australia's Pilbara region. This will help facilitate access to private sector funding for future waste-to-energy facilities. Waste-to-energy is a sector that will see continued support from the CEFC to build finance market familiarity with its economic model, and the benefits it can bring to reduce landfill and reduce emissions, recover materials,

and generate electricity from non-recoverable materials. Our-knowledge sharing with the Green Investment Bank in the UK helped accelerate our understanding of waste-to-energy technologies and project characteristics

- Carnegie Wave Energy is using CEFC financing to help fund the construction of the CETO 6 project, which brings this leading Australian wave technology to a new stage of maturity. This technology uses wave power to produce clean electrical energy and desalinated fresh water.

Available finance is helping to accelerate the take-up of cost-saving energy solutions in rural and regional industries:

- A $100 million Energy Efficient Loan facility co-financed with the Commonwealth Bank is providing funding to smaller businesses, particularly those from the manufacturing and agribusiness sectors, to upgrade facilities and equipment to be more energy efficient and reduce energy costs, with the additional positive effect of reducing carbon emissions. This enables projects in businesses such as:
  - Nightingale Bros Pty Ltd to carry out an upgrade of its refrigeration to cut its energy costs by close to 40 per cent. This will replace this Victorian, family owned apple and chestnut growing business' old system with an ammonia/water-cooled central plant and smart controls to improve the energy efficiency of refrigeration operations
  - Wodonga Rendering and Wodonga Abattoirs to install a trigeneration plant to reduce their energy costs, enhance their energy supply stability and achieve greater control over electricity fluctuations. The red meat processing industry has tight profit margins and as an exporter, the abattoir business is impacted by currency movements as well as the increasing cost of energy. The plant will help the Victorian business stay competitive in its overseas market by improving energy productivity and reducing its reliance on grid electricity
  - Global Roto-Moulding Pty Ltd, a Victorian based manufacturer of plastic tanks, children's playground equipment and custom moulded machine parts, to install new generation rotational moulding ovens. These will allow Global Roto-Moulding to halve its oven energy use. The project is expected to reduce the carbon emissions intensity by 48 per cent.

We are also helping local governments and their ratepayers reduce energy costs. Our finance for Warrnambool City Council, southwest of Melbourne, for replacement of about 2,000 residential street lights with LED technology, is forecast to reduce lighting operation and maintenance costs by more than 60 per cent. We hope this trend will accelerate as councils across Australia understand that their electricity and maintenance costs could be significantly reduced by adopting new technology, while also reducing carbon emissions.

All of these investments demonstrate how the CEFC's activities are working to successfully catalyse emissions reductions while delivering a financial return for the CEFC, the taxpayer, the Government, business, and the economy. This investment model is generating abatement which is being achieved at a minimal cost to the taxpayer and is one which can work at the same time to enhance the outcome and effectiveness of other programs.

The CEFC team is constantly delighted by the depth of drive and innovation we see from participants who are building businesses and projects that reduce emissions and increase our nation's competitiveness. Australia has world-leading renewable energy resources, internationally recognised technology, and high-level engineering skills. Together with capital support, they provide a platform that should allow Australia to realise a competitive advantage that will benefit all Australians in a carbon-constrained future. Australia is the energy lucky country and our available clean renewable energy options give us the opportunity to lock in the same long-term competitive advantage fossil fuels historically provided.

The CEFC team combines financial and sector skills and experience, applying a commercial approach to investment in conjunction with private sector co-financiers. The CEFC's investment activities are underpinned by the foundation of the CEFC Investment Policies which sets out the investment strategy, coupled with a solid governance framework and management practices.

As all investors and lenders know, risk management is key to long-term success, so the CEFC has an ingrained risk management culture. Our business practices, investment selection and assessment procedures have been developed to assist us to manage risk prudently. We fully appreciate that investing and lending to innovative companies and projects is not without risk — however, we expect the financial returns we derive will exceed any losses, while at the same time we are enabling innovation across Australia creating long-term growth and employment opportunities.

The wider benefits that the CEFC's activities can generate stem from the following:

- Specialist sector-focused capabilities and experience give a capacity which is unique among Australian financial institutions. The CEFC applies its focus and expertise to work with the market to develop clean energy and energy efficiency opportunities and reshape projects that otherwise may not proceed.
- The funding structure under the CEFC Act provides the ability to contract longer-term fixed-rate financing solutions to match the long-term investment horizon in the energy sector. For example, the CEFC offerings provide the term flexibility required for investments in property upgrades. Our work with Environmental Upgrade Agreements and our facility with Balmain Corporation are two excellent examples which are already showing signs of having an impact in the property sector.

- Our commercial skills and orientation enable us to easily work with the private sector. The fact that the CEFC is not a grants organisation, but a publicly-owned financier and investor that is seeking a positive return, is now well understood by the market. Increasingly, there is an appreciation of how this drive to achieve our benchmark return and self-sustainability can be realised while delivering on the public policy purpose.

The balance between financial return and public policy return is complex, but is evident where we invest more time, effort and resources in unique or complex transactions to realise greater public policy benefits than perhaps would be warranted from a purely commercial perspective. The CEFC helps make investment and projects 'happen', and in making these investments, receives the appropriate risk-adjusted return.

The CEFC is proud of the role we play to assist innovation become reality. We invest time and effort with developers and entrepreneurs early in their project's life to build a bankable case ready to be shared with the market.

It is pleasing how effectively the CEFC has catalysed investments and how our presence has encouraged co-financiers to participate in the projects alongside us. As every entrepreneur or developer knows, it is the first amounts of committed capital that are critical to encourage additional investment. The CEFC is prepared to undertake the early work with counterparties so that they have the best chance of securing all the financing support they need.

Since its inception, the CEFC has enjoyed an extremely positive response from both project proponents and financiers, despite the adverse environment — both in respect of the CEFC's own future, and with many policy 'headwinds' in clean energy. We have a strong pipeline of future projects covering diverse economic sectors and technologies, across all Australian states. This is heartening as an indicator of the vibrant future possibilities which could be realised through investment in Australia's clean energy potential.

Australia has economic and climatic attributes which give it a natural comparative advantage in the energy sources of the future. We were pleased to see Australia's largest single-axis tilt solar farm at Moree eventually reach financial close in August 2014 in the midst of a highly uncertain policy environment. This highlights the role the CEFC is playing, providing a stable source of financing that assists the private sector to get on with the job.

LOOKING FORWARD

As we head into a new year, planning for the possibility of a longer-term future and investment horizon, we are developing new investment opportunities while ramping up deployment of the successful programs already established. Our goal is to provide a strong demonstration of how we can assist the Australian economy to move to a lower carbon future at lowest cost and maximise the productivity gains for all sectors.

There are many factors at play in the regulatory and operating environment of the energy sector. These interact in complex ways, making the job of forecasting

outcomes difficult. At the time of writing, we do not know the future of the Renewable Energy Target (RET), nor of the direction of the Energy White paper process and the final shape of the Emissions Reduction Fund. This policy fluidity has already had impacts on the willingness of financiers and investors to participate in the Australian market at this time. This makes the CEFC's role yet more critical.

Our investment universe is spread across many different sectors of the economy and our forward pipeline is growing in size and diversity, with innovative project proposals emerging from the market stimulated by the demonstration effect of the portfolio we have built over the past year. This provides confidence about the continuing success and effectiveness of the business model we have established. In 2014–2015 we expect to see:

1. continued investment in emission reduction and energy efficiency across the economy, driven by further increases in electricity prices, the expectation of higher gas prices and the desire by many companies to minimise their carbon footprint
2. the solar market continue to roll forward complemented by storage options. With increasing innovation, industry support and economies of scale, the historical cost reduction in PV experienced so far looks set to continue
3. waste-to-energy projects around the nation gain momentum, addressing both the energy and waste management challenge
4. fuel switching become increasingly common, with projects that aim to reduce emissions, improve energy productivity and reduce Australia's dependence on imported fuel product
5. the tempo of technological and consumer driven market transformation towards renewable energy, distributed low carbon energy solutions, smart networks and storage, to continue to build rapidly
6. innovation and major cost reductions in all renewable technologies, storage, and electric and hydrogen powered vehicles, will drive uptake of smart meters, intelligent networks and other demand management technologies and could see investment in some innovative transmission projects.

Five years ago, few would predict the transformation unfolding in the power market. Whilst some commentators still look back to a past where clean energy competed at the margins with fossil energy, this wave of new technology is outstripping the old paradigms. The whole clean power market is moving rapidly forward, with new industries, new market models and consumers vigorously driving uptake and participation in an unfolding energy transformation.

The productivity gains being realised create market drivers for these technologies which will persist — despite changes or uncertainties in regulatory settings in Australia. This will create investment and wealth creation opportunities that Australia and Australians should be encouraged to capture.

Meanwhile, the CEFC continues to provide a cost-effective complement to the suite of other government policies directed at achieving emissions reductions.

APPRECIATION

The CEFC comprises a team of professionals experienced in infrastructure, energy finance and risk management who have a deep passion and commitment to the public policy purpose we serve, and we all look forward to 2014–2015.

On behalf of all the staff of the CEFC, I express our great appreciation to our Chair, Jillian Broadbent AO, for her strong resolve, vision and steadfast belief in the long-term role of the Corporation during a year which in retrospect has been tumultuous and at times, has seemed precarious for the future of the CEFC.

This thanks also goes to the CEFC Board members who have given generously of their time and insight to play a central role in our successful progress towards achieving the Corporation's objectives.

I also acknowledge the role of our Responsible Ministers, the Treasurer and the Minister for Finance, of both the former and current Governments, for their engagement and interest in the work of the CEFC.

Special thanks go to my leadership team of Ted Dow (Chief Investment Officer), Kevin Holmes (Chief Governance and Strategy Officer), Meg McDonald (Chief Operating Officer) and Andrew Powell (Chief Financial Officer and Company Secretary).

We are very fortunate in the wealth of experience and talent within our team. It has been a year marked by strong achievement resulting from tight teamwork across this diverse, talented and highly motivated group. The dedicated effort to establish and prove the worth of the CEFC by all staff has created a workplace in which we and those we work with enjoy the productive and exciting benefits of collaboration and innovation. I thank the staff for their hard work and dedication in remaining at the frontline as a team with unified purpose, dedicated to our continuing success.

It has been a challenging year for all in this sector and working together with our clients and partner co-financiers to seek outcomes and overcome challenges has been rewarding. I thank them for their support and perseverance as our industry drives forward, seeking to position Australia and Australians to profit from this inevitable transition.

Oliver Yates
Chief Executive Officer,
Clean Energy Finance Corporation

2013–2014 HIGHLIGHTS

Investments help boost productivity and build Australia's clean energy supply chain capability

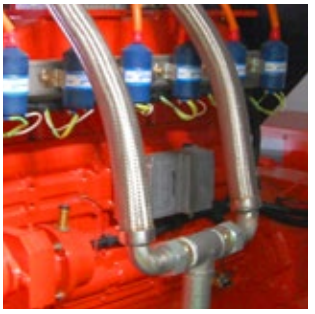
Investments of **$931 million** for projects worth over **$3.2 billion** in total value

Funding projects in regional and rural Australia — **supporting 21st century jobs in local communities**

CEFC cost per tonne of **CO_2-e abated = return of $2.40** after government cost of borrowing and operating costs

Many industries are benefiting — manufacturing, agribusiness, property, mining, community sector and local government

Contracted portfolio of 40 direct investments, and a further **25 projects under co-financing programs**



In active discussions on over **30 new proposals** with total project value over **$3 billion**

Making finance available to **SMEs** for small projects

CEFC invests in renewables, energy efficiency and low emissions technologies

When built, projects will abate **4.2 million tonnes CO_2-e annually**

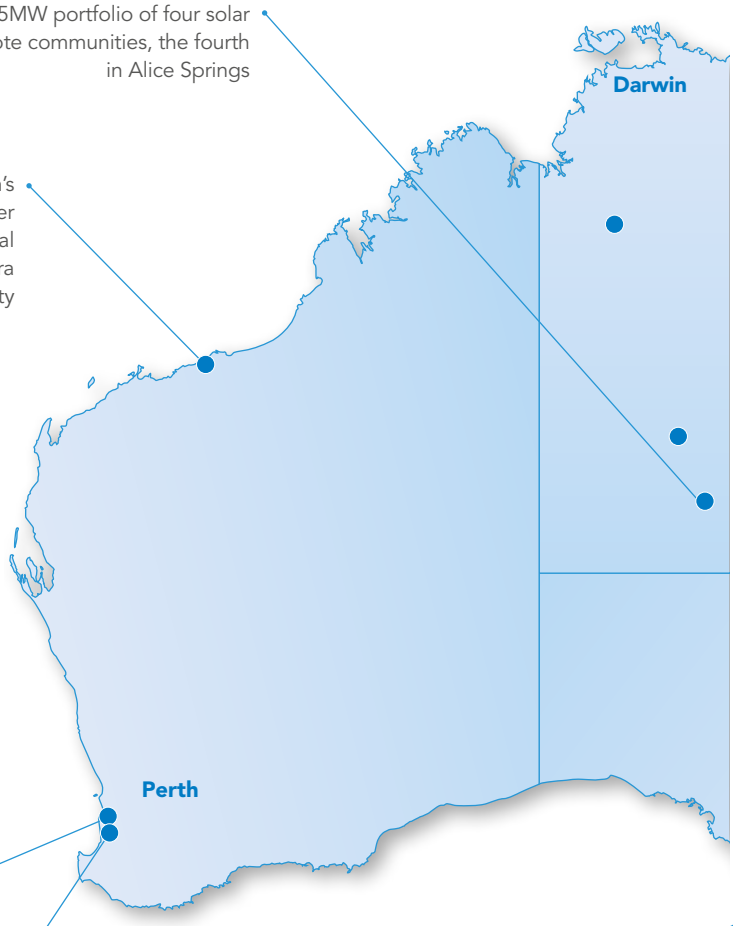
Over **$2.20 of private sector investment** mobilised for each **$1 CEFC invests**

232MW
of new generation capacity financed in 2013–2014

INVESTMENTS AT A GLANCE

Alice Springs, NT: Project finance for a 5MW portfolio of four solar PV plants — three of which are in remote communities, the fourth in Alice Springs

Boodarie, WA: New Energy Corporation's waste-to-energy project will recover municipal, industrial and commercial waste streams from across the Pilbara to generate electricity



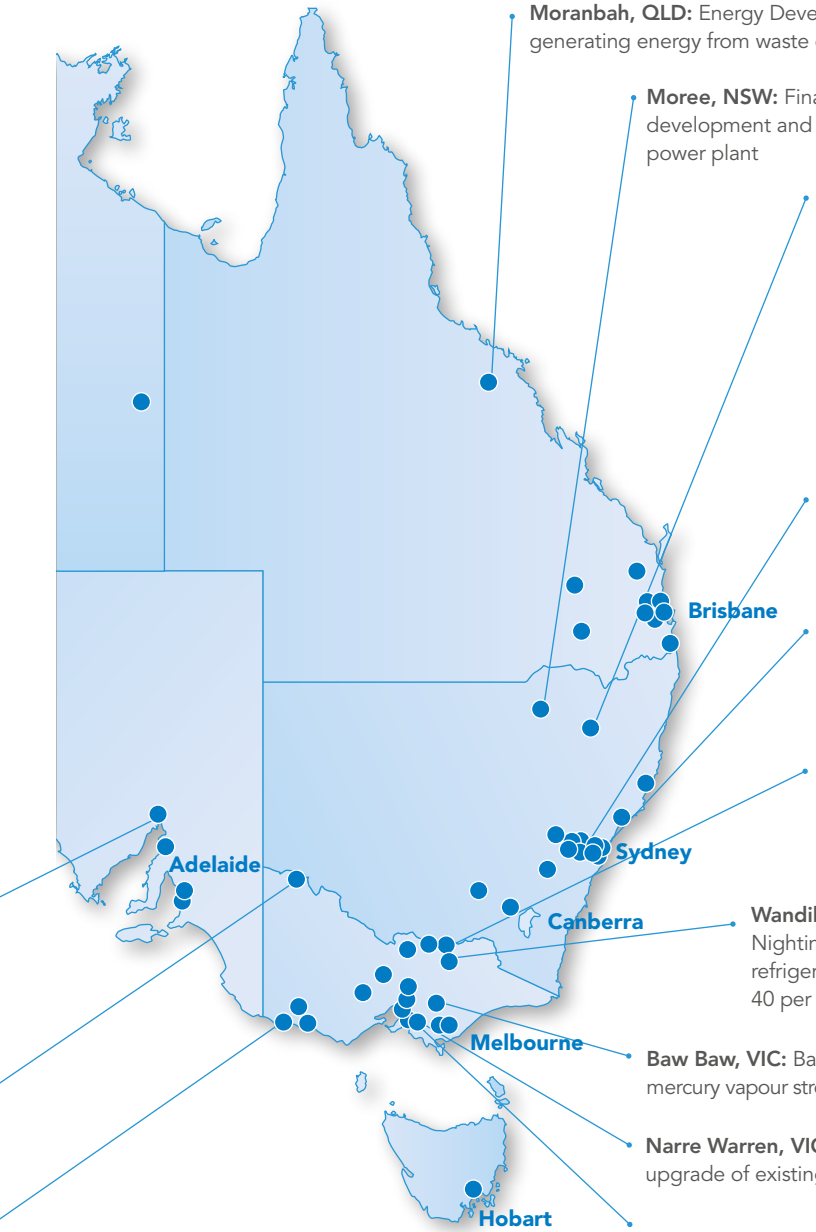
Perth, WA: Final stage development and commercialisation of wave power technology, known as the CETO technology (CETO 6)

Jandakot, WA: Garden products supplier Richgro is using waste-to-energy to power its facility

Port Augusta, SA: A major greenhouse development which will use solar thermal technology to desalinate seawater to provide irrigation, and to heat and cool the greenhouses

Mildura, VIC: Plastics manufacturer Global Roto-Moulding uses Energy Efficient Loan to upgrade moulding ovens

Portland, VIC: Stage IV of the Portland Wind Farm



Moranbah, QLD: Energy Developments Limited's projects are generating energy from waste coal mine gas

Moree, NSW: Finance to Moree Solar Farm for the development and construction of a solar photovoltaic power plant

Inverell, NSW: Bindaree Beef's whole of abattoir/rendering plant upgrade includes anaerobic digestion, electricity generation and heat capture

Bankstown, NSW: Bankstown District Sports Club is installing a new chiller system that is 50 per cent more efficient

Sydney, NSW: Upgrade to St James' Hall using EUA finance is expected to reduce base building energy consumption by about 30 per cent

Wodonga, VIC: Wodonga Rendering and Wodonga Abattoir are reducing their energy costs by sharing a trigeneration plant

Wandiligong, VIC: Family business Nightingale Bros Pty Ltd is upgrading its refrigeration to cut its energy costs by almost 40 per cent

Baw Baw, VIC: Baw Baw Shire Council's upgrade of 2,660 mercury vapour street lights throughout the Shire

Narre Warren, VIC: Narre Warren South College's upgrade of existing classroom and gym lighting

Melbourne, VIC: A 19-level 1970s Swanston St commercial building is undergoing a $7 million environmental upgrade that is expected to more than halve energy use and carbon emissions

Section 1 image overleaf: Wind tower manufacture at Keppel Prince Engineering, Portland, Victoria

1 PERFORMANCE REPORT

OUR PURPOSE, MISSION AND BUSINESS MODEL

CEFC MISSION

Taking the statutory object set out in the *Clean Energy Finance Corporation Act 2012* (the CEFC Act) as a starting point, the CEFC Board has established the following corporate 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 emissions reduction.

CEFC'S BUSINESS MODEL

The CEFC is an investment institution — its Investment Mandate direction specifies that the CEFC applies commercial rigour when making its investment decisions, using financial products and structures to address the barriers inhibiting investment in the sector.

In addition to applying commercial rigour when making its investments, the Corporation is directed to target a benchmark return on its portfolio, to be measured net of operating expenses. This direction is given with the Australian Government's expectation that the Corporation is not a grants organisation, that its investments are made with an expectation of being repaid, and that it invests responsibly and manages risk so it is financially self-sufficient.

Achieving financial self-sufficiency means the Corporation is necessarily under pressure to keep operating expenses low. The Corporation's primary expense is its staffing footprint. With just 50 Full Time Equivalent positions (FTE), the CEFC seeks to leverage the scale and service networks of co-finance partners to assist in delivering CEFC finance to small and medium businesses.

In establishing the Corporation, the then Government confirmed its expectation that the CEFC's investments should be structured to address the barriers currently inhibiting investment to help mobilise investment into the clean energy sector, and that its investment activities should 'not disrupt the areas where the market is functioning well'. The CEFC is also directed to 'consider the potential impacts on other market participants and the efficient operation of the Australian financial and energy markets'.

The CEFC has developed its operating model and is undertaking its investment activities fully in accordance with these directions and policy instructions.
In performing its investment function, the CEFC seeks to lend at risk-adjusted terms as close as possible to commercial market rates. The Corporation has adopted an approach of working to create structures which also prove attractive for participation of private sector co-financiers and other capital. The combination of the CEFC's commercial approach and seeking to 'crowd in' rather than 'crowd out' private sector investment helps create conditions for more efficient deployment of private sector capital. The Corporation's

engagement in transactions in many cases is intended to see the private sector step into a transaction once the investment terms have been fully developed.

The CEFC can also provide concessional loans, where it is warranted in the circumstances. A concessional loan is one offered on more favourable terms than could be expected to be available between a private sector lender and private sector borrower. The concession(s) provided may take many forms, but typically will be one or more of:

- lower than market interest rates
- longer loan maturity
- longer/more flexible grace periods before the payment of principal and/or interest is due.

The CEFC views concessionality as a precious resource to be applied sparingly. The CEFC may choose to deploy concessional finance to assist in overcoming financial impediments and facilitate realisation of an otherwise bankable project. This is determined on a case by case basis with reference to the specifics of the project or where the CEFC is lending to public sector organisations like universities and local councils. To 30 June 2014, the CEFC had offered some $11.5 million of concession on its investments.

Investments are only made where the CEFC has performed an assessment of the likelihood of repayment and has structured investment terms appropriate to the level of risk to minimise loss. Monies are only released for drawdown once all the CEFC's requirements have been met, and performance of the investment is actively monitored by the Corporation throughout its life.

Loans are repaid with principal and interest. During this year, the Corporation saw its first three loans under management fully repaid. The CEFC also invests a limited amount in equity and equity-like structures.

The structuring of the CEFC in its enabling legislation means that any surplus funds in the CEFC's operating account are subject to a sweep back to the CEFC's Special Account (see Appendix C), which is in the custody of the Treasury. Funds in the CEFC's Special Account are required to either be recycled into new investments, or to special payments to support the work of ARENA (the Australian Renewable Energy Agency — a 'sister' Commonwealth statutory authority).

CEFC PUBLIC PURPOSE

The CEFC differs from other financial institutions in that it has a public policy purpose. The CEFC was formed with a statutory object to 'facilitate increased flows of finance into the clean energy sector' and it does this by performing the investment function in the renewable, energy efficiency and low emissions technology sectors.

In establishing the Corporation, the then Government confirmed its expectation that, in line with its public policy intent, the Corporation should also consider positive externalities when making investment decisions and determining

the extent of any concessionality. This was to be performed in addition to meeting the benchmark returns.

CEFC investments generate positive external impacts, particularly in improvements to energy productivity and reduction in Australia's carbon emissions. As the CEFC's investment portfolio builds over time, these positive externalities will have a cumulative impact across the sector — both in terms of reducing carbon emissions and in the acceleration of Australia's transformation towards being a more competitive economy in a carbon constrained world.

Positive external impacts result from technologies moving faster along the innovation chain, lowering their costs, and through greater acceptance in financing markets of such new technologies. They can also flow from improvements in technology design, supply chain depth, construction practices, operating skills, financing structures and market risk appetite.

Expanding the number of renewable and low carbon technologies deployed in Australia and developing additional new technologies will increase future energy optionality. CEFC investment can have the impact of 'proving-up' new technologies. It can also bring technologies new to the Australian market to wider adoption and increase the knowledge base about them in the financial sector. In turn, this helps lower the deployment cost for subsequent similar projects. In other words, the experience and market knowledge gained in such CEFC-financed projects helps to 'de-risk', and opens the pathway for similar transactions to be done.

Expanding the investor base to encourage the participation in renewable and low carbon energy investment across all investor classes (such as retail investors and superannuation funds) also lifts the investor knowledge base about the sector.

This also helps to advance technology, expand industry expertise, grow the skill base and improve industry practices. It is building and maintaining local market capacity in terms of technological know-how, engineering, manufacturing capability or localised supply chains, which in turn creates jobs for Australians and will positively impact economic growth.

In summary, the CEFC is progressing Australia's reduction in emissions to ensure an efficient transition to a competitive economy in a carbon constrained world.

PROJECTED CARBON EMISSIONS ABATEMENT

Once constructed and in operation, the projects that the CEFC is investing in are estimated to achieve annual emissions abatement of 4.2 million tCO_2-e, at a cost to the CEFC (inclusive of government borrowing costs and operating costs) of negative $2.40 per tonne. In other words, the CEFC has a positive impact on the Australian Government budget while abating CO_2 emissions. More information on how we estimate carbon abatement is at page 93.

CEFC'S FUNDING SOURCES

The CEFC is expected to be operationally self-funding through its investment returns.

During the financial year, the CEFC received operational funding of $8 million from the Commonwealth via ordinary Appropriations Acts. This funding was provided to assist the Corporation in starting up and building out its operations.

In addition, under section 46 of the CEFC Act, $2 billion is credited to the CEFC Special Account in the Treasury each 1 July for five years from 1 July 2013. The first $2 billion tranche of this investment funding was made available on 1 July 2013. These funds are not held by the CEFC, but are made available by the Treasury from the Commonwealth Special Account when the CEFC identifies investments that it intends to make. An explanation of the Special Account and a summary of debits and credits to the Account is located at Appendix C.

CEFC'S BUDGETED OUTCOME AND KEY PERFORMANCE INDICATORS

Funding for the CEFC is reported in the Portfolio Budget Statements (PBS) for the Treasury portfolio. These require the CEFC to report against the CEFC's Outcome (that is, the Australian Government's objective against which appropriations are to be applied):

Facilitate increased flows of finance into Australia's clean energy sector, applying commercial rigour to invest in renewable energy, low emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders.

The Key Performance Indicators (KPIs) are set out in the PBS for the purpose of measuring the CEFC's performance against the Outcome:

- Performance against the portfolio benchmark return set by the Government
- Placement of funds into Australia's clean energy sector
- Investment in renewable energy, low emissions and energy efficiency technologies
- Building industry capacity
- Dissemination of information to industry stakeholders.

ABOUT THE KPIs

KPI — THE PORTFOLIO BENCHMARK

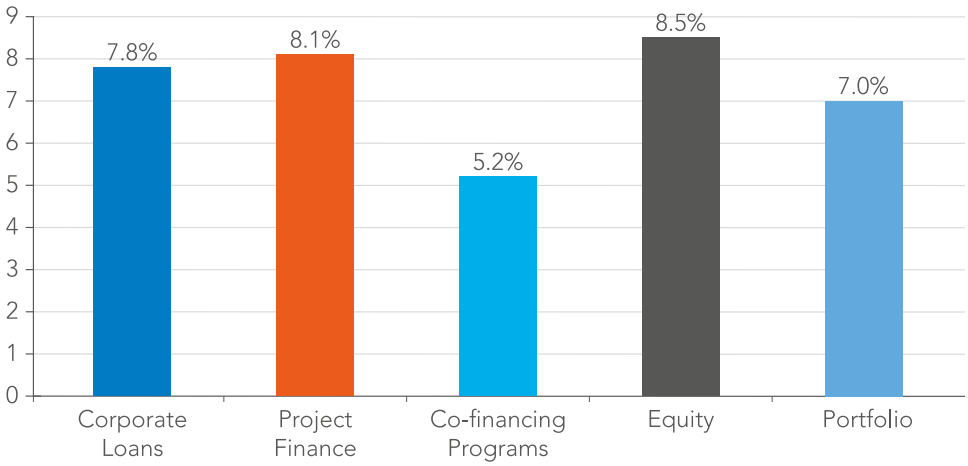
The performance against the portfolio benchmark return set by the Government is calculated with reference to the method set out under the Investment Mandate and in simple terms, involves three steps:

- Calculation of the portfolio benchmark return — based on a weighted average of the five year Australian Government bond rate. This is a composite measure: for every investment, the CEFC calculates an individual reference rate based on the average five year Government bond rate over the preceding 15 days prior to the investment. The weighted average of these individual reference rates then becomes the portfolio benchmark return (PBR).
- Calculation of the CEFC's performance rate — This rate is not the actual interest rate that the CEFC lends at, and reflects cash holdings as well as loan and equity investments — information relating to the performance of the different types of investment is set out on page 87. It is also important to note that this is a 'net rate', i.e. after operating expenses, including provision for statistically estimated investment impairment. It does not include the impact of any concession (a non-cash accounting charge based on the difference between the rate of CEFC lending and the prevailing or estimated market rate), which unwinds over the life and performance of the investment to net out to a zero impact.
- Comparison of the CEFC's performance rate with the PBR — this involves subtracting the PBR from the CEFC's performance rate to deliver a 'profitability' measure after operating costs and Government funding costs. It is important to remember that:
  - The comparison is a 'snapshot' at point-in-time on 30 June 2014
  - The CEFC was in a start-up phase over 2013–2014 — as loans were written, cash was held against these commitments until the borrower drew down the funds
  - In the words of the Explanatory Statement to the Investment Mandate 'The [PBR] is a long-term target and expected to be earned across the portfolio and over a period of time.'

The Corporation aims to achieve a portfolio benchmark return in excess of the five year government bond rate plus cover the operating costs of the Corporation. The CEFC's performance rate to 30 June 2014 of 4.15 per cent exceeds the PBR of 3.14 per cent. The operating costs are net of the start-up operational funding received from the Commonwealth.

The following Figure 1.1 is an indicative breakdown, demonstrating how across its investment portfolio, the CEFC achieves different appropriately risk-adjusted returns across different type of finance, counterparties and sectors (note this is based on expected lifetime portfolio yield rather than the current performance — see Risk and Return by Investment Type page 94 and Types of Investment section page 88 for details of these segments).

Figure 1.1: CEFC contracted portfolio yield summary



For example, yields range from above 8 per cent for equity investments and project finance, and around 5 per cent for co-finance partnerships, or below, where financing is directed into the small-to-mid-sized business, government or not-for-profit sectors through co-finance partners.

KPI — PLACEMENT OF FUNDS

To 30 June 2014, the CEFC has currently committed $931 million of funding to projects with a total project value of over $3.2 billion. The CEFC is drawing in significant private sector funding in a ratio of approximately 1:2.20. CEFC funds placed include $70 million in loan commitments transferred from Low Carbon Australia as disclosed in Note 17 to the Financial Statements at page 196.

To 30 June 2014
THE **CEFC** HAS CURRENTLY COMMITTED
$931 million
of funding to projects
WITH A TOTAL PROJECT VALUE OF
OVER $3.2 billion

KPI — INVESTMENT IN RENEWABLE ENERGY, LOW EMISSIONS AND ENERGY EFFICIENCY TECHNOLOGIES

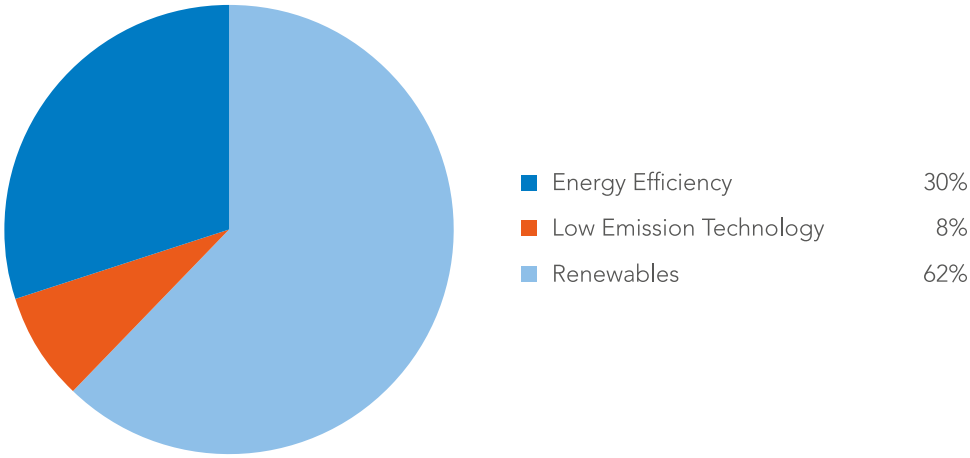
In recognition that an effective emissions reduction program must target energy generation and the energy mix, the CEFC Act limits the Corporation to investing in three types of clean energy technology: renewable energy, low emissions and energy efficiency technologies.

The Act also specifies that in performing its investment function, *at least* 50 per cent of the funds invested by 1 July 2018 must be deployed into renewable energy technologies. The CEFC Act does not set similar targets for energy efficiency or low emissions technologies, but by logical extension, these must collectively total less than 50 per cent of the investment portfolio by value by 1 July 2018.

With investments in renewables of $577 million, energy efficiency of $279 million and low emissions of $75 million, the CEFC is on track to meet this requirement with renewables currently making up over 60 per cent of the investment portfolio by value.

The report against this KPI is the report required by the CEFC Act at section 74(1)(a).

Figure 1.2: CEFC contracted portfolio by clean energy technology by CEFC $ funded



KPI — BUILDING INDUSTRY CAPACITY

Organisational capacity building and skills development involves a process of enhancing an organisation's abilities to perform specific activities, through knowledge sharing, training, transferring IP and providing experiential opportunities.

The CEFC has not identified any single objective quantitative measure that is suitable for reporting against this KPI, so has adopted a qualitative approach to assessing its performance in building industry capacity in the following ways:

- The CEFC is financing equipment upgrades which improve energy productivity, raising the profitability per unit of manufacture in terms of energy costs. In addition, new equipment delivers other productivity gains or new capabilities, providing the basis for growth and greater sustainability of the business.
- Cost reductions and productivity gains resulting from CEFC financed projects see funds deployed to more productive alternative purposes
- By increasing the critical mass of the industry through greater investment and an increased number of projects, the CEFC assists renewables and energy efficiency sectors to achieve economies of scale and drive down deployment costs and risk
- CEFC activities assist project proponents by helping to develop the business case, and introduce the proponents to other financiers, who may subsequently, or concurrently provide finance
- The CEFC contributes to increasing capacity within the private finance sector, familiarising co-financing institutions with the attributes and benefits of investments in new asset types or financial structures or products

A worker manufacturing a Fulcrum3D Sodar unit at Brookvale, New South Wales (image from Fulcrum3D)

- By creating 'sell through' arrangements (i.e. CEFC financed off-the-shelf financial products) with co-finance partners, the CEFC can reach small and mid-sized business and extend availability of capacity building finance to the 'engine room' of the economy
- The CEFC attracts new finance to the Australian clean energy sector — CEFC participation helps improve the flow and diversification of funds into the sector, in particular from new sources and European and Asian institutions. CEFC engagement in the project-development market has also assisted in:
  - bringing in new commercial banks and international sponsors to Australia
  - developing new transactions which more closely match the term of the financing to the life of the assets
  - establishing new investment vehicles to draw in superannuation and other funds into investment in clean energy
- The CEFC works with industry bodies to build knowledge and promote opportunities in reducing energy costs
- Large-scale projects are required to develop Australian Industry Participation Plans (AIPPs), which help to open up proponent purchasing programs to Australian suppliers of goods and services
- The CEFC's investments are distributed broadly across Australia, including rural, regional and remote areas, as this is where most of the best renewables resources are located.

Jillian Broadbent AO and the Energy Efficiency Council's CEO, Rob Murray-Leach, at the Council's National Conference 2013 (image from EcoGeneration)

KPI — DISSEMINATION OF INFORMATION

Communicating the availability of CEFC finance to projects and the business case of action on energy efficiency and emissions reduction is a key part of the CEFC operating model and performance. Building awareness of the CEFC and its purpose, functions and financing, assists in identifying new investment opportunities and increasing take-up of co-financed products. The CEFC seeks to optimise its reach through speaking at events and using internal communication resources. The CEFC does not conduct broad scale advertising or marketing campaigns.

Our Chair, other Board members, CEO, Executive and other senior members of staff have been involved in presenting and participating in industry conferences and community forums to actively distribute information on the CEFC and its activities to industry and community stakeholders.

The CEFC has an active program of engagement with industry associations and their members, with a view to building knowledge about the benefits of investment in energy efficiency and/or renewables and other energy cost-savings technologies supporting their efforts to improve productivity and lower energy costs. This includes preparation of project profiles and contributions of case studies material for trade newsletters. This spans a wide spectrum of industry bodies, demonstrated by our CEO Oliver Yates being named 'Person of the Year' by the Sustainable Engineering Society's *WME* magazine (which covers the Water, Materials and Energy Sectors).

(L–R) Savanth Sebastian, Economist, Commsec; Freddy Sharpe, CEO, Climate Friendly; Jon Jutsen, Executive Director, Energetics; Michael Bellstedt, Principal, Minus40 Pty Ltd at the CEFC and Commonwealth Bank Energy Efficiency Seminar, Melbourne

The CEFC utilises its website as a major means of information dissemination, with all corporate publications made available at cleanenergyfinancecorp.com.au. In addition, social media such as Twitter and LinkedIn are utilised to highlight energy efficiency developments and innovations and case study successes, to build the case for taking action in investing in renewables, emissions reduction and energy efficiency.

The CEFC also took up invitations to make submissions to a number of parliamentary enquiries and Australian Government policy reviews. Bearing in mind the Australian Government's policy position to abolish the Corporation, the CEFC has sought to engage constructively on a factual basis with these processes, recognising that the policy settings remain the prerogative of the Australian Government even as the legislation to enact it remains the prerogative of the Parliament.

As an Australian Government statutory authority, the CEFC's annual report is also a focus for dissemination of information. The Corporation was pleased to receive its first corporate award from the Institute of Public Administration Australia in the Annual Reports Awards, where the CEFC took out Silver in the online report (CAC Act bodies) category.

Other highlights of the financial year include:

- The CEFC conducted a series of Energy Efficient Loan (EEL) seminars at venues across the country to engage the market on the business benefits available through improving energy efficiency. These involved participation and case studies from industry efficiency experts and leading service providers to demonstrate how using CEFC finance to upgrade operations is helping the manufacturing sector to future-proof their businesses, upgrade equipment to reduce energy costs by 15 to 50 per cent,

(L–R) Barry Mewett, Senior Associate with KPMG and IPAA ACT Treasurer; Simon Every (CEFC); Veronica Reading (CEFC) and Glenys Beauchamp PSM, President of IPAA ACT and Secretary of the Department of Industry

Savanth Sebastian, Economist from Commsec, presents at the CEFC and Commonwealth Bank Energy Efficiency Seminar, Melbourne

and enhance energy productivity and competitiveness in a tough economic climate. The seminars were held in Adelaide in South Australia, Perth in Western Australia, and Melbourne and Shepparton in Victoria.

- Market education was also carried to a wider audience through information booths at major industry conferences including the Australian Local Government Association's 2014 National General Assembly of Local Government between 16–18 June 2014.
- As a contribution to public dialogue about solutions to rising electricity costs and reducing carbon emissions, the CEFC commissioned a scoping study report Investing In Savings: Finance and Cooperative Approaches to Electricity Demand Management by the Institute for Sustainable Futures. This was with a view to helping understand the near-term opportunities for investment in demand management, to identify any impediments and approaches by which the CEFC could work collaboratively to support its wider implementation.
- Our challenge is global in nature — and the technology and finance markets are also increasingly global. There have also been opportunities for international engagement, including:
  - Meetings with officials from the Indonesian Ministry of Finance's Pusat Investasi Pemerintah (PIP) in Melbourne in December 2013 to discuss respective programs for renewable energy and energy efficiency investments
  - Participation by Oliver Yates, CEO in the Green Investment Banks Congress in October 2013, involving CEFC counterpart bodies from the United Kingdom, New York, Germany, Korea and Japan
  - Input relating to the CEFC's financing types and market engagement for an OECD paper on the role of green investment banks for the OECD Green Investment Financing Forum on 12–13 June 2014.

CEFC and Commonwealth Bank stand at the National Assembly of Local Government Conference, 2014

COMMUNICATIONS ACTIVITIES:

- Presentations at 36 conferences, events, symposiums and industry events
- Over 14,000 direct communications with stakeholders
- Over 145,000 visits to our website and over 390,000 page views
- 26 fact sheets developed describing the activities of the CEFC
- Over 16 case studies produced describing our investments
- 24 media releases updating media and stakeholders
- 4 Quarterly Investment Reports on the CEFC website
- 10 published submissions into government and parliamentary inquiries.

SUMMARY: PERFORMANCE AGAINST KPIs

A summary of the CEFC's performance against KPIs is outlined in Table 1.1. These figures should be read in the context of the explanatory text on each KPI above. In comparing to 2013 figures, please note that the CEFC was only operating as an independent entity for the last 77 days of 2012–2013. There may be no data, or no meaningful data, to report on for that period, and where this is the case, the entry is marked as Not Applicable ('NA').

Table 1.1: Summary of the CEFC's performance against KPIs

Key Performance Indicator	Measure	2013–14 Target	Result to 30 June 2014	Result to 30 June 2013
Performance against the Portfolio Benchmark Return set by the Government	Percentage against Portfolio Benchmark Rate (PBR)	PBR	The PBR was 3.14%. The CEFC's performance rate was 4.15%.	NA
Placement of funds into Australia's clean energy sector	$ invested	$800 million to $1 billion invested by 30 June 2014	$931 million	$135.8 million
Investment in renewable energy, low emissions and energy efficiency technologies **[Report under Section 74 (1) (a) CEFC Act]**	$AUD invested	Renewable Energy Technologies (RET): equal to or greater than 50% of funds invested Energy Efficiency Technologies (EET): no target Low Emissions Technologies (LET): no target	RET: $577 million (62%) EET: $279 million (30%) LET: $75 million (8%)	RET: $85.8 million (63%) EET: $50 million (37%) LET: Nil
Building industry capacity	Qualitative	Demonstrably building capacity in the finance sector, the energy sector and the broader economy through permitted investments	See qualitative assessment above	NA
Dissemination of information to industry stakeholders	1. Communications & Contacts 2. Qualitative	Effectively disseminating information through website, conferences, industry presentations and stakeholder communications	See qualitative assessment above	

CONTRACTED 2013–2014 INVESTMENTS

During 2013–2014, the CEFC closed 17 new investments worth $733 million, mobilising another $1.3 billion for a total of $2 billion in clean energy investment mobilised. This figure excludes another $70 million investments newly added to the portfolio in 2013–2014 from Low Carbon Australia. The table following lists the investments the CEFC contracted during 2013–2014. Where a project is yet to be announced, this is marked, and some identifying details of the investment may be withheld or marked 'TBA' (To Be Advised).

During 2013–14 the CEFC closed **17** new investments

WORTH **$733 million**

FOR A TOTAL OF **$2 billion** in clean energy investment mobilised

Table 1.2: CEFC contracted investments in the 2013–2014 reporting period

Investment	Description	Location	CEFC Commitment ($ million as at 30 June 2014)	Total Funds Mobilised (incl. CEFC Commitment — $ million as at 30 June 2014)
Balmain Funds Management Pty Ltd	Energy efficiency fund to assist in upgrade of commercial, retail and industrial properties to more energy efficient buildings.	NSW	100	**200**
CFS Australian Clean Energy Infrastructure Fund	Australian based unlisted 'green' investment fund to facilitate the involvement of Australian super funds and other institutional investors in the Australian clean energy sector.	National	80	**240**
SunEdison (Residential & Commercial)	Debt facility with two components to support the rollout in Australia by of programs to originate, design, install and own solar PV Systems and to offer a solar PPA and leasing financing program targeted at: ▪ large commercial customers with system requirements exceeding 100kW ($20 million), and ▪ National Consumer and Small- to-Medium Enterprise customers ($50 million).	National	70	**112**
Pacific Hydro Australia	Construction of Stage 4 of Portland Wind Farm and refinance of stages 2 and 3.	Portland, VIC	70	**361**
Energy Developments Limited	Debt facility to support investment in new projects generating energy from waste coal mine gas and landfill gas, as well as remote hybrid renewables projects.	QLD	75	**169.5**

Continued

Investment	Description	Location	CEFC Commitment ($ million as at 30 June 2014)	Total Funds Mobilised (incl. CEFC Commitment — $ million as at 30 June 2014)
Moree Solar Farm	Agreement to provide senior debt finance to Moree Solar Farm for the development and construction of a solar PV power plant.	Moree, NSW	60	**180**
Commonwealth Bank	Energy Efficient Loan (EEL) program. Extension of 2012–13 EEL program targeting SME finance, but these loans are to assist not-for-profits, particularly local governments, to undertake energy efficiency projects and reduce energy costs.	National	50	**100**
New Energy Corporation Pty Ltd	Debt facility to support waste-to-energy project, located at Boodarie, Western Australia, will recover municipal, industrial and commercial waste streams from across the Pilbara and sell the generated power (estimated as 70% renewable) most likely to local large energy users (e.g. local water or port authorities).	WA	49	**197**
(Unannounced Project Finance)	Solar/wind project to be announced.	TBA	43	**169**
Sundrop Farms Pty Ltd	In-principle agreement to co-finance a major greenhouse development near Port Augusta, South Australia which will use solar thermal technology to desalinate seawater to provide irrigation, and to heat and cool the greenhouses.	Port Augusta, SA	40	**140**

Continued

Investment	Description	Location	CEFC Commitment ($ million as at 30 June 2014)	Total Funds Mobilised (incl. CEFC Commitment — $ million as at 30 June 2014)
Carnegie Wave Energy Limited	Debt funding facility to assist in the final stage of the development and commercialisation of wave power technology, known as the CETO technology (CETO 6)	Perth, WA	20	**37**
Quantum Power Limited (QPL)	Master Funding Agreement with QPL to provide funding on a project-by-project basis to support a series of BOOM Biogas projects at established corporate businesses within the intensive agriculture and red meat processing sectors.	National	20	**40**
Bindaree Beef Pty Ltd	Debt facility to support whole of abattoir/rendering plant upgrade located at Inverell in regional NSW. Includes anaerobic digestion, electricity generation and heat capture. Mixture of renewable technology and energy efficiency within the meat manufacturing sector.	Inverell, NSW	15	**39.4**
Uterne Power Plant Pty Ltd	Project finance for a 5MW portfolio of four solar PV plants, 3 of which are in remote communities, the fourth in Alice Springs.	Alice Springs, NT	13	**15**
National Australia Bank (NAB)	NAB — Partnership Stage 2 — Further capitalisation of existing Environmental Upgrade Agreement (EUA) fund with NAB.	NSW, VIC	20	**40**

Continued

Investment	Description	Location	CEFC Commitment ($ million as at 30 June 2014)	Total Funds Mobilised (incl. CEFC Commitment — $ million as at 30 June 2014)
Origin Energy Limited	Facility established with Origin to enable on-bill financing of the upgrade of energy equipment — with repayments made via utility bills.	National	7	**7.7**
Baw Baw Shire Council	Finance to upgrade 2,660 mercury vapour street lights throughout the shire.	Baw Baw, VIC	0.55	**1**
TOTAL NEW CEFC CONTRACTED INVESTMENTS IN 2013–14 as at 30 June 2014			**733**	**2,048.5**

Note that in nearly all instances, the CEFC contracts on an 'up to' basis — that is, if actual construction costs are less than expected, the CEFC will lend less than the contracted amount.

In some facilities, the CEFC has given commercial lenders 'step-up' rights — a right to lend in place of the CEFC if issues that prevent them from joining in the finance can be addressed (for example, because they require extra time, or are awaiting other conditions).

In some cases, the CEFC may commit to make contract funding generally available to a counterparty for a set period on a 'use it or lose it' basis — for example, if the promised project/s do not eventuate by the required dates, the CEFC funding commitment may be terminated. The CEFC is here to assist the private sector proponents to secure equity and other finance partners, but if there is insufficient evidence that CEFC funds are actually going to be deployed in a timely fashion, then the CEFC may move to free up the funds in accordance with the loan documentation.

A counterparty's right to draw funding under the CEFC contract is also subject to the counterparty complying with the terms of the contract and satisfying specified conditions precedent.

Case Studies image opposite: TLKN solar under construction, Lake Nash, Northern Territory (Image from Epuron)

CASE STUDIES

CASE STUDY

INNOVATIVE SOLAR LEASING PROGRAMS

Up to $120 million in CEFC finance will expand and deepen the solar PV market in Australia through three new programs.

The offerings are an important development in solar PV financing in Australia because they include both power purchase agreements (PPAs) and solar leasing. These models, which are well established overseas, make it easier for businesses and householders to access solar power as they don't have to source the upfront capital needed for equipment and installation.

The programs are being brought to market using established, experienced and accredited installation companies and suppliers to provide the market with high quality outcomes.

SunEdison Australia, a global solar manufacturer and services provider, is offering customers solar leases or the option to sell power under a PPA. SunEdison Australia will work with local partners to originate, design, install, own, operate and maintain solar PV systems and depending on the individual contract, either lease them, or sell the power under a PPA, to customers. The CEFC is providing up to $70 million finance.

Tindo Solar, Australia's only manufacturer of solar PV panels, is offering a PPA product to residential customers and businesses and government bodies requiring small to medium-sized systems. Tindo's automated plant in Adelaide manufactures high quality panels designed and made for Australian conditions. The Tindo agreement also involves funding from Lighthouse Infrastructure and the Impact Investment Group's Solaire Income Fund. The CEFC is providing up to $20 million finance.

Kudos Energy, backed by US-based Angeleno Group — is offering PPAs focused on commercial and multi-unit residential customers. Kudos designs, installs and owns the solar PV systems and enters into an agreement with the building owner or tenant who purchases the power from the panels at a rate which is lower than their current electricity bill. Kudos Energy's PPAs will accelerate use of solar power by the commercial and strata sectors. The CEFC is providing up to $30 million finance.

"We're working with Australian and international financial institutions, solar providers and manufacturers to offer new financing products that will widen and deepen the take-up of solar technology across Australia."

– CEFC CEO, Oliver Yates

CASE STUDY

CLEAN ENERGY DIRECT INFRASTRUCTURE INVESTMENT FUND

The CEFC is providing up to $80 million as the initial cornerstone investor in Australia's first unlisted clean energy direct infrastructure investment fund.

The fund, a partnership with the Direct Infrastructure division of Colonial First State Global Asset Management (CFSGAM), invests in renewable energy, energy efficiency or low emissions technology. To grow the opportunity, CFSGAM will seek to raise a further $300 to $500 million over the next three to five years.

The platform is investing in both greenfield developments ready for construction and mature operating assets using established eligible technologies.

Superannuation funds and other institutional investors have increasingly recognised that reducing the emissions exposures in their portfolios is a strategic investment priority, but finding such investments has proved a challenge.

The CEFC investment demonstrates the potential of this investment class and provides a positive model and experience that might be adopted more widely. Specialist clean energy investment platforms have an established track record in Europe, the US and the UK, but there are no such specialist platforms in Australia.

By providing a new investment option for superannuation funds and other institutional investors, the fund will attract new sources of investment in renewable energy, unlocking new sources of capital for the market and expanding the investor base for the sector.

"Australian superannuation funds and other institutional investors have expressed interest in finding an attractive way to invest directly into low carbon energy infrastructure. The CEFC cornerstone investment is a first step in establishing a unique clean energy platform and working with those institutional investors in achieving their investment objectives."

– Head of Direct Infrastructure at CFSGAM, Perry Clausen

CASE STUDY

REMOTE RENEWABLES DEMONSTRATING POTENTIAL

Uterne solar power station

Renewable energy company, Epuron, is expanding its **Uterne solar power plant** at Alice Springs in the Northern Territory.

Epuron is a leading, privately-owned Australian renewable energy company with a focus on development, ownership and operation of utility-scale renewable energy projects.

The 3.1MW expansion of an existing 1MW solar PV power plant makes Uterne one of the largest solar-tracking power plants in the Southern Hemisphere. It effectively quadruples the capacity of the plant, helping Alice Springs reduce its dependence on gas and diesel-fired generation.

The existing grid and off-grid electricity sources in the Northern Territory are relatively expensive and more emissions intensive, so using solar technology to take advantage of abundant sunshine makes sense both financially and environmentally.

CEFC finance of $13 million was critical for the expansion, as the project was too small to appeal to the commercial project finance market. It demonstrates the potential for structured project finance to be used in other similar smaller-scale projects.

"Expanding our Uterne facility to take advantage of both the abundant solar energy in the Northern Territory and our existing infrastructure makes good business sense,"

– Epuron Executive Director and Co-Founder, Andrew Durran

Uterne solar power plant at Alice Springs, Northern Territory (Image from Epuron)

CASE STUDY

WAVE ENERGY POWERS AUSTRALIA'S FUTURE

Carnegie Wave Energy

Carnegie Wave Energy Limited is completing construction of the Perth Wave Energy Project, a world-first demonstration of a complete grid-connected, commercial scale CETO array system.

Carnegie is the Australian inventor, owner and developer of the patented CETO wave energy technology that converts ocean swell into clean energy.

The electricity produced will be sold to the Department of Defence for HMAS Stirling. The project will also produce desalinated water for sale. Wave energy is considered to be the most concentrated and one of the least variable forms of renewable energy, with huge potential in Australia and globally.

The CEFC is providing a $20 million loan facility to Carnegie to help accelerate the final stage of development of its technology. The company has also received equity funding, and state and federal government grants, while one of France's largest utilities has acquired licensing rights for the northern hemisphere.

The project is providing opportunities for local contractors including Keppel Prince Engineering, Total AMS, MAK Industrial Water Solutions, Strategic Marine, and Tensa Equipment.

"Australia has the wave energy resources and the skills to become a major player in the global wave energy sector. This is an industry of the future with great potential for us."

– CEFC CEO, Oliver Yates

Carnegie Wave Energy Limited buoyant actuators

CASE STUDY

TRACKING THE FUTURE FOR LARGE-SCALE SOLAR

Moree Solar Farm

The 350 hectare, 56MW Moree Solar Farm uses single-axis tracking technology that allows its 250,000 solar PV panels to tilt to face the sun as the earth rotates.

This technology has the potential to produce 30 per cent more energy than a farm using fixed position panels and to capture a higher volume of peak priced electricity. The plant will generate enough power for about 15,000 homes and abate more than 95,000 tonnes of carbon emissions.

Moree was identified as the best location for this large-scale project because of the intense levels of solar radiation experienced in the area, the large amount of flat land available, the good transport links, strong local community support and the site's proximity to the national electricity grid. The solar farm creates local jobs and brings investment to the Moree area, both during the construction and ongoing operations phases.

The CEFC is providing about $47 million (from an initial commitment of $60 million) in senior debt finance towards the plant, which is being sponsored by global solar company Fotowatio Renewable Ventures (FRV). The project is also receiving a $101.7 million Australian Government grant through the Australian Renewable Energy Agency (ARENA).

The CEFC's participation in this transaction provides a precedent in the Australian market for financing large-scale solar PV on a merchant basis.

"The CEFC financing can bridge the required debt funding in the immediate term to enable the sponsors to proceed to construction and provide flexibility to secure a PPA in the future."

– CEFC CEO, Oliver Yates

The 350 hectare, 56MW Moree Solar Farm

CASE STUDY

TAPPING THE POTENTIAL FOR BIOGAS

Quantum Power

Up to $40 million in investment in new biogas energy infrastructure is being catalysed through an agreement between the CEFC and its strategic alliance partner, leading Australian biogas specialist Quantum Power Limited.

The CEFC is providing up to $20 million in non-concessional senior secured debt for investment in Build Own Operate Maintain (BOOM) biogas projects involving Quantum Power. Quantum Power is matching the CEFC's finance, with projects considered and financed on a deal by deal basis.

Under the BOOM finance model, the client business does not need to provide upfront finance for the cost of the facility, which is operated and maintained by Quantum Power. Quantum Power receives a guaranteed price from the client for the energy produced by the biogas plant, which also helps protect the client business from the impact of rising grid electricity prices.

Generating on-site energy using renewable sources can also have the broader economic benefit of reducing the need for expensive network upgrades to meet electricity demand.

Biogas projects in Australia using the BOOM model have experienced difficulty in readily obtaining finance due to their small scale and the lack of Australian finance sector experience in technology applications in this area. The CEFC's financing is helping Quantum Power bring forward development of its growing pipeline of qualified projects in intensive agriculture and meat processing operations across Australia.

The potential for this technology is demonstrated in Quantum Power's construction of an anaerobic digester for Darling Downs Fresh Eggs in Queensland, which will cut the egg producer's grid electricity usage by 60 per cent in the first year and save more than $250,000 a year. The biogas facility will also reduce carbon emissions by up to 1,000 tonnes a year and methane emissions by over 6,000 tonnes of CO_2-e a year.

The CEFC provided finance of $950,000 for the $2.86 million project, with co-finance from NAB for nearly half the project cost, and an Australian Government Clean Technology Food and Foundries Investment Program Grant of $333,823.

With increased experience in the market, the model will demonstrate the potential for other financiers. The financing structure that the CEFC has developed for its partnership with Quantum Power can be used by other financiers to further develop Australia's biogas sector and support the nation's regional and rural communities.

CASE STUDY

BIOGAS POWERING BUSINESS

Richgro

Major Australian garden products supplier, Richgro, is harnessing ground-breaking waste-to-energy technology to meet all its power needs by recycling organic waste.

Richgro has been servicing Australian gardeners since 1916 and is one of the top five garden products suppliers in Australia. It has built a $6 million anaerobic digestion plant at its Jandakot, Western Australia site.

The more than 2MW plant has the capacity to process between 35,000 and 50,000 tonnes a year of commercial and industrial organic waste, diverting it from landfill. Almost 100 per cent of the methane emissions from landfill are avoided through the anaerobic digestion and power generation process.

The plant processes commercial and industrial waste from agriculture, food processors and supermarkets, and produces enough power for Richgro's operations at Jandakot. In the future it will power Richgro's on-site vehicle fleet. Heat from the process will be being used in substantial on-site covered nurseries. Waste product is used as a raw material biofertiliser which is being introduced into Richgro's new indoor composting facility.

There is also potential for about 1.7MW of extra capacity to be exported to the grid.

The CEFC has provided finance of $2.2 million towards the project, which also received an Australian Government Clean Technology Investment Program grant and funding through the Western Australian Government's Low Energy Emissions Development Fund.

The Richgro plant is scalable, and project developer Biogass Renewables is specialising in turnkey and build, own, operate development of scalable, modular fit-for-purpose anaerobic digestion plants with an economic payback of less than five years.

A biogas tank onsite at the Richgro plant, Western Australia

CASE STUDY

MEAT INDUSTRY BENEFITS FROM BIOGAS

Bindaree Beef

Energy from waste using a biodigester and energy efficient rendering facilities being installed by **Bindaree Beef**, in Inverell in northern New South Wales, are part of a major future energy strategy to strengthen its business model.

The family-owned and operated business, one of Australia's largest meat processors, is capable of processing 1,200 cattle a day, and employs 830 workers.

The new plant, which uses organic waste to create biogas, is expected to halve power bills and eliminate the need to burn about 7,300 tonnes of coal per annum. Biogas will be used to fire boilers, with excess used for energy generation. Class A recycled water is a by-product of the process and it can be used for irrigation.

Bindaree estimates the upgrade will reduce its annual emissions by 76 per cent or 32,720 tonnes of carbon emissions annually. The energy productivity of the operations is increased and the project provides Bindaree with the ability to avoid shut downs due to power fluctuations.

Construction is expected to take about two years.

Bindaree is accessing up to $15 million of non-concessional finance through the CEFC to complement an Australian Government grant of around $20 million and finance through Bindaree's own bank to meet the $40 million total project cost.

The project will lead to increased market capacity and specialist bioenergy engineering skills in the sector and expands on the technologies being implemented at other meat processing facilities.

"Completion of the project will slash operating costs and increase profit margins, making the company better able to compete on the global market and, in turn, able to pass on benefits to the community through increased job security for employees,"

– Bindaree Beef Director, John Newton

CASE STUDY

WASTE-TO-ENERGY IN THE PILBARA

New Energy Corporation

Privately-owned Australian company, New Energy Corporation, is developing Western Australia's first municipal waste-to-gas project using a world-leading Australian innovation that has been widely deployed and commercially proven overseas.

New Energy partners with industry and local government to recover energy from waste streams that would otherwise go to landfill. Using ENTECH™ technology, this waste is converted to base-load renewable energy by breaking down the organic portion of waste to produce a synthetic gas that is burned to produce electricity. The process also produces a stable, inert ash that can be recycled in road pavement construction.

New Energy has a waste-to-gas project in advanced stages of development that will recover and process municipal, industrial and commercial waste.

Its proposed plant at Boodarie in the Pilbara is expected to have a capacity of 16.6MW and has the potential to avoid around 135,000 tonnes of carbon emissions per year. The CEFC is providing $49 million in senior debt finance to assist the development.

The CEFC's investment will help to encourage further waste-to-energy facilities across the country and facilitate access to private sector funding for similar projects in the future which divert waste from landfills, increase recycling rates, recover energy and reduce greenhouse gas emissions.

New Energy Corporation's proposed plant in the Pilbara, Western Australia

Energy efficient trigeneration installation at the CQ Hotel, Melbourne

2
INVESTMENT OPERATIONS

OPERATIONS HIGHLIGHTS

LESSONS LEARNED

Over the past year, the experience of the CEFC's work with the market and projects financed has confirmed the rationale for its purpose. The CEFC is driving innovation and has provided significant technical assistance and mentoring, working with many project proponents and other financiers to:

- match project developers with interested parties such as equity partners
- broker negotiations and bring parties together including in financing consortiums and bringing in other co-financiers
- assess new technologies coming to the market that should be ready for commercial finance
- liaise with other government agencies (including ARENA) to progress projects.

In these respects, the CEFC's experience reflects that of its counterparts in the UK, Germany and in the United States, as well as that of other development banks.

Most private financiers don't have the resourcing or time to offer these services in new and emerging market segments — funding more well-known technologies with less perceived risk. The CEFC has a public purpose which means that it can work collaboratively with clients to restructure financing arrangements to help make their projects bankable. Project proponents may have good ideas, but they often lack the financial market expertise within their organisation to make it bankable.

The CEFC's sector-specific expertise and public policy mandate means it can develop or structure the requisite funding package necessary to bring projects to a stage where they will be capable of being considered by a normal market lender. The CEFC regularly works with project proponents; in the development of their projects, in assisting them to identify the relevant content for their information memoranda, in assessing and reviewing their financial models, through refinements after due diligence, and in generally enhancing 'investment readiness'. Most commercial banks would expect this to be done before they first look at a project.

The CEFC is also developing new financing approaches to these technologies. An excellent demonstration of how the CEFC model is working and the wider benefits this delivers is the innovative transaction for a five-year $20 million loan facility for WA-based Carnegie Wave Energy Limited to accelerate the CETO wave energy technology to the final stage of development. The CEFC worked with Carnegie to develop a financing structure for this loan, that is a hybrid corporate

Section 2 image preceeding page: Work on CETO unit buoyant actuators for Carnegie Wave Energy Limited

loan/project finance model which lowers the financing risks. This type of financing could assist in accelerating the availability of incentive-based funding for other clean energy companies at similar stages of technology and project development, facilitating their development and further innovation.

Carnegie's CETO technology uses wave power to produce clean energy in the form of electricity and desalinated fresh water. The CEFC's financing is helping Carnegie fund the construction of the CETO 6 project, bringing the technology to a new stage of maturity. The power generated from Carnegie's CETO project will be bought by the Department of Defence under Carnegie's existing power supply agreement for use at HMAS Stirling, Australia's largest naval base, which is located on Garden Island. CETO 6 is likely to be produced commercially, and the project is utilising local contractors and the potential to create new manufacturing opportunities.

In renewables, energy efficiency and low emissions technology, the CEFC has identified (and is addressing) a number of challenges for projects that:

- are small (i.e. less than $20 million) and which are underserviced by the commercial bank project finance
- involve proven technology that may not have been widely deployed in Australia (our experience suggests that credit approval for such transactions are exceptionally hard to secure from the traditional finance market)
- involve proven technology which is being deployed via a delivery model which is new to the Australian market
- are established technologies where the project faces market price risk as it lacks a long-term PPA
- are facing refinancing in a market where availability of RET revenue is unclear.

To further support the adoption of energy efficiency, low emissions and renewable technologies, the CEFC has a strategic alliance program which involves working with a range of specialists and consultants with technical expertise across the market. The CEFC now has strategic alliances with 2XE, Rudds Consulting Engineers, Quantum Power, Wiley, MINUS40 and New Forests.

The primary area of market need is for smaller projects and new entrants to the market where such mentoring is often necessary to assist otherwise highly commercial projects to get off the ground. For most major financial institutions, a small-scale project finance gap exists where projects between $5 million to $20 million are considered too large and complex for general asset financing, and too small and complex to dedicate resources to servicing them.

CO-FINANCING PROGRAMS

Many of these small projects tend to be owned by small borrowers such as SMEs, rural councils, not-for-profit entities and farmers. With 50 staff, the CEFC cannot hope to individually tailor a bespoke solution, and service such a dispersed customer base on a national basis. To tackle this market gap, the CEFC has developed an approach of developing co-financing programs.

Co-financing is integral to the CEFC strategy of catalysing and facilitating new investment and new sources of funds. The CEFC does not seek to replicate or displace private sector delivery platforms for finance, and instead seeks to use this existing delivery infrastructure to help deliver its funding.

This strategy of co-financing program partnerships for delivery of specialised financing across broad customer bases ('aggregation programs') is providing new forms of financing into the market which is:

- efficiently reaching smaller borrowers
- leveraging private sector investment, not displacing it
- building and sharing market knowledge
- operating commercially and using concessionality sparingly and in a way which is helping grow the market sustainably
- allowing the CEFC to work across a diverse set of industry sectors, utilising the market reach and expertise of national market leaders.

The CEFC has committed $347 million to co-financing programs to date, representing 37 per cent of its current portfolio.

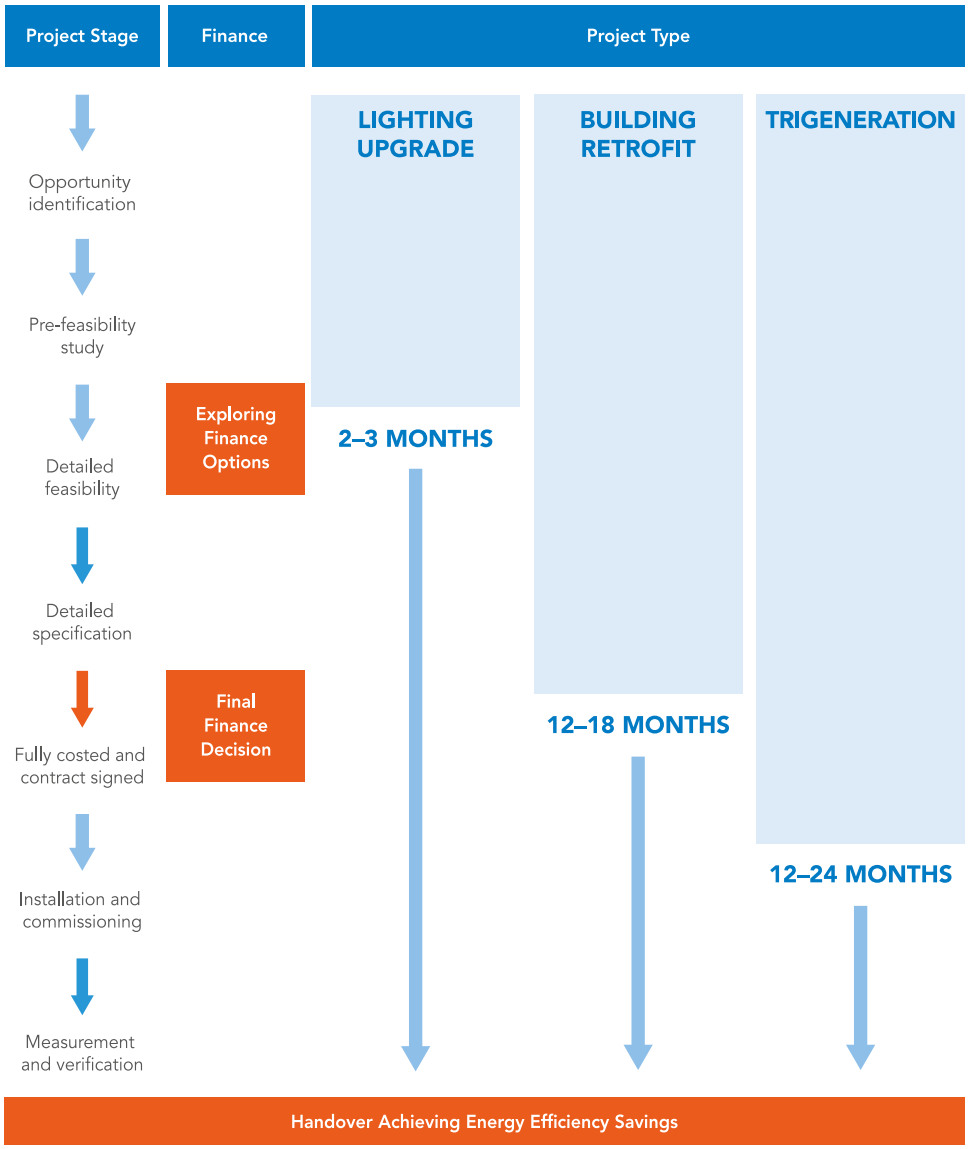
The importance of the co-financing of project aggregation programs approach has been heightened by the positive stakeholder response to this aspect of the CEFC's portfolio. The CEFC has developed unique expertise and positioning in this role of developing and growing successful co-financing programs.

Of the $347 million committed, $22 million (or 5 per cent) has been utilised (as at 8 June 2014). While this number may appear low, these programs are now just ramping up. KfW, the German government's 'green' investment bank, has been successfully utilising private sector banks for delivery of their funds. The CEFC hopes to replicate that success here in Australia.

Getting a co-financing program operational and taking it to market represents a significant program of work. Once finance arrangements are in place for a co-financing program, a range of delivery activities are required to successfully deploy it in the market. This includes: internal sales program development and training, establishing marketing channels and strategies, communication and market engagement, client/project acquisition, and conducting negotiations, all ahead of individual project close and final project execution and commissioning.

A significant energy efficiency project (greater than $500k capex) might typically involve a 6–12 month timeframe from negotiation to implementation. This means there is often a significant time lag from program launch to when we can say that there has been successful take-up by the market and see a range of small-scale projects being implemented.

Figure 2.1: Typical phases of timeline for energy efficiency projects



MAJOR TIMELINE INFLUENCES

Technology, investment size ($), project complexity, technology availability

CAPACITY BUILDING SUPPORT NEEDED

Program strategy and promotion, delivery management, technical due diligence, continuous improvement capture

The **CEFC** has committed

$347 million

to co-financing programs to date

REPRESENTING **37 per cent**

of its current portfolio

To promote this market take-up, the CEFC and its co-finance aggregation program partners work collaboratively on carrying out promotional efforts to build awareness in the marketplace. For example, the CEFC has worked with Commonwealth Bank to undertake a national roadshow to promote action on energy efficiency to existing and new-to-bank customers, and availability of finance through the Energy Efficient Loan program. To date, seminars have been held in Sydney, Brisbane, Perth, Melbourne, Shepparton and Adelaide.

Ongoing efforts by both the CEFC and Commonwealth Bank include working with existing stakeholder networks and customer base to originate projects, jointly presenting at conferences and workshops, refining marketing collateral that describes the two programs (both website and print), and through strategic relationships with key technology providers and advisers. Similar joint efforts have also been conducted with Origin promoting the business benefits achievable through energy efficiency projects utilising on-bill finance.

The CEFC appreciates the commitment of our co-finance partners in proving up the model and making these investments happen.

RENEWABLES

A minimum of 50 per cent of the CEFC portfolio is to be invested in renewable energy technologies by 1 July 2018 and to date, the CEFC is on track to realise this legislative target.

CEFC investment in renewable energy technologies is designed to:

- utilise the potential of Australia's abundant world-class solar and wind energy resources
- create income from what were once waste streams (such as agricultural effluent, cane bagasse and landfill biomass).

This is directed at assisting the diversification and transformation of the nation's energy sources, achieve reduced carbon emissions, and improve Australia's competitive position.

The CEFC investment portfolio in renewable technologies spans a range of energy sources — wind, solar, bioenergy, wave and waste-to-energy. Reflecting the diversity of the sector and the differing stages of development across the sector, we have deployed a range of financial structures. Over the past year, the CEFC has:

- co-financed utility-scale investments along with other Australian and international banks
- co-financed businesses to maximise their potential use of renewable energy resources
- developed innovative financing structures for early stage commercial deployment of Australian wave technology, for biogas and waste-to-energy technologies, and new leasing and PPA models, to help accelerate take-up of mature technologies such as solar PV.

In each case, we have filled a specific space in the market which is underserved by existing financing and/or where our participation will help develop the market for greater private sector financiers to participate.

Australia's renewable and low carbon energy market remains characterised by incomplete knowledge and limited experience of risk in newer technologies and applications. Along with other market constraints, this has impeded efficient allocation of capital, keeping finance costs of new technologies and market models higher than elsewhere in the world and therefore denying the economy the benefit of greater energy productivity from new technology.

The CEFC's role in providing finance to overcome market impediments is helping to accelerate action for this transformation, provide cost-effective solutions and create positive adjustment for the economy (including through new forms of clean technology business), new jobs, development of new or expansion of existing businesses, and development of new technological proficiency.

In addition to utility-scale investments in renewables, the CEFC has developed financing to accelerate market take-up of mature technologies such as biogas and solar PV. This is helping innovative Australian businesses to more readily access finance for renewables being offered under new market and financing models.

This is also building capacity and skill base capability within the renewable and low carbon energy sectors, encouraging further development of new technologies and know-how.

CEFC investments to date — even at this initial phase — are demonstrating the potential to create new industry and employment opportunities across the country, particularly in regional areas.

WIND

Around one quarter of the CEFC's portfolio relates to wind technology. This reflects the maturity of the technology and the market. Wind is one of the most cost-competitive renewable electricity sources and therefore, in most circumstances, should be able to attract commercial bank finance. Occasionally, specific factors have warranted CEFC involvement where commercial banks have not been willing to fund all of the capital needed at ordinary market rates.

During 2013–2014, uncertainties around renewable energy policies (in particular the future of the RET) and falling electricity demand have meant that many wind projects can't secure finance. This has contributed to what has been a near halt in development of new wind projects during the latter half of the financial year.

The CEFC's investments in:

- the construction of the Taralga Wind Farm
- the Portland Wind Energy Project
- co-financing of a debt package to refinance a 50 per cent stake in the Macarthur Wind Farm

have each filled gaps in the financing market.

In addition, the new developments (Portland and Taralga) are using Australian-engineered and built towers which helps Australian industry build local manufacturing capability and supply chain scale.

Servicing a wind generator

SOLAR

Around 26 per cent of the CEFC's portfolio is in investments in solar (including PV and solar thermal).

Australia's significant future opportunity for growth in deployment of solar technologies has been demonstrated by the rapid take-up of solar PV in the residential market, which is already impacting the demand for grid electricity.

The significant potential for solar power in the commercial sector remains mostly underdeveloped. Large-scale solar PV investment in Australia has lagged behind other countries and is still not competitive with wind at a wholesale electricity market level.

Small-Scale Solar

By expanding the financing options available for rooftop solar PV with new financing models tailored for different market segments, the CEFC will enable more individual households and businesses to make better use of Australia's abundant solar resources and save on their energy costs.

In July 2014, the CEFC announced finance of up to $120 million for three new programs that offer leasing and power purchase agreements (PPAs) to help expand and deepen the solar PV market in Australia.

The new financing models for solar are being offered by established, experienced and accredited installation companies and suppliers. They allow customers to save money on energy

AROUND **26%** of the **CEFC's portfolio** is **investments** in **solar** (including PV and solar thermal)

and keep focus on their business while the solar energy provider installs and maintains the most suitable system.

Once established, the three financing programs offer products tailored for specific market segments:

- SunEdison Australia, a global solar manufacturer and provider of solar energy services and solutions, to offer customers solar leases or the option to purchase the power under a PPA
- Tindo Solar — the only Australian manufacturer of solar PV panels — to offer a PPA product to commercial and residential customers
- Kudos Energy — which is backed by the US-based Angeleno Group — to offer PPAs focused on commercial and multi-unit residential customers.

The financing of these programs will further the CEFC's work with a number of Australian and international financial institutions, solar providers and manufacturers to offer new financing products that will accelerate Australia's uptake of solar technology. PPAs and leases will help overcome the existing barriers that have held back take-up of solar power by the commercial and residential sectors. By removing the need for upfront capital and allowing the benefits to remain with the building occupants when a tenant moves, PPAs and leases will accelerate use of solar power across all sectors.

These programs are also directed at providing a long-term energy option with end-to-end service for consumers who can benefit directly, with lease payments structured to provide an immediate financial benefit through lower energy bills, ongoing service and maintenance guarantees.

This highlights the potential for businesses across the country to reduce costs and increase competitiveness through greater use of solar PV and other renewable energy sources. Finance for solar installations is also available through the Energy Efficient Loan offering with Commonwealth Bank.

"The CEFC's finance will help us to grow the business and bring an Australian solar panel offering to more customers. The great benefit of the CEFC is that they understand solar systems as an asset while the Solaire Income Fund completes the picture with their renewable infrastructure know how,"

– Tindo Solar Managing Director, Adrian Ferraretto

Utility-Scale Solar

With the uncertainty surrounding the future of the RET, utility-scale solar PV continues to experience a challenging regulatory environment, and to date, these large-scale solar PV projects have experienced challenges in accessing finance.

Opportunities exist in remote, small grid and fringe-of-grid locations. For example, the existing grid and off-grid electricity sources in the Northern Territory are relatively expensive and more emissions intensive, so using solar technology to take advantage of abundant sunshine makes sense, both financially and environmentally.

CEFC financing for larger-scale solar PV projects is providing a precedent in the Australian market where commercial banks have been reluctant to fully fund such projects.

At the smaller end of the utility scale, the CEFC is providing $13 million in finance to enable renewable energy company, Epuron to expand its Uterne solar power station at Alice Springs in the Northern Territory. The 3.1MW expansion of an existing 1MW solar PV power plant quadruples the capacity of the plant, making Uterne one of the largest tracking solar power plants in the Southern Hemisphere. It is effectively helping Alice Springs and surrounding areas reduce dependence on gas and diesel-fired generation.

The CEFC's commitment to provide senior debt finance for the Sundrop Farms project in Port Augusta, South Australia, represents an innovative application of solar thermal technology to provide irrigation from desalinated seawater, and heating and cooling for a 20-hectare greenhouse complex. This unique application of proven technology demonstrates how CEFC investments can help drive innovation across the economy.

"The CEFC's finance has been critical for this expansion as the project was too small to appeal to the commercial project finance market. By quadrupling the capacity of our Uterne plant, Alice Springs can reduce its dependence on gas and diesel-fired generation and use a clean, renewable power source,"

– Epuron Executive Director and Co-Founder, Andrew Durran

BIOFUELS AND BIOGAS

Biofuels and biogas have a long history as a very cost-effective means of reducing carbon emissions and a reliable renewable energy source overseas. However, these are still relatively new technologies in Australia and are not well supported. According to the Bureau of Resources and Energy Economics (BREE),

There has been **strong interest** from the market for **CEFC** financing of **biofuels** AND **biogas projects**

just 1.3 per cent of Australia's energy source comes from bioenergy sources.

There has been strong interest from the market for CEFC financing of biofuels and biogas projects.

Biogas holds tremendous potential for the intensive agriculture and food processing industries because it offers significant opportunities for cost-effective and efficient energy savings, renewable energy generation and carbon abatement. The agriculture and meat processing industries alone could abate over 2 million tonnes of greenhouse gas emissions a year for a capital investment of around $300 million.

Bioenergy currently generates an estimated 2,400GWh of electricity in Australia a year — which is about 8 per cent of the country's renewable energy generation or just over one per cent of Australia's total energy generation, according to the Clean Energy Council. CSIRO has also reported that there is significant potential for second generation biofuels in Australia.

Biogas technology enables businesses to generate energy from on-site organic waste streams, enabling agribusinesses and manufacturers to increase their control over a significant input cost to their business.

Currently, much of the fuel for bioenergy plants in Australia comes from agricultural waste (particularly sugar cane bagasse which accounts for over 60 per cent of Australia's bioenergy capacity). Landfill gas is the second largest contributor to bioenergy, making up just over 20 per cent. Intensive agriculture and food processing industries, and municipal and commercial waste offer significant opportunities to capitalise on converting otherwise costly waste streams into cost-effective energy while reducing carbon emissions.

CEFC financing of projects involving bioenergy is addressing barriers in obtaining additional finance for firms wishing to benefit from this technology. With CEFC financing, Western Australian home gardening and horticulture products supplier, Richgro, has installed

an anaerobic digestion plant that will produce sufficient energy to power the company's equipment, a greenhouse, and on-site vehicle fleet at Jandakot in Western Australia.

In Queensland, one of Australia's largest egg producers, Darling Downs Fresh Eggs, will have on-site power from an anaerobic digester and generators that convert chicken manure and other organic waste into power and heat. This plant, installed and operated by CEFC strategic alliance partner, Queensland biogas specialist Quantum Power Limited, achieves significant energy cost savings and eliminates about half the labour and transporting costs associated with the disposal of poultry farm waste products.

The CEFC's agreement with Quantum Power Limited provides finance for new biogas energy infrastructure projects, up to $40 million in total value. These projects, each typically between $2 million and $4 million, will provide food processors and other agribusinesses with on-site energy, reducing their grid electricity usage. Biogas provides them with a significant reduction in total energy cost and makes a positive impact on the businesses' competitiveness.

Quantum Power has a strong pipeline of potential project opportunities across New South Wales, Victoria, Queensland, South Australia and Western Australia. Furthermore, with biogas creating a source of on-site energy utilising the waste produced by the business, these projects help the companies manage their waste more efficiently.

"Our plants convert the business's organic waste to a bioenergy supply that is used to power its operations and the company agrees to purchase the generated power at an agreed rate for a specified time. This gives the business certainty over its power bills and reduces costs associated with organic waste disposal."

– Quantum Power CEO, Richard Brimblecombe

WASTE-TO-ENERGY

According to 2013 National Waste Reporting by the Department of the Environment, there were just three thermal waste technology facilities operating currently in Australia.

Waste-to-energy is a term applied to a range of technologies.

Waste management has been a growing issue in Australia for all levels of government. Waste generation has been increasing, and the nature and content of the waste stream has become more complex for waste

management authorities. Levels of recycling have remained fairly constant, making Australia increasingly dependent on landfill. Nearly half (48 per cent) of all waste is disposed to landfill in Australia, compared to countries like Germany, Sweden, Belgium and Denmark, which dispose less than 20 per cent of their municipal waste in landfill.

Waste-to-energy facilities represent an industry new to Australia, but have been used in Europe and North America for more than 30 years. Historically, these plants were more like incinerators, but today, they are efficient and clean producers of power from otherwise non-recyclable waste that would normally have become landfill.

Having identified waste-to-energy projects as a way of reducing waste and increasing energy productivity, the CEFC has provided substantial finance towards accelerating the wide-scale take-up of suitable technologies.

The CEFC will provide up to $49 million in senior debt finance for development of Western Australian waste-to-gas facilities by New Energy Corporation (New Energy) using world-leading, Australian developed world-leading ENTECH™ waste-to-gas gasification technology.

New Energy has a major waste-to-gas project in advanced stages of development at Port Hedland (Boodarie) in the Pilbara, which will recover and process up to 225,000 tonnes of municipal, industrial and commercial waste per annum from across the Pilbara. The facility will have the capacity to process over 75 per cent of all municipal, commercial and industrial waste generated by Port Hedland and East Pilbara council areas and convert non-recyclable components of this waste to base load renewable energy. The New Energy project will have a major impact, reducing the quantity of waste going into landfill in the region or being shipped to Perth.

According to the Western Australian EPA, the introduction of the Boodarie Waste-to-energy Project and Materials Resource Facility should significantly improve waste management in the region by diverting waste from unlined landfills, increasing recycling rates, recovering energy, and reducing greenhouse gas emissions. In addition, the plant offers a solution for end-of-life tyres, which are currently being buried on mining sites or stored in dangerously high numbers on the four council-run landfills in the Pilbara.

“ We’re pleased that New Energy will launch its first waste-to-energy plant in Port Hedland — it will provide a world-class recycling and materials recovery facility which generates cost competitive and low-emission energy using Australian-developed low temperature gasification technology, ”

– Port Hedland Mayor, Kelly Howlett

ENERGY EFFICIENCY

Up to 50 per cent of CEFC funds are to be invested in energy efficiency and low emissions technology. These areas offer significant opportunity for least cost emissions reductions and major productivity improvements across the economy.

Research by the Climate Institute shows improving energy efficiency by just one per cent per year would boost Australia's economic growth to generate an additional $8 billion in Gross Domestic Product (GDP) by 2020 and $26 billion by 2030.

An increasing share of business effort is already being directed towards energy efficiency improvement, with the biggest drivers for action being concerns about energy prices and the desire to maintain or enhance profit margins. Businesses can achieve projects such as lighting upgrades, which produce quick payback periods.

Access to upfront finance, access to suitable information about available technologies, global economic pressures, and uncertainty surrounding government policy direction, remain as very real impediments to business seeing the benefits of the energy productivity and costs savings that investment in energy efficiency would provide for them.

The CEFC's energy efficiency programs give businesses improved access to finance so they can achieve the energy productivity gains and cost reductions available through implementing more efficient and cleaner technologies, whether this be in manufacturing and industry, commercial building, government, agribusiness, mining, retail or utilities.

Financing programs have been designed to cater for a broad spectrum of business needs, and include leasing finance, on-bill finance, and finance for commercial property retrofits:

- The CEFC is partnering with Commonwealth Bank to provide finance to the $100 million Energy Efficient Loan program aimed at manufacturers and other businesses upgrading their equipment and processes. Loans are available through Commonwealth Bank for upgrades including, but not limited to; lighting, power factor correction, variable speed drives, building management systems and metering, boiler upgrades, heating ventilation and air-conditioning (HVAC) upgrades, cogeneration or trigeneration installation and small-scale solar PV.
- The CEFC has expanded the on-bill finance product offered by Origin. This finance offering provides Australian businesses an energy saving service with finance which involves paying for energy efficient technology upgrades through regular energy bills. Origin has a strong customer base in the commercial and industrial sector; predominantly east coast focused, which is therefore their focus for this program. Recent project sizes average $500k and payback is typically under 5 years. The payments are structured to be equal to, or less than, the energy savings achieved from the

technology and at the end of the repayment period, the customer owns the equipment and continues to benefit from its lower energy-use benefits.

- The CEFC has partnered with NAB/Eureka Funds Management (EFM) and Balmain Corporation to deliver two separate facilities primarily targeting energy efficiency in the buildings sector. The NAB/EFM facility uses Environmental Upgrade Agreement finance to pass through CEFC funding to building owners, while the Balmain facility will assist in upgrading the company's investment property holdings for commercial return.

"While there can be a positive business case for significantly improving energy efficiency as part of a major retrofit, often building owners have other priorities for their available capital so this targeted financing will make a difference. With recent technological improvements, there is tremendous potential for upgrading that brings benefits to building owners and tenants."

CEO Balmain, Andrew Griffin

LOW EMISSIONS TECHNOLOGY

Where an emissions reduction activity does not fall into either renewables or energy efficiency, the CEFC Board classifies it as a low emissions technology, and currently considers it eligible for investment if the amount of emissions reduction is equal to, or greater than, 50 per cent of the baseline activity (a full definition is available at Appendix B).

Within this limited definition, the CEFC sees opportunity in activities such as:

- Methane destruction, for both flaring and energy generation. Examples of this include capturing and combusting waste coal mine gas (which is not considered renewable) to provide a source of energy.
- Fuel substitution and switching in the transport sector.

Although the CEFC has to date, applied 8 per cent of the investment portfolio to the low emissions technology segment, there are major cost-effective emissions reductions to be harnessed in the economy. Our investment with Energy Developments Limited is an excellent example (see the Mining, Oil and Gas sector on page 76). Significant future opportunity exists for CEFC investment in low emissions technology solutions to meet energy network and transmission constraints.

MANUFACTURING SECTOR

Australia's manufacturing industry has faced multiple challenges in recent years, including a high Australian dollar and rising electricity and gas prices that have further tightened already competitive operating conditions. Over the past five years, income for manufacturing businesses has increased by only 1.6 per cent while expenses have grown by 4.4 per cent.

Among the hardest hit by these factors are food processing industries which are large users of energy for refrigeration, cooking, heating, boilers and steam generation, sterilising, conveyors, and auxiliary equipment. Food manufacturers share a significant overlap in interest here with primary producers and processors (see the Agribusiness and Forestry sector below).

A number of other subsectors with energy intensive processes are also affected and taking action to reduce energy costs. Significant energy costs savings can be achieved by optimising existing equipment, investing in process innovation, and equipment upgrades. Access to internal capital, concerns about payback period criteria, and an ability to sift through the wealth of information about available technologies, have played significant roles in preventing manufacturers from embracing low carbon energy supply options.

The CEFC's finance has focused on addressing these issues. The CEFC works with private sector co-financiers and through strategic alliances to catalyse investment and help smaller manufacturers improve their energy productivity through improved access to direct loans, on-bill finance and equipment leasing arrangements.

The CEFC co-financing arrangement with the Commonwealth Bank has made available a pool of $100 million in finance for the Energy Efficient Loan program designed to suit manufacturers.

This financing program has assisted:

- Labelmakers to install three new energy efficient printing presses which operate at twice the speed, use half the energy of the company's old presses, and allow manufacture of a broader range of higher-quality printed products
- Plastics Manufacturer Global Roto-Moulding to install new industrial ovens (used to heat plastic for moulding) to halve their energy use.

AGRIBUSINESS AND FORESTRY SECTOR

There is significant potential in the agriculture and related food processing sectors for biogas to be used as an energy source, and for greater use of available solar resources.

Agriculture accounts for nearly 4 per cent of industry energy usage in Australia. Small to medium-sized farming enterprises have experienced significant increases in energy costs over the last 5 years. Primary processors like canneries and refrigerated warehouses are also energy intense and hence, are directly impacted by rising energy costs.

To 30 June 2014

OVER $80 million of CEFC investment in **agribusiness** has attracted additional equity and co-financier investment mobilising over **$200 million** for new projects in the sector

Electricity is a significant cost to irrigators. Significant energy price rises since 2009 have led many agriculture sub-sectors to express concern about the impact of increasing electricity prices on farm profitability, particularly for irrigation. In the past decade, increases in water productivity have been achieved by making structural adjustments, including the introduction of drip and lateral movement irrigation systems which require more energy to operate, leaving irrigators more exposed to energy price rises.

In the dairy sub-sector, there is strong industry interest in technologies to reduce dairy energy consumption as electricity prices continue to increase.

The CEFC sees significant opportunities in these industries and technologies, as well as in:

- intensive livestock (such as egg farms and piggeries) in waste-to-energy
- working with irrigators to upgrade to more efficient pumping equipment and variable speed drives
- exploring opportunities for addressing energy costs in the dairy industry through energy efficiency, thermal heat recovery systems for milk cooling plants and through solar on-site generation to provide energy for pumps and water heating
- working in other sub-sectors with high use of refrigerated warehouses (fruit and vegetables, cut flowers, seafood, meat) or heating (abattoirs, processors and renderers)
- replacing old, inefficient equipment for dual gains of productivity through modernisation and energy savings (in particular abattoirs and sawmills).

To 30 June 2014, over $80 million of CEFC investment in agribusiness has attracted additional equity and co-financier investment mobilising over $200 million for new projects in the sector. Agribusinesses are benefiting from new equipment financed under the CEFC and Commonwealth Bank's $100 million Energy Efficient Loan program.

CEFC co-financing for agribusiness has covered diverse projects, facilitating greater use of available renewable energy sources and allowing project owners to save on energy costs, offset the impact of rising energy prices, and increase competitiveness. CEFC finance has demonstrated that it can provide benefits for agricultural processors:

- Wodonga Abattoirs and Wodonga Rendering in New South Wales is installing a gas-fired trigeneration unit to support the electricity, hot water and steam needs of the rendering plant and abattoir, delivering savings of around one third on energy costs.
- Kilcoy Pastoral Company upgraded its air compressor system to achieve energy savings of more than 40 per cent.
- Rivalea, Australia's largest pork producer, upgraded its industrial refrigeration to save 10 per cent in total energy consumption, including gas and electricity.
- Victorian apple and chestnut grower, Nightingale Bros Pty Ltd is upgrading its refrigeration to cut its energy costs by just under 40 per cent, while Radevski Coolstores, a Goulburn Valley supplier of apples and pears, is implementing a $1.15 million refrigeration upgrade to cut refrigeration energy use and reduce carbon emissions by about one quarter.

The CEFC is also financing for innovative projects at scale, including:

- the circa $40 million for Sundrop Farms' application of solar thermal technology for a 20 hectare greenhouse complex in Port Augusta, South Australia, which will supply 15,000 tonnes of tomatoes annually to national markets
- with NAB — the installation of solar PV units at holdings of Australia's largest beef company, AACo, which demonstrates the potential for agriculture businesses to reduce their grid energy consumption and costs.

"MINUS40 is pleased with the outcome of this efficiency project, which will help the client minimise the impact of rising energy bills and reduce operating costs, both clear ways of maintaining competitive advantage."

– Michael Bellstedt, Principal and Director, MINUS40, Refrigeration Engineering and Design Consultants re the Radevski Coolstores project

LOCAL GOVERNMENT AND COMMUNITY SECTOR

The CEFC is looking to work with local government and parts of the not-for-profit sector — such as licensed clubs, sports venues, hospitals, schools, and universities — to realise the benefits of improved energy efficiency and renewable technologies, lowering their costs in street lighting, base building energy use and energy intensive functions.

The CEFC has developed finance tailored to local government needs through the Energy Efficient Loan offered through a co-financing relationship with Commonwealth Bank. It is designed to break down impediments to take-up of the cost savings potential of renewable and low carbon technologies by Australia's 560 local councils.

Street lighting offers potential for councils to make substantial inroads into energy costs and carbon emissions. By installing new energy efficient lights such as LEDs and compact fluorescents, councils can reduce lighting energy use by nearly 80 per cent. New lights also cost much less to maintain and can subsequently offer exceptional returns on investment.

According to Ironbark Consultancy, Australia-wide, around 150,000 of an estimated total of 2,303,896 streetlights have been switched over to new energy efficient technologies. This indicates that significant savings could be made from accelerating this changeover, with street lighting estimated to cost councils more than $400 million annually in energy and maintenance and available savings of around 70 per cent from installing LEDs. While many local governments are looking to install energy efficient street lights, they face numerous challenges — primarily around the high capital costs, expertise in the technology options and working with Distribution Network Service Providers (DNSPs) who own the lights, as well as the poles and wires.

Brisbane City Council has changed over 20,000 lights, while the City of Sydney's LED changeover covers street and park lighting. In Victoria, nearly 60 councils are changing over a total of 232,000 lights with Baw Baw Shire Council and Warrnambool City Council using CEFC finance to upgrade their streetlights.

Councils can achieve significant operational savings through retrofitting their administration buildings with energy efficient technologies, the installation of solar PV, installation of gas-fired cogeneration, and waste methane from landfill to energy. For example, Tumut Shire Council, in New South Wales, combined the installation of solar panels with a major efficiency makeover with a lighting upgrade and air conditioning system upgrade. This should reduce its administration building's grid electricity consumption by over 60 per cent.

This parallels similar beneficial results from CEFC funded upgrades by councils such as Central Goldfields Shire Council in Victoria and Wagga Wagga City Council at its Oasis Aquatic Centre.

Like councils, the health, education and community sectors are also investing to combat rising electricity prices.

There are 1,345 hospitals, 41 universities, 71 colleges and over 16,000 schools in Australia, as well as 6,500 not-for-profit community-based licensed clubs. Many, with restricted cash reserves, are not in the position to consider changes that involve upfront capital, with some organisations particularly interested in upfront finance offerings that are bundled with technical expertise.

In New South Wales, the largest public health system in Australia has more than 230 public hospitals, 500 community health centres, 220 ambulance stations and a workforce of over 100,000 staff serving a population of 7.3 million. In 2011–12, NSW Health paid over $120 million for its building energy covering the use of electricity, natural gas, LPG, diesel, coal and heating oil. Public hospitals account for around 85 per cent of this total building energy cost and emissions. Most run 24 hours, seven days a week and they use energy intensive equipment for diagnoses and treatments. Between 2008–09 and 2011–12, energy prices increased significantly and despite improvements to its building energy use, NSW Health building energy cost increased by 47 per cent, or nearly $39 million.

Elsewhere, the clubs and community organisations sector represent a significant opportunity for energy savings. Some larger clubs now spend well over $1 million a year on energy bills. There are more than 1,400 registered clubs in NSW, which directly employ over 40,000 people and have over 5.7 million members. According to the NSW Office of Environment and Heritage Energy Saver Program, the clubs sector is a significant user of energy. It is estimated the sector in New South Wales alone consumes approximately 2.5 million gigajoules (GJ) of energy each year, with energy costs of about $70 million.

Increasing energy prices means that understanding and managing energy costs will become even more important for these organisations in the future.

The CEFC and Commonwealth Bank Energy Efficient Loan program is looking to work with these organisations. Bankstown Sports Club, one of Australia's largest registered clubs, is accessing $2.2 million in finance from the CEFC and Commonwealth Bank's Energy Efficient Loan product to install solar PV and upgrade its chiller system, making it 50 per cent more efficient. This new chiller system will help the club save more than 6.6 per cent on its total annual energy costs and reduce its carbon emissions by more than 700 tonnes a year. The 85kW solar PV installation is anticipated to generate further savings.

"This project is helping us save on our energy costs while showing our community that we place an importance on operating in the best interests of the environment…"

– Bankstown Sports Club CEO, Mark Condi

BUILDINGS AND PROPERTY

Around 20 per cent of Australia's national greenhouse gas emissions come from buildings, with commercial buildings accounting for nearly half of these emissions. Existing commercial buildings make up the majority of commercial building stock and are responsible for the majority of its energy demand.

While the Premium and A-grade end of the buildings market has mostly been upgraded, the B-to D-grade subsectors remain opportunities for significant energy efficiency savings through upgrades, despite the positive business case. This underlines the rationale for CEFC's activity in the sector.

Retrofitting building stock to enhance its energy efficiency is one of the most cost-effective ways for the commercial property sector to reduce emissions and ongoing operational costs, as well as to reduce the impact of rising energy prices, attract tenants and boost productivity. Improvements also often enhance the building's value and extend the life of the building.

In many tertiary industries (such as professional services, retail, tourism, catering and hospitality, health, and education) the buildings that house them (including fixtures and fittings) are among the highest cost centres in terms of energy. Property owners and the developers that build and service these buildings stand to benefit from upgrades, and the built environment is a sector of focus for the CEFC.

Despite the opportunities for the property sector to realise ongoing operational cost savings, there has been substantial underinvestment in

The **CEFC** is addressing *financing barriers* to wider uptake by the *property sector* of **new energy efficient technologies** to unlock **cost efficiencies** AND carbon abatement

retrofitting commercial buildings. A key challenge for many has been accessing the upfront funding required for these projects, from relatively low cost energy efficiency projects such as lighting retrofits, or more capital intensive projects like major retrofits, or on-site energy through trigeneration units.

The CEFC is addressing financing barriers to wider uptake by the property sector of new energy efficient technologies to unlock cost efficiencies and carbon abatement:

- Providing up to $30 million to provide a joint total of $80 million available in partnership with NAB to finance Environmental Upgrade Agreements (EUAs). EUAs offer longer-term finance for efficiency upgrades, with repayments made through local council rate notices. Already, EUAs are demonstrating their potential for accelerating upgrades, making them an attractive new finance option for upgrades in the property sector. EUAs have now been available in Australia since 2011.
- A $700,000 EUA upgrade to St James' Hall, a 15-storey B-grade commercial office building in the City of Sydney, financed through The Australian Environmental Upgrade Fund (funded by the CEFC and National Australia Bank and managed by Eureka Funds Management), is expected to reduce base building energy consumption by about 30 per cent and reduce greenhouse gas emissions by more than 340 tonnes a year.
- Further uptake of EUA finance will be facilitated as additional councils join the program within New South Wales, as well as in South Australia. The Brisbane City Master Plan 2013 proposed investigation of the use of EUAs to achieve energy efficiency upgrades of Brisbane CBD's existing building stock.
- Providing up to $100 million of debt finance to leading non-bank commercial loan manager, Balmain Corporation, for deep retrofits to commercial properties. This will accelerate energy productivity gains and contribute to sustainability in the commercial property sector. This is an umbrella facility which will make multiple senior loans in the commercial property mortgage space. Balmain will partner with the CEFC with a number of their existing global investment banking relationships who wish to lend into the commercial property mortgage sector.

This program presents a broad opportunity within the property sector, in particular, to access segments which lack scale due to fragmented ownership and the lack of capital, and will enable CEFC to promote energy efficiency upgrades in non EUA jurisdictions.

Looking ahead, the CEFC is seeking to work with other groups in tackling the well-documented difficulties in gaining energy efficiency traction in this sector.

“ EUAs can support major upgrades, with the finance effectively being repaid through energy savings. Through the mechanism created, EUAs lower financing costs for building owners and genuinely seek to bring forward investment in energy efficiency, which is a good thing. ”

– NAB Associate Director, Environmental Finance Solutions, Ashley Robertson

MINING, OIL AND GAS

Significant opportunity exists in the mining, oil and gas sector. Being based on the underlying value of commodities, the mining sector is prone to a famine/feast cycle in capital expenditure. The side effect is that emissions reduction opportunities may always be marginalised when compared to the attractiveness of deploying funds for rapid expansion of production (during high points in the economic cycle) or freezing expenditure to preserve liquidity (during low points in the cycle).

In oil and gas, the CEFC sees significant opportunity in fuels processing; for example, in rejuvenating aged productive plants.

During 2013–2014, under the low emissions technology stream, the CEFC has provided $75 million in finance to Energy Developments Limited (EDL) towards projects that capture waste coal mine gas or mine vent air methane and landfill gas, and use these gases to generate electricity, as well as for remote hybrid renewables projects.

The first project to be financed is EDL’s expansion of its Moranbah North power station which will increase its low emissions energy generation capacity from 45 to 63MW and increase its carbon abatement by 40 per cent.

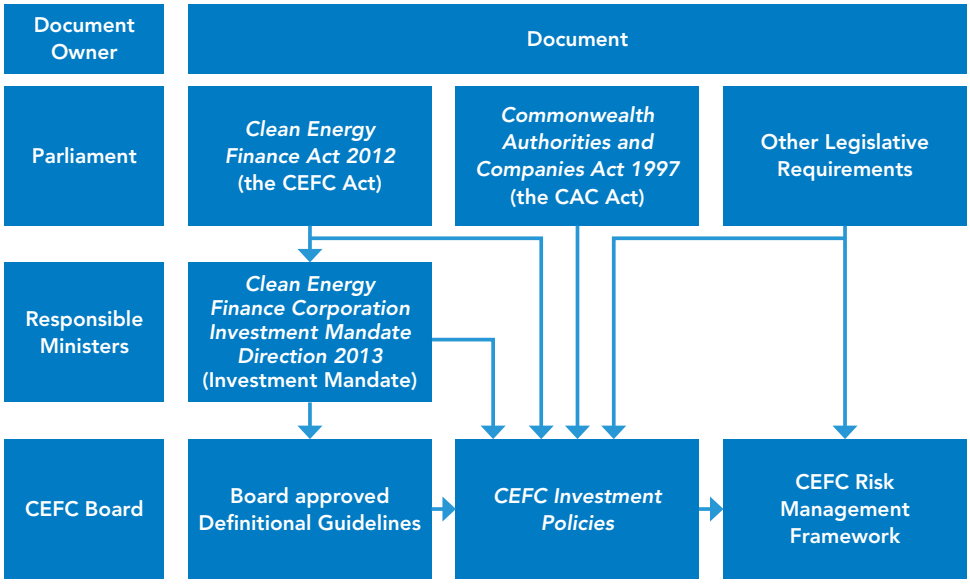
INVESTMENT APPROACH

In summary, the CEFC's investment approach is set by several limiting factors imposed by the CEFC Act and the Investment Mandate:

- Firstly, the CEFC Act limits the scope of the CEFC's investments to the clean energy sector within Australia.
- Secondly, the Investment Mandate requires the CEFC to apply commercial rigour, to achieve a benchmark return to become self-sufficient, and to avoid unnecessary risk.
- Thirdly, the CEFC Board sets out its own priorities for investment.
- Finally, the CEFC Executive and the Investment Team apply their resources to developing the best, and most investment ready investment proposals.

A diagram explaining this framework is set out below:

Figure 2.2: The CEFC investment framework, showing the Corporation's key investment documents, how they interlock, and who has responsibility for them



CEFC ACT AND INVESTMENT RESTRICTIONS

In the main, the CEFC Act has three positive duties (i.e. 'you must do this') and three negative duties ('i.e. you must not do this') in relation to investments.

The main positive duties under the Act in relation to investment are:

- to invest in the clean energy sector
- to ensure investments are solely or mainly Australian based
- by 1 July 2018, to ensure that 50 per cent of the Corporation's portfolio is invested into renewables.

The Act contains broad definitions of renewable, energy efficiency and low emissions technologies. To assist in determining whether a given technology fits into the definition of clean energy technology, the Board has produced guidelines to assist proponents (see Appendix B), but a brief high-level summary is presented for convenience below:

Table 2.1: Technologies the CEFC invests in

Type	What is in scope
Renewable Energy Technologies	Renewables (including bioenergy, geothermal, hydro, ocean, solar, waste-to-energy, wind)
	Hybrids of renewables with other technologies*
	Technologies (including enabling technologies) that are related to renewable energy
Energy Efficiency Technologies	Energy Efficiency (including energy conservation and demand management)
	Technologies (including enabling technologies) that are related to energy efficiency
Low Emissions Technologies	Technologies that reduce emissions that are not renewables or energy efficiency*

* May involve a threshold emissions intensity test against baseline activity to determine eligibility.

The Board has also set out definitions of what it considers to be solely or mainly Australian based for the purposes of the Act (these are also set out at Appendix B).

The main negative duties under the CEFC Act are:

- not to invest in carbon capture and storage
- not to invest in nuclear technology
- not to invest in nuclear power.

To establish investment eligibility and avoid breaching these prohibitions, the CEFC conducts early stage eligibility screening to remove any ineligible applications from the investment pipeline.

CEFC INVESTMENT MANDATE

The CEFC's Investment Mandate directs that the CEFC will:

- mobilise investment in renewable energy, low emissions and energy efficiency projects and technologies in Australia as well as manufacturing businesses and services that produce required inputs
- apply commercial rigour and make its investment decisions independently of Government
- achieve a benchmark rate of return based on a weighted average of the five-year Australian Government bond rate across the portfolio of investments over time
- invest responsibly and manage risk to achieve financial self-sufficiency
- be expected to focus on projects and technologies at the later stages of development (while noting the Corporation may invest at the demonstration, commercialisation and development stages)
- use financial products and structures to address impediments inhibiting investments in the sector
- be limited to providing $300 million of concessionality in any one financial year
- take a long-term outlook when setting its investment strategy
- ensure that projects seeking CEFC funding of greater than $20 million comply with Australian Industry Participation Plans (AIPP) policy
- consider its potential impact on the operation of Australian financial and energy markets when making its investment decisions, and specifically on the market for Large Scale Generation certificates under the RET
- have regard to positive externalities and public policy outcomes when making investment decisions and when determining the extent of any concessionality for an investment.

CEFC INVESTMENT POLICIES

The CEFC's Investment Mandate sets out the direction to be taken by the CEFC in relation to striking the balance between risk and return, and between taking a long-term view in building a portfolio while ensuring short-term financial self-sufficiency. It is the role of the CEFC

Board to set the best path for optimising the performance of the Corporation within these competing demands.

To assist in this, the Board has developed a set of *CEFC Investment Policies* under section 68 (1) of the CEFC Act. The *CEFC Investment Policies* set out requirements, approach and intentions with respect to the investment strategy of the Corporation; benchmarks and standards for assessing performance of the CEFC's investments and of the Corporation itself, and risk management for its investments and for the Corporation itself.

The *CEFC Investment Policies* includes the following:

GOVERNANCE

The *CEFC Investment Policies* outline a governance framework for the CEFC which clarifies the roles of the Board, the Executive Team, committees and external advisors.

INVESTMENT STRATEGY

The Board is responsible for the development of an investment strategy and approach which is consistent with the Corporation's obligations under the CEFC Act, Investment Mandate and normal investment risk management practices.

The CEFC investment strategy includes:

- 2018 Portfolio Vision: Discussed at Figure 2.3
- Investment approach and guidelines: When the CEFC evaluates an opportunity for investment, two broad threshold factors are considered:
  - **Eligibility constraints:** As discussed above, the CEFC's ability to invest is limited by legislation (namely the CEFC Act and, in 2013–2014, the CAC Act) along with the Investment Mandate
  - **Investment selection criteria:** The CEFC will evaluate the commercial merits and relative investment attractiveness of each prospective investment, influenced by the risk management approach of the CEFC and the implications of each potential investment decision for the 2018 Portfolio Vision
- The 50 per cent renewable energy portion of the portfolio will include investments in wind, solar PV, thermal and CSP, biomass, geothermal, tidal and other renewable energy. This will include both on-grid and off-grid, will include creative and innovative structures to reduce the cost of capital, and will enable transactions in energy storage and transmission.
- The 50 per cent low emissions and energy efficiency portion of the portfolio will be balanced between low emissions and energy efficiency transactions and consist of investments in manufacturing inputs, transport, government, private and other sectors.
- The total portfolio will be diversified across Australia and by borrower and include both direct and indirect financial participation.

2018 PORTFOLIO VISION

The Board has established the CEFC's Portfolio Vision 2018 as part of the Investment Mandate, which sets out Portfolio targets, parameters and outcomes criteria as outlined below:

Figure 2.3: The CEFC's 2018 Portfolio Vision

50 per cent renewable energy
50 per cent energy efficiency and low emissions

Renewable energy	Energy efficiency and low emissions
Wind	Manufacturing
Solar PV	Transport
Solar thermal	Commercial buildings
Concentrated Solar Power	Government
Biomass	Retail
Geothermal	Mining
Tidal	Agriculture
Other	

Characteristics
Diversified across Australia
Diversified by borrower
On-grid, off-grid and behind the meter
Direct and indirect financial participation
Creative and innovative structures to reduce the cost of capital
Enabling transactions in energy storage and transmission
Market-first joint transactions with ARENA

Outcomes
Diversification of renewable energy generation sources in Australia
Significant awareness and adoption of energy efficiency across industries
Significantly lower emissions in Australia
Matched private sector funds from co-financiers of 3:1
Demonstrable improvement of the flow of funds into the clean energy sector from institutions, individuals and commercial banks
Financial self-sufficiency
Steady flow of dividends to ARENA

Permitted Investment Instruments

The CEFC has the capability to invest directly or indirectly and across the capital structure in publicly traded or privately held instruments such as:

- senior debt
- subordinated debt
- preferred equity / convertible debt
- common equity
- interests in pooled investment schemes, trusts and partnerships
- net profits interests, royalty interests, entitlements to volumetric production payments.

Outcomes

The 2018 Portfolio Vision will achieve the following:

- diversification of renewable energy generation sources in Australia
- significant awareness and adoption of energy efficiency across industries
- significantly lower emissions in Australia
- maximising private sector funds from co-financiers
- demonstrable improvement of the flow of funds into the renewable and low carbon energy sector from institutions, individuals and commercial banks
- financial self-sufficiency
- steady flow of dividends to ARENA.

DEALING WITH INVESTMENT RISK

As a responsible investor, the CEFC is ever conscious that return does not come without risk, and the levels of investment return should be commensurate with assumed risk. An investment strategy that is too risk-averse would not allow the CEFC to fulfil its mandate and public policy purpose. On the other hand, an approach which is too tolerant of investment risk could lead to capital losses. The CEFC recognises this reality and the CEFC Board has established an enterprise-wide Risk Management Framework that integrates with the *CEFC Investment Policies* and embeds the active management and mitigation of risks into all areas of investment.

During the 2013–2014 year, there was a change of government at the federal level. Many of the existing policy settings at the intersection of the energy and environment portfolios were placed under review or proposed to be abolished as part of incoming government policy. As the CEFC's focus is on investing in clean energy technology, these developments require close monitoring and careful evaluation in respect of the CEFC's existing and potential exposures. In considering investments in this period, the Board and Management have been cognisant of these regulatory policy risks and have sought to mitigate these wherever possible while performing the statutory function.

TYPES OF RISK IN CEFC INVESTMENT

- The CEFC is exposed to counterparty risk associated with extending finance other parties. This is the macro risk that any business may fail or default on its payment obligations. At the portfolio level, diversification and concentration guidelines are applied to single asset, entity and industry level exposures.
- The CEFC is also exposed to market risks. Risks are associated with a general fall in prices of energy and in particular, a fall in realised (as compared to expected) prices for both 'green' and 'black' electricity. Such price changes may adversely impact a borrower's ability to make repayments in accordance with a loan facility. The CEFC includes regulatory risk that impacts on prices within this set.
- The CEFC is, in addition, exposed to technology risks. Technology risk is defined as the risk of losses arising as a result of a technology not operating as effectively as predicted which may arise from design, engineering and/or implementation issues. Renewable energy, energy efficiency and low emissions technologies all present varying degrees of technological risk depending on the nature of the technology under consideration, the nature of the technology's application in the subject investments, the technology's stage of development along the innovation chain, and the nature and pace of innovation in competing technologies. Each individual project will carry its own risks for implementation underperformance (for example, delays in construction or installation). Technology risk includes regulatory risk associated with the use of the particular technology. Assessment, analysis and mitigation for technology risk is a key component of the CEFC's investment risk analysis process.
- The CEFC has concentration risks. The sector-specific purpose of the CEFC limits the scope for diversification as a risk mitigant. At the portfolio level, diversification and concentration guidelines are applied to technology types along with geographic, regulatory, single asset and industry level exposures.

CONDUCTING DUE DILIGENCE

Conducting thorough technical due diligence and integrating those findings and outcomes with financial modelling analysis is a key component of the overall investment analysis process. Critical considerations for the CEFC's technical due diligence include the historical data on the reliability of the technology, the assessed suitability of the technology for the purpose and location, the degree of customisation required, levels of testing undertaken, and the confidence levels expressed regarding the expected performance of the technology. CEFC staff have diverse specialist technical knowledge and experience which is supplemented by external due diligence and working together with agencies like ARENA and the CSIRO,

as well as knowledge sharing with other green banks on complex technical and engineering risk assessments.

Rigorous due diligence and financial modelling analysis of the business case, along with assessments of other key investment risks, including credit risk, are used to determine appropriate investment structures, financial covenants, and the required legal undertakings for an intended investment — all of which are designed to enhance and protect the CEFC's position.

The CEFC's loans are early in their life and the Corporation does not yet have a long history from which to ascertain the future performance of these investments.

Collective provision overlays may be appropriate in future periods and the CEFC will need to accumulate data in relation to trends and its experience, as well as monitoring for impairment indicators that may give rise to a need for provisioning of losses. In the meantime, the Board has required all lending to take place at a sufficient margin to allow for recovery of normalised expected loss estimates in a commercial lending portfolio in the energy sector.

TREATING INVESTMENT RISK

A high-level summary of how the CEFC deals with investment risk is as follows:

- The CEFC has a well-developed process for gating and screening investments to ensure that there are multiple 'checkpoints' for risk before a given investment proposal makes it to the Board for approval
- The CEFC only escalates investment proposals through the process that are credible and investment ready
- The CEFC applies the industry standard means of risk identification, risk analysis, risk evaluation and risk treatment to produce a risk assessment on any given investment which is tested at various stages throughout the approvals process
- Where shortcomings are identified, or the nature of the risks involved are ones the CEFC is unfamiliar with, the progression of the investment may be paused while extra due diligence or market specific research is undertaken
- Where appropriate, the CEFC seeks the presence of reasonable subordination or a sufficient equity buffer as a protection of the CEFC investment against underperformance

- If the CEFC lends to projects selling power at 'merchant rates', it does so where the loan is expected to be comfortably serviced from revenue, even where actual prices received fall below current forecast prices and overall merchant risk exposure is capped at portfolio level
- The CEFC applies conditions to the investment that are appropriate to managing the proposed CEFC risk — for example, by applying special conditions that take effect for underperformance that result in extraordinary repayments of capital
- The CEFC has a clear preference for other debt participants in any transaction and usually seeks other private sector capital to share risk
- For debt investments, the CEFC is typically secured against the borrowing entity, the project or the equipment it is lending towards
- The CEFC spends considerable effort understanding the creditworthiness of borrowers, the technology, the business case of the proposal, the security on offer, and what will happen to the CEFC's funds in the capital structure (see Table 2.2) if the proposal ultimately fails
- The CEFC diversifies its portfolio, seeking to avoid excessive concentration of risk in specific technologies, in exposure to single entities, in exposure to higher risk finance in the capital structure, in exposure to merchant risk, in exposure to individual commodity markets and geographical areas
- The CEFC has instituted an extensive portfolio management function, systems and process, reflecting the growth of the investment portfolio by in excess of $790 million in 12 months, including receipt of Low Carbon Australia loans
- Inevitably, and despite the CEFC's best efforts, a given proportion of loans will underperform, and for some of these, the CEFC will experience a loss on default. The CEFC structures investments to minimise loss (given default) and maximise the chance that it will get principal and interest returned
- While no loans have defaulted to date, and the CEFC is not aware of any individual loan that is in actual default, the CEFC Board has adopted a prudent approach to provisioning for losses on the balance sheet.

Table 2.2: Illustration of the order of application of losses in the capital structure

Order of Application of Losses			
lowest risk →	Super-Secured Debt	Finance that is secured in preference to the order of creditors	Some of the CEFC's loans are super secured
	Senior Secured Debt	Debt that has first-ranking security over the assets after super-secured debt: the assets of the borrower will be used to pay out senior debt in priority to others in the capital structure with a lower secured priority or who may be unsecured	Most of the CEFC's investments are senior debt.
	Subordinated Debt	Debt that is higher risk and exposed to loss before senior debt	The CEFC occasionally lends on a subordinated basis where warranted
	Mezzanine/Hybrid Secured Finance	A 'hybrid' debt and/or equity position that is readily convertible depending on the circumstances	To date the CEFC has only invested in equity where: a. outperformance of the project would deliver the CEFC a share of 'super profits' or b) where the CEFC is exposed to well capitalised lower risk entities b. equity exposure is diversified: i. units in a fund of infrastructure assets or super-secured property loans ii. in the form of return structures (e.g. warrants or options) where no capital is at risk
	Preferred Equity	'Preference Shares': Has ownership rights, but may have rights additional to ordinary shareholders (e.g. special voting rights, more security)	
← highest risk (first loss)	Ordinary Equity	'Shares': Has ownership rights and access to distribution of profits but is in first-loss position	

PORTFOLIO PERFORMANCE — KEY METRICS

Table 2.3: Portfolio performance — key metrics

Segment	$ CEFC total	$ Total Project	Yield	Private Sector Leverage
Corporate Loans	$116.1m	$331.8m	7.8%	1.7
Project Finance	$387.2m	$1,946.7m	8.1%	3.7
Co-financing Programs	$347.5m	$684.9m	5.2%	1.0
Equity	$80.3m	$240.6m	8.5%	2.0
Total	**$931.1m**	**$3,204.0m**	**7.0%**	**2.2**

The CEFC's Investment portfolio is made up of:

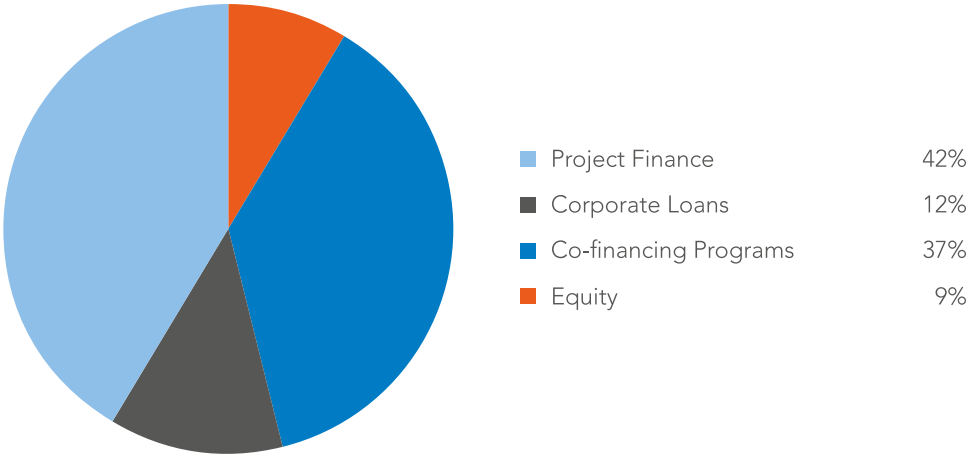
- the newly contracted 2013–2014 investments listed at Table 1.2
- the investment portfolio gifted from Low Carbon Australia during the 2013–2014 year
- the three investments which were committed to by the CEFC in the 2012–2013 financial year.

A summary table of the overall portfolio performance (that is, the performance of all three sources) is presented at Table 2.3, by investment segment.

More detail on how the CEFC categorises its investment in these segments follows.

TYPES OF INVESTMENT

Figure 2.4: CEFC contracted portfolio finance type by CEFC $ funded

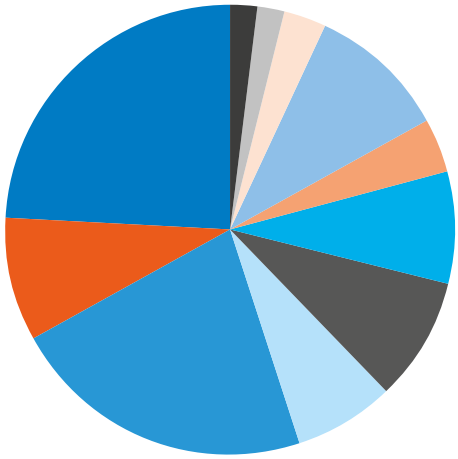


As the CEFC portfolio grows, it is helpful (for managing and understanding), to perform analysis of the portfolio as to how different segments and loans with a similar structure within the portfolio compare. The CEFC uses the following:

- **Project Finance:** typically larger scale investments secured against an incoming generating facility (such as a utility-scale generator)
- **Corporate Loans:** typically a loan to a company for its smaller-scale projects, or a bundle of projects, secured against the corporate entity
- **Co-financing Programs:** an aggregation program, typically a loan based arrangement with a co-financing bank or utility involving 'sell through' CEFC finance to a range of customers, particularly small and mid-sized business, local government and not-for-profits — extending the CEFC's reach and harnessing the co-financier's networks and sales and service footprint
- **Equity:** Where the CEFC sees merit, it will occasionally undertake an equity investment in order to act as a cornerstone investor by capitalising a vehicle sufficiently with a co-financier or syndicate in order to make the proposition attractive for sale (and thus facilitating financial flows into the sector).

TECHNOLOGY MIX ACROSS THE CEFC PORTFOLIO

Figure 2.5: CEFC portfolio by main technology type by CEFC $ funded



Wind	24%
Cogen	9%
Solar PV	22%
HVAC, Monitoring Systems	7%
Generation/Distribution	9%
Lighting	8%
Solar Thermal	4%
Bioenergy	10%
Industrial Process Improvement	3%
Refrigeration	2%
Ocean	2%

During the 2013–2014 year, the CEFC significantly diversified in its exposure to technologies as it grew the portfolio. Compared to the portfolio totals at 20 August 2013, the following are salient:

- Wind fell from 29 per cent of the portfolio to 24 per cent (down 5 per cent)
- Solar PV increased from 19 per cent of the portfolio to 22 per cent (up 3 per cent)
- Bioenergy increased from 2 per cent of the portfolio to 8 per cent (up 6 per cent)
- Distributed generation increased its share of the portfolio by 8 per cent (from 1 per cent to 9 per cent).

The table above includes application of subsidiary transactions financed via aggregation finance.

During the **2013–14** year the **CEFC significantly diversified** in its exposure to technologies as it **GREW THE PORTFOLIO**

GEOGRAPHIC SPREAD OF INVESTMENTS

Some 45 per cent of the CEFC's investment portfolio was directed to investments that operate nationally, as the figure below shows. This includes aggregation finance that is nationally available, but yet to be applied to a project in a specific location.

Figure 2.6: CEFC portfolio by geography (including national) by CEFC $ funded

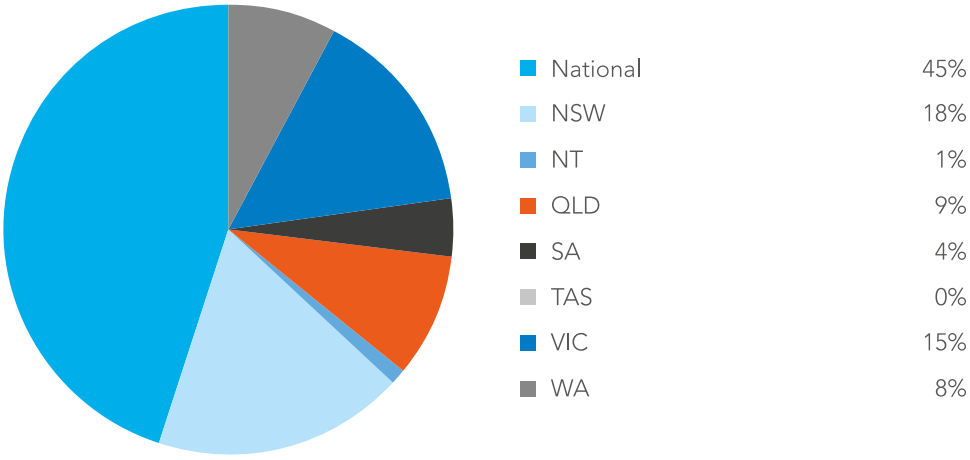
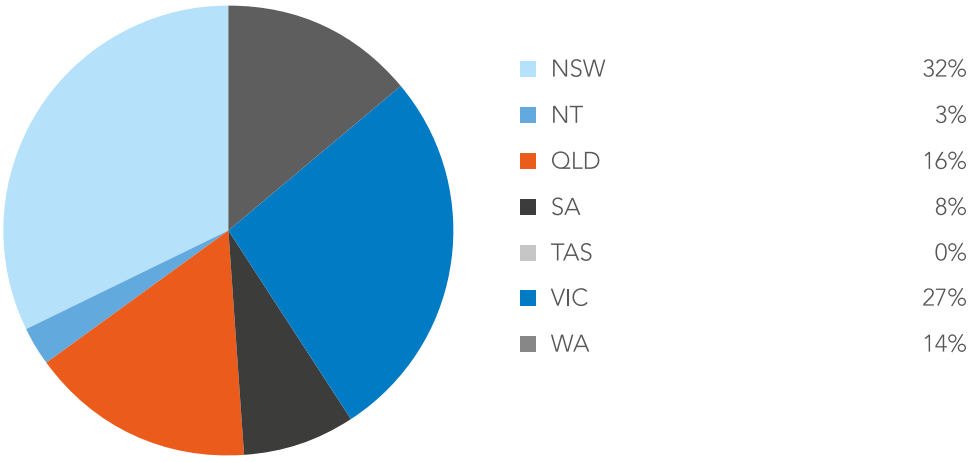


Figure 2.7: CEFC portfolio by geography (excluding national) by CEFC $ funded



When nationally available finance is removed from the equation, the geographic carve up of CEFC finance by state roughly follows the order of their ranking by state share of GDP.

Tasmania and the ACT are notable exceptions: at the time of writing, the CEFC has only one investment in Tasmania (a $45,000 loan to Kingborough Council — too small to show up on the chart above) and had none in the ACT. During the 2014–2015 year, the CEFC will seek to raise awareness of the availability of CEFC finance in those jurisdictions.

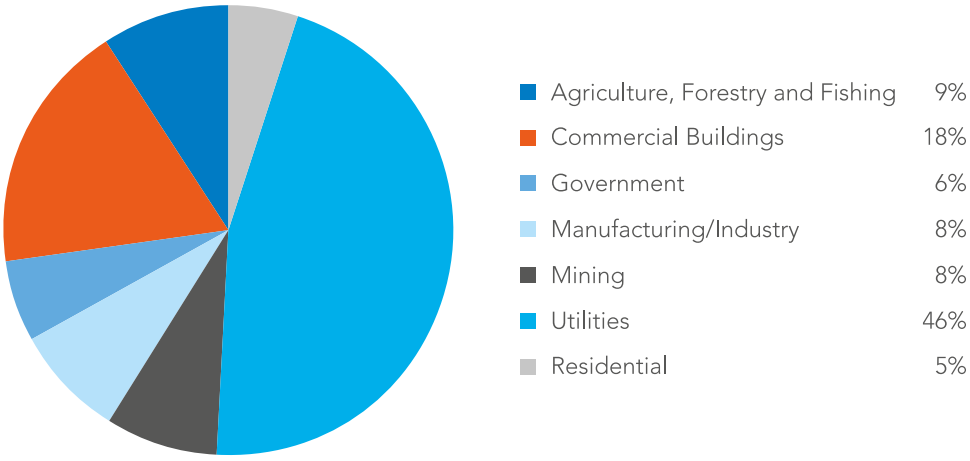
Some

45% of the **CEFC**'s investments portfolio

was directed to **INVESTMENTS** that **operate nationally**

SECTORAL SPREAD OF INVESTMENTS IN THE CEFC PORTFOLIO

Figure 2.8: CEFC portfolio by customer industry sector by CEFC $ funded



Given the CEFC is constrained to invest in clean energy, it is unsurprising that the utilities sector takes a large share of the CEFC's finance. This component (46 per cent) is overwhelmingly made up of large-scale generation projects such as solar, wind or biomass generators.

The CEFC is also heavily exposed to the property sector — in addition to the 18 percent exposure on commercial buildings, there are other property elements distributed amongst the 'Government' and 'Residential' categories above, in that the projects will take place on buildings, unit blocks and detached housing. It would be safe to assume that 'all property' makes up approximately 25 percent or more of the portfolio.

This reflects the huge potential in energy efficiency, distributed generation and solar PV in Australia's aged building stock.

With uncertainty around the RET policy developments affecting investment in large-scale clean energy generation, the CEFC would expect to see more projects in the primary industries of agriculture, forestry and fishing emerging in 2014–2015, especially in waste-to-energy where the project economics tend to be less REC-dependent.

Note the above chart is compiled with reference to the sector of the end use of the finance, rather than any intermediary (such as an aggregation co-finance partner).

PROJECTED CARBON EMISSIONS ABATEMENT AND ESTIMATED COST OF ABATEMENT

As reported in the 'CEFC Public Purpose' section above, the CEFC estimates that once all the projects it finances are constructed and in operation, the total volume of emissions abatement associated with the projects (based on the portfolio as at 30 June 2014) would achieve an estimated 4.2 million tCO_2-e emissions abatement annually, at a cost to the CEFC (inclusive of government borrowing costs and operating costs) of negative $2.40 per tonne.

In simple terms, cost of abatement is the cost per tonne of CO_2 equivalent emissions.

The 'cost' per tonne cited throughout this report is the *project* cost to the CEFC — that is, whether it represents a good investment. The CEFC's cost of abatement excludes:

- cost to government of grants
- fluctuating intra-industry transfers under the RET
- other investment incentives and subsidies that may be offered by federal, state and local governments that are not immediately visible to the CEFC (e.g. federal diesel fuel rebate, state payroll tax breaks, rate relief from local government etc.).

It also includes the abatement and assigns a notional cost to the loans gifted from Low Carbon Australia.

Unsurprisingly, given the requirement to make a positive return, the CEFC's cost per tonne of emissions abated on a project basis is negative (that is, it represents a cash return to the CEFC).

The cost of abatement could be calculated from a number of alternative viewpoints with equal validity:

- The *investor* cost to our project proponent. Usually the project proponent is investing in the project to make money, so this is usually a net benefit (i.e. that is a negative cost per tonne). This would be the investor business case.
- The *societal* cost of the project. This could include the CEFC's costs, plus the cost of all other government complementary measures, minus tax and other revenues raised to produce a more complete picture of policy cost of emissions abatement in the project. The CEFC does not calculate this measure.

Abatement is expressed in CO_2 equivalent terms. This is a standard measure that takes account of the different global warming potentials of greenhouse gases (for example methane versus carbon dioxide) and expresses the cumulative effect in a common unit.

The tonnes of CO_2 equivalent abated is calculated with reference of the project to BAU activity. Where the project is for energy generation, a comparison is used against the National Electricity Market (NEM) average (or in other areas, comparison to the intensity of the local grid). The CEFC's calculus includes a discount for degraded performance of the equipment over time.

The **total volume** of
emissions abatement
associated with the projects (based on the portfolio as at 30 June 2014)
would achieve an estimated

4.2 million
tCO_2-e emissions abatement annually

NEW GENERATION FINANCED

During the 2013–2014 financial year, the CEFC financed 232MW of new generation capacity. Added to last year's 106.8MW plus 25MW of new generation from Low Carbon Australia, that represents a total of more than 360MW of newly-installed generation financed to date.

The CEFC has also supported the refinance of existing generation assets through various investments. When existing generation is added, the CEFC has supported investment in over 700MW of generation capacity in Australia.

As a figure expressed in megawatts, these figures are based on the 'nameplate' full operating capacity of the equipment.

RISK AND RETURN BY INVESTMENT TYPE

The CEFC has broken down the performance of its investment portfolio using the classification above, to assess the performance of its various investment segments.

The headline figure for the Corporation's current expected annual portfolio return based on the $931 million deployed to 30 June 2014 is approximately 7 per cent. This has an average leverage (dollars mobilised per CEFC dollar invested) of more than $2.20, and an average credit rating of BB.

INVESTMENT YIELD

The CEFC calculates its 'yield' on a lifetime basis, including both fees and interest charged. Yield is therefore an indicator of the return the CEFC's portfolio will deliver over time, once funds are fully drawn down and deployed. This 'lifetime result' is different from the 'snapshot' operating result conveyed by the current performance rate of return (discussed in the 'About the KPIs' section at page 26).

Across the portfolio, the CEFC investments are expected to earn approximately 7 per cent. Within the portfolio segments identified, Project Finance and Equity are expected to earn higher returns (both above 8 per cent) reflecting their risk profile. Co-financing programs are typically more expensive to run because they target smaller projects which have a higher cost of servicing per dollar loaned. They therefore typically require a lower rate of interest from the CEFC and are typically priced concessionally, hence lower returns (approximately 5 per cent). The lower financing costs are passed through to incentivise uptake amongst the SME and householder sectors and entice participation by the co-finance partner. The value proposition for the co-financing programs is the ability to offer the CEFC's finance and their own at a blended rate to the end user, and thus incentivise clean energy investment.

LEVERAGE

The statistics in the Portfolio performance — key metrics table on page 87 are total dollars mobilised per $1 of CEFC investment. This figure does not include other government funding, such as grants from ARENA. While it includes some equity co-contributions for municipal funding, it is effectively 'private and community sector' or 'non-government' leverage. If public grant funding was included, the leverage figure would rise to more than $2.40.

During the financial year, the CEFC's rate of leverage fell, reflecting general uncertainty in utility-scale renewables projects, where at least three banks exited transactions and the CEFC acted to fill the market gap. The CEFC would expect its leverage rate to continue to fall while the private sector remains reticent to invest in the RET-exposed sector.

In addition, private sector leverage varies across different segments of the CEFC portfolio. In Project Finance that typically used syndicated bank finance, for example, this is over $3.70 for every $1 invested by the CEFC, while co-financing programs typically have lower primary private sector leverage, with matching $1 for every $1 invested by the CEFC, reflecting the debt sharing approach with other financing institutions. Corporate loans vary depending on the transaction and nature of the project. To date, the CEFC portfolio has corporate loan private sector leverage of just over $1.70 for every $1 invested by the CEFC.

CONTRACTED PORTFOLIO SHADOW CREDIT RATING

As a key part of CEFC's investment risk evaluation process, Shadow Credit Ratings (SCR) that align with the Standard & Poors' credit rating scale are assigned to counterparties to characterise the risk of default of each investment.

On a weighted average basis, by dollars invested, CEFC's contracted investment portfolio of $931 million as at 30 June 2014 has an overall SCR of BB.

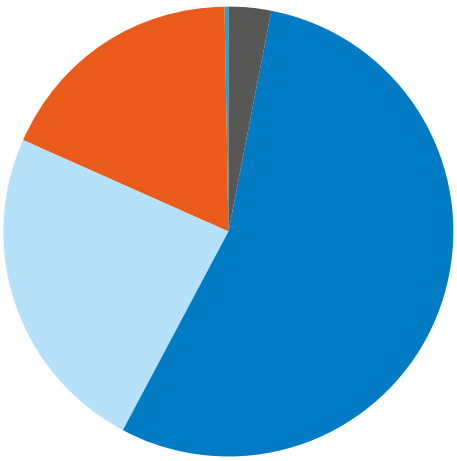
The CEFC's portfolio reflects the fact that we are a specialised, sector-focused institution. Most of the investments within the CEFC's portfolio are project finance loans in favour of the Australian energy sector. They exhibit a credit profile which matches those held by private sector banks active in providing such facilities.

Board approved investments involve confirmation of the assigned SCR. The SCR is reviewed periodically over the lifetime of each investment to maintain the accuracy of CEFC's investment portfolio risk assessment. If an investment underperforms expectations, it may be revised downwards (and vice versa).

Note Figure 2.9 below does not include equity investments (which make up 8.5 per cent of the portfolio).

The CEFC is investing alongside the private market. When appraising potential losses, should the CEFC's counterparties actually default, consequences external to the CEFC are also considered. Consideration is given to the CEFC's security position on each investment — typically whether we are a senior or subordinated lender — to estimate potential co-financier and equity losses relative to the CEFC's under initial and periodic post-financial close stress testing scenarios.

Figure 2.9: CEFC contracted portfolio shadow credit rating category



AA	0.1%
A	18%
BBB	24%
BB	55%
B	3%

(may not total 100% due to rounding)

PORTFOLIO MANAGEMENT

During the year, the CEFC's investment portfolio grew from $135.8 million into $931 million — almost a seven-fold increase, in line with our purpose and Investment Mandate and the response from the market.

This portfolio includes a number of innovative and bespoke loans and co-financing programs. With small loans from Low Carbon Australia included, the range of loan size varies from $100 million down to just $45,000. Counterparties vary from three of the big four commercial banks to small local governments and SMEs.

The CEFC works to 'crowd in' private sector financiers and funding into investment in the sector. The CEFC's public policy purpose means that it is able to apply its expertise and resources beyond what would normally be done by the private sector acting alone, to tailor financing terms that are highly specific to meet the needs of a particular — otherwise bankable — project to proceed.

In addition, our aggregation co-finance often requires our participation in assessment and approval of subsidiary transactions with end users. Aggregation co-finance also requires monitoring of the quality and performance of the master loan with the co-finance partner themselves, and supporting marketing and communications around co-funded financial product.

The CEFC's management of this portfolio involves specialised servicing of some bespoke arrangements, in addition to normal supervision of loans and approval of drawdowns.

The following governance arrangements have been put in place to effectively and prudently manage our investments:

1. A well-developed investment portfolio strategy covering diversification requirements, clear definitions around key target markets and supporting procedures
2. An intensive, reiterative and multi-phase assessment and approval process for individual investments, based on standardised templates and risk assessment processes
3. An experienced portfolio management team which monitors individual investments, analyses performance and investment reporting against portfolio benchmarks and guidelines, and provides regular periodic reporting to the Executive Investment Committee and the Board
4. An effective and timely escalation and remedial process for potentially underperforming investments
5. Highly experienced, engaged staff involved in multiple levels.

LOANS EXITING THE PORTFOLIO

2013–2014 saw the first three CEFC-managed loans successfully paid out with interest and principal. Each were small energy efficiency loans originally written by Low Carbon Australia.

Loans which have exited the portfolio do not make up part of the 'portfolio snapshot' figures given at year's end on 30 June, but data pertaining to them is retained and reported on when the CEFC provides reports based on data 'from inception to date' (i.e. performance records given over the CEFC's operational lifetime).

This section of the 2013–2014 Annual Report is the report on 'realised investments' referred to at section 74(1)(b) of the CEFC Act.

Table 2.4: Loans exiting the portfolio

Investment	Description	CEFC Commitment ($)	Date Repaid
Trident Corporation Limited	Commercial office/retail building upgrade in Ipswich, QLD	$1,500,000	4 October 2013
Crafty Chef Pty Ltd	Upgrade to industrial ammonia-based freezer in Emu Plains, NSW	$280,000	12 March 2014
Richmond Valley Council	Street lighting upgrades in Richmond Valley Council District, Casino, NSW	$286,327	28 March 2014
Total Value: Loans Repaid in Full 2013–14		**$2,066,327**	

RED TAPE REDUCTION STATEMENT: OUR APPROACH TO BUSINESS

In carrying out its mission and statutory object, the CEFC makes finance available to Australian business that would not otherwise exist — to that end, the CEFC administered legislation (the CEFC Act) is a net benefit to business.

The CEFC conducts its business like a commercial enterprise, such as a bank. There are no 'funding rounds' or tender requests. We can talk to clients about their proposals at any stage of the investment process. Applications for finance can be accepted at any time, and the CEFC keeps application forms as simple as possible.

To avoid wasting precious CEFC and client funds, much of the documentation and diligence necessary to support a transaction (sometimes totalling in the hundreds of thousands of dollars) is only performed *after* the proposal is deemed eligible, viable and Board approved, but *before* it is contracted and any funds drawn. In performing this diligence, the information the CEFC collects is typically the same that any diligent financier would seek before funding a project. Often the information requested is crucial to justifying the business case, and gives our clients additional security that their project will succeed.

The CEFC is conscious that it is a young organisation and has adopted an approach of continuous improvement. Where the CEFC can automate and improve processes to reduce the burden on our clients without compromising investment integrity, the CEFC will continue to do so.

OPERATING COSTS AND EXPENSES BENCHMARK REPORT

Under the CEFC Act, the Corporation must include in its Annual Report:

- The Corporation's operating costs and expenses for the financial year
- A benchmark of the Corporation's operating costs and expenses for the financial year against the operating costs and expenses of other comparable entities for that financial year.

The required benchmark report is presented at Appendix D.

The Corporation's operating costs and expenses for the financial year are reported in the Financial Statements (pages 148, 173–174), but are also reproduced at Appendix D on pages 224–228 for convenience.

OTHER CEFC-SPECIFIC REPORTABLE MEASURES

Section 74 of the CEFC Act requires certain extra matters specific to the CEFC to be reported on in the Annual Report. These relate to various performance, governance and financial requirements and where possible, are integrated with other annual reporting information. A cross-referenced table including section 74 requirements is available at Appendix A on page 208.

Case Studies image opposite: Mechanical fitter conducting maintenance

CASE STUDIES

CASE STUDY

BALMAIN CORPORATION

The CEFC is providing up to $100 million in finance for a major building retrofit program through a co-financing partnership with one of Australia's leading non-bank commercial loan managers, Balmain Corporation.

Balmain works with investment banks to offer mortgage financing for the upgrading of existing commercial building stock in cities and metropolitan business centres across Australia.

The Balmain-CEFC agreement will see major building retrofits which improve a property's energy efficiency, water usage, waste management and indoor environment quality impact by the equivalent of at least two NABERS stars.

Under the agreement, Balmain seeks additional debt financing from other co-financiers and equity to complement the CEFC's finance.

Commercial properties such as offices, retail and industrial buildings are potentially eligible for loans, with approval on a case-by-case basis.

Research by the Property Council of Australia shows that high NABERS rated CBD office buildings generate average investment returns significantly higher than the returns for lower rated buildings (10.5 per cent compared to 7.4 per cent). The upgrades under the Balmain agreement will help property owners realise these types of benefit to returns from reductions in base building energy costs, and use these to improve property valuations.

The CEFC and Balmain are working on the first project to be financed under the program.

"This finance from the CEFC will help provide an incentive to invest in energy efficiency and improve sustainability, while cutting building operating and maintenance costs,"

– CEO Balmain, Andrew Griffin

CASE STUDY

ENVIRONMENTAL UPGRADES DELIVER FOR BUILDING OWNERS AND TENANTS

Barristers' headquarters makes 30 per cent energy saving with EUA finance

A 1960s building housing some of Sydney's most prestigious barristers' chambers is reducing its base building energy use by about 30 per cent through energy efficiency improvements.

The Anglican Church, which owns St James' Hall, a 15-storey B-grade commercial office building at 169 Phillip Street in the heart of Sydney's legal precinct, will use $700,000 in Environmental Upgrade Agreement (EUA) finance to upgrade air conditioning, lighting, and building management systems.

The resulting upgrade to St James' Hall is expected to reduce base building energy consumption by about 30 per cent while making annual savings of 270MWh in electricity, about 120GJ in gas, and reducing greenhouse gas emissions by more than 460 tonnes a year, according to KMH Environmental which scoped the retrofit and undertook an energy audit report on behalf of the New South Wales office of Environment and Heritage.

The project was financed through an Environmental Upgrade Agreement involving City of Sydney, National Australia Bank, Eureka Funds Management and the CEFC.

" The project provides benefits for our tenants as well as for us and for the environment. It's a win-win-win,"

– Churchwarden, James Balfour

CEFC CEO Oliver Yates and Churchwarden James Balfour at St James' Hall, Sydney

CASE STUDY

EUA HELPS MELBOURNE BUILDING HALVE ENERGY USE AND CARBON EMISSIONS

Lift, chiller, and solar film technology cut Melbourne building's energy use

A 19-level 1970s commercial building in Melbourne is undergoing a $7 million environmental upgrade that is expected to more than halve energy use and carbon emissions.

The 501 Swanston Street project used an Environmental Upgrade Agreement (EUA) to finance the improvements. Enhancing energy efficiency of existing buildings through EUAs was one of the most cost-effective ways for the commercial property sector to reduce ongoing operational expenses and carbon emissions.

The Swanston Street project includes new energy efficient regenerative braking elevators, a full upgrade of the plant room, chillers and boilers, and solar film for the windows to lessen the load on air conditioning.

Carbon emissions are expected to drop by just over 500 tonnes a year and the upgrade is expected to create additional savings of more than $80,000 a year in utility costs.

The project is using an Environmental Upgrade Agreement involving the City of Melbourne and finance from National Australia Bank under The Australian Environmental Upgrade Fund (TAEUF) established with Low Carbon Australia (now integrated into the CEFC) and administered by Eureka Funds Management.

501 Swanston St, Melbourne is undergoing a $7 million environmental upgrade

CASE STUDY

MEAT PROCESSOR SAVES ON ENERGY COSTS

Abattoir and rendering family businesses save on energy costs with trigeneration plant

Wodonga Rendering and Wodonga Abattoirs are reducing their energy costs, enhancing their energy supply stability and achieving greater control over electricity fluctuations by sharing a trigeneration plant.

The $4 million gas-fired plant supplies electricity, hot water and steam and is estimated to reduce grid electricity use and carbon emissions by about a third.

Wodonga Abattoirs and Wodonga Rendering are among several integrated family-owned entities which process red meat for export and convert abattoir waste products into useful by-products. The abattoir, which processes about 25,000 tonnes of cattle, sheep and goat meat annually, exports its products to the United States, Japan, South Korea, China, South East Asia and the Middle East.

Wodonga Rendering financed about half the project with a $2 million Energy Efficient Loan through Commonwealth Bank and the Clean Energy Finance Corporation. The Victorian Government has announced $1 million in funding for the project through the Regional Growth Fund, while the Australian Government's Clean Technology Investment Program has announced a grant for a similar amount.

The red meat processing industry has a low profit margin, and as an exporter, the abattoir business is impacted by currency movements as well as the increasing cost of energy. The installation of the plant will help the business stay competitive in its overseas market by improving energy productivity and reducing its reliance on grid electricity.

CASE STUDY

ENERGY EFFICIENT LOAN HELPS MANUFACTURER WITH NEW PLANT TO SAVE ENERGY COSTS

New generation ovens halve energy use for plastic products manufacturer

Global Roto-Moulding Pty Ltd, which manufactures plastic items such as tanks, children's playground equipment and custom moulded machine parts, expects to more than halve its oven energy use with new generation rotational moulding ovens.

The installation of the new ovens for about $1.3 million is expected to reduce the carbon emissions intensity by 47.9 per cent and will result in savings of $164,612 in energy costs per year.

The manufacturer has plants at Irymple, Victoria, and Helidon, Queensland, and expects the new generation Reinhardt ovens to help it retain its competitive edge while helping it to operate in an environmentally responsible manner.

The rotational moulding method involves placing a shot weight of polymer in a hollow mould and heating it while rotating the mould. This causes the softened material to disperse and stick evenly to the walls of the mould. The ovens are operated by gas and electricity.

Global Roto-Moulding makes around 1,000 products for key industrial sectors including agriculture, infrastructure, mining, industrial and domestic markets. The new machines ensure heating and cooling times are much quicker and don't require downtime to reload, reducing heat loss during the manufacturing process.

The manufacturer is financing half the cost of the project through Commonwealth Bank and the CEFC's Energy Efficient Loan program, and has been awarded an Australian Government Clean Technology Investment Program grant for $449,800.

Global Roto-Moulding manufactures plastic items such as tanks, children's playground equipment and custom moulded machine parts

CASE STUDY

ENERGY EFFICIENT LOAN HELPS APPLE AND CHESTNUT GROWER TO SAVE ENERGY

Victorian grower cuts costs with refrigeration improvements

Family business Nightingale Bros Pty Ltd is upgrading its refrigeration to cut its energy costs by just under 40 per cent.

The apple and chestnut grower's old R22 system is being replaced with an ammonia water-cooled central plant and smart controls that will further improve the energy efficiency of refrigeration operations.

The CEFC's strategic alliance partner, refrigeration specialist MINUS40, carried out an energy audit on behalf of Sustainability Victoria and recommended proven technologies for the energy saving improvements that are expected to cut carbon emissions by 488 tonnes a year.

Nightingale Bros operate 240 hectares of apple and chestnut orchards in Victoria and New South Wales and supply about 20 per cent of Australia's total chestnut production. Tourists to the region know Nightingale Bros for its Alpine apples, which it has been growing in Wandiligong for 60 years. It employs around 250 people, the majority of whom are seasonal staff employed for pruning, thinning and picking.

Nightingale Bros used finance through Commonwealth Bank's Energy Efficient Loan product, co-financed by the CEFC, to carry out the $1.2 million upgrade.

The Energy Efficient Loan program for manufacturing is designed for projects of more than $500,000 with terms offered up to seven years. The equipment must meet the CEFC's energy efficient criteria and can be used to preserve working capital by financing up to 100 per cent of the purchase price.

CASE STUDY

SPORTS CLUB BENEFITS WITH ENERGY EFFICIENT LOAN

Chiller and solar saving for Bankstown District Sports Club

One of Australia's largest registered clubs, Bankstown Sports Club in south western Sydney, is upgrading its chiller system, making it 50 per cent more efficient.

Bankstown Sports Club, with a membership of over 65,000, is a major destination and entertainment hub with a variety of dining experiences, conference spaces and entertainment facilities.

By replacing two of its three water-cooled chillers with a new energy-efficient chiller and cooling tower, the club expects to save more than 6.6 per cent annually on energy costs and reduce its carbon emissions by more than 700 tonnes a year.

The club will also install solar PV panels at its Baulkham Hills Sports Club premises as part of the project. The 85kW solar PV installation on Baulkham Hills Sports Club rooftop is anticipated to generate about 10 per cent of that site's energy needs.

The club is accessing $2.2 million in finance from the Clean Energy Finance Corporation and Commonwealth Bank's Energy Efficient Loan product for the project.

The Energy Efficient Loan program for not-for-profits has been tailored to suit the needs of organisations in the local government, health, education and the community not-for-profit sector so they can upgrade their facilities and improve their energy efficiency.

"The Energy Efficient Loan is helping meet the upfront costs of this project and we're hoping to have the new equipment installed and operating by the end of the year. The rooftop solar will help us further reduce our energy bills."

– Club CEO, Mark Condi

Bankstown Sports Club, south western Sydney, is upgrading its chiller system, making it 50 per cent more efficient

CASE STUDY

COUNCIL SAVES WITH LED STREET LIGHTING

Warrnambool City Council

Warrnambool City Council in Victoria is replacing about 2,000 residential street lights with groundbreaking LED technology which is forecast to reduce lighting operation and maintenance costs by nearly 70 per cent.

Street lighting is the single largest source of energy costs and greenhouse gas emissions for the local government sector and typically accounts for 30 to 60 per cent of emissions.

Warrnambool's street lighting is owned and operated by Powercor, however the Council pays for this service. The LEDs use 77 per cent less energy than standard mercury vapour street lights. Apart from offering lower costs and reduced energy consumption and carbon emissions, they provide a greater uniformity of light along a street, better colour rendering and visibility, and their light output depreciates less over time.

Warrnambool City Council, Victoria is replacing about 2,000 residential street lights with LED technology

The new street lights are expected to save the council about $156,000 a year based on current electricity prices.

The CEFC originally approved finance for half the cost of Warrnambool's upgrade using compact fluorescent lamps, but extended this amount to about $600,000 to enable the use of LED lighting.

The Warrnambool street light upgrade is part of the Great South Coast Street Smart Lighting project which involves six Victorian councils — Warrnambool, Shires of Colac Otway, Corangamite, Moyne, Southern Grampians and Glenelg. The project received a $1.4 million grant from the Australian Government's Community Energy Efficiency Program (CEEP), covering about half its original $2.8 million cost.

"We've helped councils to accelerate the transformation of their operations through financing street lighting upgrades, on-site generation, lighting upgrades, upgrades to air conditioning systems and the installation of solar PV."

– CEFC CEO, Oliver Yates

CASE STUDY

TUMUT SHIRE COUNCIL BUILDING UPGRADE

Tumut Shire Council

The administration building of Tumut Shire Council, in the Snowy Mountains, has reduced its grid electricity costs by a better than expected 66 per cent following an energy efficiency retrofit and the installation of solar PV.

The council replaced its 34-year-old air conditioning system with a ground source heat pump system and installed new T5 fluorescent lights. It also installed a 30kW solar PV array and ceiling insulation to further reduce energy costs.

On 24 April 2014, the council marked six months of operating with its new equipment in a special opening ceremony. An energy audit by CDE Energy has shown that annual electricity consumption had fallen about 80MWh more than originally estimated. The council is expecting to make additional savings in the medium term through reduced maintenance expenditure.

Tumut Shire Council, about 400 kilometres south west of Sydney, shares its building with the Rural Fire Service, NSW Forestry and Probation and Parole. All tenants are benefiting from the upgrade.

CEFC finance of $1.18 million helped the council to help meet the $2.1 million upfront cost of the work. The project received a grant in July 2013 from the Australian Government through the Community Energy Efficiency Program for about $877,000 and the NSW Government's Office of Environment and Heritage provided funding assistance for a preliminary energy audit through its Energy Saver program.

The Riverina Highlands Building Energy Efficiency Project has been recognised through the NSW Government's Green Globe Awards as a 2013 Local Government Sustainability Award finalist.

The project demonstrates to other councils that energy efficiency can make substantial inroads into improving the energy productivity of council assets.

Energy efficient equipment is helping Tumut Shire Council cut its electricity costs by 66 per cent

CASE STUDY

ENERGY EFFICIENT LIGHTING FOR A MELBOURNE SCHOOL

Narre Warren South P–12 College

Narre Warren South P–12 College, a growing school in Melbourne's south east, is using energy efficient lighting to halve its lighting electricity costs.

The school installed new lighting in its gymnasium and classrooms through a $135,000 retrofit, which has reduced lighting energy costs by more than 50 per cent and maintenance costs by $13,500 a year. The project also reduces the Narre Warren South's carbon emissions by about 250 tonnes per annum.

The classroom lights were replaced with energy efficient T5 lamps and LED lights were used in the gymnasium.

With more than 1,870 students from prep to Year 12, the college operates its primary and secondary schools as one campus. It is in a growth corridor for Melbourne and has more than doubled in student population since it opened in 2002.

By using on-bill finance through the CEFC, the upfront costs for the college's lighting retrofit are covered. The CEFC has a $14.3 million partnership with energy retailer Origin which provides on-bill finance for businesses undertaking energy efficiency upgrades and energy saving solar PV installations.

Origin provides energy saving upgrades through accredited sub-contractors to improve its customers' facilities. The customer repays the cost of the improvements as an on-bill item on their regular energy billing process. These repayments for the installed equipment are tailored over a period of up to seven years, aligned with the reduction in energy costs, so the customer sees the benefit from the outset.

On-bill finance is available for projects ranging between $50,000 and $1 million or more that meet the CEFC's eligibility criteria. It has proved particularly effective for 'quick win' projects such as installing solar PV systems and energy efficient lighting systems, and upgrades to heating, ventilation and air-conditioning (HVAC), and air compressors.

To further support the project, Narre Warren South P–12 College accessed a $10,000 grant through the ResourceSmart Australian Sustainable Schools Initiative as part of the *Energy Efficiency Grants Program for Victorian Schools*.

Narre Warren South P–12 College is using energy efficient lighting to halve its lighting electricity costs

3

GOVERNANCE AND CORPORATE INFORMATION

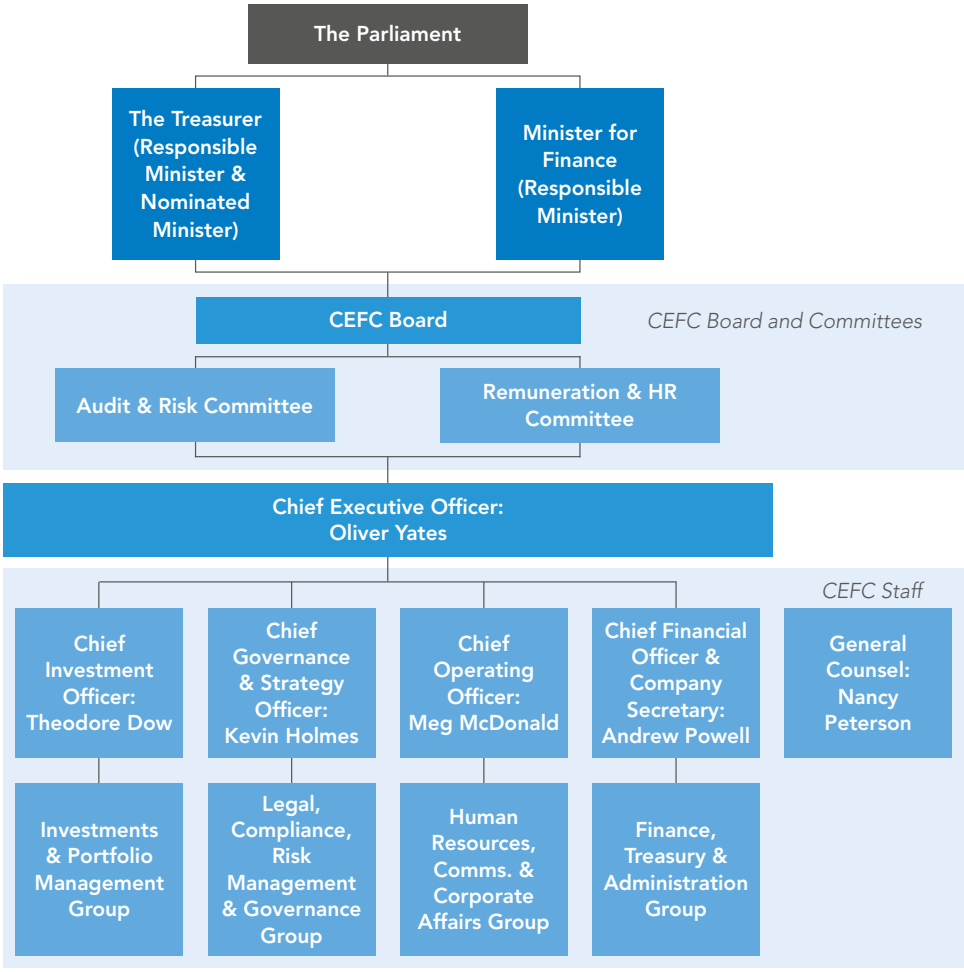
CEFC ORGANISATIONAL STRUCTURE

The CEFC is constituted as a Commonwealth statutory authority by the *Clean Energy Finance Corporation Act 2012* (the CEFC Act). The Act provides for a governing Board made up of Australian Government appointees, a statutory office of the Chief Executive Officer and staff employed under such terms and conditions as the Board sees fit.

Authority resides in the Board unless delegated to the Chief Executive Officer or to the Corporation's staff. The Board has delegated day-to-day management of the Corporation to the CEO, and the Corporation has been structured with a leadership group of four supporting executives and the Corporation's General Counsel.

During the reporting period, the Corporation had no subsidiaries. See a diagram illustrating these arrangements at Figure 3.1 below.

Figure 3.1: CEFC organisational structure



CEFC GOVERNANCE STRUCTURE

The governance structure of the CEFC is determined partly by the CEFC Act and the *Commonwealth Authorities and Companies Act 1997* (the CAC Act) — after 1 July 2014, the *Public Governance, Performance and Accountability Act 2013* and partly by policies, procedures and systems established by the Board and Management. A diagram explaining the structure can be found at Figure 2.2 on page 77.

In summary, under the CEFC Act, the CEFC is governed by a Board, which (in consultation with the Responsible Ministers) appoints a Chief Executive Officer. A system of delegations from the Board, to the Chief Executive Officer, to the staff, ensures that the Corporation has sufficient resources and sufficient controls on their use. During 2013–2014 the CAC Act specified the duties of Board members, senior managers and staff, and provided for internal oversight by establishment of an audit committee and external oversight by the Australian National Audit Office as auditors.

In addition to the governance regime specified by the CEFC and CAC Acts, the CEFC Board is instructed by Item 11 of the Investment Mandate that: *In performing its investment function, the Corporation must have regard to Australian best practice in determining its approach to corporate governance principles.*

The Board has therefore built upon the statutory framework by providing charters which specify Board and Board Committee responsibilities, and further adopted Codes of Ethics and Conduct, a system of written delegations of authority, and corporate policies and procedures to provide a complete ethical decision-making framework for the Corporation.

From this basis, the Board and Executive have together further extended and built out a robust set of investment policies, risk management policies accompanying procedures, and an internal support structure which assists in meeting the high standards required of the CEFC as a public authority.

Collectively, this interlocking system of:

- documented policies and procedures
- clear reporting lines and responsibilities
- a well-developed corporate ethos
- properly inducted and trained people

creates a streamlined system of both internal and external oversight, checks and balances that gives the CEFC Board the confidence that the Corporation's governance is the Australian best practice appropriate for an organisation of its type and maturity.

THE CEFC AND GOVERNMENT

ENABLING LEGISLATION

The Clean Energy Finance Corporation is a Commonwealth authority established on 3 August 2012 by the CEFC Act.

The object of the CEFC is specified in section 3 of the CEFC Act as being 'to facilitate financial flows into the clean energy sector'.

The main function of the CEFC is the 'investment function' (as specified in section 9 and subsection 58(1) of the CEFC Act), to invest, directly and indirectly, in renewable and low carbon technologies. Section 9 also specifies a number of support functions such as:

- liaison with relevant individuals, businesses and agencies to facilitate the investment function
- to perform any other functions conferred by the CEFC Act or any other Commonwealth law
- to do anything incidental or conducive to the performance of the investment function or the other functions.

During the financial year there were no amendments to the CEFC's enabling legislation.

KEY GOVERNANCE EVENTS AFFECTING THE CEFC

The change of government on 18 September 2013 following the 2013 Federal election marked a significant shift in Australian Government policy towards the CEFC, from support to abolition. The section 'Government Policies Affecting the CEFC' following on page 119 contains more detail.

On 19 December 2012, the then Australian Government and Boards of both the CEFC and Low Carbon Australia Limited (LCAL) announced the intention that the CEFC and LCAL integrate. Integration of staff occurred on 17 April 2013, and during the 2013–2014 financial year, integration of the LCAL investment portfolio was completed.

In addition to the CEFC Act, the CEFC is governed by the CAC Act. There were no 'significant events' reportable under the CAC Act during the reporting period.

During the reporting period, the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act) was passed, to repeal and replace the CAC Act from July 1, 2014. As a relatively new organisation, the CEFC is well placed to adapt its systems and structures to the significant new requirements arising out of the PGPA Act.

RESPONSIBLE MINISTERS

Under section 4 of the CEFC Act, the Responsible Ministers are the Treasurer and the Finance Minister.

The Nominated Minister is one of the Responsible Ministers who exercises additional powers and functions under the CEFC Act. Subsection 76(1) of the CEFC Act provides that the Responsible Ministers must determine between them which is to be Nominated. The Treasurer is designated as the Nominated Minister by the *Clean Energy Finance Corporation (Nominated Minister) Determination 2012* agreed and made 7 February 2013.

There were three Administrative Arrangements Orders current during the 2013–2014 year, and each of them affirmed that responsibility for administration of the CEFC's enabling legislation remained with the Treasurer.

During the reporting period the ministerial arrangements for the CEFC were as follows in the table below.

Table 3.1: Responsible Ministers

Period	Responsible Ministers
18 September 2013–	The Hon Joe Hockey MP, Treasurer Senator the Hon Mathias Cormann, Minister for Finance
27 June 2013–18 September 2013	The Hon Chris Bowen MP, Treasurer Senator the Hon Penny Wong, Minister for Finance and Deregulation

MINISTERIAL DIRECTIONS

Under section 64 of the CEFC Act, the Responsible Ministers may give the CEFC Board directions about the performance of the Corporation's investment function, and must give at least one such direction. The directions together constitute the CEFC's 'Investment Mandate'.

On 3 April 2013, the then Responsible Ministers issued the *Clean Energy Finance Corporation Investment Mandate Direction 2013* which came into effect 25 April 2013. During the reporting period, there were no amendments to this Direction, and the Direction was fully complied with.

The CEFC did not receive any other ministerial directions under the enabling legislation or other legislation during the reporting period.

2013 FEDERAL ELECTION AND CARETAKER CONVENTIONS

In the lead up to the Federal election the CEFC was a matter of policy difference between the Government and Opposition. This flowed into the election campaign. In this context, in June 2013, CEFC representatives met with officials of the Department of Prime Minister and Cabinet to determine a proper and appropriate course of action for the CEFC that would ensure that:

- CEFC officials fulfilled their statutory duties to perform the investment function under the CEFC Act
- the CEFC's observance of its statutory responsibilities did not distract attention from the substantive issues in the election campaign.

It was jointly determined that it was appropriate that the CEFC would observe the caretaker conventions and accordingly, not undertake any new investment commitments while these conventions were in effect.

The caretaker period commenced at 5.30pm Monday 5 August 2013 with the dissolution of the House of Representatives. On that date, the then Leader of the Opposition and the Chair of the CEFC Board exchanged correspondence in which the CEFC confirmed it was abiding by the conventions.

The caretaker convention period ended with the swearing in of the new Government on 18 September 2013.

POST-ELECTION CONSULTATIONS

Following the 2013 Federal election, the Chair of the Board wrote to the incoming Responsible Ministers, the Prime Minister and the Minister for the Environment, recognising the incoming Government's election commitments and its intentions concerning the future of the CEFC, affirming the support of the Board for an orderly transition, and committing the CEFC to pause on approval of new investments pending consultations with incoming Ministers.

These consultations occurred in early October, with the Responsible Ministers foreshadowing that the Government reserved its rights to review and renegotiate the Investment Mandate pending passage of legislation to repeal the CEFC Act.

Following the consultations, in mid-October, the CEFC advised Ministers it stood ready to engage in review of the Investment Mandate when the Government saw fit, and in the interim, the CEFC would resume its investment approvals in order to continue to fulfil its statutory duties to fulfil the investment function under the CEFC Act.

GOVERNMENT POLICIES AFFECTING THE CEFC

ABOLITION BILLS

The policies of the Australian Government had a material effect on the CEFC in the 2013–2014 year. On 18 September 2013 the incoming Treasurer affirmed that the Australian Government's policy intent was to abolish the CEFC.

During the reporting period, the Australian Government has introduced legislation into the Parliament three times to effect this policy intent as outlined in Table 3.2 below.

Table 3.2: Introduced legislation

Bill	Introduced House	How Dealt With	Introduced Senate	How Dealt With
Clean Energy Finance Corporation (Abolition) Bill 2013	13 November 2013	Passed — 21 November 2013	2 December 2013	Negatived — 10 December 2013
Clean Energy Finance Corporation (Abolition) Bill 2013 [No.2]	20 March 2014	Passed — 27 March 2014	27 March 2014	Negatived — 18 June 2014
Clean Energy Finance Corporation (Abolition) Bill 2014	23 June 2014	Not dealt with at time of writing	N/A	N/A

At the time of writing, the latest iteration of the Abolition Bill remained on the House of Representatives' Notice Paper and the CEFC has not been notified of any change to Australian Government policy in this regard.

The duty of the CEFC Board, CEO and staff throughout this period remains to administer the law as it stands, to carry out the investment task assigned to it under law, and to be responsive to Government direction as it is given from time to time (issued principally through the Investment Mandate).

The CEFC has a professional, respectful relationship with both its Responsible Ministers and the officials of the Departments of The Treasury and Finance. Throughout this period, the CEFC has been able to engage with and work constructively with the Government and The Treasury, including continuation of administrative funding and drawdown processes from the Special Account in accordance with the CEFC Act, and in providing reporting under its various reporting responsibilities.

POLICIES NOTIFIED UNDER THE CAC ACT AND THE PGPA ACT

During the reporting period and just after the financial year on 1 July 2014, the new *Public Governance, Performance and Accountability Act 2013*, its associated rules and legislation (together — the PGPA reforms) came into effect. The PGPA reforms abolish and replace the former CAC Act under which policies of the Australian Government used to be formally notified to the Corporation. While the CAC Act is abolished, for the purposes of compiling this 2013–2014 Annual Report, the PGPA reforms maintain aspects of the CAC Act regime in continuing effect.

In relation to General Policy Orders under the CAC Act:

- The CEFC was established on 3 August 2012, therefore no pre-1 July 2008 General Policy Orders apply
- During the reporting period, there were no General Policy Orders that applied to the CEFC under section 48A of the CAC Act.

During the reporting period, no exemptions from the *Commonwealth Authorities (Annual Reporting) Orders 2011* were sought or granted. A cross-referenced index of reporting requirements is available at Appendix A on page 208.

OTHER GOVERNMENT POLICY

Since the change of Government on 18 September 2013, the Corporation has been notified of several changed policies of the Australian Government that have sought to extend their application to the CEFC.

While these are not of legal effect, they have been notified to the CEFC, usually as an interim arrangement to assist in the rapid adoption of Australian Government policy. As some of these could take shape as Rules or Government Policy Orders made as part of the PGPA reforms, in this context, the CEFC notes a number of new obligations under the PGPA Act. The CEFC has adopted Board-issued 'Accountable Authority Instructions' which are of legal effect under the PGPA reforms.

The CEFC has sought to adopt a co-operative approach to engagement with Government and seeks to comply with the policy of the Government wherever possible. Complying in this way may circumscribe the CEFC's scope of operations despite the formal operational independence prescribed in the CEFC Act.

With respect to the Australian Government Public Sector Workplace Bargaining Policy, the CEFC has been in practical compliance. An exemption from the need to commence a process of enterprise bargaining was sought while the bill to abolish the Corporation remained in the Parliament.

The CEFC was in full compliance with the other policies.

To date, policies informally notified to the CEFC by correspondence are set out in Table 3.3.

Table 3.3: Policies informally notified to the CEFC by correspondence

Date	Description
24 September 2012, 5 February 2013	Co-operation with Parliamentary Budget Office — the Australian Government published *Australian Government Protocols Governing the Engagement Between Commonwealth Bodies and the Parliamentary Budget Officer*
6 January 2014	International Travel — Requests that all officials travel at business class or lower, notwithstanding any entitlement established by Remuneration Tribunal to travel at first class
6 January 2014 (clarified 2 July 2014)	International Travel — Requests that officials refuse complimentary upgrades to first class travel notwithstanding any entitlement established by Remuneration Tribunal to travel at first class
20 February 2012	Recruitment — Requests that the CEFC comply with the APSC's *Interim Recruitment Arrangements for non-APS Agencies*
28 March 2014	Employment Framework — Requests that the CEFC conduct bargaining under the *Australian Government Public Sector Workplace Bargaining Policy*

JUDICIAL DECISIONS AND PARLIAMENTARY REPORTS

The CEFC is not aware of any judicial decisions or decisions of administrative tribunals that have had, or may have, a significant effect on the operations of the CEFC in 2013–2014. There were also no reports about the CEFC made by the Commonwealth Ombudsman or the Office of the Australian Information Commissioner. There were no reports about the CEFC from the Auditor-General other than the 2012–13 general annual audit report (as reproduced in the CEFC's 2012–13 Annual Report). The Parliamentary Committee reports which involved the CEFC during 2013–2014 were as follows:

- Senate Environment and Communications Legislation Committee which reported on 2 December 2013 on the Clean Energy Legislation (Carbon Tax repeal) Bill 2013 [Provisions] and related Bills Inquiry
- Senate Economics Legislation Committee which reported on Additional Estimates 2013–14 on 18 March 2014
- Senate Environment and Communications References Committee Inquiry into the Abbott Government's Direct Action Plan, which reported on 26 March 2014
- Senate Economics Legislation Committee which reported on Budget Estimates 2014–15 on 24 June 2014

THE CEFC'S PEOPLE AND SYSTEMS

While the CEFC has a large amount of capital available to it to invest, the CEFC is a small organisation in terms of people.

The Corporation has 8 statutory officers consisting of a part-time Chair, part-time Board of 6 and a full-time Chief Executive Officer. At 30 June 2014, there was a headcount of 51 employees filling 50 Full Time Equivalent (FTE) positions.

The CEO is supported by an Executive of 4 FTE, and the remaining 46 FTE positions are non-executive staff.

The CEFC is headquartered in Sydney, and has a second office located in Brisbane, and an arrangement to utilise offices in Melbourne. At 30 June 2014, there was a headcount of 22 staff located in Sydney and 29 staff located in Brisbane.

The CEFC's human resourcing structure as at 30 June 2014 was as follows:

Table 3.4: The CEFC's human resourcing structure as at 30 June 2014

Category	Level	Number
Statutory Officers (8)	Chair	1 (Part-Time)
	Board Members	6 (Part-Time)
	Chief Executive Officer	1 (FTE)
Staff (50 FTE)	Executive-Level	4 (FTE)
	Non-Executive Level	44 (FTE)
	Consultants	2 (FTE)

STATEMENT OF ETHICS AND ETHICAL DEALING

The CEFC is an Australian Government entity that is ultimately owned by the Australian people. The CEFC has adopted a Code of Conduct and Ethics to govern behaviour across the organisation, and the Board and Executive set the standard of ethical behaviour and the tone of corporate culture.

In addition to the statutory requirements around declarations of interest and procedures for dealing with conflicts of interest, the Board and CEO have established a system of declaration of interests for the Executive and staff, and an embargo register for the purposes of preventing conflicts of interest in the trade of stocks in companies that the CEFC may be doing business with.

ABOUT THE BOARD AND BOARD COMMITTEES

Under the CEFC Act, the Corporation is governed by a Board consisting of a Chair, and at least 4 and no more than 6 other members, each appointed by the Responsible Ministers to act on a part-time basis. There is no nominations process for Board members allotted to the Board under the CEFC Act and appointment of Board members is the responsibility of the Australian Government.

The Board has adopted a charter which sets out its roles and responsibilities.

In addition, the Board had two separately chartered Committees during the financial year as follows:

- **Audit and Risk Committee** — which supervises financial governance, financial performance, audit, annual reporting, compliance and risk management
- **Remuneration and Human Resources (HR) Committee** — which supervises workforce staffing, and performance evaluation and monitoring, remuneration and succession planning for the CEFC Executive.

MEMBERS OF THE CEFC BOARD

The individuals following were all members of the Board throughout the full 2013–2014 year. All Board members serve in a part-time, independent, and non-executive capacity.

Ms Jillian Broadbent AO (Chair)

Ms Broadbent has had a distinguished career in the banking sector. In 2003, she was made an Officer of the Order of Australia for service to economic and financial development in Australia and the community through administrative support for cultural and charitable groups. Ms Broadbent was a member of the Board of the Reserve Bank from 1998 to 2013.

Ms Broadbent also serves on the board of Woolworths Limited, is Chair of Swiss Re Life & Health Australia Limited and is the Chancellor of the University of Wollongong. She was a director of ASX Limited (February 2010 to October 2012), Special Broadcasting Corporation (SBS), Qantas Airways Limited, Westfield Property Trusts, Woodside Petroleum Limited and Coca Cola Amatil Limited (1999–2010).

The CEFC benefits from Ms Broadbent's leadership, reputation and experience gained over her career and as Chair of the CEFC Expert Review Panel.

Ms Broadbent was appointed with effect from 7 August 2012 for five years.

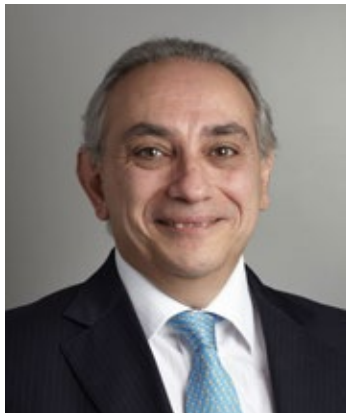
Mr Paul Binsted

Mr Binsted is a Company Director and investor. He is a Director of the Moorebank Intermodal Terminal Company, a Member of the Investment Advisory Committee of Ellemby Consulting Pty Ltd, Chairman of Ariadne Capital Pty Ltd and a Member of the Council of the Australian National Maritime Museum.

Mr Binsted worked as a Corporate Financial Adviser from 1982 until 2007 and during that time he held senior positions at Lloyds Bank, Schroders, Salomon Smith Barney/Citigroup and Lazard. Mr Binsted has also served as Chairman of Sydney Ports Corporation, Chairman of the State Rail Authority of NSW and was seconded to the Australian Federal Treasury as a Chief Adviser in 2010.

Mr Binsted was appointed with effect from 6 February 2013 for five years.

Mr Michael Carapiet



Mr Carapiet is the Chairperson of SAS Trustees Corporation which is the trustee entity for NSW State Super. Mr Carapiet is also Chairperson of the Safety, Return to Work and Support Board which includes the WorkCover Authority of NSW, the Motor Accidents Authority and Lifetime Care and Support. He is the Chairman of Smartgroup Corporation Limited and Chairman of Adexum Capital Limited. Mr Carapiet is also a Director of Southern Cross Media Limited and on the advisory boards of Norton Rose Australia and Transfield Holdings Limited.

Mr Carapiet worked in the finance industry for over 35 years and retired as an executive in 2011. He first joined Macquarie Group Limited in 1985. After a number of senior appointments within Macquarie, he was appointed Group Head of Macquarie Capital in 2008 and then Executive Chairman of Macquarie Capital and Macquarie Securities. He was an Executive Committee member of the Macquarie Group from 2005 until his retirement.

Mr Carapiet was appointed with effect from 7 August 2012 for five years.

Mr Ian Moore

Mr Moore was a member of the recent CEFC Expert Review Panel. Mr Moore has 22 years of banking and finance experience, predominantly at Bankers Trust. He was the head of Bankers Trust's corporate finance business and a member of the bank's Credit Committee. Mr Moore is on the board and audit committee of the responsible entity of Challenger Diversified Property Fund and is on the advisory committee for the Challenger Emerging Markets Global Infrastructure Fund. Mr Moore was previously a board member and Chair of the audit and risk committee of hedge fund, Artesian Capital Management.

Mr Moore was appointed with effect from 7 August 2012 for five years.

Ms Anna Skarbek

Ms Skarbek is the Executive Director of ClimateWorks Australia. Before this, she worked in London's carbon markets as Vice President at Climate Change Capital — a specialist investment manager and advisor dedicated to raising and deploying capital for low carbon activities.

Ms Skarbek's career also includes being a senior policy advisor to the Victorian Deputy Premier, investment banker in Macquarie Bank's energy and utilities team and a solicitor with Mallesons Stephen Jaques. Ms Skarbek is currently a trustee of the Sustainable Melbourne Fund and was a founding director of the Carbon Market Institute (2010–2012) and the former Land Sector Carbon and Biodiversity Advisory Board.

Ms Skarbek was appointed with effect from 7 August 2012 for five years.

Mr Andrew Stock

Mr Stock retired from executive roles in the energy industry in 2012 after a long career in the sector. In his most recent executive roles, he was responsible for the development and delivery of major capital projects in upstream petroleum, power generation, and low-emissions technology businesses.

Mr Stock has almost 40 years' experience in the energy sector including senior management roles in energy and petrochemical companies in Australia and overseas. He is a director of Geodynamics Limited, Horizon Oil Limited, Silex Systems Limited, and Alinta Holdings, and a member of Engineering and Energy Advisory Boards at Adelaide and Melbourne Universities.

Mr Stock was appointed with effect from 7 August 2012 for five years.

Mr Martijn Wilder AM

Mr Wilder has a distinguished career as a pioneer in the development of environmental, climate change and carbon finance law. A partner with Baker McKenzie, Mr Wilder co-founded the firm's Global Environmental Markets and Climate Change Law practice. He is also an Adjunct Professor of Law at the Australian National University. Mr Wilder is currently Chair of Low Carbon Australia Limited and the NSW Climate Change Council, a Director of WWF (Australia) and of the Climate Council.

Mr Wilder was appointed with effect from 6 February 2013 for five years.

BOARD COMMITTEE MEMBERSHIP

Each of the Board Members, other than the Chair, participates on one of the Board Committees as a Committee Chair or Member. Committee Meetings are open to all Board Members to attend, but only Committee Members have voting rights.

Committee Memberships of the Board Members throughout the 2013–2014 year are outlined in Table 3.5 below.

Table 3.5: Committee memberships of the Board members throughout 2013–2014

Board Member	Remuneration & Human Resources Committee	Audit & Risk Committee
Jillian Broadbent AO		
Paul Binsted		Committee Chair
Michael Carapiet	Committee Chair	
Ian Moore		Committee Member
Anna Skarbek	Committee Member	
Andrew Stock	Committee Member	
Martijn Wilder AM		Committee Member

BOARD MEMBER ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Table 3.6 below outlines the attendance record of each member of the CEFC Board at the 15 Board and 10 Board Committee meetings held during 2013–2014.

Table 3.6: CEFC Board member attendance

Type of meeting	Board		Remuneration & Human Resources Committee		Audit & Risk Committee	
Board Member	No. Eligible to Attend	No. Attended	No. Eligible to Attend	No. Attended*	No. Eligible to Attend	No. Attended*
Jillian Broadbent AO	15	14				
Paul Binsted	15	15			4	4
Michael Carapiet	15	14	6	6		
Ian Moore	15	14			4	3
Anna Skarbek	15	14	6	6		
Andrew Stock	15	14	6	6		
Martijn Wilder AM	15	14			4	4

* Please note only attendance of members of the Committee are recorded in this table, although all Board members are entitled to attend any meeting of a committee.

BOARD MEMBER REMUNERATION

Under the CEFC Act and the *Remuneration Tribunal Act 1974*, remuneration for Board members is determined independently by the Australian Government's Remuneration Tribunal.

Throughout the 2013–2014 year, the *Remuneration Tribunal Determination 2014/03 — Remuneration and Allowances for Holders of Part-Time Public Office* was in effect and provided the following fees at Table 3.7 below (please note the actual amounts paid to each Board Member during the reporting period are specified in Note 12 in the Financial Statements at page 188).

The same determination specifies an entitlement to allowances for undertaking official travel. The Remuneration Tribunal uses a separate 'official travel' determination to specify the rates and conditions of these allowances. During the 2013–2014 year, two 'official travel' determinations were made, seen at Table 3.8 below.

Interpretation of the 2013/16 Determination was affected by Policies of the Australian Government (see page 121).

Table 3.7: CEFC Board member fees

Position	Annual Fee	Note
Chair of the Board	$102,000	Fee covers all activity related to official functions.
Member of the Board	$51,200	

Table 3.8: Official travel determinations for 2013–2014

Date of effect	Determination
From 1 September 2013 onwards	Remuneration Tribunal Determination 2013/16 — Official Travel by Office Holders (as amended)
To 31 August 2013	Remuneration Tribunal Determination 2004/03 — Official Travel by Office Holders (as amended)

DIRECTOR EDUCATION AND PERFORMANCE REVIEW

During the reporting period, the CEFC was expected to be abolished, and in the circumstances, the CEFC Board chose not to undertake professional development or review opportunities.

In the 2014–2015 financial year, the Board expects to undertake a self-assessment process in relation to director performance and education.

CEFC EXECUTIVES

Oliver Yates, Chief Executive Officer

Under the CEFC Act, the Chief Executive Officer (CEO) of the Corporation is a statutory officer responsible for the day-to-day administration of the CEFC, and performs this role according to the policies established by the Board. The CEO cannot be a Board Member under the CEFC Act.

The CEO is appointed by the Board after consultation with the Responsible Ministers, and holds office during the Board's pleasure. The terms and conditions of the CEO's employment are established by the Board, and the Board also delegates authority to the CEO by standing delegation or other delegations as it sees fit from time to time.

Mr Oliver Yates was appointed as the Corporation's inaugural Chief Executive Officer from 26 November 2012.

Mr Yates has over 20 years of global experience in corporate advisory, financial structuring, project finance, debt structuring, equity raising and listings, with extensive experience in clean energy. As an Executive Director in the Investment Banking Group at Macquarie Bank for over 10 years, he was involved in establishing new businesses and growing the group's operations internationally including those in the clean energy and carbon sectors.

Mr Yates has been an investor in, and has held board positions on a number of innovative energy ventures. He participated in the South Australian Government's Green Grid study to look at unlocking renewable resources on the Eyre Peninsula and the Victorian Government study into carbon capture and storage (CCS) for the Latrobe Valley.

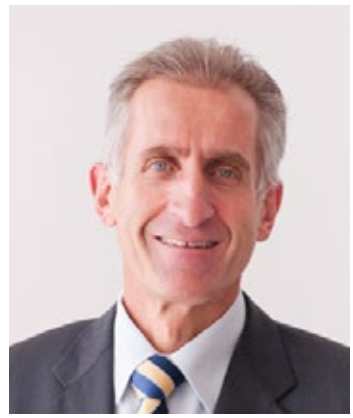
Mr Yates holds a Bachelor of Commerce from the University of Melbourne, and is a Graduate Member of the Australian Institute of Company Directors (GAICD) with an Advanced Diploma in Mastering the Boardroom.

Theodore Dow, Chief Investment Officer

Mr Dow has over 25 years of experience in treasury, finance and banking. A mezzanine and high yield debt specialist, he was most recently Managing Director of DIF Capital Partners, a boutique funds management and advisory operation which managed approximately $580 million in institutional commitments for investment in private capital and mezzanine debt.

Over the course of his career, Mr Dow has held positions with Babcock & Brown, Westpac and AMP Henderson Asset Management. He holds an Advanced MBA from the University of Queensland, a Masters in Financial Management from Manchester Business School (UK), a Postgraduate Degree from Kansai Gai Dai University (Japan) and a Magna Cum Laude Honors BA Degree in Economics from Boston University. Mr Dow holds several directorships in financial services companies and also sits on the advisory board of the NSW GAP Taskforce on Energy Security.

Kevin Holmes, Chief Governance and Strategy Officer



Mr Holmes has spent over 30 years in the energy industry, both upstream and downstream and internationally. He was previously Chief Financial Officer at Energy Australia (formerly TRUenergy), where he had a key role in the growth and transformation of the business including major acquisitions.

Prior to that, Mr Holmes was Chief Operating Officer and Chief Financial Officer of Pacific Hydro, where he helped transform the business into a world-renowned renewable energy company. Before joining Pacific Hydro, Mr Holmes was the Administrator of Pacific Power, leading the restructure and wind-up of the former State-owned electricity business of New South Wales.

Mr Holmes also had a 12-year career in senior positions within BHP Billiton, firstly in the United Kingdom and then Australia. He also spent 7 years with British Gas in London, helping prepare the UK Government-owned business for privatisation and in subsequent acquisitions. He is a Chartered Accountant, a Commerce Graduate of Otago University in New Zealand and a Graduate of the Australian Institute of Company Directors.

Meg McDonald, Chief Operating Officer

Ms McDonald was CEO of Low Carbon Australia prior to its merger with the CEFC and has had significant career experience in business and carbon policy.

Ms McDonald had roles with Alcoa as President of Alcoa Foundation and Director, Global Issues, Alcoa Inc. in New York and General Manager, Corporate Affairs for Alcoa in Australia. Before joining Alcoa, she was a senior Australian diplomat, including as Australia's Deputy Ambassador to the United States; as Australia's Ambassador for the Environment in 1997–98, and lead negotiator for the Kyoto Protocol, and prior to that, leading international trade negotiations. Ms McDonald holds an Honours Degree in Applied Science from the University of NSW.

Andrew Powell, Chief Financial Officer and Corporate Secretary

Mr Powell has over 25 years of business experience in Australia and overseas, working within industry and public accounting, undertaking mergers and acquisitions, public listings, and transaction and deal structuring. He was previously the Chief Financial Officer and Company Secretary of Low Carbon Australia Limited, a public company established by the Commonwealth Government in 2010.

Prior to this, Mr Powell spent 8 years as the Senior Vice President of Finance at Symyx Technologies Inc. in California following 11 years with Ernst & Young in Brisbane, Australia and Palo Alto, California. Mr Powell is a member of the Institute of Chartered Accountants in Australia holds a Bachelor of Economics from Macquarie University and is a former Board Member and Chair of the Finance, Risk, Audit and Compliance Committee of Scripture Union Queensland, the largest employer of school chaplains in Australia.

EXECUTIVE REMUNERATION

During the reporting period, Total Annual Remuneration Packages (TARPs) for the 5 CEFC Executives was comprised of the following components:

- Base Salary
- Superannuation
- Allowances
- Variable compensation

Variable compensation payments were made within the reporting period.

The Board Remuneration and Human Resources Committee is chartered with responsibility for the structuring of Executive remuneration and evaluation of performance of executives against any variable component.

Variable compensation payments for each 12-month period are determined within the guidelines established by the Remuneration and Human Resources Committee.

The method for calculation is based on both short-term and longer-term metrics agreed by the Board and comprises financial, operational and personal targets. Eligibility to receive a variable compensation payment is determined after an individual performance assessment, which takes into account the CEFC's broader achievement of goals.

More information on payments made to Senior Executives in the reporting period is available in the Financial Statements at Note 1.7 and Note 14.

Most CEFC Executive travel and expenses claims are dealt with on an indemnity and reimbursement basis (see 'Indemnities and insurance premiums for officers' following).

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS

The CEFC has made certain indemnities and insurances to 'officers' of the Corporation. Under section 5 of the CAC Act which was operative throughout the 2013–2014 year, 'officer' includes the directors (i.e. Board Members) and senior managers (for the CEFC, this is the Executive).

Table 3.9: Indemnities and insurance premiums for officers

Indemnity/Insurance	Officers Included	Period of coverage	Premium/ Fees paid
Comcover General liability Insurance coverage for Directors' and Officers'	All Board Members and the CEFC Executive; General Counsel	1 July 2013– 30 June 2014	$2,747
Deed of Insurance, Access & Indemnity with each Director and Officer	All Board Members and the CEFC Executive; General Counsel	10 May 2013 — 7 years after ceasing to be a Director or Officer of the Corporation	Nil — indemnity only
Supplementary Directors' and Officers' Insurance to fill in gaps in the Comcover coverage	All Directors and Officers	14 June 2013– 14 June 2021	$590,665
Comcare Worker's Compensation Insurance	All Directors and Officers are covered as part of this policy	1 July 2013– 30 June 2014	$15,844
Indemnification for Reasonable Travel and Expenses	All Directors and Officers	on-going	Nil — indemnity only

COMCOVER AND COMCARE INSURANCE

These insurances have general application that include directors and officers (among others) as per the ordinary insurances required of Commonwealth entities.

TRAVEL AND EXPENSE CLAIM REIMBURSEMENT

The CEFC does not issue corporate credit cards for staff travel and expenses and instead, through its employment contract, indemnifies staff members (including the Executive) for reasonable travel and ancillary expenses incurred by staff in the performance of their duties, based on verified claims on a reimbursement basis.

Board members do not generally require travel reimbursement as their expenses are met through allowances as determined by the Remuneration Tribunal (see Board Member Remuneration at page 129).

RELATED ENTITY TRANSACTIONS

RELATED ENTITY TRANSACTIONS GENERALLY

The CEFC approach to dealings with related entities during the 2013–2014 year was governed firstly by the procedures of the CEFC Act and CAC Act, and then by the Board Audit and Risk Committee which is chartered to review all related party transactions. Board members disclose their standing interests to the other directors and conflicts of interest are managed strictly in accordance with the law.

Declarations of new conflicts of interest are a standing item at every Board meeting and the company maintains an embargo register of exchange tradable instruments of entities with which the CEFC has dealings, and with which both Board members and staff avoid trade.

Where the relation to the other entity is via a Board member and the interest is material, the Board member takes no part in the decision on whether to enter the transaction or decline.

Individual related entity transactions are disclosed in accordance with the relevant standards in the Financial Statements at Note 13.

ESTABLISHMENT AND INTEGRATION OF LOW CARBON AUSTRALIA LIMITED

The CEFC has undertaken a number of related party transactions during the reporting period which reflects the method of integration of Low Carbon Australia Limited (LCAL). LCAL and the CEFC have a common sole owner in the Australian Government.

On 19 December 2012, the Boards of the CEFC and LCAL, and the Australian Government, announced an intention to integrate the existing LCAL business into the CEFC. The Australian Government determined that this should be achieved by a transfer of staff and a gift of assets (including novated loans) to the CEFC, and winding up of the remaining LCAL entity.

In this context and also on 19 December 2012, the Australian

Government announced that the Chair of the Board of LCAL, Mr Martijn Wilder AM, was to be appointed to the CEFC Board.

Various related entity transactions were undertaken by the CEFC Board in furtherance of the integration of the staff and assets of LCAL. Following the transfer of LCAL staff, the CEFC provided LCAL with access to CEFC staff to provide a company secretariat and administrative function for the LCAL entity in order that it could continue to meet its obligations under law and close out its functions. These are described at Note 13 within the Financial Statements.

OUR STAFF

At 30 June 2014, the CEFC had 51 staff (FTE: 50 staff) dedicated to fulfilling the Corporation's investment function, portfolio management, corporate treasury, finance, human resources, compliance, risk management, marketing, communications, stakeholder relations and administration.

The CEFC's staff are mainly drawn from a private sector background. Although working in the public sector, CEFC employees are not public servants for the purposes of the *Public Service Act 1999* and are instead employed under the CEFC Act. Employment conditions and remuneration are determined by the Corporation.

CEFC's Sydney office

AGE

On average, CEFC staff are older (at 46 years) than the Australian Public Service (at 42 years). This reflects the specialised role of the CEFC, and:

- the need to hire experienced, senior practitioners within each profession required
- having few administrative support-type roles, with staff generally expected to perform their own administrative duties
- the fact the CEFC does not have a graduate entry or apprenticeship program. Consideration may be given to instituting such a program as the Corporation reaches further maturity.

GENDER

At 30 June 2014, the CEFC employed 51 employees (all numbers below are head count, and include consultants). The Corporation is at near gender equity in raw terms, with 51 per cent female compared to 49 per cent male.

Women are disproportionately represented at more junior levels of the organisation:

- At Executive level, the gender ratio is 75 per cent male to 25 per cent female (i.e. 1 of 4 Executives — this excludes the CEO who is a statutory officer rather than staff)
- Of the next 15 most senior employees below Executive level, 60 per cent are male and 40 per cent female (a headcount ratio of 9:6)
- Of the next 32 employees, 60 per cent were women and 40 per cent were men (a headcount ratio of 19 women to 13 men).

The CEFC takes gender equity seriously, and during the 2013–2014 year, added an Equal Employment Opportunity program to a long list of measures the Corporation has adopted to ensure a workplace that is supportive to women and free of harassment and discrimination.

CEFC staff inspecting a site

CEFC staff presentation

DIVERSITY

Of the CEFC's staff, at 30 April 2014, 30 per cent were born overseas, 9.5 per cent have English as a second language, 0 per cent identified as Indigenous and 0 per cent identified as having a disability.

Given the CEFC's small employment profile of 51 persons, the CEFC does not believe the low numbers identified as being of Indigenous background or as persons with a disability is statistically significant.

REPORT UNDER THE *EQUAL EMPLOYMENT OPPORTUNITY (COMMONWEALTH AUTHORITIES) ACT 1987*

Due to the timing requirements of the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, the CEFC reports separately to Responsible Ministers. See page 139 for more information.

For the sake of completeness the CEFC has provided updated figures on gender and employment to 30 June 2014, above. The full report can be accessed online at cleanenergyfinancecorp.com.au/reports/annual-reports.

RISK MANAGEMENT

The CEFC operates under a sound risk management framework designed to identify and effectively manage critical risks. At the Corporate level, risk is managed by a focus on the six pillars of risk management activities:

1. Investment Portfolio Strategy
2. Risk Profiling and Reviews
3. Governance
4. Compliance
5. Controls
6. Assurance

The largest aspect of risk for a financing entity with the CEFC's operating profile is investment risk. Risk is related to return and is integral to how the CEFC assesses, considers, approves and manages investment opportunities. Section 2 explains how the CEFC focuses on risk as part of investment (at pages 82–86).

The CEFC manages other corporate risks (e.g. workplace health and safety, non-compliance) through reporting and review at Board meetings, the Board's Audit and Risk Committee, and Executive Risk Committee. Management of risk is performed by the Executive itself, and by well-inducted and trained employees who understand that risk management and compliance is everyone's responsibility and part and parcel of working at the CEFC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK MANAGEMENT

The Board believes that effective management of financial and reputational risks, including matters related to environmental, social and governance (ESG) issues will, over the long term, support its objectives and mission. More information about the Corporation's environmental and social impact is available in Section 1 (Performance Report) and Appendix G at page 232 of this Annual Report.

PROCUREMENT CONTRACTS

The CEFC is not an entity to which the Commonwealth Procurement Rules are applicable, but under section 74 of the CEFC Act, the Corporation must specify in the Annual Report the details for each procurement contract on foot within the financial year valued at above $80,000. These contracts are specified at Appendix E on page 229.

OTHER STATUTORY REQUIREMENTS AFFECTING THE CEFC

As a corporate Commonwealth authority which acts actively and commercially in the finance sector, there are a range of other statutory reporting requirements. These are outlined below.

EQUAL EMPLOYMENT OPPORTUNITY (COMMONWEALTH AUTHORITIES) ACT 1987

Under this Act, the timing of the annual reporting requirement depends on when the entity first gained 40 employees or more. The CEFC was formed as a Corporation on 3 August 2012, and under this legislation, the Corporation's first program report fell due on 17 July 2014 (that is, one year and three months after the anniversary of which the Corporation first had 40 employees). The Corporation transmitted its inaugural program report on 17 June 2014 and the report was tabled in Parliament on 26 August 2014. The report is available online at cleanenergyfinancecorp.com.au/reports.

ENVIRONMENT PROTECTION AND BIODIVERSITY CONSERVATION ACT 1999

Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) requires Australian Government organisations — including authorities such as the Clean Energy Finance Corporation — to include in their Annual Report a section detailing their environmental performance and their contribution to ecologically sustainable development (ESD). The CEFC is defined under the EPBC Act as a 'Commonwealth agency' under limb (c) of the definition under s528 and must report annually under s516A. See Appendix G at page 232 for more information on the CEFC's ESD activities.

FREEDOM OF INFORMATION ACT 1982

The CEFC is an applicable agency for *Freedom of Information Act 1982* (FOI Act) purposes. Agencies subject to the FOI Act are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report.

The CEFC is also required to lodge an annual statistical return with the Information Commissioner on statistics relating to time spent by employees of the CEFC in managing obligations under the FOI Act and the IPS, and the non-employee costs attributed to these functions. The CEFC lodged its Annual Statistical Return for 2013–2014 with the Information Commissioner on 31 July 2014.

The CEFC has displayed on its website cleanenergyfinancecorp.com.au a plan showing what information it publishes in accordance with IPS requirements.

A table summarising the list of FOI activities for 2013–2014 is available at Appendix F on page 231.

During the reporting period, the Corporation received two FOI applications. More information on FOI applications and the CEFC's Information Publication Scheme is available at cleanenergyfinancecorp.com.au/freedom-of-information.

WORK HEALTH AND SAFETY ACT 2011

The CEFC is required to report annually under the *Work Health and Safety Act 2011*, and a full report can be found at Appendix H on page 237.

PUBLIC INTEREST DISCLOSURE ACT 2013

A scheme to encourage public officials to report suspected wrongdoing in the Australian public sector was put in place by the *Public Interest Disclosure Act 2013* (PID Act). The PID Act came into effect on 15 January 2014.

Along with all Australian Government agencies, Commonwealth companies and authorities, the CEFC has responsibilities under the Act for establishing effective and clearly articulated internal procedures for facilitating and responding to public interest disclosures.

In line with its obligations under the PID Act, the CEFC has established and published policies and procedures for facilitating and responding to public interest disclosures, and appointed and appropriately delegated Authorised Officers to handle disclosures under the Act.

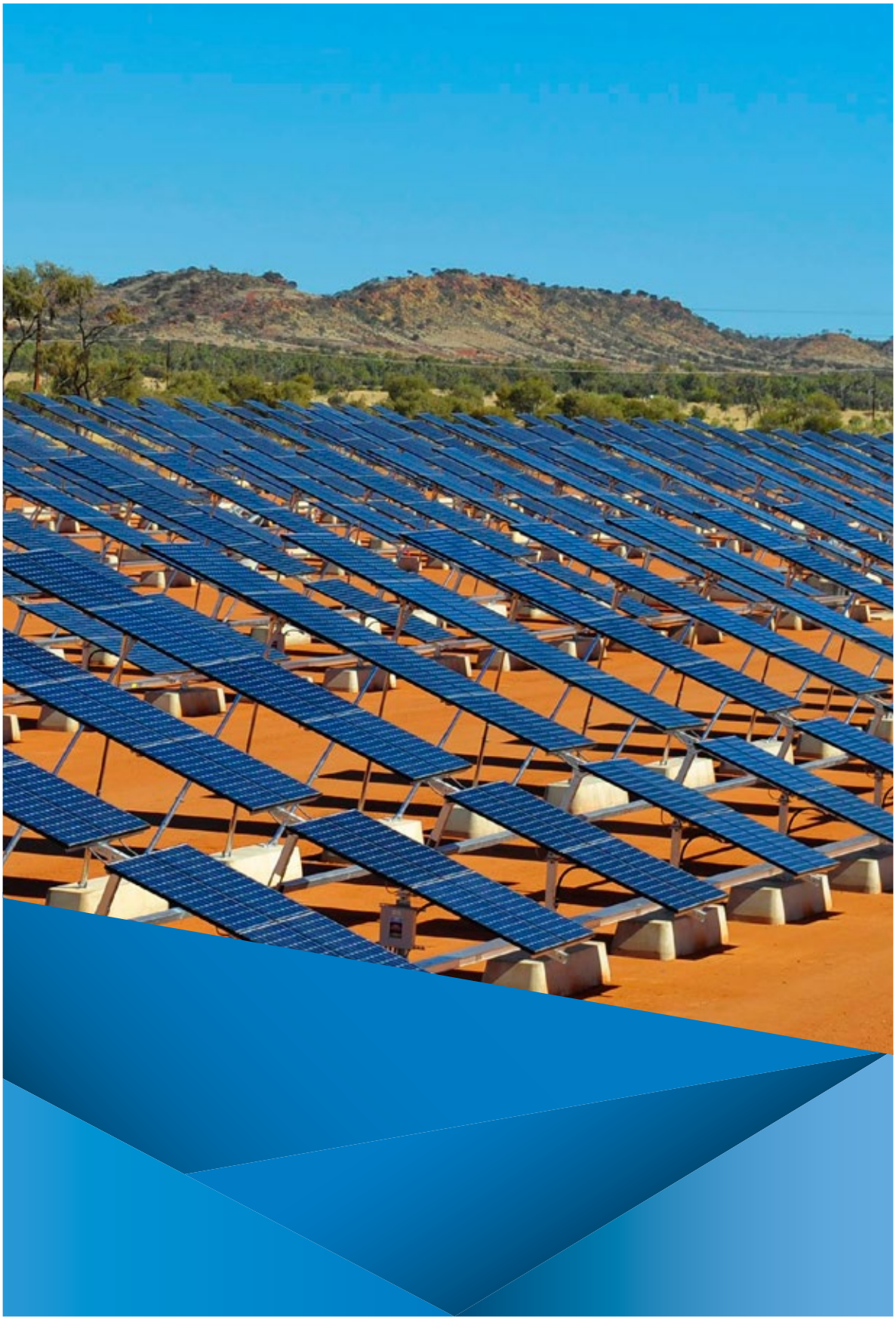
As is required under section 76 of the PID Act, the Commonwealth Ombudsman must, as soon as practicable after the end of each financial year, prepare and give to the Minister, for presentation to Parliament, a report on the operation of the Act during the financial year. The principal officer of each agency must give the Ombudsman such assistance and information as the Ombudsman reasonably requires in relation to the preparation of the report. The CEFC provided the Ombudsman with the statistical information that the Ombudsman required on 11 July 2014.

The CEFC received no public interest disclosures during 2013–2014.

Section 4 image overleaf: Uterne solar power plant at Alice Springs, Northern Territory (image from SunPower)

4

FINANCIAL STATEMENTS



Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

I have audited the accompanying financial statements of the Clean Energy Finance Corporation for the year ended 30 June 2014, which comprise: a Statement by the Directors, Chief Executive and Chief Financial Officer; the Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Clean Energy Finance Corporation are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Clean Energy Finance Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clean Energy Finance Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT 2600
Phone (02) 6203 7300 Fax (02) 6203 7777

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Clean Energy Finance Corporation:

(a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* including the Australian Accounting Standards; and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Clean Energy Finance Corporation's financial position as at 30 June 2014 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

Ian Goodwin

Group Executive Director
Delegate of the Audit-General

Canberra
29 August 2014

CLEAN ENERGY FINANCE CORPORATION

STATEMENT BY THE DIRECTORS, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion:

a. the accompanying financial statements are drawn up so as to give a true and fair view of the performance of the Corporation for the year ended 30 June 2014 and the financial position of the Corporation at 30 June 2014;

b. the financial statements give a true and fair view of the matters required by the Finance Minister's Orders made under the Commonwealth Authorities and Companies Act 1997, as amended;

c. the financial statements have been prepared in accordance with Australian Accounting Standards;

d. the financial statements have been prepared based on properly maintained financial records; and

e. at the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the directors.

Jillian Broadbent AO
Chairperson
29 August 2014

Paul Binsted
Director
29 August 2014

Oliver Yates
Chief Executive
29 August 2014

Andrew Powell
Chief Financial Officer
29 August 2014

CLEAN ENERGY FINANCE CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2014

	Notes	2014 $'000	2013 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	3A	12,942	3,489
Suppliers	3B	4,677	2,972
Depreciation and amortisation	3C	387	6
Finance costs	3D	30	16
Concessional loan charges	3E	5,582	5,890
Write–down and impairment of assets	3F	873	–
Total expenses		**24,491**	**12,373**
OWN-SOURCE INCOME			
OWN-SOURCE REVENUE			
Interest and loan fee revenue	4A	41,787	89
Other revenue	4B	–	58
Total own-source revenue		**41,787**	**147**
Total own-source income		**41,787**	**147**
Net contribution by / (cost of) services		**17,296**	**(12,226)**
Revenue from Government	4C	8,000	18,383
Surplus before income tax on continuing operations		**25,296**	**6,157**
Income tax expense	1.19	–	–
Surplus after income tax on continuing operations		**25,296**	**6,157**
Surplus attributable to the Australian Government		**25,296**	**6,157**
OTHER COMPREHENSIVE INCOME			
Total other comprehensive income before income tax		**–**	**–**
Income tax expense — other comprehensive income	1.19	–	–
Total other comprehensive income after income tax		**–**	**–**
Total comprehensive income		**25,296**	**6,157**
Total comprehensive income attributable to the Australian Government		**25,296**	**6,157**

The above statement should be read in conjunction with the accompanying notes.

CLEAN ENERGY FINANCE CORPORATION

STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
FINANCIAL ASSETS			
Cash and cash equivalents	5A	123,102	14,133
Short-term investments	5B	270,000	–
Trade and other receivables	5C	4,759	63
Loans and receivables at amortised cost	5D	231,627	50,000
Available for sale financial assets	5E	305	–
Other financial assets	5F	621,822	–
Total financial assets		**1,251,615**	**64,196**
NON-FINANCIAL ASSETS			
Property, plant and equipment	6A, 6B	423	68
Intangibles	6C, 6D	28	12
Prepayments and other assets	6E	590	701
Total non-financial assets		**1,041**	**781**
Total assets		**1,252,656**	**64,977**
LIABILITIES			
PAYABLES AND UNEARNED INCOME			
Suppliers	7A	1,307	542
Unearned income	7B	4,903	874
Other payables	7C	3,284	871
Total payables and unearned income		**9,494**	**2,287**
INTEREST BEARING LIABILITIES			
Interest bearing liabilities	8A	–	50,016
Total interest bearing liabilities		**–**	**50,016**
PROVISIONS			
Employee provisions	9A	599	289
Other provisions	9B	10,545	5,890
Total provisions		**11,144**	**6,179**
Total liabilities		**20,638**	**58,482**
Net assets		**1,232,018**	**6,495**
EQUITY			
Contributed equity	17	1,200,565	338
Retained surplus		31,453	6,157
Total equity		**1,232,018**	**6,495**

The above statement should be read in conjunction with the accompanying notes.

CLEAN ENERGY FINANCE CORPORATION

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2014

	Retained earnings	Retained earnings	Contributed equity/capital	Contributed equity/capital	Total equity	Total equity
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
OPENING BALANCE						
Balance carried forward from previous period	6,157	–	338	–	6,495	–
COMPREHENSIVE INCOME						
Surplus for the period	25,296	6,157	–	–	25,296	6,157
Total comprehensive income	25,296	6,157	–	–	25,296	6,157
TRANSACTIONS WITH OWNERS						
CONTRIBUTIONS BY OWNERS						
Equity injection from Special Account	–	–	1,131,600	–	1,131,600	–
Equity injection from Low Carbon Australia Limited	–	–	68,627	338	68,627	338
Total transactions with owners	**–**	**–**	**1,200,227**	**338**	**1,200,227**	**338**
Closing balance as at 30 June	**31,453**	**6,157**	**1,200,565**	**338**	**1,232,018**	**6,495**

The above statement should be read in conjunction with the accompanying notes.

CLEAN ENERGY FINANCE CORPORATION

CASH FLOW STATEMENT

for the period ended 30 June 2014

	Notes	2014 $'000	2013 $'000
OPERATING ACTIVITIES			
CASH RECEIVED			
Receipts from Government		8,000	18,383
Interest and fees		36,040	947
Total cash received		**44,040**	**19,330**
CASH USED			
Employees		10,162	2,664
Suppliers		4,603	2,906
Borrowing costs		41	6
Total cash used		**14,806**	**5,576**
Net cash from operating activities	**10**	**29,234**	**13,754**
INVESTING ACTIVITIES			
CASH RECEIVED			
Principal loan repayments received		4,831	–
Redemption of other financial assets		73,613	–
Total cash received		**78,444**	–
CASH USED			
Purchase of property, plant and equipment		47	72
Purchase of intangibles		35	14
Loans made to other parties		209,229	–
Acquisition of other financial assets		693,105	–
Purchase of short-term investments		270,000	–
Total cash used		**1,172,416**	**86**
Net cash used by investing activities		**1,093,972**	**86**
FINANCING ACTIVITIES			
CASH RECEIVED			
Contributed equity		1,173,707	465
Total cash received		**1,173,707**	**465**
Net cash from financing activities		**1,173,707**	**465**
Net increase in cash held		**108,969**	**14,133**
Cash and cash equivalents at the beginning of the reporting period		14,133	–
Cash and cash equivalents at the end of the reporting period	**5A**	**123,102**	**14,133**

The above statement should be read in conjunction with the accompanying notes.

CLEAN ENERGY FINANCE CORPORATION

SCHEDULE OF COMMITMENTS

as at 30 June 2014

	Notes	2014 $'000	2013 $'000
BY TYPE			
COMMITMENTS PAYABLE			
Capital commitments			
Committed credit facilities	16	(605,564)	(87,500)
Committed investments at call	16	(80,000)	–
Total capital commitments		**(685,564)**	**(87,500)**
Other commitments			
Operating leases		(1,114)	(1,166)
Other		(158)	(451)
Total other commitments		**(1,272)**	**(1,617)**
Total commitments payable		**(686,836)**	**(89,117)**
Net commitments by type		**(686,836)**	**(89,117)**
BY MATURITY			
COMMITMENTS PAYABLE			
Capital commitments			
Within 1 year		(367,070)	(87,500)
Between 1 to 5 years		(318,494)	–
More than 5 years		–	–
Total capital commitments		**(685,564)**	**(87,500)**
Operating lease commitments			
Within 1 year		(799)	(423)
Between 1 to 5 years		(315)	(743)
More than 5 years		–	–
Total operating lease commitments		**(1,114)**	**(1,166)**
Other commitments			
Within 1 year		(149)	(430)
Between 1 to 5 years		(9)	(21)
More than 5 years		–	–
Total other commitments		**(158)**	**(451)**
Total commitments payable		**(686,836)**	**(89,117)**
Net commitments by maturity		**(686,836)**	**(89,117)**

The above schedule should be read in conjunction with the accompanying notes.

CLEAN ENERGY FINANCE CORPORATION

SCHEDULE OF CONTINGENCIES

as at 30 June 2014

	2014 $'000	2013 $'000
CONTINGENT ASSETS		
Guarantees	–	–
Total contingent assets	–	–
CONTINGENT LIABILITIES		
Total contingent liabilities	–	–
Net contingent assets	–	–

The above schedule should be read in conjunction with the accompanying notes.

TABLE OF CONTENTS — NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 OBJECTIVES OF THE ENTITY

The Clean Energy Finance Corporation ('CEFC') was established under the *Clean Energy Finance Corporation Act 2012 [Cth]* ('the CEFC Act'). The CEFC is a statutory authority and an Australian Government controlled entity. It is a not-for-profit entity and, working with co-financiers, its object is to facilitate increased flows of finance into the clean energy sector. The Corporation's functions are to:

1. Invest, directly and indirectly, in clean energy technologies, which can be any one or more of the following:
   - Renewable energy technologies, which include hybrid technologies that integrate renewable energy technologies and enabling technologies, that are related to renewable energy technologies;
   - Energy efficiency technologies, including enabling technologies that are related to energy conservation technologies or demand management technologies; and
   - Low emissions technologies.

   by investing in businesses or projects for the commercialisation and deployment of (or in relation to the use of) Australian based renewable energy, energy efficiency and low emissions technologies (or business that supply goods or services needed to develop or commercialise , or needed for use in clean energy technologies);
2. Liaise with relevant persons and bodies, including the Australian Renewable Energy Agency ('ARENA'), the Clean Energy Regulator, other Commonwealth agencies and State and Territory governments, for the purposes of facilitating its investment function,
3. Work with industry, banks and other financiers, and project proponents, to accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase investment in the clean energy sector; and
4. Do anything incidental or conducive to the performance of the above functions.

1.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared on the basis of the Corporation remaining a going concern and able to continue realising its assets and discharging its liabilities in the normal course of business. Part 5 of the *Clean Energy Finance Corporation Act 2012* makes provision for funding of the Clean Energy Finance Corporation.

Accordingly, the Corporation has sufficient funding and realisable assets to meet all of its liabilities and obligations. Any change to the continued existence of the entity in its present form would require an act of Parliament to repeal the *Clean Energy Finance Corporation Act 2012*. During the 2013–14 financial year, three times legislation was introduced into the Parliament to abolish the Corporation and on two occasions this was rejected by the Senate. At time of this report, a Government bill to abolish the Corporation remains on the House of Representatives Notice Paper. The Government removed this bill from a package of legislation that was aimed at repealing the carbon price, and while the bill has not progressed any further, the Government has not made any formal announcement in relation to its current intent.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The proposed legislation to abolish the Corporation contains arrangements to ensure the orderly administration of investments and transfer of existing contractual assets and liabilities of the CEFC to the Commonwealth (the Owner) to hold and manage, so even if the Corporation was to be abolished it is unlikely that there would be a material difference in the carrying values of the assets and liabilities in the financial statements.

The financial statements are general purpose financial statements and are required by:

a. clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997 [Cth]*; and

b. section 74 of the *Clean Energy Finance Corporation Act 2012*.

The financial statements have been prepared in accordance with:

a. Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and

b. Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

The Clean Energy Finance Corporation was established on 3 August 2012 under the *Clean Energy Finance Corporation Act 2012* and the comparative period presented in these financial statements is from 3 August 2012 to 30 June 2013.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the Corporation or a future

sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

As a result of the uncertainties inherent in financial products, many items in the financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest available, reliable information. An estimate needs revision when changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

In the process of applying the accounting policies listed in this note, the Corporation has made the following judgments that have the most significant impact on the amounts recorded in the financial statements:

Concessional Loan Discount Calculations

The Corporation is authorised to make loans at a discount to the prevailing market equivalent rates or terms. For each investment, the Corporation will attempt to maximise its return and provide only the level of discount from market rates/terms that is required to ensure the project proceeds, however, this may involve the Corporation taking a position that is not generally offered by other market participants (e.g. longer-term fixed-rate debt, sub-ordinated debt, unsecured or mezzanine debt, lending to thinly capitalised entities or companies with less strong credit ratings, etc.) and at rates that are below those that an equivalent market participant would demand if it were to participate in this market. The Corporation is required to record a concessional loan discount in relation to such loans and this requires extensive judgement in determining the 'market equivalent rate' so as to ascertain the extent of the implicit discount attached to the loan.

The following accounting assumptions and estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

Impairment Of Loans

The Corporation is required to ascertain the extent to which its loans are likely to be recoverable. Given the risk position that may be assumed by the Corporation in its various loans (e.g. senior debt, unsecured debt, sub-ordinated or mezzanine debt, longer terms, policy risk in relation to the Renewable Energy Target (RET), electricity price volatility, etc.) it is considered possible that the Corporation will not fully recover 100% of the principal relating to all the loans it makes, although the Corporation has not identified any individual loans that are not expected to be recoverable at the reporting date. The Corporation's loans are early in their life (of what can be 10+ year fixed terms) and the Corporation does not have a significant history from which to ascertain the likely extent of ultimate defaults and consequential losses. A report on the RET by a panel chaired by Dick Warburton AO LVO has been presented to the Government and made public. The Government is yet to respond to the report's recommendations and any significant change to the RET will also require amendment to legislation by the Parliament.

Impairment of Available For Sale Financial Assets

The Corporation is required to recognise an impairment in relation to a significant or prolonged decline in the fair value of its investments below their cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss) is recognised in the Statement of Comprehensive Income.

1.4 NEW AUSTRALIAN ACCOUNTING STANDARDS

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

The Corporation has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013:

- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits (Revised 2011)*, and
- Recoverable Amount Disclosures for Non-Financial Assets — Amendments to AASB 136 *Impairment of Assets*

The adoption of the standards or interpretations is described below:

AASB 13 – Fair Value Measurement

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, the Corporation re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. AASB 13 also requires additional disclosures.

Application of AASB 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 18(D).

AASB 119 – Employee Benefits (Revised 2011)

The Corporation applied AASB 119 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. There was no change to the opening statement of financial position or restatement of prior period comparative figures required. The main impact of the revised standard on the Corporation is in relation to the classification of 'short-term employee benefits' being those that are expected to be settled wholly before 12 months after the end of the annual reporting periods in which the employees rendered the related service. Benefits that now do not qualify as short-term, must be regarded as long-term and measured in accordance with the AASB 119 requirements for long- term employee benefits.

Recoverable Amount Disclosures for Non-Financial Assets — Amendments to AASB 136 Impairment Of Assets

These amendments remove the unintended consequences of AASB 13 on the disclosures required under AASB 136. In addition, these amendments require disclosure of the recoverable amounts for the assets for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided AASB 13 is also applied. The Corporation has early adopted these amendments to AASB 136 in the current financial year, however, they have no material impact as the Company has no material non-financial assets for which impairment loss has been recognised or reversed during the period. These amendments would continue to be considered for future disclosures.

Future Australian Accounting Standard Requirements

There have been no new or revised standards and interpretations issued by the Australian Accounting Standards Board, which are expected to have a financial impact on the Corporation for future reporting periods.

1.5 REVENUE

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Deferred income received in cash at the start of a loan is brought to income on an effective yield basis over the life of the loan by reducing the carrying amount.

Revenue From Government

Funding received or receivable from agencies (as a CAC Act body payment item) is recognised as Revenue from Government by the Corporation unless the funding is in the nature of an equity injection or a loan.

Establishment Fees

Establishment fees relating to the successful origination or settlement of a loan are deferred and recognised as an adjustment to the effective interest rate on the loan.

Commitment Fees

Commitment fees are recognised on an accrual basis over the period during which the credit is made available to the customer but is not drawn down.

1.6 TRANSACTIONS WITH THE GOVERNMENT AS OWNER

Equity Injections

Amounts received from Government as drawings out of the Clean Energy Finance Corporation Special Account held by the Treasury (less any repayments) are designated as 'equity injections' and are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted directly against contributed equity.

Other Distributions to Owners

The *Clean Energy Finance Corporation Act 2012* established the Clean Energy Finance Corporation Special Account managed by the Department of the Treasury. The *Clean Energy Finance Corporation Act 2012* also provides that any amounts returned to the Commonwealth must be retained in this Special Account and may only be used to make payments to the Corporation, or to make payments to ARENA from retained earnings of the Corporation if requested by the Corporation and authorised by the nominated Minister.

1.7 EMPLOYEE BENEFITS

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the entity is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Corporation's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting

date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

The national Paid Parental Leave scheme came into effect on 1 January 2011. The scheme is funded by the Australian Government and provides parental leave pay to mothers and other primary carers who have been in the paid workforce and who have a baby or adopt a child on or after 1 January 2011. Amounts received in relation to the paid parental leave scheme are held by the Corporation in an agent capacity. As such, receipts of such funds are not considered to be revenue for the Corporation, nor are payments of these amounts considered to be expenses of the Corporation. Transactions in relation to the paid parental leave are to be recognised on the Statement of Financial Position.

Retention

The expected cost of retention payments is recognised when, and only when:

a. the Corporation has a present legal or constructive obligation to make such payments as a result of past events; and.

b. a reliable estimate of the obligation can be made.

When an employee has rendered service to the Corporation during the period, the Corporation recognises the undiscounted amount of short-term benefits expected to be paid in exchange for that service as a liability, calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Corporation's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

Superannuation

The Corporation's staff are members of various defined contribution plans to which the Corporation must contribute in accordance with the *Superannuation Guarantee (Administration) Act 1992* [Cth]. The liability for superannuation recognised as at 30 June represents outstanding contributions for the final payroll period of the year.

1.8 LEASES

Corporation as Lessee

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.9 BORROWING COSTS

Borrowing costs consist of interest and other costs that the Corporation incurs in connection with the borrowing of funds. All borrowing costs are expensed as incurred.

1.10 CASH AND CASH EQUIVALENTS

Cash is recognised at its nominal amount as this is considered fair value. Cash and cash equivalents includes:

a. cash on hand; and

b. demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, and demand deposits in bank accounts with an original maturity of 3 months or less, to maintain liquidity.

1.11 SHORT-TERM INVESTMENTS

Term deposits in bank accounts with original maturity greater than 3 months but less than 12 months are classified as short-term investments.

1.12 FINANCIAL ASSETS

Initial Recognition and Measurement

The entity classifies its financial assets, at initial recognition, in the following categories:

a. financial assets at fair value through profit or loss;

b. held-to-maturity investments;

c. available-for-sale financial assets; and

d. loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

De-recognition

Financial assets are de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss ('FVPL') where the financial assets:

a. have been acquired principally for the purpose of selling in the near future;

b. are derivatives that are not designated and effective as a hedging instrument; or

c. are parts of an identified portfolio of financial instruments that the entity manages together and has a recent actual pattern of short-term profit-taking.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Available-for-Sale Financial Assets

Available-for-sale ('AFS') financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

AFS financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss.

Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in surplus and deficit for the period.

Where a reliable fair value cannot be established for unlisted investments in equity instruments, these instruments are valued at cost.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity ('HTM') investments. HTM investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial Assets Held at Amortised Cost

The Corporation is required to ascertain the extent to which its loans are likely to be recoverable. Given the risk position that may be assumed by the Corporation in its various loans (e.g. senior debt, unsecured debt, sub-ordinated or mezzanine debt, longer terms, policy risk in relation to the RET, electricity price volatility, etc.) it is considered possible that the Corporation will not fully recover 100% of the principal relating to all the loans it makes, although the Corporation has not identified any individual loans that are not expected to be recoverable at the reporting date. The Corporation's loans are early in their life (of what can be 10+ year fixed terms) and the Corporation does not have a history from which to ascertain the likely extent of ultimate defaults and consequential losses. Therefore, in accordance with Australian banking industry practice, the Corporation applies the following loan loss provisioning methodology to ascertain the extent to which its loans are likely to be impaired.

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment charges are recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or

group of assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events:

a. significant financial difficulty of the issuer or obligor;

b. a breach of contract, such as a default or delinquency in interest or principal payments;

c. the Corporation, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Corporation would not otherwise consider;

d. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

e. the disappearance of an active market for that financial asset because of financial difficulties; or

f. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:

   i. adverse changes in the payment status of borrowers in the group; or

   ii. national or local economic conditions that correlate with defaults on the assets in the group.

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment is, or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Corporation's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to

the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows for a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets reflect, and are directionally consistent with, changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Corporation to reduce any differences between loss estimates and actual loss experience. When a loan or a part of a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the charge for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment charge is reversed by adjusting the provision account. The amount of the reversal is recognised in the income statement.

Available-For-Sale

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt instruments classified as available-for-sale, impairment is determined by using the same methodology as for *Financial assets held at amortised cost above*. For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment charge on that financial asset previously recognised in profit or loss — is removed from other comprehensive income and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment charge was recognised in the income statement, the impairment charge is reversed through the income statement. Subsequent reversal of impairment charges on equity instruments are not recognised in the income statement until the instrument is disposed of.

1.13 FINANCIAL LIABILITIES

Initial Recognition and Measurement

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised upon 'trade date'.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement or profit or loss.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.14 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.15 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

1.16 ACQUISITION OF ASSETS

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.17 PROPERTY, PLANT AND EQUIPMENT

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the entity where there exists an obligation to restore premises to original condition. These costs are included in the value of the entity's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measurement
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2014	2013
Leasehold improvements	5 years (or the remaining lease period if shorter)	5 years (or the remaining lease period if shorter)
Plant and equipment		
Office equipment	3 to 5 years	3 to 5 years
Furniture and fittings	5 years (or the remaining lease period if shorter)	5 years (or the remaining lease period if shorter)
Computer equipment	2 to 3 years	2 to 3 years

Impairment

All assets were assessed for impairment at 30 June 2014 and 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be

derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.18 INTANGIBLES

The entity's intangibles comprise purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the entity's software are 2 to 3 years.

All software assets were assessed for indications of impairment as at 30 June 2014 and 2013.

1.19 TAXATION

The entity is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

a. where the amount of GST incurred is not recoverable from the Australian Taxation Office; and

b. for receivables and payables.

The net amount of GST payable to the Australian Taxation Office is included as part of the payables or commitments.

The financial statements have been prepared on the basis that the Corporation is generally not entitled to input tax credits for GST included in the price of goods and services acquired since financial supplies, such as loans, are input taxed.

1.20 FAIR VALUE MEASUREMENT

Fair values of financial instruments measured at amortised cost are disclosed in Note 18(D).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Corporation. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Corporation's Executive Investment Committee determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation. The Executive Investment Committee comprises the Chief Executive Officer, the Chief Investment Officer, the Chief Governance and Strategy Officer and the Chief Financial Officer.

The majority of the Corporation's investments are carried at amortised cost and therefore the involvement of external valuers would likely only be considered for more complex

arrangements including items such as contingent consideration and this would be decided upon annually after discussion with and approval by the Corporation's audit and risk committee. Selection criteria would include market knowledge, reputation, independence and whether professional standards are maintained. The Corporation would expect to rotate valuers every three years.

At each reporting date, the Executive Investment Committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Corporation's accounting policies and compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For this analysis, the committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTE 2: EVENTS AFTER THE REPORTING PERIOD

There have been no significant events subsequent to balance date.

NOTE 3: EXPENSES

	2014 $'000	2013 $'000
NOTE 3A: EMPLOYEE BENEFITS		
Wages and salaries	12,004	3,050
Separation and redundancies	–	3
SUPERANNUATION		
Defined contribution plans	627	235
Leave and other entitlements	311	201
Total employee benefits	**12,942**	**3,489**
NOTE 3B: SUPPLIERS		
GOODS AND SERVICES SUPPLIED OR RENDERED		
Consultants	866	698
Contractors	861	661
Insurance	126	3
IT Services	108	24
Legal fees	265	656
Marketing and communications	179	33
Travel and incidentals	474	170
Website	280	113
Other	752	340
Total goods and services supplied or rendered	**3,911**	**2,698**
GOODS SUPPLIED IN CONNECTION WITH		
Related parties	–	–
External parties	24	12
Total goods supplied	**24**	**12**
SERVICES RENDERED IN CONNECTION WITH		
Related parties	–	138
External parties	3,887	2,548
Total services rendered	**3,887**	**2,686**
Total goods and services supplied or rendered	**3,911**	**2,698**

Continued

	2014 $'000	2013 $'000
OTHER SUPPLIERS		
Operating lease rentals in connection with:		
Minimum lease payments – external parties	716	258
Workers compensation expenses	50	16
Total other suppliers	**766**	**274**
Total suppliers	**4,677**	**2,972**
NOTE 3C: DEPRECIATION AND AMORTISATION		
DEPRECIATION		
Property, plant and equipment	329	4
Total depreciation	**329**	**4**
AMORTISATION		
Intangibles	58	2
Total amortisation	**58**	**2**
Total depreciation and amortisation	**387**	**6**
NOTE 3D: FINANCE COSTS		
Loans	24	16
Make good provision	6	–
Total finance costs	**30**	**16**
NOTE 3E: CONCESSIONAL LOAN CHARGES		
Concessional loan charges	5,582	5,890
Total concessional loan charges	**5,582**	**5,890**

The Corporation is required to record a non-cash concessional loan charge when it makes a loan at a discount to the prevailing market equivalent rates or terms. This non-cash charge is recorded at loan origination and will unwind over the term of the underlying loan and be shown as concessional loan income. Over the full life of the loan, the impact on the reported profit or loss of the Corporation from the charge and income will net to $nil.

	2014 $'000	2013 $'000
NOTE 3F: WRITE-DOWN AND IMPAIRMENT OF ASSETS		
Loan impairment charge	459	–
Available for sale financial assets impairment charge	414	–
Total write-down and impairment of assets	**873**	

NOTE 4: REVENUE

	2014 $'000	2013 $'000
NOTE 4A: INTEREST AND LOAN FEE REVENUE		
Loans at amortised cost:		
– interest & fees	14,863	16
– unwind of concessional loan discount	1,414	–
Interest from cash and short-term investments	16,545	73
Interest from other financial assets	8,965	–
Total interest and loan fee revenue	**41,787**	**89**
NOTE 4B: OTHER REVENUE	**–**	**58**
Resources received free of charge — services — related entity	–	58
NOTE 4C: REVENUE FROM GOVERNMENT		
DEPARTMENT OF THE TREASURY		
CAC Act Body payment for operational expenditures	8,000	18,383
Total revenue from Government	**8,000**	**18,383**

NOTE 5: FINANCIAL ASSETS

	2014 $'000	2013 $'000
NOTE 5A: CASH AND CASH EQUIVALENTS		
Cash on hand or on deposit	123,102	14,133
Total cash and cash equivalents	**123,102**	**14,133**
NOTE 5B: SHORT-TERM INVESTMENTS		
Short-term deposits with financial institutions	270,000	–
Total short-term investments	**270,000**	**–**
NOTE 5C: TRADE AND OTHER RECEIVABLES		
GOODS AND SERVICES RECEIVABLES IN CONNECTION WITH		
Trade debtors – external parties	6	–
Total goods and services receivables	**6**	**–**
OTHER RECEIVABLES		
Unbilled receivables	625	–
Interest	4,086	15
Other	42	48
Total other receivables	**4,753**	**63**
Total trade and other receivables (gross)	**4,759**	**63**
Less: Total impairment allowance	**–**	**–**
Total trade and other receivables (net)	**4,759**	**63**
RECEIVABLES ARE EXPECTED TO BE RECOVERED		
No more than 12 months	4,759	63
Total trade and other receivables (net)	**4,759**	**63**
RECEIVABLES ARE AGED AS FOLLOWS		
Not overdue	4,759	63
Total trade and other receivables (gross)	**4,759**	**63**
NOTE 5D: LOANS AND RECEIVABLES AT AMORTISED COST		
Gross funded loans	239,560	50,000
Concessional loan discount	(7,329)	–
Current loans and receivables (gross)	**232,231**	**50,000**

Continued

	2014 $'000	2013 $'000
Less: Impairment allowance – statistical provision	**(604)**	**-**
Total loans and receivables at amortised cost	**231,627**	**50,000**
MATURITY ANALYSIS LOANS AND RECEIVABLES GROSS:		
Overdue — impaired	–	–
Due in 1 year	14,480	–
Due in 1 year to 5 years	82,483	–
Due after 5 years	135,268	50,000
Total loans and receivables (gross)	**232,231**	**50,000**
Less: Total impairment allowance – statistical provision	**(604)**	**–**
Total loans and receivables at amortised cost	**231,627**	**50,000**

CONCENTRATION OF RISK

The largest single exposure in the loan portfolio at 30 June 2014 was for an amount of $69.3 million. The following table shows the diversification of investments in the loan portfolio at 30 June 2014:

	2014			2013		
	No. of Loans	Loan Value $'000	%	No. of Loans	Loan Value $'000	%
<$10 million	35	40,665	17%	–	–	–
$10 – $30 million	2	38,516	17%	–	–	–
$30 – $50 million	1	33,739	15%	–	–	–
$50 – $80 million	2	119,311	51%	1	50,000	100%
Total Loans and receivables (gross)	**40**	**232,231**	**100%**	**1**	**50,000**	**100%**

The following table shows the diversification of investments within the loan portfolio at 30 June 2014 by credit quality. Since the loans made by the Corporation are (in the main) to entities that will not have a formal credit rating, the Corporation has developed a Shadow Credit Ratings (SCR) system. These are internal risk indicators used by the Corporation to assess the default risks of its debt instruments. The SCR assesses the probability of seeing the counterparty default under its obligations. The SCR is determined by a risk matrix based on internal risk assessments of the counterparty involved, the business risk it faces and the financial risk it has as a result of the debt it carries (including all new debt proposed in the investment opportunity).

	2014		2013	
	Loan Value $'000	%	Loan Value $'000	%
CORPORATION'S SHADOW CREDIT RATING				
AA– to AA+	1,108	–	–	–
A– to A+	11,657	5%	–	–
BBB– to BBB+	51,351	22%	50,000	*100%*
BB– to BB+	166,284	72%	–	–
B– to B+	1,831	1%	–	–
Total Loans and receivables (gross)	**232,231**	**100%**	**50,000**	**100%**

PROVISION FOR IMPAIRMENT — TERM LOANS

There are no specifically identified impaired loans in the portfolio at 30 June 2014 (2013: $nil). A loan or receivable will be recognised as impaired when it is likely that the debt will not be recovered in full. In this instance a specific provision will be created for impairment. The Corporation does provide on a statistical basis for loans that may be impaired but not specifically identified as such at balance date ('incurred but not reported' impairments).

	2014 $'000	2013 $'000
NOTE 5E: AVAILABLE FOR SALE FINANCIAL ASSETS		
Unquoted equities	55	–
Quoted equities	250	–
Total available for sale financial assets	**305**	**–**

CONCENTRATION OF RISK AND IMPAIRMENT — AVAILABLE FOR SALE FINANCIAL ASSETS

Equity investments are amounts held by way of shares in publicly listed entities or units in unincorporated unit trust structures. The Corporation holds 4 small equity positions comprising a total of $719,000 (2013: $nil). During the 2014 financial year, a permanent diminution in the value of certain available for sale financial assets was recognised in the amount of $414,000 (2013: $nil).

	2014 $'000	2013 $'000
NOTE 5F: OTHER FINANCIAL ASSETS		
Restricted deposit accounts with financial institutions	621,822	–
Total other financial assets	**621,822**	**–**

MATURITY ANALYSIS OF OTHER FINANCIAL ASSETS

Restricted deposit accounts with financial institutions are expected to mature within 12 months, however, the funds are not expected to be returned to the Corporation as they are contractually restricted to funding committed credit facilities and committed investments at call. Accordingly, the maturity analysis shown below, is the anticipated maturity date at which the funds are expected to be repaid to the Corporation.

	2014 $'000	2013 $'000
MATURITY ANALYSIS FOR OTHER FINANCIAL ASSETS (GROSS)		
Due in 1 year	38,445	–
Due in 1 year to 5 years	190,815	–
Due after 5 years	392,562	–
Total other financial assets	**621,822**	**–**

CONCENTRATION OF RISK — OTHER FINANCIAL ASSETS

Restricted deposit accounts with financial institutions are amounts that have been funded into accounts held with financial institutions where they are contractually limited to being applied against specific loans and receivables or investments that the Corporation has entered into. The funds are held until such time as they are either drawn down by the counter-party or the availability period expires under the facilities. The amounts are held with three of the major four Australian banks each of which have a credit rating of no less than AA-. No single bank holds more than 50 per cent of this balance.

The following table shows the diversification of anticipated projects/loans that the investments are expected to be applied against at 30 June 2014 by credit quality using the Corporation's Shadow Credit Ratings (SCR) methodology:

	2014		2013	
	Loan Value $'000	%	Loan Value $'000	%
CORPORATION'S SHADOW CREDIT RATING				
A	100,333	16%	–	–
BBB– to BBB	192,535	31%	–	–
BB– to BB+	228,855	37%	–	–
B	20,099	3%	–	–
Unrated — equity investments	80,000	13%	–	–
Total restricted deposit accounts	**621,822**	**100%**	**–**	**–**

PROVISION FOR IMPAIRMENT — OTHER FINANCIAL ASSETS

An impairment will be recognised if it is likely that other financial assets will not be recovered in full. In this instance a specific provision will be created for impairment. There was no impairment in 2014 (2013: $nil).

NOTE 6: NON-FINANCIAL ASSETS

	2014 $'000	2013 $'000
NOTE 6A: PROPERTY, PLANT AND EQUIPMENT		
OTHER PROPERTY, PLANT AND EQUIPMENT		
Fair value	757	72
Accumulated depreciation	(334)	(4)
Total other property, plant and equipment	**423**	**68**
Total property, plant and equipment	**423**	**68**

No indicators of impairment were found for property, plant and equipment.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

	Other property, plant & equipment $'000	Total $'000
NOTE 6B: RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF PROPERTY, PLANT AND EQUIPMENT		
RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF PROPERTY, PLANT AND EQUIPMENT FOR 2014		
As at 1 July 2013		
Gross book value	72	72
Accumulated depreciation and impairment	(4)	(4)
Total as at 1 July 2013	**68**	**68**
Additions:		
By purchase	164	164
Book value of assets received from Low Carbon Australia Limited	520	520
Depreciation expense	(329)	(329)
Total as at 30 June 2014	**423**	**423**
Total as at 30 June 2014 represented by:		
Gross book value	756	756

Continued

	Other property, plant & equipment $'000	Total $'000
Accumulated depreciation and impairment	(333)	(333)
Total as at 30 June 2014	**423**	**423**
RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF PROPERTY, PLANT AND EQUIPMENT FOR 2013		
As at 1 July 2012		
Gross book value	–	–
Accumulated depreciation and impairment	–	–
Total as at 1 July 2012	**–**	**–**
Additions:		
By purchase	72	72
Depreciation expense	(4)	(4)
Total as at 30 June 2013	**68**	**68**
Total as at 30 June 2013 represented by:		
Gross book value	72	72
Accumulated depreciation and impairment	(4)	(4)
Total as at 30 June 2013	**68**	**68**

	2014 $'000	2013 $'000
NOTE 6C: INTANGIBLES		
COMPUTER SOFTWARE		
Purchased — in use	87	14
Accumulated amortisation	(59)	(2)
Total computer software	**28**	**12**
Total intangibles	**28**	**12**

No indicators of impairment were found for intangible assets.

No intangibles are expected to be sold or disposed of within the next 12 months.

	Computer software $'000	Total $'000
NOTE 6D: RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF INTANGIBLES		
RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF INTANGIBLES FOR 2014		
As at 1 July 2013		
Gross book value	14	14
Accumulated amortisation and impairment	(2)	(2)
Total as at 1 July 2013	**12**	**12**
Additions:		
Purchase or internally developed	35	35
Book value of assets received from Low Carbon Australia Limited	38	38
Amortisation	(57)	(57)
Total as at 30 June 2014	**28**	**28**
Total as at 30 June 2014 represented by:		
Gross book value	87	87
Accumulated amortisation and impairment	(59)	(59)
Total as at 30 June 2014	**28**	**28**
RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF INTANGIBLES FOR 2013		
As at 1 July 2012		
Gross book value	–	–
Accumulated amortisation and impairment	–	–
Total as at 1 July 2012	**–**	**–**
Additions:		
By purchase or internally developed	14	14
Amortisation	(2)	(2)
Total as at 30 June 2013	**12**	**12**
Total as at 30 June 2013 represented by:		
Gross book value	14	14
Accumulated amortisation and impairment	(2)	(2)
Total as at 30 June 2013	**12**	**12**

	2014 $'000	2013 $'000
NOTE 6E: PREPAYMENTS AND OTHER ASSETS		
Prepayments	544	701
Deposits	46	–
Total prepayments	**590**	**701**
Total prepayments expected to be recovered:		
No more than 12 months	104	187
More than 12 months	486	514
Total prepayments	**590**	**701**

NOTE 7: PAYABLES AND UNEARNED INCOME

	2014 $'000	2013 $'000
NOTE 7A: SUPPLIERS		
Trade creditors and accruals	1,194	536
Operating lease rentals	113	6
Total suppliers	**1,307**	**542**
Suppliers expected to be settled:		
No more than 12 months	1,286	536
More than 12 months	21	6
Total suppliers	**1,307**	**542**
Suppliers in connection with:		
Related parties	5	131
External parties	1,302	411
Total supplier payables	**1,307**	**542**

Settlement of supplier balances was usually made within 30 days.

	2014 $'000	2013 $'000
NOTE 7B: UNEARNED INCOME		
Unearned establishment and commitment fees income	4,903	874
Unearned income expected to be recognised:		
No more than 12 months	804	175
More than 12 months	4,099	699
Total unearned income	**4,903**	**874**
NOTE 7C: OTHER PAYABLES		
Wages and salaries	2,977	541
Superannuation	50	108
FBT liability	1	–
Other	256	222
Total other payables	**3,284**	**871**
Other payables expected to be settled:		
No more than 12 months	3,038	798
More than 12 months	246	73
Total other payables expected to be settled within 12 months	**3,284**	**871**

NOTE 8: INTEREST BEARING LIABILITIES

	2014 $'000	2013 $'000
NOTE 8A: INTEREST BEARING LIABILITIES		
Amount owing under a promissory note[1]	–	50,016
Total interest bearing liabilities	**–**	**50,016**
Interest bearing liabilities expected to be settled:		
No more than 12 months	–	50,016
Total interest bearing liabilities	**–**	**50,016**

1. The 2013 balance represents a promissory note for Macarthur Wind Farm, which was settled on 3 July 2013. There were no promissory notes issued at 30 June 2014.

There were no loan payable defaults during the period.

NOTE 9: PROVISIONS

	2014 $'000	2013 $'000
NOTE 9A: EMPLOYEE PROVISIONS		
Leave	599	289
Total employee provisions	**599**	**289**
Employee provisions expected to be settled:		
No more than 12 months	349	154
More than 12 months	250	135
Total employee provisions	**599**	**289**
NOTE 9B: OTHER PROVISIONS		
Provision for concessional loans	10,064	5,890
Provision for make good	249	–
Provision for impairment on irrevocable undrawn commitments	232	–
Total current other provisions	**10,545**	**5,890**
Other provisions expected to be settled:		
No more than 12 months	22	–
More than 12 months	10,523	5,890
Total other provisions	**10,545**	**5,890**

	Provision for concessional loans $'000	Provision for make good $'000	Provision for impairment $'000	Total $'000
Carrying amount 1 July 2013	**5,890**	**–**	**–**	**5,890**
Additional provisions made	5,665	118	232	**6,015**
Received from Low Carbon Australia Limited	2,085	125	–	**2,210**
Amounts reversed	(87)	–	–	**(87)**
Offset to loans and receivables	(3,489)	6	–	**(3,483)**
Closing balance 30 June 2014	**10,064**	**249**	**232**	**10,545**
Carrying amount 1 July 2012	**–**	**–**	**–**	**–**
Additional provisions made	5,890	–	–	**5,890**
Amounts reversed	–	–	–	–
Offset to loans and receivables	–	–	–	–
Closing balance 30 June 2013	**5,890**	**–**	**–**	**5,890**

NOTE 10: CASH FLOW RECONCILIATION

	2014 $'000	2013 $'000
RECONCILIATION OF CASH AND CASH EQUIVALENTS AS PER STATEMENT OF FINANCIAL POSITION TO CASH FLOW STATEMENT		
Cash and cash equivalents as per:		
Cash flow statement	123,102	14,133
Statement of financial position	123,102	14,133
Difference	–	–
RECONCILIATION OF NET COST OF SERVICES TO NET CASH FROM OPERATING ACTIVITIES		
Net contribution by/(cost of) services:	17,296	(12,226)
Revenue from Government	8,000	18,383
Income tax expense	–	–
ADJUSTMENTS FOR NON-CASH ITEMS		
Depreciation / amortisation	387	6
Concessional loan charge	5,582	5,890
Impairment	774	–
Capitalised interest and fees on loans	(1,276)	–
Amortisation of concessional loan discount	(1,414)	–
Interest on make good	6	–
MOVEMENTS IN ASSETS AND LIABILITIES		
Assets		
(Increase) / decrease in net receivables	(7,082)	(63)
(Increase) / decrease in prepayments and other assets	134	(701)
Liabilities		
Increase / (decrease) in employee provisions	310	188
Increase / (decrease) in supplier payables	692	542
Increase / (decrease) in unearned income	3,430	874
Increase / (decrease) in other payables	2,411	871
Increase / (decrease) in other provisions	(16)	(10)
Net cash from operating activities	**29,234**	**13,754**

NOTE 11: CONTINGENT ASSETS AND LIABILITIES

QUANTIFIABLE CONTINGENCIES

At 30 June 2014 the Corporation had no significant quantifiable contingencies.

UNQUANTIFIABLE CONTINGENCIES

At 30 June 2014 the Corporation had no significant unquantifiable contingencies.

SIGNIFICANT REMOTE CONTINGENCIES

At 30 June 2014 the Corporation had no significant remote contingencies.

NOTE 12: DIRECTORS' REMUNERATION

	2014 No.	2013 No.
The number of non-executive directors of the entity included in these figures are shown below in the relevant remuneration bands:		
$30,000 to $59,999	–	6
$60,000 to $89,999	6	–
$90,000 to $119,999	1	1
Total	**7**	**7**
Total remuneration received or due and receivable by non-executive directors of the entity	**$510,251**	**$400,640**

Remuneration of executive directors is included in Note 14: Senior Executive Remuneration.

NOTE 13: RELATED PARTY DISCLOSURES

TRANSACTIONS WITH DIRECTORS OR DIRECTOR-RELATED ENTITIES

The following table provides the total amount of transactions that were entered into with director-related parties during the financial year ended 30 June 2014. The directors involved took no part in the relevant decisions of the Board.

Director	Related Party	Transaction	Year	Purchase from Related Party $'000	Receipt from Related Party $'000
Martijn Wilder AM	Baker & McKenzie	Staff secondment	2014	301	–
Martijn Wilder AM	Baker & McKenzie	Legal advice	2014	151	–
Martijn Wilder AM	Baker & McKenzie	Staff secondment	2013	100	–
Martijn Wilder AM	Baker & McKenzie	Legal advice	2013	–	–

Mr Wilder is also the Chairman of Low Carbon Australia Limited.

TRANSACTIONS WITH OTHER RELATED ENTITIES

The following transactions were entered into with other related parties under common control during the financial year ended 30 June 2014:

DEPARTMENT OF THE TREASURY:

The Department of the Treasury has provided administrative funding totalling $8 million (2013: $18.383 million) as a CAC Act Body payment for operational expenditures (refer Note 4C).

The Department of the Treasury were also instrumental in establishing the operational capability of the Corporation in the prior financial period. In establishing the Corporation the Treasury incurred costs on behalf of and for the benefit of the Corporation. These costs totalled $1.943 million in the period ended 30 June 2013 and have been included in the appropriate categories of expenditure in the Statement of Comprehensive Income rather than as a single line item of supplier expenses: rendering of services — related parties. Of this amount, $1.929 million was reimbursed to Treasury by the Corporation prior to 30 June 2013 and $14,000 during the year ended 30 June 2014.

LOW CARBON AUSTRALIA LIMITED:

The Corporation and Low Carbon Australia Limited have been working co-operatively to achieve the practical integration of the two entities as announced by both Boards, and endorsed by the Australian Government on 19 December 2012. This arrangement included Low Carbon Australia Limited incurring approximately $321,000 (2013: $228,000) of costs on behalf of the Corporation and charged to the Corporation during the year ended 30 June 2014 for matters such as rental of offices, third party IT infrastructure support services and web-site development. The $321,000 (2013:$179,000) has been included in the appropriate categories of expenditure in the Statement of Comprehensive Income rather than as a single line item of supplier expenses: rendering of services — related parties and $nil (2013: $49,000) have been deferred as relating to future periods. Of the $321,000 (2013: $228,000) incurred by Low Carbon Australia Limited, $321,000 (2013: $110,000) was reimbursed by the Corporation prior to 30 June 2014 and $nil (2013:$118,000) remained outstanding and owing to Low Carbon Australia at 30 June 2014.

The majority of staff previously employed by Low Carbon Australia Limited were employed by the Corporation in April 2013. Prior to this date, a number of Low Carbon Australia staff were working on the set up and establishment of operational capability of the Corporation. The entities have estimated that the value of the work undertaken by Low Carbon Australia staff in this regard was approximately $nil (2013: $184,000) and the Corporation paid Low Carbon Australia Limited an amount of $nil (2013: $80,000 (including GST)) in respect of this work. The $80,000 was paid to Low Carbon Australia Limited by the Corporation prior to 30 June 2013 and is included in the prior period comparatives as supplier expenses: rendering of services — related parties (refer Note 3B).

Certain staff continued to provide services to Low Carbon Australia Limited through 30 June 2014 to ensure Low Carbon Australia Limited and its Board were able to meet their remaining contractual, portfolio management, regulatory, reporting and administrative obligations. The entities have estimated that the value of the work undertaken by the Corporation's staff up to 30 June 2014 on behalf of Low Carbon Australia Limited was approximately $98,000 (2013: $46,000). Low Carbon Australia Limited was not charged for this work in light of the significant work undertaken by Low Carbon Australia Limited to assist in the establishment of the Corporation prior to 30 June 2013.

As part of a restructuring of administrative arrangements, Low Carbon Australia Limited relinquished net assets totalling $68,627,000 (2013: $338,000) to the Corporation for $nil consideration. The distribution of net assets from Low Carbon Australia was undertaken in accordance with the wind-up provisions in the Constitution of that entity and details of the net assets transferred have been included in Note 17 — Contributed Equity.

In the prior period an agreement was reached between Low Carbon Australia Limited and the Corporation that all Low Carbon Australia Limited staff transferring employment to the Corporation would retain their continuity of service in relation to both Long

Service Leave and Redundancy (if any). In exchange for this undertaking, Low Carbon Australia Limited paid to the Corporation an amount of $465,000 during the year ended 30 June 2013. The Corporation applied $26,000 of this amount towards the termination of a number of Low Carbon Australia Limited staff, included $101,000 in its provision for Long Service Leave and recognised the remaining $338,000 as a contribution of equity (Refer Note 17 — Contributed Equity).

NOTE 14: SENIOR EXECUTIVE REMUNERATION

	2014 $	2013 $
NOTE 14A: SENIOR EXECUTIVE REMUNERATION EXPENSES FOR THE REPORTING PERIOD		
SHORT-TERM EMPLOYEE BENEFITS		
Salary	2,117,481	675,220
Performance bonuses	673,243	223,708
Retention bonuses	288,271	–
Motor vehicle and other allowances	1,769	–
Total short-term employee benefits	**3,080,764**	**898,928**
POST-EMPLOYMENT BENEFITS		
Superannuation	89,235	83,142
Total post-employment benefits	**89,235**	**83,142**
OTHER LONG-TERM EMPLOYEE BENEFITS		
Annual leave accrued	43,685	53,819
Long-service leave	34,259	11,638
Total other long-term employee benefits	**77,944**	**65,457**
Total senior executive remuneration expenses	**3,247,943**	**1,047,527**

1. Note 14A is prepared on an accrual basis.
2. Note 14A excludes acting arrangements and part-year service where total remuneration expensed as a senior executive was less than $180,000.

Average annual reportable remuneration[1]	Substantive senior executives No.	Reportable salary[2] $	Contributed superannuation[3] $	Reportable allowances[4] $	Variable compensation paid[5] $	Total reportable remuneration $
NOTE 14B: AVERAGE ANNUAL REPORTABLE REMUNERATION PAID TO SUBSTANTIVE SENIOR EXECUTIVES DURING THE REPORTING PERIOD						
AVERAGE ANNUAL REPORTABLE REMUNERATION PAID TO SUBSTANTIVE SENIOR EXECUTIVES IN 2014						
Total reportable remuneration (including part-time arrangements):						
$390,000 to $419,999	1	378,911	17,775	1,769	19,712	418,167
$420,000 to $449,999	2	399,421	17,775	-	25,232	442,428
$450,000 to $479,999	1	432,764	17,775	-	28,283	478,822
$570,000 to $599,999	1	496,538	17,775	-	84,841	599,154
Total number of substantive senior executives	5					

Continued

Average annual reportable remuneration[1]	Substantive senior executives No.	Reportable salary[2] $	Contributed superannuation[3] $	Reportable allowances[4] $	Variable compensation paid[5] $	Total reportable remuneration $
AVERAGE ANNUAL REPORTABLE REMUNERATION PAID TO SUBSTANTIVE SENIOR EXECUTIVES IN 2013						
Total reportable remuneration (including part-time arrangements):						
$0 to $179,999	4	111,158	4,118	-	-	115,276
$270,000 to $299,999	1	260,095	16,470	-	-	276,565
Total number of substantive senior executives	**5**					

1 This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

2 'Reportable salary' includes the following:
a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
c) exempt foreign employment income; and
d) salary sacrificed benefits.

3 The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.

4 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

5 'Variable compensation paid' represents average actual variable compensation paid during the reporting period in that reportable remuneration band. The 'variable compensation paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year as well as performance of both the Corporation and the individual against the relevant KPIs for a given year. Variable compensation was accrued but unpaid as of 30 June 2013 and therefore no amount has been included in table 14B for the 2013 financial year.

NOTE 15: REMUNERATION OF AUDITORS

	2014 $'000	2013 $'000
FINANCIAL STATEMENT AUDIT SERVICES WERE PROVIDED TO THE ENTITY BY THE AUSTRALIAN NATIONAL AUDIT OFFICE (ANAO).		
Fair value of the services provided		
Financial statement audit services	132	100
Total	**132**	**100**

No other services were provided by the ANAO.

NOTE 16: COMMITTED CREDIT FACILITIES

Commitments represent funds committed by the Corporation to third parties where the funds remain available but undrawn at year end. Commitments to provide credit may convert to loans and other assets in the ordinary course of business. As these commitments may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

	2014 $'000	2013 $'000
Committed credit facilities	605,564	87,500
Committed investments at call	80,000	–
Total committed credit facilities as per commitments note	**685,564**	**87,500**

NOTE 17: CONTRIBUTED EQUITY

EQUITY FROM CLEAN ENERGY FINANCE CORPORATION SPECIAL ACCOUNT

The Department of the Treasury maintains the Clean Energy Finance Corporation Special Account established in accordance with section 45 of the *Clean Energy Finance Corporation Act 2012*.

	2014 $'000	2013 $'000
Credited to the Clean Energy Finance Corporation Special Account maintained by the Treasury	2,000,000	–
Drawn during the year as an equity contribution from the Treasury to fund the financial obligations of the Corporation	1,131,600	–

RESTRUCTURING OF ADMINISTRATIVE ARRANGEMENTS

In accordance with an instruction received from the Australian Government, as part of a restructuring of administrative arrangements, another Government controlled entity Low Carbon Australia Limited, relinquished the following net assets to the Clean Energy Finance Corporation for $nil consideration. A summary of the assets acquired and liabilities assumed follows:

	2014 $'000	2013 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	42,107	465
Loans and receivables at amortised cost	28,344	–
Available for sale financial assets	300	–
NON-FINANCIAL ASSETS		
Deposits	23	–
Property, Plant & Equipment, net	520	–
Intangibles — software, net	38	–
PAYABLES AND UNEARNED INCOME		
Unearned income	(334)	–
Suppliers — operating lease rentals	(161)	–
PROVISIONS		
Provision for concessional loans	(2,085)	–
Building make good	(125)	–
Employee provisions	-	(127)
Net assets received	**68,627**	**338**
SUMMARY OF CONTRIBUTED EQUITY		
Opening balance — 1 July	338	–
Equity from Clean Energy Finance Corporation Special Account	1,131,600	–
Net Assets received from restructuring of administrative arrangements	68,627	338
Closing contributed equity balance — 30 June	**1,200,565**	**338**

NOTE 18: FINANCIAL INSTRUMENTS

	2014 $'000	2013 $'000
NOTE 18A: CATEGORIES OF FINANCIAL INSTRUMENTS		
FINANCIAL ASSETS		
Cash and cash equivalents		
Cash and cash equivalents	123,102	14,133
Short-term investments	270,000	–
Other financial assets	621,822	–
Total cash and cash equivalents	**1,014,924**	**14,133**
LOANS AND RECEIVABLES		
Trade and other receivables	4,759	63
Loans and receivables at amortised cost	231,627	50,000
Total loans and receivables	**236,386**	**50,063**
AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Available for sale financial assets	305	–
Total available-for-sale financial assets	**305**	**–**
Carrying amount of financial assets	**1,251,615**	**64,196**
FINANCIAL LIABILITIES		
At amortised cost		
Interest bearing liabilities	–	50,016
Trade creditors and accruals	1,194	536
Operating lease rentals	113	6
Other	257	222
Total	**1,564**	**50,780**
Carrying amount of financial liabilities	**1,564**	**50,780**

Continued

	2014 $'000	2013 $'000
NOTE 18B: NET GAINS ON FINANCIAL ASSETS		
CASH AND CASH EQUIVALENTS		
Interest from cash and short-term investments	16,545	73
Interest from other financial assets	8,965	–
Net gains on cash and cash equivalents	**25,510**	**73**
LOANS AND RECEIVABLES		
Interest income & fees	14,863	16
Unwind of concessional loan discount	1,414	–
Net gains on loans and receivables	**16,277**	**16**
Net gains on financial assets	**41,787**	**89**

The total interest income from financial assets not at fair value through profit or loss was $41,787,000 (2013: $89,000).

	2014 $'000	2013 $'000
NOTE 18C: NET LOSSES ON FINANCIAL LIABILITIES		
FINANCIAL LIABILITIES — AT AMORTISED COST		
Interest expense	30	16
Net losses on financial liabilities - at amortised cost	**30**	**16**
Net losses on financial liabilities	**30**	**16**

The total interest expense from financial liabilities not at fair value through profit or loss was $30,000 (2013: $16,000).

NOTE 18D: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured at fair value, by valuation method.

The different levels are defined below:

Level 1: Fair value obtained from unadjusted quoted prices in active markets for identical instruments

Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the instrument, either directly or indirectly.

Level 3: Fair value derived from inputs that are not based on observable market data.

Fair value hierarchy for financial assets:

	Fair Value				Carrying Value
	Level 1 2014 $'000	Level 2 2014 $'000	Level 3 2014 $'000	Total 2014 $'000	Total 2014 $'000
FINANCIAL ASSETS AT FAIR VALUE					
Available for sale financial assets	250	–	55	305	305
FINANCIAL ASSETS FOR WHICH FAIR VALUE IS DISCLOSED					
Loans and receivables	–	232,000	–	232,000	231,627
Total	**250**	**232,000**	**55**	**232,305**	**231,932**

There was no transfer between levels.

	Fair Value				Carrying Value
	Level 1 2013 $'000	Level 2 2013 $'000	Level 3 2013 $'000	Total 2013 $'000	Total 2013 $'000
FINANCIAL ASSETS AT FAIR VALUE					
Available for sale financial assets	–	–	–	–	–
FINANCIAL ASSETS FOR WHICH FAIR VALUE IS DISCLOSED					
Loans and receivables	–	50,000	–	50,000	50,000
Total	–	**50,000**	–	**50,000**	**50,000**

There was no transfer between levels.

Management assessed that cash, cash equivalents, short-term deposits, trade and other receivables, other financial assets, supplier payables, operating lease rentals, and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Corporation using discounted cash flow analysis based on parameters such as current interest rates (base rate and margins), individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are also taken into account for the expected losses of these receivables. As at 30 June 2014 and 2013, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values;
- Fair value of the unquoted equities has been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments;
- Fair value of quoted equities is derived from quoted market prices in active markets; and
- Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own on-performance risk as at 30 June 2014 and 2013 was assessed to be insignificant.

NOTE 18E: CREDIT RISK

Credit risk arises from the possibility of defaults on contractual obligations, resulting in financial loss.

The Corporation has assessed the risk of default on payment and has not identified any specific loans that are past due at reporting date and likely to be impaired. The Corporation managed its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the Corporation had policies and procedures that guided employee's debt recovery techniques that were to be applied.

The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held will vary, but may include:

- a floating charge over all assets and undertakings of an entity, including uncalled capital and called but unpaid capital;
- specific or inter-locking guarantees;
- specific charges over defined assets of the counterparty; and
- loan agreements which include affirmative and negative covenants and in some instances, guarantees of counterparty obligations.

CREDIT QUALITY OF FINANCIAL INSTRUMENTS NOT PAST DUE OR INDIVIDUALLY DETERMINED AS IMPAIRED

	Note	Not past due nor impaired 2014 $'000	Not past due nor impaired 2013 $'000	Past due or impaired 2014 $'000	Past due or impaired 2013 $'000
Cash and cash equivalents	5A	123,102	14,133	–	–
Short-term investments	5B	270,000	–		
Trade and other receivables	5C	4,759	63	–	–
Loans and receivables	5D	232,231	50,000	–	–
Available for sale financial assets	5E	305	–	–	–
Other financial assets	5F	621,822	–	–	–
Total financial assets		**1,252,219**	**64,196**	**–**	**–**
Committed credit facilities	16	685,564	87,500	–	–
Total Commitments		**685,564**	**87,500**	**–**	**–**
Total credit risk exposure		**1,937,783**	**151,696**	**–**	**–**

Cash and cash equivalents are held with authorised deposit-taking institutions in Australia in accordance with the prudential controls set by the *Public Governance, Performance and Accountability Act, 2014* (previously the *Commonwealth Authorities and Companies Act 1997*).

Non-financial assets, including property, plant and equipment, have not been included in the above table as there is no significant associated credit risk.

AGEING OF FINANCIAL ASSETS THAT WERE PAST DUE BUT NOT IMPAIRED FOR 2014

The Corporation had no amounts past due but not impaired at 30 June 2014.

NOTE 18F: LIQUIDITY RISK

The Corporation's financial liabilities are trade creditors, operating leases and amounts owing to the Australian Taxation Office. The exposure to liquidity risk is based on the notion that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. This is considered highly unlikely as the Corporation has significant cash balances, all invested short-term, access to government funding, and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

UNDISCOUNTED FINANCIAL LIABILITIES 2014

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Interest bearing liabilities	–	–	–	–	–	–
Trade creditors and accruals	–	1,194	–	–	–	**1,194**
Operating lease rentals	–	100	13	–	–	**113**
Other	–	257	–	–	–	**257**
Total	–	**1,551**	**13**	–	–	**1,564**

UNDISCOUNTED FINANCIAL LIABILITIES 2013

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Interest bearing liabilities	50,016	–	–	–	–	**50,016**
Trade creditors and accruals	–	536	–	–	–	**536**
Operating lease rentals	–	–	6	–	–	**6**
Other	–	222	–	–	–	**222**
Total	50,016	**758**	**6**	–	–	**50,780**

The entity had no derivative liabilities in 2014 (2013: nil).

Any financing shortfall is addressed through the contribution of equity provided by Government from the Clean Energy Finance Corporation Special Account that is to be funded in an amount of $2 billion per annum for each of the 5 years commencing 1 July 2013. The Corporation has drawn amounts totalling $1,131.6 million from this Special Account to fund its initial tranche of investments, including the repayment of the interest bearing liability shown in the 2013 comparative above.

NOTE 18G: MARKET RISK

The Corporation holds basic financial instruments that do not expose it to certain market risks, such as 'Currency risk' and 'Other price risk'. However, the Corporation is involved in lending and therefore inherent interest rate risks arise.

The only interest-bearing liability on the balance sheet is the 'Interest bearing liabilities'. These bear interest at a fixed interest rate and their values did not fluctuate due to changes in the market interest rate.

The Corporation accounts for loans and receivables at amortised cost, so any change to fair value arising from a movement in the market interest rates has no impact on the reported profit or loss unless an investment is sold prior to maturity and crystallises a previously unrealised gain or loss.

NOTE 18H: CONCENTRATION OF EXPOSURE

Concentration of credit risk exists when a number of counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions.

The Corporation will have a significant concentration of exposure to the energy and renewables sectors since it has been established for investment in commercialisation and deployment of (or in relation to the use of) Australian based renewable energy, energy efficiency and low emissions technologies (or businesses that supply goods or services need to develop the same), with at least 50 per cent of its investment in the renewables sector.

The Corporation is in the early stage of investment and therefore will have a relatively concentrated exposure to individual assets, entities and industries until such time as it is able to establish a more broad and diversified portfolio.

At 30 June 2014, the Corporation's investments span a diverse range of industrial sectors (including energy utilities, agribusiness, manufacturing, property/buildings and local government), and (within the allowable spectrum) a range of technologies (including waste coal mine gas-to-energy, wave energy, biomass-to-energy, wind energy, solar PV, and energy efficiency equipment). However, there is a concentration of investments in the renewable energy sub-sector, therefore there is a significant concentration of credit risk exposure to these particular investments and counterparties. In the prior year the Corporation had only one investment on its balance sheet at 30 June 2013 and two additional investments contractually committed and therefore there was a significant concentration of credit risk exposure to these particular investments and counterparties.

	2014 $'000	2013 $'000
NOTE 18I: CONCESSIONAL LOANS		
LOAN PORTFOLIO		
Nominal value	84,977	–
Less: Unexpired discount	(7,330)	–
Less: Principal repayment	(5,077)	–
Less: Statistical impairment provision	(4)	–
Carrying value of concessional loans	**72,566**	**–**

NOTE 19: FINANCIAL ASSETS RECONCILIATION

	2014 $'000	2013 $'000
Total financial assets as per statement of financial position	1,251,615	64,196
Total financial assets as per financial instruments note	1,251,615	64,196

NOTE 20: COMPENSATION AND DEBT RELIEF

	2014 $'000	2013 $'000
Compensation and Debt Relief	–	–

There have been no compensation or debt waivers granted by the Corporation during the financial year ended 30 June 2014 (2013: $nil).

NOTE 21: REPORTING OF OUTCOMES

The Corporation has one outcome — to facilitate increased flows of finance into Australia's clean energy sector, applying commercial rigour to investing in renewable energy, low-emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders.

	Outcome 1 2014 $'000	Outcome 1 2013 $'000	Total 2014 $'000	Total 2013 $'000
NOTE 21A: NET COST OF OUTCOME DELIVERY				
DEPARTMENTAL				
Expenses	24,491	12,373	24,491	12,373
Own-source income	41,787	147	41,787	147
Net return / (cost) of outcome delivery	**17,296**	**(12,226)**	**17,296**	**(12,226)**

Section 5 image overleaf: Workers installing a trigeneration unit at CQ Hotel, Melbourne

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APPENDICES, GLOSSARY AND INDEX

APPENDIX A:
INDEX OF ANNUAL REPORT REQUIREMENTS FOR THE CEFC

As a Commonwealth authority, the CEFC has a range of annual reporting requirements set by legislation, subordinate legislation and reporting guidelines.

This Index of Annual Report Requirements for the CEFC is set out with reference to the source of the requirement — it can be used as a checklist as to which rules apply to the CEFC and how these requirements have been met in the Annual Report (the Table of Contents and the Index can be used to browse by subject matter).

Table A.1: Index of Annual Report requirements for the CEFC

Leg. Ref.	Obligation	Other sources	Completed?	Where met in Annual Report
***Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011)* (as amended) made under the *Commonwealth Authorities and Companies Act 1997*, section 48(1) & Schedule 1, clause 2 (FMOs).**				
FMOs	Specifies requirements and format of preparation of financial statements for Commonwealth authorities like the CEFC	AASB standards	Yes	Section 4: Financial statements (pages 142–205 inclusive)
Commonwealth Authorities (Annual Reporting) Orders 2011 made under the *Commonwealth Authorities and Companies Act 1997 (CAC Act)*, section 48.				
Clause 6	Statement of approval of annual report of operations by directors	–	Yes	See letter of transmittal (pages ii–iii)
Clause 7	Details of any reporting exemptions applied for	–	Yes — please note there were no exemptions applied for this year	page 120

Continued

Leg. Ref.	Obligation	Other sources	Completed?	Where met in Annual Report
Clause 8	Parliamentary standards of presentation	*Department of Prime Minister and Cabinet Guidelines for the Presentation of Documents to the Parliament (Including Government Documents, Government Responses to Committee Reports, Ministerial Statements, Annual Reports and Other Instruments) 29 May 2014;* Advice of the Joint Committee on Publications as published from time to time established by Standing Order of the Senate No.22 & Standing Order of the House of Representatives No.219.	Yes	Refers to all of this Annual Report
Clause 9	Use of Plain English and clear design	FMOs made under the CAC Act, section 48(1) & Schedule 1, clause 2	Yes	Refers to all of this Annual Report
Clause 10	Enabling Legislation	*Clean Energy Finance Corporation Act 2012* (CEFC Act), section 8	Yes	page 116
Clause 11	Responsible Minister	CEFC Act, sections 4 & 76	Yes	page 117
Clause 12	Ministerial directions and other statutory requirements	CEFC Act, section 64 and the *Clean Energy Finance Corporation Investment Mandate Direction 2013* (Investment Mandate)	Yes	page 117, 139–141

Continued

Leg. Ref.	Obligation	Other sources	Completed?	Where met in Annual Report
Clause 10	Other annual reporting requirements	Various	Yes	See 'Other Statutory Requirements Affecting the CEFC' at pages 139–141 and this Index
Clause 13	Information about directors	FMOs and CEFC Act, section 74(1)(f)	Yes	page 122–127, 188
Clause 14	Outline of organisational structure	CEFC Act	Yes	page 114
Clause 14	Statement on governance	Investment Mandate	–	pages 112–141 and Appendix I
Clause 15	Related entity transactions	FMOs, CAC Act	–	pages 135–136, 175, 189–191
Clause 16	Key activities and changes affecting the company	FMOs	Yes	pages 3–7, 9–15, 54–101
Clause 17	Judicial decisions and reviews by outside bodies	–	Yes	page 121
Clause 18	Obtaining information from subsidiaries	–	Yes — please note the CEFC has no subsidiaries	See 'CEFC Organisational Structure' at page 114
Clause 19	Indemnities and insurance premiums for officers	FMOs	Yes	page 134
Clause 20	Disclosure requirements for GBEs	Not Applicable — the CEFC is not A GBE	–	–
Clause 21	Index of annual report requirements	Index of Annual Report requirements	Yes	This table is the Index

Continued

Leg. Ref.	Obligation	Other sources	Completed?	Where met in Annual Report
Clean Energy Finance Corporation Act 2012, section 74 (Extra matters to be included in Annual Report)				
Section 74(1)(a)	Total value of section 63 investments as at the end of the financial year, by reference to the class of clean energy technologies to which the investments relate	CEFC Act	Yes	Table 1.1. CEFC Performance against KPIs, page 35
Section 74(1)(b)	Details of the realisation of any section 63 investments in the financial year	CEFC Act	Yes	page 98
Section 74(1)(c)	If, as at the end of the financial year, less than half of the funds invested for the purposes of the Corporation's investment function are invested in renewable energy technologies—an explanation of the reasons why	CEFC Act, section 58(3)	Yes please note the more than half of the Corporation's funds are invested in renewable energy technologies, so this does not apply for 2012–13	See table 1.1. CEFC Performance against KPIs, page 35
Section 74(1)(d)	Total value of concessions given by the Corporation in the financial year	Investment Mandate	Yes — $5.582 million	See Section 4: Financial Statements at Note 3, and pages 147, 174 and 186–187
Section 74(1)(e)	A balance sheet setting out, as at the end of the financial year, the assets and liabilities of the Corporation and a statement of cash flows	FMOs	Yes	Appendix D and pages 148

Continued

Leg. Ref.	Obligation	Other sources	Completed?	Where met in Annual Report
Section 74(1)(f)	Set out the remuneration and allowances of Board members and senior staff of the Corporation for the financial year	FMOs, *Remuneration Tribunal Act 1974*	Yes	See 'Board member Remuneration' at page 129; 'Executive Remuneration' at page 133 Section 4: Financial Statements at page 188 and Appendix I.
Section 74(1)(g)	Set out the Corporation's operating costs and expenses for the financial year	FMOs	Yes	See Section 4: Financial Statements at pages 148, 173–174 and Appendix D
Section 74(1)(h)	Benchmark the Corporation's operating costs and expenses for the financial year against the operating costs and expenses of other comparable entities for that financial year	–	Yes	Appendix D
Section 74(1)(i)	Set out details of any procurement contracts to which the Corporation is party that are in force at any time in the financial year and have a value of more than $80,000	*Commonwealth Procurement Rules 2012* under Regulation 7 of the *Financial Management and Accountability Regulations 1997* (for definitional guidance only). NB these have been replaced by *Commonwealth Procurement Rules 2014* made under the PGPA Act.	Yes	Appendix E

Continued

Leg. Ref.	Obligation	Other sources	Completed?	Where met in Annual Report
Section 74(1)(j)	Details of credits and debits to the Account in the financial year	CEFC Act, section 45	Yes — please note the Special Account was not credited or debited within the 2012–13 financial year	Appendix C
Section 74(2)	Section 74(1) reports for subsidiaries	CEFC Act, section 71; CAC Act	No — please note there are no CEFC subsidiaries	See 'CEFC Organisational Structure' at page 114
The Corporate Governance Principles and Recommendations with 2010 Amendments				
The Corporate Governance Principles and Recommendations with 2010 Amendments is produced by the Australian Securities Exchange (ASX) Corporate Governance Council for exchange listed entities. While not directly applicable to the CEFC, the Principles and Recommendations are recognised as being a benchmark for ethical corporate reporting and the CEFC has voluntarily prepared a report against them in the interests of transparency. The CEFC is required to adopt a best practice approach to corporate governance by the Investment Mandate. This is reported in this Index for convenience.			Yes, in so far as they are applicable	Appendix I
***Environment Protection and Biodiversity Conservation Act 1999*, section 516A(3)**				
Section 516A(6)(a)	Include a report on how the activities of, and the administration (if any) of legislation by, the reporter during the period accorded with the principles of ecologically sustainable development	Department of the Environment, Water, Heritage and the Arts (as it then was) *Guidelines for Section 516A reporting — Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act Guidelines)	Yes	Appendix G

Continued

Leg. Ref.	Obligation	Other sources	Completed?	Where met in Annual Report
Section 516A(6)(b)	Identify how the outcomes (if any) specified for the reporter in an Appropriations Act relating to the period contribute to ecologically sustainable development	EPBC Act Guidelines	Yes	Appendix G
Section 516A(6)(c)	Document the effect of the reporter's activities on the environment	EPBC Act Guidelines	Yes	Appendix G
Schedule 2, Part 4, section 4(2)(b)	Health and safety outcomes (including the impact on injury rates of workers) achieved as a result of initiatives mentioned under paragraph (a) or previous initiatives	EPBC Act Guidelines	Yes	Appendix G
Schedule 2, Part 4, section 4(2)(c)	Statistics of any notifiable incidents of which the entity becomes aware during the year that arose out of the conduct of businesses or undertakings by the entity	Department of the Environment, Water, Heritage and the Arts (as it then was)	Yes	Appendix G
Schedule 2, Part 4, section 4(2)(d)	Any investigations conducted during the year that relate to businesses or undertakings conducted by the entity, including details of all notices given to the entity during the year under Part 10 of the WHS Act	EPBC Act Guidelines	Yes	Appendix G

Continued

Leg. Ref.	Obligation	Other sources	Completed?	Where met in Annual Report
Schedule 2, Part 4, section 4(2)(e)	Other matters as are required by guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit	EPBC Act Guidelines	Yes	Appendix G
Section 516A(6)(d)	Identify any measures the reporter is taking to minimise the impact of activities by the reporter on the environment	–	Yes	Appendix G
Section 516A(6)(e)	Identify the mechanisms (if any) for reviewing and increasing the effectiveness of those measures	–	Yes	Appendix G
***Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, section 9**				
Section 9(2)	Annual Program Report	–	Yes — please note this is reported in a separate Annual Report by the CEFC	page 138–139 See also separate EEO Report online at cleanenergyfinancecorp.com.au/reports
Freedom of Information Act 1982				
While there is no formal requirement for a Commonwealth authority to report FOI Act statistics, this has been performed voluntarily and is reported in this Index for convenience.				Appendix F

Continued

Leg. Ref.	Obligation	Other sources	Completed?	Where met in Annual Report
***Work Health and Safety Act 2011*, Schedule 2, Part 4, section 4**				
Schedule 2, Part 4, Section 4(2)(a)	Initiatives taken during the year to ensure the health, safety and welfare of workers who carry out work for the entity	–	Yes	Appendix H
Schedule 2, Part 4, Section 4(2)(b)	Health and safety outcomes (including the impact on injury rates of workers) achieved as a result of initiatives mentioned under paragraph (a) or previous initiatives	–	Yes	Appendix H
Schedule 2, Part 4, Section 4(2)(c)	Statistics of any notifiable incidents of which the entity becomes aware during the year that arose out of the conduct of businesses or undertakings by the entity	–	Yes	Appendix H
Schedule 2, Part 4, Section 4(2)(d)	Any investigations conducted during the year that relate to businesses or undertakings conducted by the entity, including details of all notices given to the entity during the year under Part 10 of the WHS Act	–	Yes	Appendix H
Schedule 2, Part 4, Section 4(2)(e)	Other matters as are required by guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit	–	Yes	Appendix H

APPENDIX B:
CEFC DEFINITIONAL GUIDANCE

The CEFC Board has established the following definitional guidance for the purposes of assessing clean energy technology investments.

SOLELY OR MAINLY AUSTRALIAN BASED

The CEFC Board will consider an investment to be 'solely or mainly Australian based' if the Investment Recipient is:

1. an entity registered with the ATO with an Australian ABN
2. the proposed investment relates to one of the matters in the table below.

Table B.1: Subject of investment

If the Clean Energy Finance Investment relates to…	…then satisfaction of the following conditions will make the Investment 'solely or mainly Australian based'…	…and the Corporation will use this metric as appropriate evidence of same:
1. Building, fixtures or specific projects (including construction and bridging finance)	The project is located: ▪ in Australia, or ▪ in Australian waters, or ▪ in international waters but only where it is used solely or mainly for the economic benefit of Australia.	GPS coordinate of project site
2. Equipment/chattel (including ships and aircraft) or otherwise undefined activity (whether of a commercial, governmental or other nature)	a. the equipment is located and primarily used: ▪ in Australia, or ▪ in Australian waters, or ▪ in international waters but only where it is used solely or mainly for the economic benefit of Australia. b. the activity is located: ▪ in Australia, or ▪ in Australian waters, or ▪ in international waters but only where it is solely or mainly for the economic benefit of Australia.	Presence of conditions precedent and binding covenants in contracts prior to investment being made to same effect
3. Indirect finance of either or both of one of the above categories (e.g. Fund of Funds)	The activities being financed fit into one of the above categories.	Presence of conditions precedent and binding covenants in contracts/ mandates prior to investment being made to same effect

For the purposes of this guideline, a reference to 'Australia' and 'Australian' includes the external territories (CEFC Act, section 6). The external territories of Australia are at present:

- the Australian Antarctic Territory
- the Coral Sea Islands Territory
- the Territory of Ashmore and Cartier Islands
- the Territory of Christmas Island
- the Territory of Cocos (Keeling) Islands
- the Territory of Heard Island and McDonald Islands
- the Territory of Norfolk Island.

For the purposes of this guideline, a reference to 'Australian waters' includes:

- the 'exclusive economic zone' as defined in the *Seas and Submerged Lands Act 1973* including the external territories
- the waters above the 'continental shelf', that is, any part of the area in, on or over the 'continental shelf' as that term is defined in the *Seas and Submerged Lands Act 1973* including the external territories.

RENEWABLE ENERGY TECHNOLOGIES

The CEFC provides the following guidance on 'renewable energy technologies' including 'renewable energy' and 'technologies'. Under the CEFC Act, the definition of 'renewable energy technologies' includes:

- hybrid technologies that integrate renewable energy technologies
- technologies (including enabling technologies) that are related to renewable energy technologies.

'Renewable energy' is energy derived from resources that are naturally replenished. Renewable energies include, but are not limited to, electricity, thermal energy and fuel for transport generated or derived from:

- bioenergy
- geothermal energy
- hydro energy
- ocean (tidal and wave) energy
- solar energy
- wind energy.

'Technologies' has its ordinary meaning, namely the application of:

- scientific knowledge for practical purposes
- machinery and equipment developed from such scientific knowledge.

The CEFC defines a 'hybrid' as a combination of technologies that integrate a renewable energy generation technology with other technologies into a combined system (i.e. a 'hybridised' generation system).

The Board has adopted the principle that to qualify for investment:

- hybrid technologies and/or systems should have a majority renewable energy technology component
- an eligible project involving hybrid technologies and/or systems would produce an outcome which results in energy production from the hybrid system

having an emissions intensity of less than 50 per cent of the existing generation system as connected to the transmission network/grid, or (where not connected to a grid), less than 50 per cent of the emissions intensity of the baseline activity.

The CEFC will also consider as eligible for investment, enabling technologies associated with the storage, prediction of supply, or assistance in transmission of renewable energy or a hybrid technology.

Renewable energy technologies exclude 'prohibited technology' as described in the CEFC Act, section 62, namely:

- a technology for carbon capture and storage (within the meaning of the *National Greenhouse and Energy Reporting Act 2007)*
- nuclear technology, or nuclear power.

ENERGY EFFICIENCY TECHNOLOGIES

The CEFC provides the following guidance for the term 'energy efficiency technologies' which includes 'energy efficiency', 'energy conservation' and 'demand management'.

'Energy efficiency' is an increased output per unit of energy input, where:

- output and energy input are measured in physical units
- this results in a decrease in CO_2-e emissions intensity relative to the baseline activity.

'Energy conservation' is the reduction of energy consumption.

'Demand management' includes demand response, demand side management, demand side response. A demand management technology might be considered eligible for CEFC investment where it can be clearly demonstrated that the technology results in a reduction in emissions intensity.

Energy efficiency technologies exclude 'prohibited technology' as described in the CEFC Act, section 62, namely:

- a technology for carbon capture and storage (within the meaning of the *National Greenhouse and Energy Reporting Act 2007)*
- nuclear technology; or
- nuclear power.

LOW EMISSIONS TECHNOLOGIES

The CEFC provides the following guideline for the term 'low emissions technologies'. Low emissions technologies may be applied to a number of activities including, but not limited to:

- energy production
- electricity generation including the use of non-renewable, fossil fuels
- fuels for and modes of transportation
- using, reducing, or eliminating existing fugitive greenhouse gas emissions.

In addition to meeting the above criteria, the Board requires that at the time of CEFC investment, the low emissions technology must result in emissions of CO_2-e being substantially lower than the current average of the most relevant baseline for the activity being undertaken. To satisfy this test, a proponent must demonstrate:

- that if the technology is solely for electricity generation, it achieves an emissions intensity of less than 50 per cent of the existing generation system as connected to the transmission network/grid, or where not connected to a grid, less than 50 per cent of the emissions intensity of the baseline activity
- that, if otherwise, the technology achieves useful-life emissions at 50 per cent less than the relevant current average baseline of the activity being undertaken.

The Board will consider on a case-by-case basis the level of reduced emissions in ranking low emissions technology investments against other investments the CEFC may make.

As a matter of investment policy, the CEFC will consider as eligible for investment, supply chains (manufacturing operations or service providers) that support the deployment or implementation of low emission technologies.

Low emission technologies exclude 'prohibited technology' as described in the CEFC Act, section 62, namely:

- a technology for carbon capture and storage (within the meaning of the *National Greenhouse and Energy Reporting Act 2007*)
- nuclear technology, or nuclear power.

APPENDIX C:

CEFC SPECIAL ACCOUNT — A REPORT UNDER *CLEAN ENERGY FINANCE CORPORATION ACT 2012*, SECTION 74(1)(j)

ABOUT THE SPECIAL ACCOUNT

The CEFC's investment funds are provided for by a special appropriation under section 46 of the *Clean Energy Finance Corporation Act 2012*, which will credit amounts to the CEFC in the Commonwealth Special Account as follows:

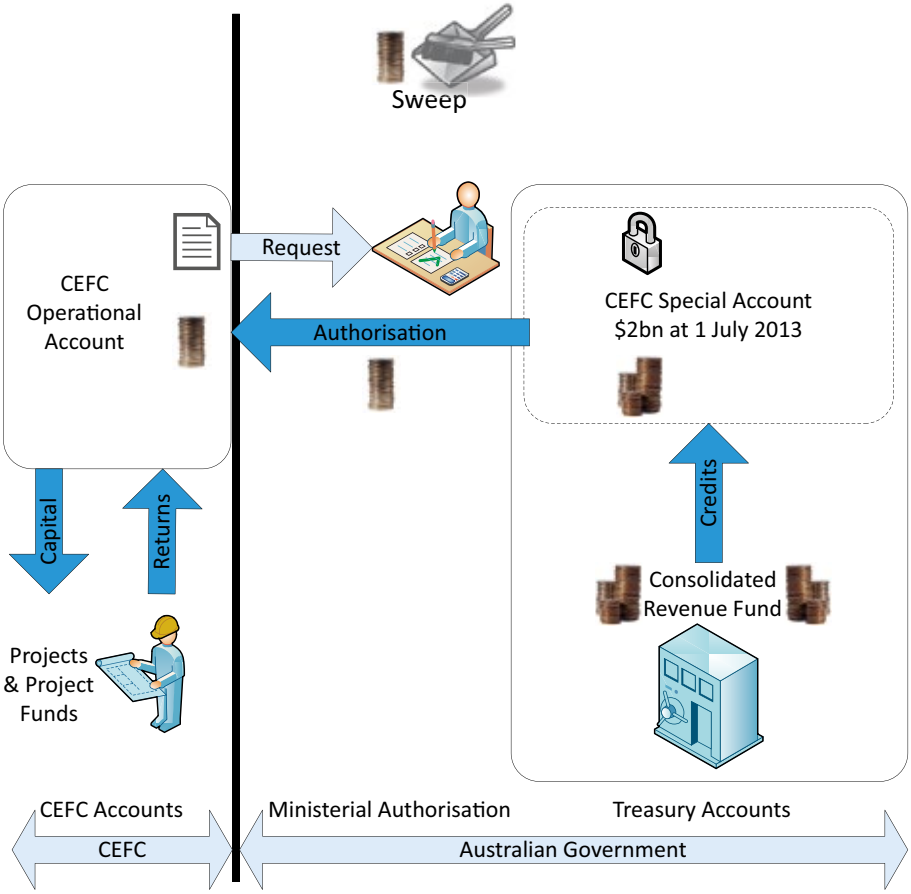
Table C.1: Credits to the Special Account under CEFC Act, section 46

Specified Date	Amount Credited to Account on Specified Date under section 46	Cumulative section 46 credits as at Specified Date
1 July 2013	$2 billion	$2 billion
1 July 2014	$2 billion	$4 billion
1 July 2015	$2 billion	$6 billion
1 July 2016	$2 billion	$8 billion
1 July 2017	$2 billion	$10 billion

The CEFC was not created to exercise a major cash management function. Accordingly, funds credited to the Special Account do not actually leave the Consolidated Revenue Fund until they are released for investment when authorised by the Nominated Minister (at present the Nominated Minister is the Treasurer) in accordance with the procedure outlined in the Act. In other words — the funds depicted in the previous table are a drawing right of the CEFC against the Special Account, rather than an actual transfer to the CEFC.

Investments are made (both directly by the CEFC and indirectly through intermediaries) into eligible clean energy projects. Repayments and returns from these projects are repaid directly to the CEFC's operational account. Funds in the CEFC's operational account are subject to a 'sweep' back into the Special Account when the CEFC has no immediate requirement for the funds in excess of $20 million. A simplified version of this process is illustrated in the diagram below.

Figure C.1: Special Account



Under section 74(1)(j) of the CEFC Act, the Corporation must report annually on debits and credits to the Special Account in the financial year. During the 2013–2014 financial year, credits or debits to the Special Account were as follows:

Table C.2: Credits and debits to the Special Account during 2013–2014

	Credits ($m)	Debits ($m)	Balance ($m)
Opening Balance $nil			
Section 46 Credit — 1 July 2013	2,000		2,000
Section 52 Request Granted		50	1,950
Section 52 Request Granted		50	1,900
Section 52 Request Granted		711.6	1,188.4
Section 52 Request Granted		320	868.4
Total	**2,000**	**1,131.6**	–

Under the CEFC Act, and subject to ministerial authorisation, the Corporation may also make payments to the Australian Renewable Energy Agency (ARENA). No requests were made and no payments to ARENA occurred.

APPENDIX D:

SUMMARY OF OPERATING COSTS AND EXPENSES & BENCHMARK: A REPORT UNDER THE *CLEAN ENERGY FINANCE CORPORATION ACT 2012*, SECTION 74(1)(h)

Under the CEFC Act, the Corporation must include in its annual report:

- The Corporation's operating costs and expenses for the financial year
- a benchmark of the Corporation's operating costs and expenses for the financial year against the operating costs and expenses of other comparable entities for that financial year.

The Corporation's operating costs and expenses for the financial year are reported in the Financial Statements (pages 148, 173–174).

ABOUT THE CEFC'S STRUCTURE

During the reporting period, the CEFC was a *Commonwealth Authorities and Companies Act 1997* (CAC Act) authority with an independent Board that makes investment decisions to invest in renewable and low carbon technology sector according to ministerial directions supplied by an Investment Mandate. The CEFC's investment focus is on debt (i.e. loan-making) that is solely or mainly Australian based. It cannot invest in property and does not have a large cash investment function. It has 51 employees based in two locations — Sydney (HQ) and Brisbane. During the financial year, the CEFC had drawing rights against the initial $2 billion in the Clean Energy Finance Corporation Special Account held by the Department of the Treasury.

NOTE ON COMPARISONS

Direct comparisons of the CEFC with other entities is difficult because:

a. there are very few government-owned public purpose entities that perform the type of function the CEFC does at a similar scale

b. current financial year data on other entities may not necessarily be readily available

c. data is not always reported using the same expense categories across the different entities.

ENTITIES CHOSEN FOR THE PURPOSES OF COMPARISON

In order to provide some comparison as required under Section 74 of the CEFC Act, the Corporation has compared its 2013–2014 operating costs and expenses against the latest publicly available information for the Future Fund Board of Guardians as supported by the Future Fund Management Agency (Future Fund), the Export Finance & Insurance Corporation (EFIC) and the Green Investment Bank (GIB) (all government owned entities formed for public purpose with a commercial mode of operation). More information about these entities is outlined below.

FUTURE FUND MANAGEMENT AGENCY (FUTURE FUND) — STRUCTURE

During 2013–2014, the Future Fund was a *Financial Management and Accountability Act 1997* entity governed by an independent Board, which makes investment decisions to invest according to ministerial directions supplied by an Investment Mandate. It is not sector-limited to renewable and low carbon technology in the same way the CEFC is, and pursues a broad sectoral spread in a range of investments — primarily equities (51 per cent), property and infrastructure (13 per cent), alternative assets (15 per cent), debt (12 per cent) and cash (9 per cent). It had circa $97 billion funds under management invested in Australia and overseas as of 31 December 2013.

EXPORT FINANCE AND INSURANCE CORPORATION (EFIC) — STRUCTURE

Like the CEFC, EFIC was a CAC Act Commonwealth authority governed by an independent Board during 2013–2014. EFIC is restricted to investing only where it does not compete with the private sector — this is a ministerial statement of expectation made by the responsible minister under the CAC Act. EFIC has four key functions under enabling legislation:

- to facilitate and encourage Australian export trade by providing insurance and financial services and products to persons involved directly or indirectly in such trade
- to encourage banks and other financial institutions in Australia to finance or assist in financing exports
- to manage the Australian Government's aid supported mixed credit program (a facility which has now been discontinued, although loans are still outstanding under it)
- to provide information and advice regarding insurance and financial arrangements to support Australian exports.

EFIC's investments function is primarily related to the issuing of insurance and guarantees, bonds and loans within these functions. EFIC is headquartered in Sydney and has some staff located in Austrade offices in Melbourne and Perth, provided facilities on the Commercial Account totalling over $513 million during 2012–2013, and had some $2.5 billion under management at 30 June 2013 (made up of circa $1.7 billion on the Commercial Account and $0.8 billion on the National Interest Account).

GREEN INVESTMENT BANK (GIB) (UK) — STRUCTURE

Formed as a public company owned by the UK Government in May 2012, it became fully operational in October 2012 when it was granted State Aid approval by the European Commission to make investments on commercial terms. The GIB has a mission similar to the CEFC — which the GIB states as 'to accelerate the UK's transition to a green economy and to create an enduring Institution, operating independently of Government'. However, the GIB has a broader 'Green Impact' mandate that goes beyond renewable and low carbon energy and emissions reduction into areas such as recycling and reduction of landfill. Like the CEFC, the GIB can invest in projects in the form of equity, debt and guarantees. Also like the CEFC, it is still a very young business and during the year ended 31 March 2014, committed circa $1.3 billion to 18 new projects bringing its cumulative investment commitment at the end of its financial year (March 2014) to circa $2.5 billion, with circa $0.7 billion of the investments funded at the end of its financial year (March 2014).

Table D.1: Comparison of CEFC 2013–2014 actual with latest publically available actual data of Future Fund, EFIC and GIB [a]

	CEFC 2013–14 $'000 / (%)	Future Fund 2012–13 [c], [d] $'000 / (%)	EFIC 2012–13 [c], [e] $'000 / (%)	GIB 2013–14 [f] $'000 / (%)
Staff Employment Related Expenses				
Wages & Salaries	9,672	25,958	15,100	18,058
Superannuation	589	1,333	1,500	1,482
Leave & Other Entitlements	311	531	400	
Incentive Compensation	1,920			3,277
Recruitment Costs	56			
Other Expenses	130			2,173
Total Staff Employment Related Expenses	**12,678 (52%)**	**27,822 (5%)**	**17,000 (11%)**	**24,990 (67%)**

Continued

	CEFC 2013–14 $'000 / (%)	Future Fund 2012–13 [c], [d] $'000 / (%)	EFIC 2012–13 [c], [e] $'000 / (%)	GIB 2013–14 [f] $'000 / (%)
Board Expenses				
Wages & Salaries	411	772		
Superannuation	38	70		
Travel & incidentals	44			
Total Board Expenses	**493 (2%)**	**842 (0%)**	**– (0%)**	**580 (2%)**
Other Costs				
Interest Expense	30 (0%)		128,900 (82%)	
Provision for Impairment	873 (3%)			
Concessional Loan Discount [b]	5,582 (23%)			
Consultants, Contractors, IT Services & Professional Fees	2,366 (10%)	515,260 (86%)	2,100 (1%)	3,163 (9%)
Other investment portfolio Expenses	– (0%)	36,105 (6%)	400 (0%)	
Travel & Incidentals	430 (2%)		1,300 (1%)	
Office Facility Costs	910 (3%)		1,200 (0%)	1,968 (5%)
Marketing, Communications & Website maintenance	459 (2%)		1,400 (1%)	
Depreciation & Amortisation	387 (2%)	1,264 (0%)	3,200 (2%)	874 (2%)
Administrative & Other Expenses	283 (1%)	16,897 (3%)	2,500 (2%)	5,435 (15%)
Total Expenses	**24,491 (100%)**	**598,190 (100%)**	**158,000 (100%)**	**37,010 (100%)**

Continued

	CEFC 2013–14 (Actual) $'000	Future Fund 2013–14 (Estimate) [g] $'000	EFIC 2013–14 (Estimate) [h] $'000
Employee benefits	12,942 (53%)	26,939 (4%)	
Supplier Costs	4,677 (19%)	693,869 (96%)	
Depreciation & Amortisation	387 (2%)	1,922 (0%)	
Concessional Loan Discount [b]	5,582 (23%)		
Allowance for impairment of assets	873 (3%)		
Finance costs	30 (0%)		
Total Expenses	**24,491 (100%)**	**722,730 (100%)**	

(a) Like for like comparisons are not strictly possible since different entities group and report costs differently.

(b) Non-cash charge that reverses over the life of the underlying loans

(c) From 2012–13 Annual Report since 2013–14 information is not available at the time of finalising this report for publication.

(d) Excludes costs related to Timberlands

(e) Costs are shown gross before National Interest Account allocation

(f) Green Investment Bank Group for twelve months ended 31 March 2014. Amounts converted at 30-6-14 average exchange rate of 1 GBP = 1.8136 AUD

(g) From 2014–15 Portfolio Budget Statements (Departmental + Administered)

(h) EFIC does not appear in the 2014–15 Portfolio Budget Statements and its 2013–14 Corporate Plan does not provide this level of detail.

APPENDIX E:

PROCUREMENT BY THE CEFC — A REPORT UNDER *CLEAN ENERGY FINANCE CORPORATION ACT 2012*, SECTION 74(1)(i).

While the CEFC is not presently subject to Commonwealth Procurement Rules, under section 74(1)(i) of the CEFC Act, the Corporation must set out in its Annual Report the details of any procurement contracts to which the Corporation is party that are in force at any time in the financial year and have a value of more than $80,000. The required particulars are set out in the table below.

Table E.1: CEFC procurement contracts that were in place during the 2013–2014 financial year (FY)

Date entered into	Value of the Contract ($)**	Value expensed during the FY ($)	Contracting Party	Purpose
February 2013	1,438,160	423,439	Dexus Property Group	Lease of premises at 1 Bligh Street, Sydney
June 2013	590,665	73,783	Marsh Pty Ltd	D&O Insurance for period 14 June 2013 to 14 June 2021
May 2013	99,550	–	Australian National Audit Office	Audit of financial statements for 30 June 2013
July 2013	151,480	151,480*	Baker & McKenzie	Legal fees
July 2013	300,589	300,589	Baker & McKenzie	General Counsel for period 1 July 2014 to 3 April 2014
July 2013	178,458	178,458*	DibbsBarker	Legal fees
July 2013	95,288	95,288	DibbsBarker	Legal staff member seconded to the Corporation
July 2013	268,307	268,307	FCM Travel Solutions	Business travel and incidental costs for period 1 July 2013 to 30 June 2014 under whole of government travel procurement program
July 2013	313,171	313,171	Studio Thick Pty Ltd	Website development, maintenance and Internet presence

Continued

Date entered into	Value of the Contract ($)**	Value expensed during the FY ($)	Contracting Party	Purpose
July 2013	714,945	343,856	The Uniting Church in Australia Property Trust (Q.)	Lease of premises at Level 8, 140 Ann Street, Brisbane
September 2013	127,160	115,333	Momentum 2 Pty Ltd	Communications and market education on co-finance products
October 2013	223,076	– (***)	King & Wood Mallesons	Legal fees
June 2014	132,000	132,000	Australian National Audit Office	Audit of financial statements for 30 June 2014
All FY	**4,665,744**	**2,440,426**	**Thirteen procurement contracts over $80,000**	

* Value expensed shown above for legal fees includes amounts that were capitalised as transaction costs on the origination of available for sale securities and loans and receivables.

** Legal and transactions fees that have been paid directly by the borrower to various legal firms, where the borrower has indemnified the Corporation for these costs are not included in the table above as there is no expense incurred by the Corporation.

*** Legal fees passed directly onto the borrower so there was no expense for the Corporation.

APPENDIX F:
FREEDOM OF INFORMATION ACT 1982 SUMMARY

The following table summarises the year's Freedom of Information (FOI) requests and their outcomes as referenced on page 140.

Table F.1: FOI Act summary

Activity	Number
Requests	
On hand at 1 July 2013	0
New requests received	2
Total requests completed by 30 June 2014	2
Action on requests	
Access granted in full	1
Access granted in part	0
Access refused	0
Access refused due to a practical refusal reason existing [s24AB(2)]	0
Access transferred in full	0
Request withdrawn	1
No records	0
Response times	
Applicable statutory time period met	2
0–30 days over	0
30–60 days over	0
Internal Review	
On hand as at 1 July 2013	0
Requests received	0
Decision affirmed	0
Decision amended	0
Request withdrawn	0
Review by Administrative Appeal Tribunal	
Applications received	0
Review by Australian Information Commissioner	
Applications received	0

The CEFC is required to lodge both quarterly and annual statistical returns with the Information Commissioner on statistics relating to Freedom of Information applications received and processed under the *Freedom of Information Act 1982*. The data provided under both formats of these statistical returns is used to inform the Information Commissioner's Annual Report

APPENDIX G:

ENVIRONMENTAL PERFORMANCE AND ECOLOGICALLY SUSTAINABLE DEVELOPMENT — A REPORT UNDER *ENVIRONMENT PROTECTION AND BIODIVERSITY CONSERVATION ACT 1999*, SECTION 516A(6)

The following table details the CEFC's Ecologically Sustainable Development (ESD) activities in accordance with section 516A(6) of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Table G.1: Performance against ESD reporting requirements

ESD reporting requirement	CEFC Response
How the CEFC's activities accorded with the principles of ESD	The CEFC's activities are strongly aligned to the principles of ESD (the principles are reproduced in Table G.2). The CEFC exists to facilitate financial flows to the renewable and low carbon technologies sector, defined in the CEFC Act as 'renewable energy', 'energy efficiency' and 'low emissions' technologies. The introduction of the CEFC follows from the March 2012 report of the CEFC Expert Review which was commissioned by the Australian Government. This report determined the need for an institution like the CEFC to assist Australia's transition to a low carbon future. By mobilising capital investment in renewable energy, low-emission technology and energy efficiency in Australia, the CEFC's activity results in an increased flow of funds for the commercialisation and deployment of such Australian-based technologies and thus prepares and positions the Australian economy and industry for a carbon constrained world.

Continued

ESD reporting requirement	CEFC Response
Outcomes contributing to ESD	The CEFC has a single appropriations outcome to: *Facilitate increased flows of finance into Australia's clean energy sector, applying commercial rigour to investing in renewable energy, low-emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders* This outcome contributes directly to the principles of Ecologically Sustainable Development. As at 30 June 2014, the CEFC had contracted investments of over $900 million in projects with a total value of over $3.2 billion. The CEFC invests for a positive return, with its more than 40 direct investments and 25 projects co-financed under aggregation programs expected to achieve an average financial yield of about 7 per cent. CEFC funded projects involve more than 700MW of clean electricity generation capacity installed or supported, covering renewables and low emissions technologies. These CEFC investments are expected to achieve abatement of 4.2 million tonnes of CO_2-e per annum, representing a positive net benefit to the taxpayer in the order of $2.40 per tonne CO_2-e. They help to improve energy productivity for businesses across Australia, lower emissions, develop local industries, increase competitiveness, and generate new employment opportunities.
Activities that affect the environment	As stated in the answer to 'Outcomes contributing to ESD' above, core investment activity by the CEFC is expected to yield a positive impact on the environment. More information on the CEFC's investments and their specific effects on the environment, including case studies profiling various projects and its specific estimated emissions reduction outcomes, can be found at Section 1: Performance Report of this Annual Report.

Continued

ESD reporting requirement	CEFC Response
Activities that affect the environment *(continued)*	In order to perform its functions, the CEFC has 50 FTE staff based in two locations (Sydney and Brisbane) which service Australia nationally. The nature of this operational activity does not have a large impact on the environment, but the CEFC aims to have as little impact on the environment as possible. The main impacts on the environment are: ▪ Energy Consumption ▪ Water Consumption ▪ Other Resource Consumption ▪ Greenhouse Gas ('GHG') Emissions. During the year, staffing numbers grew from 45 to 50 FTE — an increase of 9 per cent. This resulted in increases in consumption and GHG emissions.
Measures taken to minimise the effect of activities on the environment	The CEFC's current sustainability measures are intended to reduce the Corporation's environmental footprint. **Energy Consumption** The CEFC has two open plan offices, allowing easier control of air conditioning; employees are provided with a central printing facility allowing for fewer high capacity multi-function devices (which have energy saving modes when not in use); the CEFC provides energy efficient computer monitors and laptops to all employees, which they are encouraged to turn off each evening; the CEFC's occupied premises in both Brisbane and Sydney are fitted with sensor and LED lighting and purchase green power; both CEFC office buildings have been designed to achieve a 5.0-star NABERS Energy Rating; an energy use dashboard features in the Brisbane office reception area to indicate energy and water usage.

Continued

ESD reporting requirement	CEFC Response
Measures taken to minimise the effect of activities on the environment (*continued*)	**Water Consumption** Water is recycled at both premises. A grey water system is in operation at the CEFC's Brisbane premises and a black water system is in operation at CEFC's Sydney premises. **Other Resource Consumption** CEFC office furniture has been selected for its high recycled/recyclable content; a follow-me printing system is installed to save paper with default printing set to double sided, black and white; 100% recycled printer paper is used. **Greenhouse Gas Emissions** The CEFC is committed to carbon offsetting all employee flights. There are no car parks associated with either the Brisbane or Sydney lease and employees are encouraged to walk, run or cycle to work and to utilise public transport. No corporate car parks or corporate vehicles are provided to employees. During the 2013–2014 year, the CEFC further expanded its video conferencing facilities in our Brisbane and Sydney offices to reduce inter-office flight requirements.
Mechanisms to review and increase the effectiveness of measures to minimise the environmental impact of activities	While the Corporation was intending to undertake environmental monitoring in the financial year, the Corporation did not do so, it would not be efficient or effective use of public funding in circumstances of abolition. The Corporation would benefit from the adoption of metrics for monitoring the CEFC's carbon footprint and environmental improvement in the workplace.

Table G.2: The Principles of Ecologically Sustainable Development

The ESD Principles
The following ESD principles are outlined in section 3A of the EPBC Act: a. Decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equitable considerations (the 'integration principle'). b. If there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation (the 'precautionary principle'). c. The principle of inter-generational equity — that the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations (the 'inter-generational principle'). d. The conservation of biological diversity and ecological integrity should be a fundamental consideration in decision-making (the 'biodiversity principle'). e. Improved valuation, pricing and incentive mechanisms should be promoted (the 'valuation principle').

APPENDIX H:
WORK, HEALTH AND SAFETY — A REPORT UNDER *WORK HEALTH AND SAFETY ACT 2011*, SCHEDULE 2, PART 4, SECTION 4

The CEFC takes workplace health and safety seriously as people are our most precious resource.

Under the *Work Health and Safety Act 2011* (the WHS Act), the Clean Energy Finance Corporation (CEFC) is a 'public authority' by the definition of that term at section 4, and its officers are 'officers' within the meaning of that term at sections 4 and 252.

The WHS Act applies to the CEFC as a 'public authority' and to its officers as 'officers' by way of section 12. The Corporation must report annually according to the particulars of Schedule 2 Part 4, section 4, and these are outlined in turn below (pinpoint references for the WHS legislation are given afterwards in square brackets).

HEALTH, SAFETY AND WELFARE INITIATIVES

The CEFC is committed to the safety and health of its staff and acknowledges its responsibilities under the WHS Act and the National Employment Standards. These standards cover standard hours of work, reasonable additional hours, flexible working arrangements, provision of personal/carers leave and compassionate leave. The Standards underpin the CEFC's commitment to safe working hours and a holistic view of staff health and welfare.

The CEFC has an inclusive, healthy and professional workplace culture and does not tolerate the following behaviours in the workplace:

- Physical and/or sexual harassment
- Discrimination
- Victimisation or bullying
- Drunkenness
- Unsafe work practices.

New employees are provided with a copy of the CEFC's *Corporate Policies and Procedures* manual, which documents the CEFC's stance on these issues, as well as a WHS induction.

Contractors and consultants must comply with Fair Work Principles and ensure that their subcontractors are also in compliance. The CEFC's standard agreements with our contractor suppliers contain clauses insisting on compliance with the Fair Work Principles.

The CEFC also operates a public interest disclosure scheme under the *Public Interest Disclosure Act 2013* (the PID Act). Provisions under the PID Act commenced on 15 January 2014.

This legislation establishes Australia's first stand-alone whistle-blower protection scheme for federal government employees, contractors and employees of contractors who report wrongdoing within the Commonwealth public sector and Commonwealth entities.

Where the nature of a disclosure or potential disclosure suggests that an individual grievance or workplace conflict could be reasonably construed as a matter more broadly representative of a larger or systemic issue (bullying or harassment matters that may be representative of a culture of bullying or harassment), then further investigation under the PID Act might be appropriate.

The Board has final responsibility for ensuring compliance with duties under statute and at law relating to WHS. The Board has delegated certain oversight related to risk management and compliance to its Audit and Risk Committee, and has delegated day-to-day management of WHS to the Chief Executive Officer, and through him, to management.

The Board has adopted the following framework for managing WHS compliance:

- Continuing to exercise a risk appetite and maintaining a risk management framework
- Maintaining the company's *Corporate Policies and Procedures*.

During 2013–2014, the CEFC had up to five fire wardens appointed across the organisation's two offices in Sydney and Brisbane. These fire wardens have conducted emergency evacuation training in accordance with requirements under New South Wales and Queensland law. The CEFC also has four certified First Aid Wardens appointed. In the event that a First Aid Warden is not available, a list of emergency first aid procedures and first aid equipment has been made available to all employees.

The CEFC encourages staff engagement in healthy exercise. The CEFC's premises provide locker, shower and change facilities for employees wanting to exercise before or after work.

The premises also represent a secure building with swipe pass access only to the office, and to the building generally, on nights and weekends. Workstation design and facilities are all new and as such, exhibit modern safety features (rounded corners, safety switch on boiling water tap and adjustable seats and computer monitor arms).

The CEFC has established a relationship with Drake WorkWise for the provision of an Employee Assistance Program (EAP) into the business. The Board, Executive and Staff are unified in their responsibility to provide a caring environment that reflects Corporation values, and the offering of a confidential EAP of this type helps us achieve this goal.

HEALTH AND SAFETY OUTCOMES

The CEFC is required to report on health and safety outcomes (including the impact on injury rates of workers) achieved as a result of initiatives mentioned above or previous initiatives [see WHS Act, Schedule 2, Part 4, section 4(2)(b)].

The CEFC has a zero rate of injuries for the reporting period:

Statistic	2013–14
Injury rates — Employees	0
Injury rates — Contractors	0

NOTIFIABLE INCIDENTS

The CEFC has a zero rate of deaths, serious injury or illness and dangerous incidents for the reporting period:

Statistic	2013/14
Deaths	0
Serious Personal Injury	0
Injury resulting in incapacity for more than 30 days	0
Dangerous occurrences	0
Total	

The CEFC must report the above statistics of any notifiable incidents of which the entity becomes aware during the year that arose out of the conduct of businesses or undertakings by the entity under the WHS Act [by Schedule 2, Part 4, section 4(2)(c)].

INVESTIGATIONS

The CEFC must report any investigations conducted during the year that relate to businesses or undertakings conducted by the entity, including details of all notices given to the entity during the year under Part 10 of the WHS Act [by Schedule 2, Part 4, section 4(2)(d)].

The CEFC has not received any notices, conducted any investigations, nor been investigated under the relevant provisions over the financial year:

Statistic	2013–14
Investigations by Health and Safety representatives under s68(1)(c)	0
Investigations by inspectors under s160(e)	0
Part 10 improvements notices ss191 and 209	0
Part 10 prohibition notices ss195 and 209	0
Part 10 non-disturbance notice ss198 and 209	0
Total	

OTHER MATTERS UNDER JCPAA GUIDELINES

Under the WHS Act, the CEFC is required to report on other matters as required by guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit [Schedule 2, Part 4, section 4(2)(e)].

At the time of writing, the JCPAA had not as yet specified additional requirements for *Commonwealth Authorities and Companies Act 1997* authorities under this provision.

APPENDIX I:

REPORT UNDER THE *ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS WITH 2010 AMENDMENTS*

BEST PRACTICE REPORT ON CORPORATE GOVERNANCE

The *Clean Energy Finance Corporation Investment Mandate Direction 2013* (the Investment Mandate) under which the CEFC operates specifically states in part:

'in undertaking its investment function, the Corporation must act consistent with, and establish policies in relation to, Australian best practice corporate governance...'

The CEFC is not an Australian Securities Exchange (ASX) listed entity. The CEFC is a statutory corporation formed by the *Clean Energy Finance Corporation Act 2012* (the CEFC Act), and was governed under the *Commonwealth Authorities and Companies Act 1997* (the CAC Act) during 2013–2014 rather than the *Corporations Act 2001* under which ASX-listed entities are formed and governed.

However, as part of the CEFC's commitment to best practice corporate governance, this Appendix outlines the CEFC's performance against the eight principles outlined by the ASX Corporate Governance Council (in so far as they are relevant to the Corporation's particular legislation).

Effective 1 July 2014, and outside of the reporting period for this report, all CAC Act bodies (including the CEFC) transitioned to the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act). This is a highly significant change to the governance of the CEFC, but the Corporation is well placed to adapt its systems and structures to the new corporate governance requirements arising out of the PGPA Act.

The CEFC notes that the ASX Corporate Governance Council updated its *Corporate Governance Principles and Recommendations* to a third edition on 27 March 2014. The CEFC further notes that reporting requirements under the updated principles and recommendations do not take effect until an entity's first full financial year commencing on or after 1 July 2014. This report is therefore compiled against the *ASX Corporate Governance Principles and Recommendations with 2010 Amendments*.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions

Under the CEFC Act, the Corporation is governed by a Board appointed by the Responsible Ministers to act on a part-time basis. The Board has adopted a charter which sets out its functions, rules and responsibilities. Further, the Board has established two separately chartered Committees. More information on the Board and its Committees can be found on pages 123–129 in Section 3: Governance and Corporate Information.

The CEFC Act itself reserves certain functions for the Board. Decisions on Investments are reserved to the Board. More information about the Corporation's investment process and oversight is contained in Section 2: Investment Operations at pages 77–86.

The Chief Executive Officer of the Corporation is a statutory officer responsible for the day-to-day administration of the CEFC, and performs this role according to the policies established by the Board. The CEO is appointed by the Board after consultation with the Responsible Ministers. More information on the responsibilities of the CEO can be found on page 130 in Section 3: Governance and Corporate Information.

The CEFC Executive assist the CEO in the day-to-day administration of the Corporation, are appointed by the Board, and are remunerated according to Board-established terms and conditions in accordance with the CEFC Act and the Corporation's policies. For more information on the CEFC Executive see pages 130–33 in Section 3: Governance and Corporate Information and pages 160–162 in Section 4: Financial Statements.

1.2 Companies should disclose the process for evaluating the performance of senior executives

The Board Remuneration and Human Resources Committee is chartered with responsibility for the structuring of Executive remuneration and evaluation of performance of executives. Performance evaluations of the CEO and the four members of the CEFC Executive were undertaken in accordance with the Board-approved Performance Management Framework. See page 133 for more information on this measure in Section 3: Governance and Corporate Information.

1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1

The information is reported at 1.1–1.2 inclusive above and in the relevant sections of this Annual Report referred to there.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 A majority of the Board should be independent directors

Under the CEFC Act, all Board members are independent non-executive directors. This principle is set in law by the CEFC Act. See pages 122–129 in Section 3: Governance and Corporate Information for more information on the Board — in particular, information on the skills, experience and expertise relevant to each director and their relevant tenure.

It is important to note that the CEFC is a statutory corporation which does not issue shares, and no director has equity holdings (all equity is held by the Australian Government).

2.2 The Chair should be an independent director

The Chair is an independent director.

2.3 The roles of Chair and CEO should not be exercised by the same individual

Different individuals exercise the roles of Chair and CEO. This principle is set in law by the CEFC Act.

2.4 The Board should establish a nomination committee

Under the CEFC Act, the Australian Government (through the Responsible Ministers and Cabinet process) appoints Board Members and there is no nominations process allotted to the Board under the CEFC Act. As such, a nomination committee is not required.

2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors

In the 2013–2014 financial year, the Board deferred the undertaking of a self-assessment process in relation to director performance and education. This was because the policy of the Australian Government was to abolish the Corporation, and in the circumstances, proceeding with this process was not deemed necessary. The Board will reconsider this matter in 2014–2015.

2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2

The information is reported at 2.1–2.5 inclusive above and in the relevant sections of this Annual Report referred to there. In addition, please note that Board Members have been indemnified against the cost of taking independent professional advice at the expense of the Corporation, other than in certain limited circumstances.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The CEFC has a Code of Conduct and Ethics, and the CEFC's Corporate Policies and Procedures establish both the expectations of the Corporation with respect to the standards of behaviour and the procedures and systems for detecting and reporting breaches.

The Corporation also operates a public interest disclosure scheme under the *Public Interest Disclosure Act 2013* (the PID Act) to encourage and protect employees or other public officials who disclose behaviour consistent with 'disclosable conduct' as specified in section 29 of the PID Act.

Depending on the nature and extent of the unethical behaviour, an individual found to be acting unethically can face a number of sanctions up to and including:

- termination
- civil recovery action by the Corporation, and/or
- referral to law enforcement or regulatory authorities for further civil or criminal prosecution.

More information about the Corporation's oversight mechanisms is available in Section 3: Governance and Corporate Information.

The CEFC does business with a large number of public and private companies in Australia. To ensure ethical investing and decision making at the Board level, the Board has determined the following thresholds as providing prima facie evidence of materiality for director interests:

- A Director holds 10 per cent or more of the equity in a particular entity, or
- A particular investment constitutes greater than 5 per cent of a Director's personal net worth.

In addition, the CEFC maintains:

- a stringent regime of declarations of material interests, and declarations of conflicts of interest
- procedures for dealing ethically with related party interests
- an embargo system for trade in the securities of listed entities with which the Corporation may be engaged.

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy

The CEFC's *Corporate Policies and Procedures* detail the Corporation's commitment to diversity and a workplace free of unlawful discrimination, bullying and harassment. More information about diversity in the CEFC is available at page 138 in Section 3: Governance and Corporate Information.

3.3 Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them

The CEFC is subject to the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, and under this legislation, must develop a program for equal employment opportunity. The Corporation's first program report (EEO Report) fell due on 17 July 2014 (that is, one year and three months after the anniversary of which the Corporation first had 40 employees). More information is available at pages 138–139 in Section 3: Governance and Corporate Information, and the 2014 EEO report itself is available online at cleanenergyfinancecorp.com.au/reports.

3.4 Companies should disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board

This information is available at pages 138–139 in Section 3: Governance and Corporate Information, and the 2014 EEO report at cleanenergyfinancecorp.com.au/reports.

3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3

The information is reported at 3.1–3.4 inclusive above, in the relevant sections of this Annual Report there referred to, and in the 2014 EEO Report at cleanenergyfinancecorp.com.au/reports.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 The Board should establish an Audit Committee

An Audit Committee is a requirement under the CAC Act, and the CEFC has established and chartered an Audit and Risk Committee. See pages 123 and 127 in Section 3: Governance and Corporate Information for further information on the Audit and Risk Committee including the names and qualifications of those appointed to the Committee, as well as the number of meetings held and attended by the members.

4.2 The Audit Committee should be structured so that it consists of only non-executive directors; a majority of independent directors; is chaired by an Independent Chair, who is not Chair of the Board; has at least three members

The CEFC Audit and Risk Committee is comprised of three independent non-executive directors and the Chair of the Committee is not the Chair of the Board. See page 127 in Section 3: Governance and Corporate Information for more information on the composition of the Audit and Risk Committee.

4.3 The Audit Committee should have a formal charter

The CEFC Audit and Risk Committee has a formal charter that was originally approved by the Board on 1 March 2013 and is subject to an annual review process. The Charter was reviewed in 2014 and several amendments were made, mainly to reflect passage of the PGPA Act.

4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4

The information is reported at 4.1–4.3 inclusive above, and in the relevant sections of this Annual Report there referred to.

The ASX Guide to reporting on Principle 4 requests the company publish information on the procedure for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

In respect of this guidance, the CEFC advises it is a requirement of the CAC Act that the CEFC use the ANAO as its auditor. This provides that the audit is conducted independently and externally, and the Board receives a letter of representation to this effect.

In the 2013–2014 year, the ANAO did conduct a procurement for audit assistance. Ernst and Young were selected and contracted to the ANAO for this purpose. The process for conducting procurements is contained in the *Commonwealth Procurement Rules 2014* (CPRs) as issued by the Minister for Finance under the PGPA Act. The CPRs are available at comlaw.gov.au/Details/F2014L00912.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

As the CEFC is not a listed company, Principle 5 does not directly relate to the Corporation. However, under its enabling legislation, the CEFC is required to report quarterly on all investments made in the previous financial quarter. This is published on the CEFC website.

In addition, the CEFC places media releases and its Annual Report (incorporating the financial statements) on its website. Further, the Corporation is subject to the *Freedom of Information Act 1982* including the proactive Information Publication Scheme.

The CEFC keeps its Responsible Ministers informed of operations, in accordance with its obligations under the CAC Act.

5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5

This is not applicable as the obligations under 5.2 are not applicable to the CEFC given the Corporation is not a listed company.

PRINCIPLE 6: RESPECT THE RIGHTS OF THE SHAREHOLDER

6.1 Companies should design a Communications Policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

The CEFC has a sole equity holder — the Australian Government. The Responsible Ministers represent the Australian Government's interest to the Corporation. While there is no AGM-style requirement under the CEFC Act, our Responsible Ministers are regularly briefed, and required to be kept informed by the CEFC under the CAC Act. The CEFC also liaises with, and reports to, officials of the Departments of The Treasury and Finance.

The CEFC is also subject to parliamentary reporting through its Annual Reports, the Senate Estimates process and through extensive public reporting requirements. Through Ministers and the Parliament, the CEFC's ultimate owners — the Australian public — are kept informed. In addition, the CEFC adopts a proactive practice of disclosure and formal reports and many of the Corporation's key documents are available on the CEFC's website at cleanenergyfinancecorp.com.au.

6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6

Whilst the CEFC is a Government Corporation and not an ASX listed corporation, it nonetheless reports on all investments made in a Quarterly Investment Report. The CEFC also issues media releases on new investments, any major news from the CEFC, and a range of associated information that may be relevant to the market; and publishes its financial data in the Annual Report. All of this material is available on the CEFC website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The CEFC operates under a sound risk management framework designed to identify and effectively manage key risks. More information on risk management can be found at:

- Section 2: Investment Operations at pages 82–86
- Section 3: Governance and Corporate Information at pages 138–139.

It should also be noted that the CEFC publishes a summary of the Corporation's policies on risk oversight and management of material business risks as part of the CEFC Investment Policies on its website at cleanenergyfinancecorp.com.au/what-we-do/investment-policies/risk-management.

7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks

The CEFC recognises that risk identification and management is an important aspect of governance. The CEFC identifies, prioritises and documents all significant risks. Material risks are reported to the Board through the Audit and Risk Committee. The CEFC's Risk Management Framework is described in more detail in Section 3: Governance and Corporate Information at pages 138–139. Further depth is provided online in the CEFC Investment Policies on its website at cleanenergyfinancecorp.com.au/what-we-do/investment-policies/risk-management.

7.3 The Board should disclose whether it has received assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks

While the Corporations Act is not applicable to the CEFC, the CEFC has adopted a similar system of declaration as a matter of sound corporate practice. The Management representation letter from the CEO and CFO is reviewed by the Audit and Risk Committee and the Board prior to approving the financial statements and notes which form part of the Corporation's Annual Report. This year, the letters of representation were tabled and executed on 29 August 2014.

7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7

The information is reported at 7.1–7.3 inclusive above, and in the relevant sections of this Annual Report referred to there.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 The Board should establish a remuneration committee

Information on the CEFC Remuneration & Human Resources (HR) Committee is available in Section 3: Governance and Corporate Information at pages 123–127.

8.2 The Remuneration Committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair, and has at least three members.

The CEFC Remuneration and HR Committee is comprised of three independent Board members and the Chair of the Committee is not the Chair of the Board.

Further information on the CEFC Remuneration and Human Resources Committee is available in Section 3: Governance and Corporate Information at pages 123–127. This includes information on the names of members of the remuneration committee and their attendance at meetings.

8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives

The Board cannot establish its own remuneration as this is performed by the Remuneration Tribunal acting under the *Remuneration Tribunal Act 1973*. Under the CEFC Act, the Board determines the terms and conditions of employment of CEFC employees, including senior executives. Further information on Board remuneration is available in Section 3: Governance and Corporate Information at page 129.

Information on remuneration of CEFC employees is available in Section 3: Governance and Corporate Information at pages 133 and 136, and in the Financial Statements at notes 1.7 and 13.

The CEFC is a statutory corporation and all equity is owned by the Australian Government. It is not possible to remunerate executives with equity.

8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8

The information is reported at 8.1–8.3 inclusive above, and in relevant sections of the Annual Report as referred to there.

GLOSSARY AND ACRONYMS

AASB	Australian Accounting Standards Board
abatement	Refers to reductions in CO_2-e emissions
Abolition Bill	Refers to the various iterations of government Bills to abolish the CEFC — namely the *Clean Energy Finance Corporation (Abolition) Bill 2013; Clean Energy Finance Corporation (Abolition) Bill 2013 (No 2);* and *Clean Energy Finance Corporation (Abolition) Bill 2014*
'the Act'	See 'CEFC Act' below
aggregation finance	The means of using a co-finance partner as an intermediary to aggregate customer demand for finance that would otherwise be too expensive to be serviced directly by the CEFC
AIPP	Australian Industry Participation Plans — under the CEFC Investment Mandate, these are plans required of certain finance recipients that enable Australian and New Zealand industry to be informed of procurement plans by project proponents receiving more than $20 million in CEFC funding. AusIndustry is the administrator of this Australian Government program
ANAO	Australian National Audit Office — the CEFC's auditors. Also known as the 'Auditor-General'
ABN	Australian Business Number, a unique number issued by the Australian Business Register for the purpose of giving each business a unique identifier
AGM	Annual General Meeting. Note the CEFC is not required to have an AGM under the Act
appropriations	The means by which money from the Treasury is made available to the Australian Government by the Parliament
ARENA	Australian Renewable Energy Agency — an Australian Government statutory authority which supports investment in renewable energy by providing grant funding. The CEFC shares information and works with ARENA to advance projects in the renewable energy sector

APSC	Australian Public Service Commission
ASX	Australian Securities Exchange
ATO	Australian Tax Office
AusIndustry	The Australian Government Department of Industry's specialist business program delivery division
BAU	Business As Usual – a term relating to the normal or standard execution of operations within an organisation
behind the meter	Refers to localised energy generation that is taking place for use on-site (as opposed to exporting the energy generated to the grid). Also known as 'behind the fence'
Benchmark return	See '*Portfolio Benchmark Return*' below
black price	The wholesale electricity price received by an electricity generation facility, excluding the benefit of any renewable energy certificates.
BOOM	'Build Own Operate Maintain' - a construction contract where a contractor or entity is vested with the responsibility for building, owning, operating and maintaining the asset for a specified period
BREE	Bureau of Resources and Energy Economics
CAC Act	*Commonwealth Authorities and Companies Act 1997* — the legislation that governed Australian Government statutory authorities like the CEFC during the 2013–2014 financial year
capex	Capital expenditure
CEFC Act	*Clean Energy Finance Corporation Act 2012* — the enabling legislation that creates and empowers the CEFC
Clean Energy Technology	The types of technology the CEFC is allowed to invest in, which includes: ▪ 'renewable energy technologies' ▪ 'energy efficiency technologies' ▪ 'low emissions technologies' (LET) Further definitions of these terms are available at Appendix B

CO_2-e	Carbon dioxide-equivalent — A standard measure that takes account of the different global warming potentials of greenhouse gases and expresses the cumulative effect in a common unit (definition from the National Carbon Offset Standard)
co-finance partner/ co-financed products	'Sell through' investment in clean energy technology projects indirectly via a financial product that is co-financed with an intermediary third party (such as a bank, utility company or other financier). The CEFC's finance is 'sold' through the third party which may or may not use CEFC branding in its offer to the end user/ project owner (as arranged with the CEFC). The CEFC develops these products with co-financiers to leverage their capital and existing sales networks. These products can be distinguished from a direct loan where the finance moves directly from the CEFC to the project owner
cogeneration	The combined generation of power and useful heat from the same process or source
Commonwealth Special Account	A type of Australian Government account in which funds are held for a specified purpose. See Appendix C for more information
concession/ concessionality	Concessionality is defined by the Investment Mandate and reflects the mark-to-market valuation of loans made that financial year and should be measured as the difference between the present value of each loan at market rates and the present value of each loan at the given concessional rate
cornerstone investor	Cornerstone investors are usually large institutional investors or reputable individuals of substance whose early stage involvement in an investment signals to the market that an opportunity may be worthwhile for other investors to also consider
corporate facility	Typically a loan to a company (rather than a specific project) for its smaller-scale projects, or a bundle of projects, often secured against the assets or operations of the corporate entity
CSIRO	Commonwealth Scientific and Industrial Research Organisation

CSP	Concentrated Solar Power — A type of solar power generation used to generate heat or electricity, or both
distributed generation	Distributed generation is essentially generation that occurs away from large power stations, and closer to where the power is used, typically on the lower voltage distribution network (that is, generation that is 'distributed' throughout the network rather than centralised at a power station). Examples are on-site cogeneration or solar panels on a roof. It can include (for example) cogeneration within a building or factory (embedded generation), or even a network of connected buildings (precinct generation)
DNSP	Distributed Network Service Providers
EAP	Employee Assistance Program
EFIC	Export Finance and Insurance Corporation — an Australian Government statutory authority that provides finance and support to Australian exporters
embedded generation	Generation of energy on site (for example, solar panels on a roof or a biogas fired generator within the manufacturing process), as opposed to buying energy generated from afar and transmitted to the site (for example, electricity from a utility transmitted through the electricity network)
EET	Energy Efficiency Technology. The CEFC Board has provided further definition on what constitutes 'energy efficiency technologies' for its purposes at Appendix B
Environmental Upgrade Agreement	A type of finance created by statute, presently available in local government jurisdictions of City of Melbourne (Victoria) and across New South Wales including the City of Sydney, North Sydney, Parramatta, Lake Macquarie and Newcastle local government areas. Funding from a financier is repaid out of a council rate charge, increasing the security of the finance
EPA	Environmental Protection Agency
EPBC Act	*Environment Protection and Biodiversity Conservation Act 1999*

equity	In finance terms, owned capital (such as shares) in a business or enterprise
ESD	Ecologically Sustainable Development — a set of principles that corporations and government entities must report against under the EPBC Act
ESG	Environmental Social and Governance
EUA	See '*Environmental Upgrade Agreement*' above
FOI Act	*Freedom of Information Act 1982*
FMOs	Finance Ministers Orders
fringe-of-grid	Areas at the edges of an electricity grid. These areas are typically the farthest points away from large scale generation and transmitting electricity over these long distances tend to increase loss of energy. If energy demand is also increasing, fringe-of-grid areas may lend themselves to localised energy solutions
General Policy Order	An instrument to direct government entities made under the CAC Act
GHG/GHGs	Greenhouse gases — The atmospheric gases that have been determined as responsible for causing global warming and climate change. The six Kyoto Protocol classes of greenhouse gases are carbon dioxide (CO_2), methane (CH4), nitrous oxide (N2O), hydro-fluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF6)
GIB	Green Investment Bank — A public company owned by the UK Government to accelerate the UK's transition to a greener, stronger economy. This is a company with a similar mission to the CEFC
green price	The price for renewable energy certificates (RECs) that are created and sold by electricity generation facilities registered as accredited renewable energy facilities under the *Renewable Energy (Electricity) Act 2000*. Renewable energy facilities typically benefit from both the "black price" and the "green price" for each megawatt hour of electricity generated.

grid	An electricity grid. The main grids in Australia are the National Electricity Market (NEM), the South-West Interconnected System (SWIS) and the North-West Interconnected System (NWIS). There may also be localised grids (such as Darwin and Alice Springs)
hedge	Refers to a way of protecting against financial loss or other adverse circumstances, typically through taking an offsetting position in a related security, such as a futures contract
hybrid technology	As defined by the CEFC Board, a combination of technologies that integrate a renewable energy generation technology with other technologies into a combined system. See 'Renewable Energy Technologies' below
Investment Mandate	Formally, the Clean Energy Finance Corporation Investment Mandate Direction 2013 – a ministerial direction made under the CEFC Act which specifies conditions under which the CEFC may perform its investment function. More commonly, the 'investment mandate' refers to the particular spectrum of opportunities that any given entity is allowed to invest in (i.e. the 'investment universe'). In this report we use capitalisation to distinguish between the two
JCPAA	Joint Committee of Public Accounts and Audit
KPI	Key Performance Indicators — these are established in the annual Portfolio Budget Statement
Large Scale Generation certificates (LGCs)	Tradable certificates created under Section 17 of the *Renewable Energy (Electricity) Act 2000*. One LGC is equivalent to 1MWh (megawatt hour) of eligible renewable electricity generated above the power station's baseline
LCAL	Low Carbon Australia Limited — An Australian Government company that served as a small-scale pilot for the CEFC's work. The Australian Government has determined that LCAL would be integrated into the CEFC, and this process was completed during the 2013/14 year

LED	Refers to light emitting diode, a form of light bulb that emits less heat than incandescent bulbs and are therefore an energy-efficient technology
LET	Low Emissions Technology — Low Emissions Technologies may be applied to a number of activities including but not limited to: ▪ energy production ▪ electricity generation including the use of non-renewable, fossil fuels ▪ fuels for and modes of transportation; and ▪ using, reducing, or eliminating existing fugitive greenhouse gas emissions In addition to meeting the above criteria, the Board requires that at the time of CEFC investment, the low emissions technology must result in emissions of CO_2-e being substantially lower than the current average of the most relevant baseline for the activity being undertaken. The CEFC Board has provided further definition on what constitutes 'Low emissions technologies' for its purposes on the CEFC website and at Appendix B
LPG	Liquefied petroleum gas
mark-to-market	The process of recording a change in the value of an asset or fund to reflect its current fair market value
mezzanine debt	A specific type of debt that stands between equity and senior debt and in subordination to the senior debt. May or may not be convertible to equity. See Table 2.2 for an illustration of the capital structure
NABERS	National Australian Built Environment Rating System — a national ratings system that measures energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment

NEM	National Electricity Market — a regulated electricity trading market that interconnects the electricity grids of the states and territories of NSW, VIC, QLD, SA, TAS, and the ACT
off-grid	Not connected to the electricity grid — such as in remote areas
offtake agreement	An offtake agreement is an agreement between a producer (for example of energy or of crops) and a purchaser to purchase production output for a defined period at a defined price
'pari passu' debt	A Latin term used in the legal and finance industry that means 'on an equal footing' or 'on an equal basis' — for example, a loan in which two lenders agree to share any losses that arise on an equal basis. As opposed to 'subordinated debt'
PBO	Parliamentary Budget Office
PGPA	*Public Governance, Performance and Accountability Act 2013*
PBR	Portfolio Benchmark Return rate — A long-term target rate of return established by the Investment Mandate, against which the performance of the portfolio invested by the Corporation is measured
PBS	Portfolio Budget Statement — Refers to the CEFC entries in The Treasury Portfolio Budget Statement
pipeline	The forward view of possible future CEFC investment opportunities
Portfolio return	Weighted average return forecast to be made by the CEFC on its investments
Positive externalities	Benefits which are not exclusive to parties to a contract (such as an investment contract) — for example — reduced carbon emissions which benefits society as a whole. It is a requirement of the Investment Mandate that positive externalities be considered when the CEFC makes investment choices
PPA	Power Purchase Agreement —a type of offtake agreement where a purchaser agrees to purchase and a supplier agrees to supply future generated electricity usually at a specified price for a defined period

project finance	Long-term financing of infrastructure and industrial projects (such as a utility-scale generator or an onsite generation facility) which will be repaid from the projected cash flows of the project without recourse to the balance sheets of the sponsors.
project proponents	The 'proposers' or owners of a given project, as opposed to the project financiers
PV	PV is short for 'photovoltaic' and refers to a type of solar cell generation, as in 'solar PV'
refinancing	Repayment of an existing loan with a new loan
RECs	Renewable Energy Certificates — a generic term for tradeable certificates under the *Renewable Energy (Electricity) Act 2000* — see also Large Scale Generation certificates (LGCs), STCs
RET	Renewable Energy Target — A target for the production of electricity from renewable energy sources under the *Renewable Energy (Electricity) Act 2000*
requirements for annual reports	Short for the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, approved by the Joint Committee of Public Accounts and Audit, July 2012
senior debt	Debt that takes priority in repayment over other unsecured or more junior debt – see Table 2.2 for an illustration
SMEs	Small to Medium Enterprises
STCs	Small-scale Technology Certificates — Tradeable certificates under the Small-scale Renewable Energy Scheme (SRES) — itself implemented through the *Renewable Energy (Electricity) Act 2000* and the accompanying *Renewable Energy (Electricity) Regulations 2001* One STC is equivalent to 1MWh (megawatt hour) of: ▪ renewable electricity generated by the solar panel, small-scale wind or hydro system (unless the Solar Credits multiplier applies); or ▪ electricity displaced by the installation of a solar water heater or heat pump

Strategic Alliance Partner	An engineering firm, product vendor, or environmental services company that the CEFC partners with to identify, channel and further develop project opportunities
subordinated debt	Where two or more financiers are involved in offering finance, one may take a 'subordinated' or 'junior debt' position relevant to the other ('senior debt') in the event of a loss (i.e. one financier may rank after the other financier in priority for recovery in the event the finance recipient becomes insolvent and cannot repay the loan). As opposed to 'pari-passu debt' — see Table 2.2 for an illustration of the capital structure.
Total Annual Remuneration Packages (TARPs)	Total remunerative benefits for staff including salary, superannuation and any other benefits
tCO_2-e	Tonnes of carbon dioxide equivalent greenhouse gas
tenor	Length or term of the loan
trigeneration	A system of generating power, heating and cooling from the same process or source. A trigeneration system is identical to a cogeneration system with the addition of the cooling element
WHS Act	*Work Health and Safety Act 2011*

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