CEFC

CLEAN ENERGY FINANCE CORPORATION

ANNUAL REPORT

2014–15

Building a **clean tech** supply chain

BATTERY STORAGE

Low emissions

BUSINESS GROWTH

Innovative Technology

RENEWABLE

On the **FARM** and in the **FACTORY**

TOMORROW'S TRANSPORT

PRODUCTIVITY

ACCELERATING

ECONOMIC

Transform**ation**

CATALYSING INVESTMENT

INNOVATION

Diverse solutions for a

DIVERSE ECONOMY

SOLAR ENERGY NATION

HIGH PERFORMANCE

CLEAN

SUSTAINABLE CITIES

High tech

INFRASTRUCTURE

BIO**ENERGY**

EXPORT INDUSTRIES

Clean Energy Finance Corporation ABN: 43 669 904 352

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cleanenergyfinancecorp.com.au/reports

CEFC
CLEAN ENERGY FINANCE CORPORATION

ANNUAL REPORT 2014–15

cleanenergyfinancecorp.com.au

The Hon Greg Hunt MP
Minister for the Environment

Senator the Hon Mathias Cormann
Minister for Finance

Parliament House
CANBERRA ACT 2600

24 September 2015

CLEAN ENERGY FINANCE CORPORATION ANNUAL REPORT 2014-2015

Dear Ministers

On behalf of the Board and Management of the CEFC, I am pleased to present the *Clean Energy Finance Corporation Annual Report 2014-2015*.

The Board members are responsible for the preparation and contents of this Annual report. This report has been prepared for presentation to the Parliament according to the requirements of the following Acts and their accompanying subordinate legislation:

- *Clean Energy Finance Corporation Act 2012*
- *Public Governance, Performance and Accountability Act 2013.*

This report is comprised of:

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

This Annual Report was approved by resolution at the 47th 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 24 September 2015.

This letter of transmittal fulfils the requirements of items 6 and 7 of the *Commonwealth Authorities (Annual Reporting) Orders 2011* [still in effect via the *Public Governance, Performance and Accountability (Consequential*

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and Transitional Provisions) Rule 2014]. There were no exemptions from reporting requirements sought or granted.

Yours sincerely

Jillian Broadbent AO
Chair

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CEFC MISSION

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

CHAIR'S REPORT

JILLIAN BROADBENT AO

Over our second full year of operation the CEFC has continued to play a positive role in catalysing private investment funds into the clean energy sector.

Uncertainty regarding the Renewable Energy Target has negatively impacted investment in large utility-scale energy projects. In a financial year which saw an all-time record of around US$320 billion of global investment in clean energy, Australian clean energy investment fell by 31 per cent. Against this background, the CEFC has continued to be an active investor and its portfolio grew by 29 per cent.

With fewer large-scale renewable projects, this year's investment focus has been towards energy efficiency in buildings, with government and in the manufacturing sector, progressing new financing structures to broaden the base of finance available to the sector, and co-financings with ARENA (the Australian Renewable Energy Agency).

The Corporation made new investments of $484 million during the financial year and has continued to grow and diversify its portfolio, to a total committed portfolio of approximately $1.2 billion as at 30 June 2015. All investments are performing to our satisfaction.

Investments have been across the energy sector in manufacturing, mining, agriculture, energy utilities and commercial property. A recurring theme experienced by businesses investing in newer and more efficient technology is the productivity benefits that flow through to their operations, extending beyond simply lowering energy costs.

Our new financing initiatives are supporting Australia's development and deployment of innovative technologies, reducing business operating costs and increasing productivity, while delivering least-cost emissions reduction, and contributing to the resilience and competitiveness of the economy.

The projects and programs to which the CEFC has committed investment will, once operational, help contribute to Australia's abatement task, while achieving a positive return for the CEFC.

The CEFC invests with a medium to long-term view. Projects that involve innovative technologies or financing models typically have long gestation periods from concept, through to design, funding, construction and deployment. Our operating model of early engagement with project proponents, complemented by the development of innovative finance programs with other market participants, has resulted in overall investment in new projects and programs with an approximate total value of $3.5 billion.

Reflecting on the experience of investing over the past two and a half years, we have been pleased at the way project owners and private sector co-financiers have participated with us. The CEFC is bringing our sector-specific expertise in finance and our understanding of emerging technologies to the table, helping address financing barriers and building investment momentum for the clean energy sector.

Engagement has been with financiers including the major banks; Macquarie Bank and Firstmac; global equity and debt providers such as Kohlberg Kravis Roberts (KKR) and Denham Capital; large and small ASX-listed and unlisted companies, such as Origin, Sandfire Resources, EDL and Epuron; and institutional investors such as Colonial First State and EG Group.

Success is evidenced by the investment of $1.80 from the private sector for every $1 from the CEFC, demonstrating the important role the CEFC is playing in catalysing private sector investment in clean energy technology in an environment where Australia's private capital and expenditure is failing to grow.

Our experience suggests that the pathway towards decarbonisation of the Australian economy can be a catalyst for innovation and growth. The CEFC has been able to demonstrate how renewable energy and productivity-enhancing technologies can drive competitive advantage. This is evident from small start-up businesses through to large businesses and infrastructure.

By catalysing investment at scale, the combination of private sector involvement and productivity improvements is helping enable least-cost carbon dioxide abatement and deliver broader economic benefits. As the CEFC grows and further diversifies its portfolio, the positive economic and environmental impact of this innovation will be amplified.

With the uncertainty in policy, some large renewable energy participants have announced plans to sell assets and exit the Australian market. This has impacted some of our investments and the CEFC has attempted to be a flexible financier throughout.

The current CEFC portfolio is forecast to earn a lifetime yield of 6.1 per cent, or 2.94 per cent above the average Australian Government bond rate of 3.16 per cent. This is a strong achievement in a market challenged by lower interest rates and declining investment opportunities and margins.

Investment opportunities in utility-scale renewable energy projects should recover in the coming years with stable policy settings and clear parameters from Government. The CEFC remains committed to working in a flexible way with Government programs, project owners and co-financiers to grow this sector.

The CEFC Board shares with the Government the objective of protecting and minimising risk exposure in the investment of public funds. In fulfilling its responsibilities, the CEFC pursues its investment function, applies commercial rigour, invests responsibly and manages risk prudently, utilising a robust, commercial risk management approach.

The CEFC Board remains committed to working constructively across all levels of Government, including of course with our Responsible Ministers. Under revised Administrative Arrangements Orders of 21 September 2015, the CEFC is now the responsibility of the Environment portfolio. We welcome this, and the enhanced opportunity to coordinate with other Environment portfolio initiatives and with our Responsible Ministers, the Hon Greg Hunt MP, Minister for the Environment, and Senator the Hon Mathias Cormann, Minister for Finance.

I pay tribute to the members of the CEFC Board: Paul Binsted, Michael Carapiet, Ian Moore, Anna Skarbek, Andrew Stock and Martijn Wilder AM, for their continued commitment, enthusiasm and hard work throughout the year. Their professionalism and dedication to the shared vision for the achievement of the CEFC Mission continues and has been essential.

I am pleased to report that the Board had recently been honoured to receive the *Climate Alliance 2015 Board Leadership of the Year* award. The Climate Alliance awards recognise Australian organisations that have demonstrated commitment to managing the risks and opportunities of climate change, providing a positive role model for other boards, taking a leadership role in climate response in the business community and providing exemplary leadership for the Corporation's executive.

Credit is also due to the CEFC executive and staff, who have delivered a good 2014–15 result, notwithstanding the tough market conditions. The energy, leadership and experience across the team remains critical to the success of the organisation. Such a result would not have been possible without the ability of the executive team and staff to find opportunities for the CEFC to catalyse investment and fulfil its objectives. I congratulate our CEO, Oliver Yates, the executive team and the entire staff on their efforts throughout the year.

It is important that Australia has a range of energy options for the future. Innovation and investment are vital to long-term productivity growth, broadly and particularly in energy.

Worldwide, the energy sector is undergoing a transition that will result in a diversity of cleaner and smarter technologies and more distributed generation. This presents opportunities and challenges for the Australian economy in our areas of natural competitive advantage, of which renewable energy and innovation are an integral part.

The CEFC continues to demonstrate its ability to contribute to the economic transition and diversity of Australia's energy mix, and to effectively and collaboratively work with a diverse range of businesses and investors. Mobilisation of public and private sector investment (into renewable energy, energy efficiency and low emissions technologies) can provide important opportunities for economic growth and productivity in Australia.

The CEFC is committed to continuing to play a valuable role helping Australia maximise economic opportunities for lowering emissions and contributing to our global competitiveness in a carbon constrained world, leveraging private sector skills and capital for public policy outcomes that strengthen the Australian economy.

Jillian Broadbent AO
Chair

CEO'S REPORT

OLIVER YATES

Progressive decarbonisation of the global economy remains firmly on the agenda and it is important this transition happens at the lowest cost possible.

The significant contraction of investment in large-scale renewables was a disappointment for the sector this year, but the CEFC's work continued.

We expanded our operations, working with new partners to create new financing options for borrowers for energy efficiency and renewable energy projects. Through a period of considerable uncertainty we continued to invest to provide confidence that we would support transactions.

We provided initial cornerstone commitments to new funds and products that support the sector and we managed existing investments as they moved into construction and operation, especially in regional areas.

The CEFC continued to work with other large project proponents across the country to ensure these ventures become investment-ready as the market changes.

In less than three full years of operation, the CEFC has made cumulative investment commitments of more than $1.4 billion, with a current portfolio of $1.2 billion of investment commitments at 30 June 2015.

These investment commitments contribute to projects and programs with a total value of around $3.5 billion.

These investments improve the competitiveness and efficiency of our economy and contribute towards reducing Australia's greenhouse gas emissions while earning a return above the government cost of funds. Our portfolio of committed investments will, once operational, help contribute to Australia's abatement task, while achieving a positive return for the CEFC.

During 2014–15, the CEFC made $484 million in new investment commitments to seven projects, with a further transaction closing just after the end of the financial year.

Reflecting the lack of utility-scale renewable energy projects in the market over the year, CEFC investments in 2014–15 were weighted more heavily towards energy efficiency projects and programs. These investments aim to accelerate the take up of energy efficient equipment, vehicles and renewable energy in Australia across all sectors.

Better buildings

About 20 per cent of Australia's national greenhouse gas emissions come from buildings, and commercial buildings account for nearly half of these. More than 90 per cent of the emissions from commercial buildings comes from the consumption of grid-supplied electricity.

The CEFC has a focus on the property sector to widen efforts for efficiency upgrades to Australia's building stock. The benefits of reduced energy use, operating costs and emissions are well documented, but barriers remain.

In 2014–15, the CEFC made a $125 million equity investment commitment to the EG Group's High Income Sustainable Office Trust (HISOT). The Trust will invest in older office stock to upgrade their energy performance in order to revitalise and reposition them in the market. We selected EG Group as manager and established the HISOT with a mandate aligned with the CEFC Mission, as this is a more efficient way for the CEFC to mobilise funds than to individually assess each property.

This is our second investment into a fund structure, the first being our investment into the CFS Australian Clean Energy Infrastructure Fund. We expect to use this approach more in the future, to leverage funds and accelerate investment across other sectors and opportunities.

Cleaner energy

Over the year, uncertainty regarding the Renewable Energy Target essentially halted investment in new utility-scale renewable energy projects in Australia. Nonetheless, the CEFC was able to assist some renewable energy projects to overcome financing challenges by demonstrating the significant potential for off-grid renewables in regional and remote Australia.

Our $4.7 million investment in Epuron will enable the installation of 1.8MW of solar PV across five sites at the award-winning Ayers Rock Resort in the Northern Territory. This transaction was concluded as a limited recourse project financing. Small projects have challenges securing limited recourse project financing. The CEFC's finance for this project shows that it can be done and will hopefully encourage further private sector investment in other small renewable energy projects.

Just after the end of the financial year, we announced an additional project commitment of $15 million to install 10.6MW of solar PV and 6MW of battery storage at the Sandfire Resources' DeGrussa copper mine in remote Western Australia. The Sandfire DeGrussa project is a unique combination of an off-grid high capacity solar power array which will be fully integrated with an existing diesel-fired power station. Once constructed, this innovative project will provide approximately 40 per cent of the copper mine's daytime electricity requirements and offset almost five million litres of diesel fuel – reducing the mine's exposure to oil price volatility. This project will abate more than 12,000 tonnes of CO_2-e annually.

Financing projects that may be considered too small or technologically risky for private sector lenders alone allows the CEFC to fill market gaps and catalyse investment and innovation that may not otherwise occur. These projects will help the Ayers Rock Resort and Sandfire Resources benefit from clean energy technologies, supporting the competitiveness of two businesses involved in tourism and mining, which are both important export industries for Australia.

Importantly, these two projects help build Australia's technical experience in remote-area solar installation and maintenance. As an 'open book' investor, the CEFC shares its experiences to encourage other lenders to participate in similar transactions.

Just as wireless technologies and smart phones have changed our lives, economies and the infrastructure requirements for telecommunications, we can see the same transformation occurring for the generation, delivery and use of energy. Australia has the potential to become a world leader in this area.

Creating value from resources

Known fugitive methane emissions, including those from landfill sites and coal mines, make up around eight per cent of Australia's total greenhouse gas emissions. The CEFC is providing finance for projects to capture this resource to produce electricity and reduce emissions, delivering both economic and environmental outcomes.

The CEFC's 2014–15 investment in Landfill Gas Industries supports an Australian business focused on a specific opportunity to generate electricity from waste methane gas at landfill sites. This is our second investment in projects in this sector and we are working with other companies to make even more ambitious projects 'investment ready'.

Landfill Gas Industries was also successful in the first auction under the Australian Government Emissions Reduction Fund (ERF). The income provided under the ERF to Landfill Gas Industries provides important collateral. In this way, future revenue derived under the ERF can be utilised by companies to borrow and make the necessary investments to undertake emission reduction projects. I would like to thank Ms Chloe Munro, Chair and CEO of the Clean Energy Regulator, and the CER team, for their willingness to make contractual changes to their own program, enabling ERF receivables to support financing structures.

Better businesses, equipment and vehicles

Australia's energy productivity is lower than other G20 countries. Addressing this productivity gap is important to Australia's economic growth and development. Research by ClimateWorks has shown that Australia has the potential to nearly double primary energy productivity by 2030.

Increasing energy productivity requires investment in energy efficient equipment and small-scale renewables. These investments often make economic sense but historically, a lack of finance has been a barrier to investment.

Working alongside other financiers, the CEFC is helping small businesses across Australia access an efficiency loan at reasonable rates and over a longer term, to finance their efficiency projects in ways which better meet their business needs. We are also helping products like 'zero-dollar-down solar' reach a wider market so that capital constrained businesses can realise these savings.

In 2014–15, we announced new programs with Firstmac, NAB and Origin, targeting an increased take up of small-scale renewables and energy efficiency. These programs have a particular focus on improving vehicle efficiency, lowering energy costs, improving the competitiveness of our agriculture sector and accelerating the take up of rooftop solar and battery storage.

Improving vehicle efficiency

The past year should be noted as the year clean transport became 'cool'. Tesla launched its electric vehicle, the Tesla S, into the Australian market, and subsequently announced plans to roll out charging infrastructure at select locations across Brisbane, Sydney and Melbourne.

All the excitement aside, vehicle efficiency is an area in which Australia lags behind the world. This means the average emissions performance of our vehicles also lags behind the rest of the world. According to ClimateWorks, Australia's current average CO_2-e emissions per kilometre for vehicles is higher than the USA, Europe and China. According to the International Energy Agency, Australia's average fuel economy is among the lowest in the world.

In addition to reducing emissions, improving vehicle fuel efficiency has the potential to cut costs for consumers and reduce reliance on imported fuels, thereby improving Australia's energy security.

The CEFC is making finance available to accelerate the take up of low emissions, hybrid and electric vehicles. We know this transition will challenge refuelling infrastructure, be it for electricity or hydrogen, and we are exploring economic business models to facilitate this.

In the reporting year, we announced an asset finance agreement of $50 million between the CEFC and Firstmac, a leading Australian non-bank lender. This program will help accelerate business and personal adoption of low emissions and electric vehicles, as well as small-scale renewables and energy efficient equipment.

Improving the competitiveness of our agriculture sector

The CEFC also invested $120 million in the NAB Energy Efficient Bonus program. This program makes more capital available at better rates for businesses and organisations across Australia to invest in energy efficient equipment, vehicles, solar and storage. The program has a particular focus on agribusiness and regional Australia. The program uses a pre-approved list of equipment as the criteria for eligibility. This makes it easier for businesses and organisations to recognise energy efficient equipment, and for business bankers to promote the product.

Accelerating the take up of rooftop solar and becoming energy storage-ready

The expansion of small-scale renewables continues across Australia. Bloomberg New Energy Finance forecasts that across Australia, small-distributed capacity will reach nearly 5,000MW by the end of 2015.

Despite a decline in direct government support, the expansion of small-scale solar has been sustained. This is consistent with typical technological innovative take up curves as the price of the technology (in this case solar PV) falls. As an example, in 2010, just six per cent of households in South Australia had small-scale solar PV on their rooftops. By the end of 2015, this had increased to 34 per cent of households. Queensland and Western Australia aren't far behind.

Despite impressive growth in small-scale solar, outcomes can be further improved. There are expanded opportunities with energy storage technologies entering the market. Zero-dollar-down systems and greater expansion of business take up of small-scale solar and battery storage is needed.

Our programs with Firstmac, NAB and Commonwealth Bank are encouraging the commercial and industrial sectors to realise their potential to benefit from solar.

The CEFC has also joined forces with Origin to further the deployment of solar energy in Australia, via a 12-year $100 million CEFC financing commitment. The CEFC finance will help support Origin's offer of power purchase agreements (PPAs) to business and residential customers, helping customers access the benefits of solar and prepare for a distributed energy future. PPAs are an innovative way of driving further solar take up, by effectively allowing solar customers to purchase the energy generated from their panels, rather than having to purchase the panels themselves.

Helping to attract new capital for innovation

The CEFC is focused on facilitating increased flows of finance into clean energy in Australia.

We are often involved early with innovative companies to help them make their projects reality. Projects with a longer lead time may be less attractive to the commercial sector but have the potential to provide the innovation needed to transform our economy to be more competitive in a decarbonised future.

Smaller innovative and potentially high-growth companies face challenges raising funds in Australia's thin venture capital markets. We are working to support innovative companies wherever possible, within the means currently available to us.

Over the year, two such innovative companies have been supported to succeed.

Sundrop Farms Pty Ltd secured growth capital for its expansion from global investment firm Kohlberg Kravis Roberts (KKR). The CEFC had been an early supporter of this innovative company, which plans to use solar thermal technology to desalinate seawater for irrigation, as well as heat and cool greenhouses to grow food in arid regions.

This combination of innovative clean energy technologies is a massive step towards sustainable food production. The project will construct the first commercial power tower in Australia with a mirrored heliostat to harness the power of the sun. In the words of Sundrop Farms CEO Philipp Saumweber: "Without the CEFC we would not have been in a position to negotiate funding with KKR."

I offer my congratulations to Philipp and his team for their commitment in taking a vision and seeing it through to construction.

The CEFC is also supporting innovative Australian clean energy businesses like Energy Developments Limited (EDL). During the year, DUET Group made an acquisition offer for EDL. The CEFC has provided a debt facility to EDL and the takeover offer provides a good market validation of the EDL business model. EDL was also a successful bidder in the first auction for the Australian Government's Emissions Reduction Fund.

Supporting individual clean energy businesses is important, but to have a broader economic impact, we also need to help capital markets grow to encourage more funding into the clean energy sector.

Helping capital markets expand for clean energy

With global agreement to limit the mean temperature rise to less than two degrees celsius, large capital investment is required. This will involve new products, investment vehicles and structures to allow for the mobilisation of institutional investment into clean energy and emissions reduction. Climate Bonds are part of this solution.

The CEFC committed to provide a cornerstone investment of up to $75 million in NAB's $300 million Climate Bond issuance to demonstrate the potential in the Australian market for mobilising capital in renewable energy through green bonds.

This was the first Australian bank-issued climate bond and was also certified as being in compliance with international Climate Bonds Standards. A subsequent ANZ-issued green bond raised $600 million, and ultimately did not require the CEFC's participation.

Climate (or green) bonds provide investors with the opportunity to invest in renewable energy and energy efficiency through a low risk, high quality fixed income product. At the same time, green bonds support long-term investment in important low carbon infrastructure projects, by providing longer tenor and secondary market liquidity.

The experience of the past year has shown that there is an emerging demand from investors for green bonds in Australia and we expect other banks and issuers to consider further issuances in the future.

Other approaches are being taken to help the development of institutional investment in clean energy, particularly to engage those large investors which generally invest indirectly through funds. We are supporting investment vehicles like EG Group's HISOT property trust, as well as established a direct infrastructure investment platform with institutional investor, Colonial First State Global Asset Management's (CFSGAM) CFS, called the Australian Clean Energy Infrastructure Fund.

Investment milestones

The CEFC is willing to invest early in a project's lifespan, taking construction risk and supporting projects from design and development through to financing, construction and operation. A number of existing CEFC-financed projects and programs achieved significant milestones over the financial year.

Some businesses accessed our energy efficiency loan programs for the second time. This demonstrates that energy productivity upgrades occur over time as businesses have a capacity limit for upgrades. Perceived financial, operational and technological risk factors mean that energy productivity upgrades are likely to happen in stages.

The successful outcomes of these investments provide pathways for others to follow and CEFC finance is available to support their transformation.

Over the year, two CEFC loans with a combined value of nearly $10.6 million were repaid in full. For a lender, full repayment of capital is always welcome, even if it does reduce the portfolio.

These two loans, to Australian Paper ($9.9 million) and Lake Nathan Pty Ltd ($700,000), supported the installation of energy efficient equipment, supporting regional economic growth and employment in Victoria and Queensland. We are pleased these investments have proved mutually successful, leaving both businesses better positioned within their markets by reducing their energy costs and improving their green credentials.

A number of CEFC-financed projects also completed construction and began generating energy over the course of the year.

Carnegie Wave Energy, an Australian company that the CEFC has supported, successfully began exporting renewable energy to the grid using its innovative CETO wave energy technology. This demonstrated the world's first commercial application of wave power for grid-connected electricity and demonstrates Australia's potential to innovate and develop technologies for export to the world.

The Taralga Wind Farm began operating in the second half of 2015, with the project now fully operational. This project was built with BlueScope 100 per cent Australian-made steel towers, which were fabricated in Portland, Victoria by Keppel Prince Engineering.

Construction of the 56MW Moree Solar Farm in New South Wales is progressing successfully, employing up to 150 people and benefiting up to 40 local businesses. Developed by Spain's Fotowatio Renewable Ventures (FRV), this project uses single-axis tracking technology to increase electricity production. Once complete, the Moree Solar Farm will be among Australia's largest solar power stations. In addition, in Port Augusta work has begun on building Sundrop's power tower and greenhouse.

The CEFC's support at an early stage and our willingness to take some merchant risk is helping to grow the supply chain, bring down costs and increase the number of large-scale solar PV power stations in Australia. The Moree Solar Farm transaction was named IJ Global's 2014 Asia Pacific Solar Transaction of the Year.

I acknowledge the Mayor of Moree Plains Shire Council, Katrina Humphries, who made bringing this project to the Moree community a focus of her attention. Local and regional communities stand to benefit from this energy transformation and communities can make a difference to a project proceeding successfully.

Appreciation

We are very fortunate in the wealth of experience and talent within our CEFC team, which has continued to strengthen through the maturing of the organisation and the breadth of the common experience gained through our work.

On behalf of all the staff of the CEFC, I express our great appreciation to our Chair, Jillian Broadbent AO. Jillian's leadership of the Board, and the Board's belief and steadfast vision of the long-term role of the CEFC, has maintained our momentum and kept us all on course, even when faced with headwinds. Board members give their time and insight generously, helping the organisation achieve its Mission and work towards the 2018 Portfolio Vision. Few organisations would ask as much of their Boards, given our monthly meetings, committees and regular calls.

I acknowledge the role of our then Responsible Ministers, the Hon. Joe Hockey MP and Senator the Hon Mathias Cormann for their engagement during this past year in the work of the CEFC. I would also like to acknowledge the work of their Departments with whom we work constructively.

Finally, I wish to acknowledge project sponsors and the businesses across Australia that show leadership by investing in renewable energy, energy efficiency and low emissions technology.

Many of the projects and programs we finance are the result of a team effort, involving co-financiers such as commercial banks and non-bank lenders, energy companies, renewable energy developers and our colleagues at ARENA. I extend my thanks to all the organisations we work with for their support and perseverance as we collectively grow the clean energy sector in Australia.

Looking to the future

The CEFC is a rapidly maturing organisation with deep expertise in clean energy finance and technology. In many respects our work is still in its early stages. Some projects can take several years to reach financial close, but each new project sets a precedent and provides learning from which others benefit.

As the market evolves and develops, our task is to position ourselves in a rapidly changing market, ensuring that we remain focused on facilitating increased investment into clean energy in Australia and are ready to accelerate our activities as energy policies evolve.

The CEFC was established to address financial barriers which inhibit Australia's take up of clean energy technologies and improvements in energy productivity, both of which generate long-term economic benefits for Australia.

The CEFC's role is to work with the private sector and contribute to achievement of Government policy objectives.

Our challenge, as always, is to efficiently deploy funds in line with our Mission and Mandate, while maintaining risk structures appropriate to a Government-owned organisation. Providing support through pragmatic and effective delivery of these outcomes at minimal cost remains our focus.

I have great faith in our team's ability to continue to achieve this.

I also wish to acknowledge the CEFC's other 'green bank' peers, with whom we co-operate and share knowledge. These include the UK Green Investment Bank, the Malaysian Green Technology Corporation, Masdar, the Japan Green Finance Organisation, the New York Green Investment Bank and the Connecticut Green Bank. These organisations have aligned objectives, investing to accelerate the roll out of new business models and clean energy technologies which can be transformative, while contributing to the achievement of emission reduction goals.

The CEFC is helping Australian businesses and the community transition to be economically, socially and environmentally prosperous in a low-carbon future.

Oliver Yates
CEO

1

PERFORMANCE

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HIGHLIGHTS

$1.4b TOTAL CEFC COMMITMENTS FOR **$3.5b** TOTAL PROJECT VALUE

55 DIRECT investments

Accelerating business and household adoption of energy efficient and electric **vehicles**, as well as **solar** and energy efficient **equipment**

Cutting energy costs and unlocking **productivity** gains for business across the country

MOBILISING PRIVATE SECTOR CAPITAL

$1.80 matched private sector funds for each dollar of CEFC investment

INVESTING IN INNOVATION AND GROWTH ACROSS THE AUSTRALIAN ECONOMY

CEFC achievements since inception

Finance for small business **innovation** and **productivity**

INVESTING IN A COMPETITIVE CLEAN ENERGY ECONOMY

34 INDIRECT **investments**

PROPOSALS FROM MORE THAN **300** PROJECT PROPONENTS

SEEKING FINANCE OF ALMOST **$8b**

FOR TOTAL **PROJECT** COSTS OF MORE THAN **$25b**

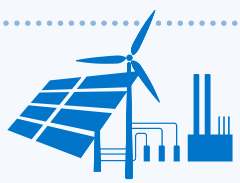
PROJECT **FINANCE** HELPING DRIVE **AUSTRALIA'S GROWTH**

AS THE **SOLAR ENERGY NATION**

Helping **local councils** reduce street lighting energy costs, invest in renewables and turn waste to energy

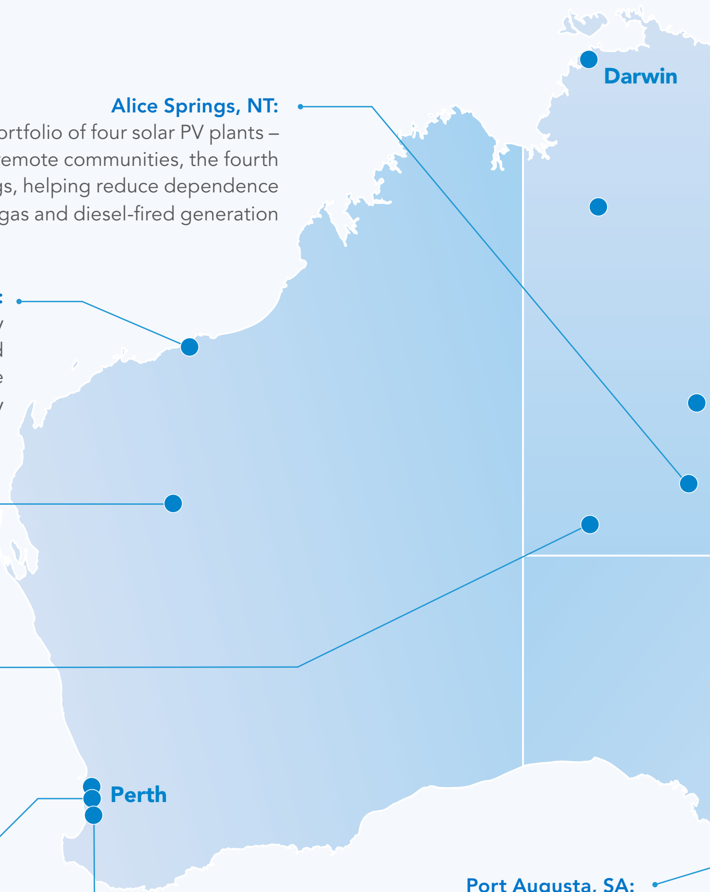
Projects in **rural** and **regional** Australia

Supporting **21st** century **jobs** in local communities



Creating new **clean energy** infrastructure

WHERE WE ARE INVESTING



Alice Springs, NT:
A 5MW portfolio of four solar PV plants – three of which are in remote communities, the fourth in Alice Springs, helping reduce dependence on gas and diesel-fired generation

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

Peak Hill, WA:
Sandfire Resources' DeGrussa Copper Mine to be powered by solar PV and battery storage

Yulara, NT:
Solar PV installation at Ayers Rock Resort to provide up to 15 per cent annual energy use and reduce reliance on fuel

Perth, WA:
Final stage development and commercialisation of its CETO 6 wave power technology

Jandakot, WA:
A waste-to-energy plant at garden products supplier Richgro is helping to power its facility

Port Augusta, SA:
Sundrop Farms' greenhouse development using solar thermal technology to desalinate seawater to provide irrigation, and to heat and cool the greenhouses

Mildura, VIC:
Plastics manufacturer Global Roto-Moulding moulding ovens upgrade to save over $160,000 in energy costs per year

Shepparton, VIC:
Fresh fruit supplier Radevski Coolstores' solar PV installation and refrigeration upgrade to reduce energy costs by up 25 per cent

Portland, VIC:
Stage IV of the Portland Wind Farm will expand overall generation capacity to 500GWh annually, enough to power some 100,000 homes

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

Moree, NSW:
Construction of Moree Solar Farm's solar PV single-axis tracking power plant with capacity to power 15,000 homes

Willawong, QLD:
Landfill Gas Industries is expanding waste-to-energy operations at six landfill sites in Southern and Central Queensland

Brookvale, NSW:
Sydney car dealership Col Crawford expects to halve energy use through a major solar installation and LED lighting upgrade

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 is expected to reduce base building energy consumption by about 30 per cent

Taralga, NSW:
Construction of Taralga Wind Farm, with capacity to generate power for 45,000 homes

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

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

Baw Baw, VIC:
Baw Baw Shire Council's upgrade to LED street lights to save more than $160,000 per year

Wangaratta, VIC:
Fresh produce supplier Nu Fruit to meet over 10 per cent of its electricity needs by installing solar PV

Melbourne, VIC:
A $7 million environmental upgrade to a 1970s CBD building to halve energy use and carbon emissions

ABOUT THE CEFC

The CEFC is an Australian Government statutory authority formed in August 2012 to 'facilitate increased flows of finance into the clean energy sector', through investment activities focused on investment in the renewable, energy efficiency and low emissions technology sectors.

The CEFC commenced investing in 2013. In addition to providing a financial return, the CEFC's investments generate positive impacts, particularly in improvements to energy productivity and reductions in Australia's carbon emissions. As the CEFC's investment portfolio builds over time, it is assisting in reducing carbon emissions and in accelerating Australia's transformation towards a more competitive economy in a carbon constrained world.

CEFC positive impacts

Apart from emissions reduction, positive impacts of CEFC investments also result from technologies moving faster along the innovation chain, lowering their costs, and through greater acceptance in financing markets of such new technologies. Positive impacts 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 also helps increase future energy optionality.

The CEFC's investments are demonstrating that they contribute to 'proving-up' new technologies in an Australian context, increasing the financial sector's knowledge base about them. In turn, this helps lower the deployment cost for subsequent projects, creating pathways for similar transactions.

The CEFC investment activity is also contributing to creating a wider and deeper knowledge base across investor classes including retail investors and superannuation funds. This base will increase as investment in the clean energy sector grows and diversifies.

The investment activity by the CEFC is contributing to building and maintaining local market capacity and technological know-how, engineering, manufacturing capability and helping strengthen localised supply chains, which in turn creates jobs for Australians, helping positively impact economic growth.

MEASURING SUCCESS

Budgeted outcome

As an Australian Government entity, the CEFC reports against the CEFC's Budgeted Outcome, being the Australian Government's objective against which appropriations are to be applied. The CEFC's defined Budget Outcome is reported in the 2014–15 Portfolio Budget Statements (PBS) for the Treasury portfolio:

> *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.*

Budgeted KPIs

The CEFC's Key Performance Indicators (KPIs) are set out in the 2014–15 Treasury PBS for the purpose of measuring the Corporation's performance against the Budgeted 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.

2014–15 Performance against KPIs: Summary

A summary of the CEFC's performance against KPIs is outlined in Figure 1. These figures should be read in the context of the following explanatory text on each KPI, particularly with respect to the Portfolio Benchmark Return (PBR), where the target changed during the reporting period.

Figure 1: Summary of the CEFC's 2014–15 performance against KPIs

Key Performance Indicator	Measure	2014–15 Target	Result to 30 June 2015	Result to 30 June 2014
KPI 1 Performance against the Portfolio Benchmark Return (PBR) set by the Government	Percentage against Portfolio Benchmark Rate (PBR)	To 4 March 2015: PBR net of operating expenses	To 4 March 2015, the PBR was 3.16% The CEFC's performance rate was 3.88%	The PBR was 3.14% The CEFC's performance rate was 4.15%
		From 5 March 2015: PBR + 4-5% before operating expenses	From 5 March 2015: The PBR was 7.11–8.11% The CEFC's performance rate was 4.66%	
KPI 2 Placement of funds into Australia's clean energy sector	$ invested	Funds committed into the sector taking into account market impacts	$1,205.9 million	$931 million
KPI 3 Investment in renewable energy, low emissions and energy efficiency technologies [Report under Section 74 (1) (a) CEFC Act]	$ invested	Renewable Energy Technologies (RNET): equal to or greater than 50% of funds invested Energy Efficiency Technologies (EET): no target Low Emissions Technologies (LET): no target	RNET: $673.4 million (56%) EET: $457.5million (38%) LET: $75 million (6%)	RNET: $577 million (62%) EET: $279 million (30%) LET: $75 million (8%)
KPI 4 Building industry capacity	Qualitative	Demonstrably building capacity in the finance sector, the energy sector and the broader economy through permitted investments	See qualitative assessment pages 23–24	See qualitative assessment pages 23–24
KPI 5 Dissemination of information to industry stakeholders	1. Communications and Contacts 2. Qualitative	Effectively disseminating information through website, conferences, industry presentations and stakeholder communications	See qualitative assessment pages 25–27	See qualitative assessment pages 25–27

2014–15 Performance against KPIs: Analysis

KPI 1 – Portfolio Benchmark Target

The performance against the Portfolio Benchmark Return set by the Government is calculated with reference to the method set out under the Investment Mandate. A new Investment Mandate was issued during the reporting period, and the benchmark return for the portfolio was one of the key changes. Performance is set out against both Mandates that were in effect for the year (the 2013 Investment Mandate and the 2015 Investment Mandate). See CEFC Investment Mandate and Associated Key Governance Events for further information, on page 109.

2013 Investment Mandate – Applicable to 4 March 2015

In simple terms, the PBR under the 2013 Investment Mandate involves three steps:

1. *Calculation of the Portfolio Benchmark Return (PBR):* This is 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 PBR.
2. *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 investments is set out on page 66.
   - It is also important to note that this is a 'net rate', i.e. after operating expenses, including a provision for statistically-estimated investment impairment. This 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).
3. *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 a point-in-time on 4 March 2015, the date the 2013 Investment Mandate was superseded
   - The CEFC was in a start-up phase over 2013–2014. As loans were written, cash was often held in a construction or secured funding account against these commitments until the borrower drew down the funds
   - The PBR is a cumulative measure over time, expressed as an annualised average return rate
   - In the words of the Explanatory Statement to the 2013 Investment Mandate: 'The [PBR] is a long-term target and expected to be earned across the portfolio and over a period of time'.

Under the 2013 Investment Mandate, the Corporation's aim was to achieve a PBR in excess of the five-year Government bond rate, while also covering the operating costs of the Corporation.

The CEFC's PBR to 4 March 2015 of 3.88 per cent exceeds the 2013 Investment Mandate PBR of 3.16 per cent. The operating costs are net of the start-up operational funding received from the Commonwealth.

2015 Investment Mandate – Applicable from 5 March 2015

Under this new 2015 Investment Mandate, calculation of the PBR is a cumulative calculation from inception of the CEFC (albeit expressed as an annualised average). This is similar to that of the 2013 Investment Mandate, with two important differences:

1. Without lifting its level of portfolio risk above the level observed on 5 March 2015, the Corporation is expected to target a Future Fund-style premium above the Australian Government bond rate of 4-5 per cent. This compares against a previous Mandate with no explicit cap on the level of risk in the portfolio, and a requirement to target a return in excess of the bond rate.
2. The measure is now to be calculated at a revenue level – that is, pre-expenses. Previously, the PBR was calculated net of operating expense.

For this measure the CEFC's PBR to 30 June 2015 of 4.66 per cent falls short of the 2015 Investment Mandate PBR of 7.11 to 8.11 per cent.

This is to be expected given:

- The new measure was brought in late into the year, and applies to the portfolio as a whole, including all previously-completed transactions
- Achievement of the levels of return stipulated in the new Mandate will require the identification of out-of-market returns, as the requirement to increase investment returns while curtailing risk is contrary to observed market behaviour.

During the year, the CEFC commissioned two acknowledged experts in the field – Professor Bob Officer and Dr Steve Bishop – to examine the effect of the PBR changes contained in the 2015 Investment Mandate. Their analysis affirmed that actually meeting the PBR would be 'highly unlikely' given the other limits on how the CEFC can invest and what it can invest in, stating:

> *We have examined the historical spread of listed Australian and Corporate Bond yields over government debt securities and, if history is a guide to the future, then CEFC would need to move to a portfolio dominated by sub-investment grade debt (e.g. a B rating or below) if its portfolio was restricted to debt securities. Alternatively it would need to lever up a portfolio to earn the required yield to meet the benchmark or include equities in the portfolio. Both of these strategies increase risk. We note the new benchmark is above the current risk premium of BB rated debt of circa 3 per cent which is the current rating of the current CEFC portfolio.*

The CEFC agrees with this analysis and maintains that out of market returns are unlikely to be achievable in the near term.

More information about the Investment Mandate changes, the CEFC's response and the Officer-Bishop paper can be found on the CEFC's website.

It should be noted also that in comparing performance in 2013–14 and 2014–15, yields on the Australian Government bond rate deteriorated by about 0.5 per cent during the period.

CEFC staff site visit

KPI 2 – Placement of funds

To 30 June 2015, the CEFC had committed $1,206 million of funding to projects. This represented $484 million in new finance committed, partially offset by $211 million in portfolio 'roll off' (loans being repaid, reductions in loan amounts borrowed because the borrower did not use the full facility, expired availability periods etc), leaving a net increase of $274 million.

The $484 million was supplemented by a $15 million placement shortly after balance date and a further $24 million in portfolio roll off. Given the substantial lack of activity in the market as covered elsewhere in this report (Australian Government energy and environmental policies, page 114) the CEFC views this as a reasonable level of growth in the portfolio.

KPI 3 – Investment in renewable energy, low emissions and energy efficiency technologies

Recognising 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 CEFC 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 $673 million, energy efficiency of $458 million and low emissions of $75 million, the CEFC is on track to meet this requirement, with renewables currently making up almost 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).

KPI 4 – 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 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. New upgraded equipment also invariably delivers other productivity gains or new capabilities, providing the basis for growth and greater sustainability of the business.

CEFC CEO Oliver Yates visiting Carnegie Wave Energy in Perth

CEFC–CBA Energy Efficiency Business Seminar in Launceston

- 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 clean technology industry through greater investment and an increased number of projects, the CEFC assists the 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.
- Perhaps most importantly, 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, financial structures or products.
- 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 businesses and extend the availability of capacity-building finance to the 'engine room' of the economy.
- The CEFC attracts new finance to the Australian clean energy sector, with CEFC participation helping to 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 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 finance providers, institutional investors and 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.

KPI 5 – Dissemination of information to industry stakeholders

The continued expansion of the CEFC's portfolio in 2014–15 was accompanied by increased external engagement, with the objective of sharing information about CEFC investments, as well as building awareness of the CEFC and its Mission, functions and available financing. This activity is an important way in which the Corporation engages with the market, identifies new investment opportunities, and helps accelerate and increase the take up of co-financed products.

While the CEFC does not conduct wide-reaching advertising or mass-marketing campaigns, the year saw a 50 per cent increase in the level of CEFC participation in, and presentations to, industry conferences and forums. In addition, CEFC Board members, executives and staff regularly attended meetings and contributed presentations about clean technology and its financing.

The CEFC Chair and executives participated in and delivered expert presentations across a broad range of topics relating to financing for clean energy, including various forums, such as: Green Cities 2015; Clean Energy Week 2014; Solar 2015; the Council of Small Business of Australia (COSBOA) Summit; Responsible Investment Association Australasia conference; Bioenergy Australia 2014; Energy Efficiency Council Conference 2014 and the National General Assembly of Local Government.

The CEFC continued its substantial engagement program around energy efficiency, conducting eight market education seminars in regional and metropolitan Australia in partnership with Commonwealth Bank. The seminars provide a forum for those involved in manufacturing, agribusiness, property and State and Local Government to hear from industry experts about the effective application of energy efficient technologies, and how to access CEFC and Commonwealth Bank finance to deliver these. Seminars were held in Melbourne, Shepparton, Adelaide, Port Hedland, Darwin, Hobart, Launceston, Toowoomba, attracting some 335 attendees.

The CEFC also increased its engagement with relevant industry associations, including the Energy Users Association of Australia; the Property Council of Australia; the Climate Bonds Initiative; the Responsible Investment Association Australasia; The Investor Group on Climate Change; Bioenergy Australia; Irrigation Australia; The Green Building Council of Australia and the Australian Securitisation Forum.

Supporting these market outreach efforts, the CEFC continued to use its website, cleanenergyfinancecorp.com.au, and CEFC social media platforms on Twitter and LinkedIn,

CEFC participated in 54 industry events and conferences

CEFC Chair Jillian Broadbent AO

Image courtesy of Homepix Photography

to provide resources and ready access to information about our activities. The CEFC has also produced nine video-based case studies highlighting results of projects undertaken by recipients of CEFC finance to help better explain how CEFC funds are being used in practice. These are all available from the CEFC website.

The CEFC responded to invitations to make submissions to a number of parliamentary enquiries and Australian Government policy reviews, reflecting our commitment to engage constructively on a factual basis with these processes.

Communication activities

The year saw a 43 per cent increase in direct communication with external stakeholders, and a 62 per cent increase in the distribution of CEFC media statements. Specific activities included:

- Presentations at 54 conferences, events, symposiums and industry events, including peak industry forums

The CEFC received recognition from the Institute of Public Administration Australia for its 2013–14 Annual Report

The CEFC conducted marketing activities throughout the year

- More than 20,000 direct communications with stakeholders
- More than 98,000 visits to our website, with in excess of 285,000 page views
- Development of 13 fact sheets describing the economic and business impact of CEFC activities
- Publication of seven case studies describing specific CEFC investments
- Production of nine video case studies
- Distribution of 39 media releases, engaging with media and external stakeholders about CEFC investments and external engagement
- Publication of four Quarterly Investment Reports on the CEFC website
- Publication of two statements providing information relating to the CEFC Investment Mandate.

The CEFC received a Gold Award from the Institute of Public Administration Australia for the online edition of the 2013–14 Annual Report, the CEFC's second award for excellence in online reporting. The 2013–14 Annual Report was also recognised in three categories of the Australasian Reporting Awards.

INNOVATIVE TECHNOLOGY FOR ECONOMIC TRANSFORMATION

OUR INVESTMENTS IN ACTION

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SANDFIRE RESOURCES SOLAR AND STORAGE

The CEFC has committed up to $15 million towards a $40 million solar and battery storage project at the Sandfire Resources DeGrussa copper mine in Western Australia. The project has also received funding support of $20.9 million from the Australian Renewable Energy Agency (ARENA).

PROJECT SCOPE

The 10.6MW solar plant, with 6MW of battery storage, is one of the first and largest solar and battery projects at an Australian mine.

The plant will consist of 34,080 solar PV panels over a 20 hectare site, and is expected to be operational by early 2016. It will provide some 40 per cent of the mine's daytime electricity requirements, offsetting approximately 5 million litres of diesel fuel per annum.

The 10.6MW solar plant is to be fully integrated with an existing diesel-fired power station. Savings on diesel fuel consumption are expected to grow with extension of the life of the mine and likely increases in diesel prices. The diesel-fired power station, owned and operated by Pacific Energy subsidiary Kalgoorlie Power Systems, will continue to provide baseload power to the mine.

Looking to the future

Remote area mines represent a significant and growing opportunity for solar and battery storage to provide a complementary power source.

Energy costs can account for around 30 per cent of expenditure for remote area and off-grid miners, which rely on diesel-fired generators and face the additional burden of transport costs for fuel.

Rising production costs, global competition and the drive to improve overall environmental performance are motivating companies to look at how renewables can boost their business operations.

"We identified some time ago that solar power presented an exciting opportunity for us to participate in a low-risk renewable energy initiative at DeGrussa, and we have no doubt that this project has the potential to be an Australian and possibly a world first – establishing DeGrussa as a reference site for the use of off-grid solar and battery storage technology in the mining industry."

Sandfire Managing Director
Karl Simich

DEPLOYING **RENEWABLE TECHNOLOGIES** TO HELP BOOST **COMPETITIVENESS** OF KEY **EXPORT INDUSTRIES**

TARALGA WIND FARM

SUPPORTING **AUSTRALIAN MANUFACTURING**

AND BUILDING THE

SUPPLY **CHAIN**

FOR RENEWABLES

PROJECT SCOPE

The CEFC provided $37.5 million in senior debt finance for the construction and operation of the Taralga Wind Farm, 45km north of Goulburn, New South Wales.

During construction, the project helped contribute to Australian manufacturing capability and scale in the renewable energy supply chain scale, using Australian-manufactured wind towers from BlueScope Steel in Portland, Victoria.

The 51 turbines will generate up to a total capacity of 107MW of renewable energy for the life of the project and supply energy equivalent to the needs of approximately 38,000 houses, and abating CO_2-e emissions of approximately 240,000 tonnes each year.

Progress report

- Construction completed in July 2015, with operations beginning in July 2015.
- 10-year Power Purchase Agreement with EnergyAustralia.

RICHGRO BIOGAS

PROJECT SCOPE

The CEFC provided a $2.2 million loan for Richgro garden products to fund a $6 million anaerobic digestion plant at its Jandakot operations in Western Australia.

The plant has the capacity to divert 35,000-50,000 tonnes of commercial and industrial organic waste each year.

It processes commercial and industrial waste from agriculture, food processors and supermarkets, producing enough energy to power Richgro's Jandakot operations. The heat produced is used to power covered nurseries for the production of blueberries. There is also potential for about 1.7MW of extra capacity to be exported to the grid.

The project also received a $1.1 million Australian Government grant and $500,000 through the Western Australian Government's Low Energy Emissions Development Fund.

Progress report

- Grid connection is confirmed for September 2015, by which time the plant is expected to be fully operational.

HIGH-TECH **WASTE TO ENERGY SOLUTION** CREATES **NEW POWER** FOR WESTERN AUSTRALIA

NEW ENERGY CORPORATION

PROJECT SCOPE

The CEFC committed up to $50 million in senior debt finance for the development of New Energy Corporation's waste-to-energy facilities in Western Australia.

New Energy has two major waste-to-gas projects in advanced stages of development, at Port Hedland (Boodarie) in the Pilbara and at Rockingham, near Perth.

Both projects will use the Australian developed world-leading ENTECH™ waste gasification technology. The technology is used to convert non-recyclable municipal, commercial and industrial waste to energy, delivering a sustainable waste management solution along with lower emissions than current grid electricity sources.

The investment is an important demonstration of the CEFC's role in bringing new technology to the Australian market. New Energy's innovative technology was developed in Australia and has been widely deployed in international markets, being used in 46 locations throughout Europe and Asia.

The ENTECH™ waste gasification technology is modular and scalable, ensuring facilities have the flexibility to adapt to changing waste types and volumes.

Progress report

- New Energy has signed waste services contracts with the City of Karratha and the Shire of East Pilbara
- New Energy expects their Boodarie Industrial Estate plant and the East Rockingham plant to open between late 2017 and early 2018.

WORLD FIRST

AUSTRALIAN TECHNOLOGY

DELIVERING SUSTAINABLE

WASTE SOLUTIONS

CARNEGIE WAVE ENERGY

The CEFC has provided a $20 million five-year loan facility to Carnegie Wave Energy Limited to accelerate the development of stage 6 of its CETO wave power technology.

PROJECT SCOPE

Carnegie expects CETO 6 to be a commercial production version of its technology which uses wave power to pump high pressure seawater to generate electricity and desalinate water. It is a fully submerged system, which allows it to better withstand the harsh marine environment.

The CETO 6 Project is targeting a 3-unit array with 3MW total capacity. It is working towards completion in 2017 and electricity generated from the project is to be sold under a Power Purchase Agreement.

Carnegie invented, developed and owns the CETO wave energy technology that uses wave power to pump high pressure water that can be used to generate clean energy in the form of electricity and desalinated fresh water. It is a fully submerged system which allows it to better withstand the harsh ocean environment.

Progress report

- In February 2015 Carnegie opened the world's first grid-connected wave energy array, with the first electricity exported to the WA grid at HMAS Stirling
- The desalination plant was commissioned off the electricity grid, also in February 2015
- The plant achieved a major milestone in June 2015, with 10,000 operational hours, the longest continuous period of operation any in-ocean wave energy project achieved anywhere in the world.

Looking to the future

The Perth Wave Energy project is Australia's first commercial scale CETO grid-connected wave energy project. The technology places Australia at the leading edge of the emerging ocean energy sector, and in a strong position to benefit from the sector's growth.

The European Ocean Energy Roadmap estimates that by 2050, ocean energy could meet up to 15 per cent or approximately 100GW of the European Union's power demand – powering some 115 million homes.

"Reaching financial close on the CEFC facility is a watershed moment for Carnegie as this is the first time ever that Carnegie has achieved a pure debt finance deal. It follows on from the commissioning of the Perth Wave Energy Project and is representative of the maturing nature of the CETO technology."

Carnegie CFO
Aidan Flynn

SUPPORTING **AUSTRALIAN INNOVATION** TO CREATE **EXPORT INDUSTRIES** OF THE **FUTURE**

YEAR IN REVIEW

AUSTRALIA'S CLEAN ENERGY MARKET IN 2014–15

The CEFC's investment environment is impacted by the broader economic and investment activity and, more specifically, by credit and equity markets.

As a sector-specific investor in renewable energy, energy efficient and low emissions technologies, the CEFC's operating environment is particularly impacted by energy market pricing, government policy initiatives and general investor confidence in these sectors.

According to preliminary estimates from Bloomberg New Energy Finance (BNEF), overall investment in clean energy in Australia over the financial year to June 30 2015 fell 31 per cent on the previous financial year, from $4,596 million to $3,171 million.

Figure 2: Australian clean energy investment by category, 2014–15 ($m)

Category of investment	2013–14	2014–15	Change on 2013–14
Small-scale PV (New Investment)	$2,139	$2,095	-2%
Large-scale (New Investment)	$1,135	$750	-34%
Energy Smart Technologies (New Investment)	$593	$228	-61%
Government & Corporate R&D	$547	$51	-91%
Public Markets (New Equity)	$171	$47	-73%
Venture Capital / Private Equity	$10	$0	-100%
Total	**$4,596**	**$3,171**	**-31%**

Source: BNEF, figures in AUD

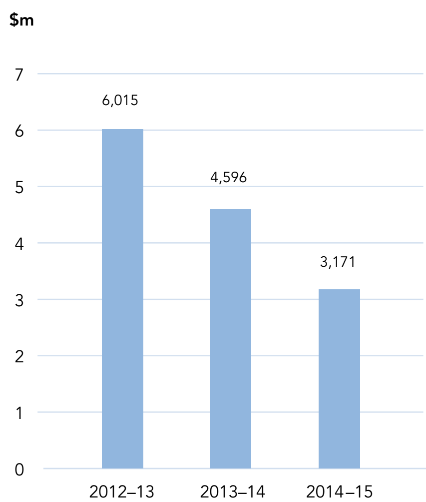
Note: Figures to June 30, provided as at September 2015 and may be subject to revision. Energy Smart Technologies includes investment by regulated network businesses in infrastructure such as smart meters.

The Australian Government's review of the RET, which was initiated in early 2014, resulted in the passage of legislatio n which revised the Large-scale Renewable Energy Target (LRET) from a target of 41,000GWh in 2020 to 33,000GWh in 2020.

Following this, the CEFC observed some renewed levels of interest among large-scale renewable energy developers. However, issues remain for longer-date d projects that require some certainty of a RET post-2020 and/or some form of emissions penalty price to succes sfully underwrite their capital raising.

Further discussion about the changing policy environment can be found on page 114.

Figure 3: Clean Energy Investment in Australia, 2012-13 to 2014-15 ($m)



Source: Bloomberg New Energy Finance (BNEF), figures in AUD

Impacts on large-scale renewable investment

Investment in large-scale renewables in 2014–15 fell 34 per cent, from $1,135 million to $750 million. BNEF reported that $544 million of this investment, or 73 per cent, occurred in the final quarter of 2014–15. Prior to this quarter, investment was down 82 per cent [1] compared with the same period in the prior year.

According to Bloomberg New Energy Finance, the only renewable energy projects of more than 10MW which were successful in securing finance in the market in 2014–15 were those which were able to secure the support of the CEFC or the Australian Renewable Energy Agency (ARENA), or participate in the ACT renewable energy auction.

The ACT Government's 200MW wind auction was a bright spot for the sector. In February 2015, three successful proponents were announced under this program. Two of these secured funding in the second calendar quarter of 2015.

Existing projects were also impacted by the uncertainty around the future of the RET. Large-scale investments in the clean energy sector are particularly sensitive to energy market economics, both in respect of the general 'black' electricity price and the RET, or the RET-specific 'green' energy price. Some loan agreements that had RET covenants were triggered when the LRET was reduced. In some instances, this required borrowers to make loan pre-payments to lenders, including the CEFC. Throughout this period, the CEFC focused on providing an accommodating approach to best support the needs of borrowers.

The CEFC saw a number of its 2013–14 pipeline of potential transactions abandoned by sponsors, as well as the evaporation of a good portion of its planned development pipeline. This in part resulted in the Corporation making no new investments in either Q1 or Q3, and just one investment in Q2, being the NAB Climate Bond.

The reduced level of large-scale renewables activity resulted in an increased focus of CEFC investments outside this segment.

THE CEFC'S NEW INVESTMENTS IN 2014–15

During 2014–15, the CEFC made seven investment commitments, totalling $484 million. An additional $15 million investment into remote solar and battery storage at Sandfire Resources' DeGrussa copper mine was finalised just after the end of the financial year.

New CEFC commitments by technology in 2014–15 included $246 million in renewables and $238 million in energy efficiency. No new low-emissions technology investments were made in the year.

The downturn in the large-scale renewable energy market throughout the financial year resulted in few projects seeking large-scale project finance involving the CEFC.

Renewables projects that were not as exposed to the economics of black and green electricity prices continued to seek CEFC finance. These projects are often too small, too complex or involve technologies new to the Australian market, making them harder for the private sector alone to finance.

Two new projects demonstrated the growing investment case and potential for remote renewables: the CEFC's $15 million investment in solar and battery storage development at Sandfire Resources' DeGrussa copper mine in Western Australia, and the $4.7 million investment into Epuron for the installation of solar PV at the Ayers Rock Resort in the Northern Territory. These investments are supporting some of Australia's largest export industries, in mining and tourism.

1 A commonly reported figure for the fall in large-scale renewables investment is the 88% fall in calendar year investment between 2013 and 2014.

Globally, green bond and climate bond markets have grown rapidly, providing new opportunities for investors to support the acceleration of clean energy technology take up. The CEFC's $75 million cornerstone investment in the NAB Climate Bond was the first Australian dollar denominated and Australian domestic asset-linked certified bond of its kind in the market. The NAB Climate Bond was made up of 17 utility-scale renewable energy projects in operation or under construction across Australia at the time of issuance.[2] The cornerstone position of the CEFC assisted the NAB in generating strong investor demand, resulting in the $150 million offering ultimately being two times over-subscribed, resulting in a total debt raising of $300 million despite the relatively long seven-year term of the bond. Additional green bond issuances in the Australian market this year were made by ANZ and Stockland.

Reflecting the trend in the wider market, and in contrast to the weak levels of investment in large, utility-scale renewables, the CEFC's level of investment in small-scale renewables was a highlight of the year's activities. BNEF reported some $2,095 million was invested in small-scale distributed generation in 2014–15, mostly relating to rooftop solar. To further this deployment of solar in Australia, the CEFC and Origin joined forces via a 12-year $100 million CEFC financing commitment. The CEFC finance is helping support the roll out of Origin's offering of power purchase agreements (PPAs) to business and residential customers, and expand the opportunities for solar and battery storage at consumer level.

There continues to be strong interest by business in investment in energy efficiency, which helps improve energy productivity and achieve lower business energy and operating costs. The CEFC experienced continued strong interest in investment in energy efficiency, and during the year was able to develop several new individual investments and new structured financial products.

These are being made available to the market nationally across various sectors of the economy.

The CEFC is providing $120 million through the NAB for a major new investment program, known as the NAB Energy Efficient Bonus, to incentivise Australian businesses to cut their energy and operating costs and lift business performance. The program is designed to help accelerate the switch to cleaner vehicles, as well as help businesses upgrade industrial and agricultural equipment and increase their take up of solar. NAB is making this $120 million CEFC-supported program available across a broad commercial base, with a particular emphasis on agribusiness and businesses in regional Australia.

This financing program is also the CEFC's first commitment to vehicle efficiency. According to ClimateWorks[3], Australia's cars and light commercial vehicles are still far less efficient than those in most developed economies. The broader economic benefits of increasing fuel efficiency to European Standards is estimated to save up to $7.9 billion per year through reduced fuel use within 10 years and presents the lowest cost opportunity to reduce emissions across our economy. For these reasons, vehicle efficiency is an area in which we expect to see continued strong interest.

Innovations in electric and hybrid vehicle technology and infrastructure, including declining costs of batteries and drivetrains, are set to transform the transport sector. In an effort to help accelerate business and personal adoption of low emissions and electric vehicles, as well as solar and energy efficient equipment in Australia, the CEFC has entered into a $50 million asset finance agreement with Firstmac, a leading Australian non-bank lender. This CEFC-backed financing program is initially focusing on vehicle and solar opportunities with Firstmac's existing 25,000 mortgage customers. Firstmac's online platform, loans.com.au, is targeting additional consumer finance demand, and the origination of commercial asset finance opportunities is being driven through Firstmac's network of brokers and equipment manufacturers.

2 DNV GL (2015) Third Party Opinion: National Australia Bank Climate Bond, https://www.climatebonds.net/files/files/nab-climate-bond-verification-statement-nab-final-issued-9-mar-2015.pdf

3 http://climateworksaustralia.org/project/buildings-transport/vehicles-emission-standards

CURRENT PORTFOLIO AT A GLANCE

SUPPORTING ECONOMIC TRANSFORMATION IN 2014–15

Figures include one transaction which closed just after year end

The CEFC's $125 million cornerstone investment in leading real estate fund manager EG Group's $400 million High Income Sustainable Office Trust (HISOT) is designed to accelerate the upgrade of inefficient office properties, and highlight how this can be of benefit to both property owners and tenants, as well as the commercial centres in which these properties are located. These so-called 'split incentives' have worked as inhibitors to wider investment in office upgrades.

EG Group will manage the HISOT, which will acquire, refurbish and introduce sustainability improvements in up to a dozen commercial office properties. HISOT is seeking to meet the demonstrated demand for higher performing commercial space in metropolitan areas outside central business districts. The improvements will target outcomes equivalent to at least 4.5 stars under the National Australian Built Environment Rating System (NABERS). The investment program is designed to serve as demonstration of a new and profitable investment model involving the acquisition of older properties for the purpose of completing environmental upgrades. HISOT will expand upon EG Group's successful track record in this area which, in turn, is expected to attract wider interest in this activity in the property sector.

The CEFC has a number of financing programs directed at assisting Australia's local government sector address rising energy costs and carbon emissions.

Landfill tends to be the biggest source of greenhouse gas emissions for Australian councils, accounting for the majority of the smaller, regional councils' total carbon footprint. The CEFC's finance for Queensland-based Landfill Gas Industries (LGI), one of Australia's specialist landfill gas service providers, will expand its waste-to-energy operations with up to $10 million in projects which help address local council waste-to-landfill issues, reduce methane emissions and generate clean energy. The finance is also supporting the company's delivery of carbon credits under the Emissions Reduction Fund (ERF). LGI was a successful bidder in the ERF first round and, with CEFC finance support, has developed two new abatement projects to participate in the second ERF auction.

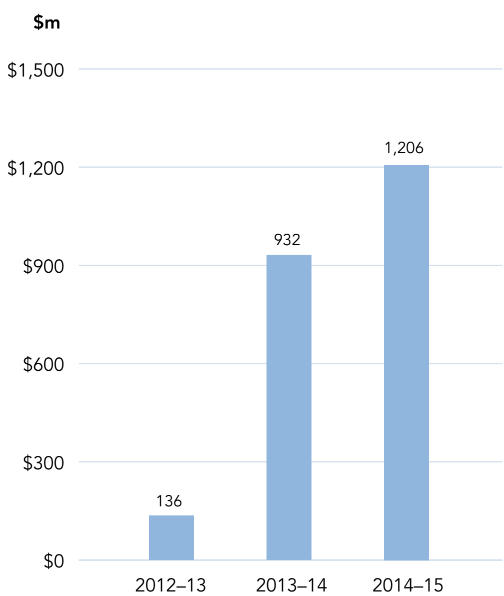
The CEFC's new investment commitments over 2014–15 are listed in Figure 4.

Figure 4: CEFC contracted investment commitments in the 2014–15 reporting period (to 2 August 2015, from largest to smallest investment commitment)

Investment	Focus	Location	CEFC commitment	Total funds to be mobilised incl. CEFC commitment
EG Group High Income Sustainable Office Trust	Investing in older office stock to upgrade their energy performance to revitalise and reposition them in the market with a view to an eventual divestment. This fund will pioneer a new, more sustainable approach to investing profitably in property in Australia.	National	125	252
National Australia Bank Energy Efficient Bonus loans program	A major new investment program to incentivise Australian businesses to cut their energy and operating costs and lift business performance.	National	120	120
Origin Solar as a Service Program	Accelerating the deployment of solar energy and battery storage in Australia.	National	100	100
National Australia Bank Climate Bond	Demonstrating the potential in the Australian market for mobilising capital in renewable energy through a green bond and developing the capital markets that support this new form of debt issuance.	National	75	300
Firstmac	Finance for highly efficient cars and light vehicles, solar PV and energy efficient equipment.	National	50	59
Neoen Australia*	Finance towards Australia's largest solar and battery storage project to date at Sandfire Resources' remote DeGrussa copper mine.	WA	15	43
Landfill Gas Industries	Expansion capital for waste-to-energy operations, which also supports the delivery of carbon credits under the Emissions Reduction Fund.	QLD	10	15
Epuron	Installing 1.8MW of Solar PV at the award-winning Ayers Rock Resort.	NT	4.7	7

Note: * investment closed just following end of financial year 2014–15
figures in AUD million, at 30 June 2015

Figure 5: CEFC value of portfolio investment commitments



At 30 June ($m)

OUR INVESTMENT PORTFOLIO

Overview

The CEFC has made $1.4 billion in investment commitments since inception which, net of portfolio run-off and repaid investments, presently stands at a $1.2 billion portfolio of Australian clean energy investment commitments. This has been achieved despite a narrow sector-specific mandate and difficult market circumstances.

In a financial year in which Australian renewable energy investment fell by 31 per cent, the CEFC's portfolio grew by 29 per cent. The CEFC was an active investor throughout the year, providing necessary investment to help the continued development of the clean energy sector across a wide range of target areas.

The CEFC's portfolio remains well diversified across technologies, finance types, borrowers and geography. Even with the CEFC's more narrow technology focus, the Corporation has succeeded in building a portfolio with an overall shadow credit rating of BB, and a projected yield of 6.1 per cent.

Portfolio activity

The CEFC portfolio of commitments grew to $1.2 billion in the 2014–15 year. While the CEFC does selectively invest in equity, the investment portfolio consists primarily of debt instruments, which may include publicly traded bonds or bank loans. Accordingly, new investments during the year were predominantly in debt instruments.

Growth in the portfolio from new investment activity was offset by portfolio run-off. Portfolio run-off occurs when investments are repaid in part or in full, or undrawn loan commitments expire or are cancelled by the borrower.

2014–15 portfolio performance highlights

- The CEFC made $484 million of new investment commitments in the year
- The CEFC's portfolio of investment commitments grew to $1.2 billion in 2014–15, a year-on-year net increase of $273.4 million. The increase of $484 million in new investments was partially offset by $210.5 million in portfolio run off
- Since inception, the CEFC has made cumulative investment commitments of $1.42 billion, including commitments which have been repaid or were ultimately not drawn (refer pages 48–49)
- Projects in the CEFC's portfolio have attracted $2.19 billion in private sector investment, equating to $1.80 of matching or 'crowded in' private sector investment for every $1 of CEFC funds invested
- CEFC-financed projects are expected to achieve lifetime abatement of 77 million tonnes of CO_2-e. The CEFC does not claim that this abatement occurs independently of complimentary policy, such as the RET
- This abatement is anticipated to generate an estimated gross return of $2.30 per tonne of abatement (i.e. payback to the taxpayer)
- Since inception, the CEFC has invested in renewable energy projects estimated to add 500MW of new generation once constructed. Added to existing generation the CEFC has invested in, this brings a total of 2,000MW in total nameplate capacity supported by the CEFC. The CEFC's 2014–15 investments represent an estimated 66MW of new nameplate generation capacity supported by the CEFC in the year
- The CEFC's portfolio has an average portfolio shadow credit rating of BB
- The projected yield for the existing portfolio once fully deployed is 6.1 per cent.

Figure 6: Movements in the CEFC portfolio

Movements in CEFC Portfolio 2014–15	$m
TOTAL PORTFOLIO AT 30 JUNE 2014	**931.9m**
Minus loans fully amortised / repaid / exited	-10.6m
Minus expired undrawn commitments	-146m
Minus cancelled undrawn commitments	-53.9m
Plus new investments contracted	+484.2m
Plus capitalised establishment and commitment fees	+0.3m
TOTAL PORTFOLIO AT 30 JUNE 2015	**$1,205.9m**

2014–15 (investment of principal only)

Project Milestones

Over the 2014–15 year, a number of projects within the CEFC portfolio achieved significant milestones. Examples include:

- Construction at the Taralga Wind Farm was completed, with the wind farm becoming fully operational and generating in July 2015.
- Sundrop Farms Pty Ltd secured sufficient capital to enable its solar greenhouse project to proceed with an equity investment from global investment firm KKR and project finance debt from Challenger and Commonwealth Bank.
- Construction at the Moree Solar Farm continued, employing up to 150 people and involving up to 40 local businesses.
- Carnegie Wave Energy successfully began exporting renewable energy to the grid using its innovative CETO wave energy technology.
- Shareholders in Energy Developments Limited approved a $1.7 billion takeover offer from DUET Group which provides a positive market validation of a business the CEFC has supported with growth capital.
- EDL and Landfill Gas Industries were successful bidders in the first auction for the Australian Government's Emissions Reduction Fund.
- Bankstown Sports Club achieved recognition with an Energy Productivity in Action award from the NSW Office of Environment and Heritage for its energy efficiency investment achievements, which have reduced energy use by 1.5GWh and delivered energy savings of $500,000 a year. The club has drawn finance from the CEFC-Commonwealth Bank Energy Efficient Loans program.
- The CEFC experienced increased activity under third party managed co-financing programs as businesses sought finance for energy efficiency upgrades or the installation of renewable energy technologies. This is a strong indicator of the benefits of acting to take control of energy costs, even at the small scale.

Financing outcomes

Despite its youth, the CEFC is developing a positive record of supporting Australian companies to bring innovative technology to their operations. These investments have been central to enabling recipients to increase efficiency, reduce costs and lower carbon emissions. The 2014–15 financial year saw two loans successfully exit the CEFC portfolio. The CEFC underwrote a further project which was ultimately financed by private sector participants. These examples are further practical demonstration of how the CEFC's activities are successfully catalysing and 'crowding in' private sector investment.

Australian Paper has now fully integrated its new $90 million premium wastepaper recycling and de-inking plant into its operations at Maryvale in Victoria. The plant, developed with the support of $9.9 million in CEFC finance, uses quality waste paper collected locally, which is then sorted and cleaned on site, to be re-manufactured into premium paper products. Incorporating the latest in technology, the waste paper recycling plant is the only one of its kind in Australia and has the capacity to divert 80,000 tonnes of waste paper from landfill each year, the equivalent of 16 billion sheets of A4 copy paper.

With this plant in operation, Australian Paper is now looking to triple the use of quality, recycled fibre in its office, printing, publishing, envelope and stationery papers, ranging from 10 per cent to 100 per cent recycled content. The construction phase of the new plant supported almost 1,000 jobs. The new plant has created an additional 240 regional, full time jobs, contributing an additional $50.7 million per annum to the Australian economy. The CEFC loan was fully repaid in 2014–15.

A $700,000 loan for an energy efficient upgrade to 247 Adelaide St, Brisbane, a seven-storey 1970s Brisbane office block, was repaid in 2014–15. This $1.23 million upgrade successfully achieved a 5-star NABERS Energy Base Building Rating. The 247 Adelaide Street building's 0-to-five-star transformation achieved a reduction in base building electricity use of nearly 50 per cent.

Its achievement also gained industry recognition, winning the Best HVAC and Refrigeration Retrofit or Upgrade category at AIRAH's Awards of Excellence 2014. The improvements involved installing new high efficiency air cooled chillers, new pumps and variable speed drives, a new mechanical switchboard, solar thermal heating, ventilation and air conditioning (HVAC) units and LED lighting.

Sundrop Farms announced in December 2014 that it had secured development capital to fund the construction of its project from private sector financiers Commonwealth Bank of Australia, Challenger and global investment firm KKR. Ultimately, the company no longer required the CEFC's underwritten commitment of $40 million in debt financing which had been in place to support a capital raising for the project for over a year. Sundrop Farms is a leader in sustainable horticulture for the arid world, growing high-value crops using seawater and sunlight. The company has the technology and knowledge to develop and operate greenhouses in locations that have little or no access to arable land, fresh water sources, or grid energy. Its proprietary food production system grows high-quality produce year-round in greenhouses that use the abundant and renewable resources of sunlight and seawater.

The CEFC's commitment of debt helped the innovative South Australian agricultural project attract private capital investment from major Australian commercial lenders to back its state-of-the-art greenhouses, which use solar thermal technology. The Sundrop Farms project demonstrates how the CEFC is developing investment in Australia's clean energy market by helping draw in private sources of funding, generating new economic activity and employment in regional areas. Sundrop is now extending their range of crops and after success in Australia are expanding the model globally to other arid areas.

"Without the CEFC we would not have been in a position to negotiate funding with KKR. The CEFC underwrote a debt package for the project which helped Sundrop Farms secure a debt package with major Australian commercial lenders. Upon this foundation, we then entered into a partnership with global investment firm KKR, which allowed us to proceed with our state-of-the-art glasshouse in Port Augusta."

Sundrop Farms CEO
Philipp Saumweber

Other portfolio developments

In the dynamic environment that the CEFC operates in, there are instances where CEFC involvement does not ultimately result in a commitment of finance, or where the amount loaned is less than the agreed limit for a project or company, or where the CEFC is refinanced out of a deal.

Investments which have not proceeded or where CEFC finance was not ultimately required

The CEFC commonly provides finance to support new and emerging business models, technologies and capital structures that typical private sector financiers may find difficult to support. The CEFC was designed to address market failures or gaps in Australian capital markets that may be attributable to an absence of a local operating track record or a lack of familiarity with a business model or technology that has a proven successful overseas but is new to Australia.

Our investment commitments may also be contingent on the proponent undertaking a capital raising of equity or further sources of debt which will be necessary so that the transaction can proceed.

The CEFC, like any lender, sometimes makes investment commitments for a project or program which may not subsequently proceed. This may be due to a variety of factors, including:

- Circumstances can change, and the borrower may change their mind, or business conditions may no longer be conducive to progressing an investment
- A project pilot fails to attract expected interest, leading equity sponsors to cancel or postpone investment, and CEFC debt finance is therefore not required
- A business model or financing program which has proven successful in markets overseas cannot be replicated in Australia, due to different business/consumer preferences, or different tax structures
- The proponent may not be able to raise sufficient equity, secure a necessary grant or operating approval, or negotiate other private sector finance
- A borrower may be able to successfully finance internally or find another suitable financier or investor.

Where these circumstances arise, and a CEFC offer of finance expires, the loan will be removed from the portfolio and funds will be added back into uncommitted funds available for allocation to new investments.

In 2014–15, $146 million in CEFC loan commitments expired and were removed from the portfolio. Investment commitments expiring are returned to the pool of funds available for other investments.

The CEFC's Sundrop Farms investment of 2013–14 is an example of the CEFC using its public funding to draw in new market participants to facilitate financial flows to the clean energy sector, even though the CEFC funds were in the end not required (at the option of the borrower).

For a purely private sector investor, this circumstance could be seen as a loss of a business opportunity. However, this is not the case under the CEFC's public policy objective. Where our involvement helps conclude the successful financing of a project by the private sector, this demonstrates the successful use of the CEFC's convening and market–making capabilities to facilitate financial flows without distorting the market.

When there are lengthy developmental and piloting phases, we structure our involvement so that fees are included to cover sunk costs of a transaction, should the deal not proceed, or should the proponent obtain finance elsewhere.

When a project the CEFC has made a commitment to does not proceed, this provides experience which allows the CEFC to continuously improve our understanding of evolving market circumstances. This gives us the experience to expedite similar business offers in the market. Recording and tracking these lessons is an important part of documenting our impact and role in the market.

Reductions in amounts loaned

The CEFC often structures loan contracts on an 'up to' basis, where the amount ultimately loaned by the CEFC is determined by the characteristics of the project, subject to an agreed limit, depending on the borrower's access to alternative finance sources or uncertainty around the ultimate take up of its own products.

Actual final loan amounts and the amount drawn down can vary depending on final construction costs and savings achieved by a project during construction. The CEFC experienced some $54 million in reductions in this category in 2014–15.

Refinancing and asset sales

The payback period for many renewables and energy efficiency projects can often be quite long, which is in line with other infrastructure type investments. However, the availability of long-term debt is limited in Australia and therefore projects will often face at least one event of refinancing during their useful life.

As our portfolio of successfully operating companies and projects expands and matures, gaining a longer operational track record, we expect the CEFC may be refinanced out of deals in the future. We believe this is an indicator of market maturity and a signal that we have fulfilled a funding gap in the market and assisted new project sponsors and investors.

A robust pipeline of potential investments

Projects within the CEFC pipeline include:

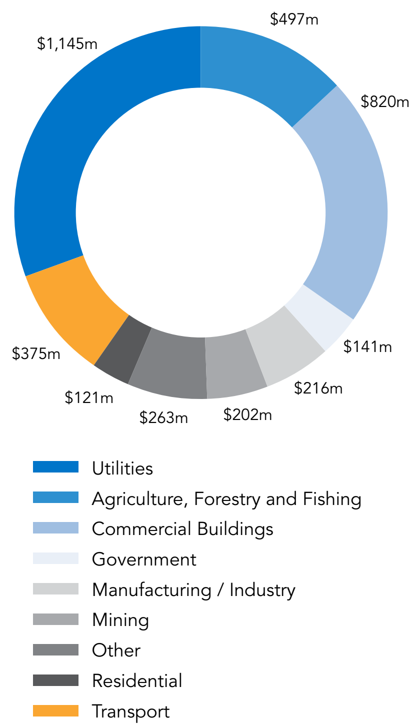
- Waste-to-energy power
- Utility-scale solar power
- Inputs instrumental in the manufacturing of clean energy products
- Enhanced financing for low emission and electric vehicles
- Energy efficiency upgrades in the local government, university and property sectors
- Development of energy efficient social and affordable housing.

Since beginning operations in 2013, the CEFC has received proposals from more than 300 project proponents, seeking CEFC finance of almost $8 billion, for total project costs of more than $25 billion.

For the coming year, CEFC is expecting a heightened level of activity.

Despite 2014–15 being a difficult year for investor confidence in the sector, the CEFC has secured a robust pipeline of innovative investment opportunities and is well advanced in closing a pipeline of investments valued at more than $350 million.

Figure 7: Current CEFC pipeline of investment opportunities



At September 2015

GREEN BONDS

The CEFC works collaboratively with co-financiers and project proponents to seek ways to secure financing solutions for the clean energy sector. Climate and other "green" bonds have the potential to be a strong driver of investment in the renewable sector over the next five years. In 2014–15 the CEFC supported two Australian firsts in this area.

PROJECT SCOPE

The CEFC committed a cornerstone investment of up to $75 million in a NAB Climate Bond issue. This was the first Australian dollar denominated and Australian asset linked bond of its kind. The NAB Climate Bonds are senior unsecured NAB corporate bonds for financing a portfolio of 17 renewable energy projects in operation or under construction in Victoria, South Australia, Tasmania, Western Australia, New South Wales and the Australian Capital Territory. The Corporation's investment is to finance projects that meet the CEFC's investment eligibility criteria. The NAB Climate Bond was certified in compliance with the international Climate Bonds Initiative, a global benchmark which assists investors identify investments which contribute to climate change solutions.

The CEFC also committed to provide a cornerstone investment of up to $75 million for ANZ's first climate bond. The ANZ bond issuance, which was also certified in compliance with the Climate Bonds Initiative, was fully subscribed by private sector investors, meaning CEFC participation was not eventually required.

ANZ successfully raised $600m for financing a portfolio of loans that directly contribute to developing low carbon industries, technologies and practices. The bond was the largest Australian dollar denominated climate related bond to date by an Australian issuer and was primarily taken up by Australian institutional investors, as well as funds in Asia.

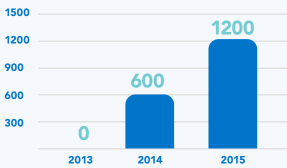
The global green bond market is one of the fastest growing markets in the world, trebling last year after issuing nearly $50 billion. It is tipped to more than double again, with estimates of over $100 billion in green bonds to be issued in 2015 alone. CEFC analysis found that the Australian green bond market doubled in size in the first half of calendar 2015. By the end of 2015, it is tipped to pass $2 billion in cumulative issuances, bringing with it more than 100 institutional investors. The investor appeal of this important new asset class is underscored by the fact that all Australian issuances were fully subscribed immediately after announcement: in fact, demand was so strong that the majority of issuances were healthily over-subscribed.

GREEN BONDS

CREATING INVESTMENT IN A NEW ASSET CLASS

WHAT IS THE SIZE OF THE MARKET?

ANNUAL ISSUANCE ($AUD ML)*



* AUD dominated bonds targerted at Australian Investors

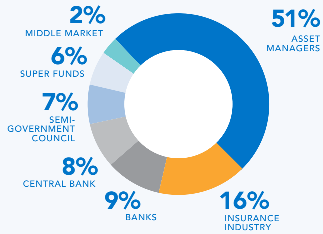
WHICH INSTITUTIONS ARE ISSUING BONDS?

50% OF BONDS ARE ISSUED BY INTERNATIONAL DEVELOPMENT BANKS

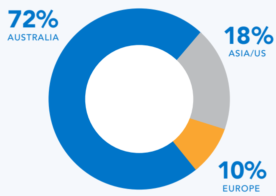
50% OF BONDS ARE ISSUED BY DOMESTIC COMMERCIAL BANKS

WHO IS BUYING AUSTRALIAN GREEN BONDS?

INVESTOR BY CLASS



INVESTOR BY REGION



WHAT IS THE AUSTRALIAN GREEN BOND MARKET FINANCING?*

- **73%** RENEWABLE ENERGY
- **13%** GREEN BUILDING
- **4%** TRANSPORT
- **4%** ENERGY EFFICIENCY
- **4%** ADAPTATION
- **2%** OTHER

* Estimated breakdown of which sectors issuers have allocated funds to.

This information is based on data from the issuance of the KfW Kangaroo Green Bond; ANZ Green Bond; NAB Climate Bond and World Kangaroo Green Bond.

DIVERSE SOLUTIONS FOR A DIVERSE ECONOMY

OUR INVESTMENTS IN ACTION

MOREE SOLAR FARM	54
HIGH INCOME SUSTAINABLE OFFICE TRUST	56
ENERGY DEVELOPMENTS LIMITED	58
EPURON AND VOYAGES RESORT	60
LANDFILL GAS INDUSTRIES	62
UTERNE POWER STATION	64

MOREE SOLAR FARM

The Moree Solar Farm is a large-scale single-axis tracking PV solar energy project located 10km south of Moree in northern New South Wales. The site covers approximately 350 hectares and will provide enough solar power for approximately 15,000 homes and abate over 95,000 tonnes of CO_2-e.

PROJECT SCOPE

The CEFC provided $46 million in senior debt financing towards development of the $165 million Moree Solar Farm, providing a precedent in the Australian market for financing large scale solar PV on a merchant basis.

The project uses single-axis tracking technology, with its 250,000 solar PV panels tilting to face the sun as the earth rotates. As solar energy is more predictable than wind energy, tracking will allow the facility to capture a higher volume of peak priced electricity.

The technology has the potential to produce 30 per cent more energy than fixed-position panels, and to capture a higher volume of peak priced electricity.

Looking to the future

This utility scale project is designed to help drive down future construction costs as industry participants gain experience building large scale solar projects. The project is encouraging regional development, providing opportunities for direct employment during the construction phase, and indirectly through local service providers.

The project, which also has funding from ARENA, will deliver a transparent business model that can be shared with and replicated by a broad range of market participants to ensure a competitive and sustainable base.

TRACKING THE SUN DRIVES PERFORMANCE FOR LARGE SCALE SOLAR FARM

Progress report

- 100 per cent of the piling works is expected to be completed by mid-September. The 31,000 steel piles support the tracking system and solar panels and are manufactured by an Australian company based on the Gold Coast.
- A key project milestone was reached in August 2015 with 50 per cent of the 222,000 solar modules installed on the trackers.
- All 56 inverters are now on site and the wiring across the site is progressing well.
- The 4km long dual circuit 66kV overhead transmission line construction is complete. This is the first part of the 13.5km long overhead transmission line connecting the solar farm to the National Electricity Market. The construction of the remainder of the line will commence later in September.
- The transaction was named IJ Global 2014 Asia Pacific Solar Transaction of the Year, recognising excellence, achievement and innovation in energy and infrastructure finance.

HIGH INCOME SUSTAINABLE OFFICE TRUST

The CEFC has committed up to $125 million as cornerstone equity in the EG Group's $400 million High Income Sustainable Office Trust (HISOT) – a wholesale property fund focused on improving the building controls and energy performance of commercial office properties.

PROJECT SCOPE

The HISOT trust, managed by leading real estate fund manager EG Group, is targeting a portfolio of about 12 commercial properties in major metropolitan office markets on the eastern seaboard.

Once acquired, the properties will undergo retrofits including the latest integrated building and HVAC management systems, with real-time energy monitoring technologies and other building improvements to lift energy and operating performance.

The properties are expected to achieve an increase of at least two stars under the National Australian Built Environment Rating System (NABERS) across the portfolio, with each property targeting an outcome of 4.5 stars post upgrade.

Office buildings with a high NABERS rating have been found to have higher rents, higher net operating income and lower capital expenditure. They also have lower vacancy rates and longer Weighted Average Lease Expiry when compared with buildings with low NABERS ratings

Looking to the future

There are compelling reasons for property owners to upgrade older commercial buildings.

Apart from lower energy costs, greener buildings have been shown to deliver higher rental income and higher net operating income. At the same time, upgraded buildings require lower capital expenditure and have lower vacancy rates.

About 20 per cent of Australia's national greenhouse gas emissions come from buildings, and commercial buildings account for nearly half of these. More than 90 per cent of the emissions from commercial buildings comes from the consumption of grid-supplied electricity.

The property sector is a key area where energy efficiency investment can have a substantial and beneficial cross-economy impact.

"Our focus is toward taking buildings reaching the end of their economic lifecycle, making the right choices and installing the right equipment to reposition them to meet modern standards and become attractive to high quality tenants."

EG Group CEO
Adam Geha

CREATING BETTER BUILDINGS BY ACCELERATING INVESTMENT IN new TECHNOLOGY

ENERGY DEVELOPMENTS LIMITED

The CEFC provided a $75 million senior secured corporate loan facility to Energy Developments Limited (EDL) for projects to capture landfill gas, waste coal mine gas or mine vent air methane.

PROJECT SCOPE

EDL's expansion of the Moranbah North power station in Queensland, to generate power from waste coal mine gas, increased its abatement of CO_2-e by 40 per cent.

The expansion was underpinned by a 25-year extension of gas supply arrangements with Anglo-American. The expansion also enables EDL to provide network support services in the Bowen Basin area under a two-year agreement with Powerlink Queensland.

EDL has reported that its landfill gas power stations around the world, and waste coal mine power stations in Australia, have abated and avoided approximately 12 million tonnes of CO_2-e of greenhouse gas emissions, equivalent to removing 3.5 million cars from the road.

Progress report

- Shareholders in EDL have approved a $1.7 billion takeover offer from DUET Group, providing a positive market validation of EDL, which CEFC has supported with growth capital.
- EDL has reported that the power station has performed beyond expectations.
- EDL is a successful bidder in the first auction for the Emissions Reduction Fund, successfully contracting more than 3 million Australian Carbon Credit Units (ACCUs), each ACCU being the equivalent of one tonne of CO_2-e reduction in greenhouse gas emissions.

TURNING WASTE TO ENERGY AND POWERING THE GRID

EPURON AND VOYAGES RESORT

The CEFC committed $4.7 million in finance to Australian renewable energy company Epuron for the installation of 1.8MW of solar PV at the award-winning Ayers Rock Resort.

PROJECT SCOPE

CEFC finance for the iconic Ayers Rock Resort solar project is encouraging additional private sector investment in renewable energy and helping to build Australia's technical experience in remote-area solar installation and maintenance.

Epuron will provide the solar energy supply under a long-term agreement with the resort's owners, Voyages Indigenous Tourism Australia, which is wholly owned by the Indigenous Land Corporation (ILC), a corporate Commonwealth entity.

The solar at Ayers Rock Resort is expected to generate power to cover up to 30 per cent of the resort's daytime use, or about 15 per cent of its annual overall energy use and reduce the need for the use of trucked-in fuel.

Voyages also received $450,000 from ARENA to analyse and share the expertise gained from the project.

Looking to the future

The Ayers Rock Resort project is part of the CEFC's growing program of solar installation in remote areas and provides a scalable and replicable model for future solar rollouts.

The CEFC committed $13 million in finance to enable the expansion of Epuron's 1MW Uterne solar plant at Alice Springs to 4.1MW, making it Australia's largest completed solar farm using tracking technology.

The CEFC has financed $17 million towards remote solar projects in the Northern Territory, as part of its commitment to help drive down the cost of solar development and further strengthen Australian industries in the solar supply chain.

"Using solar to help power our resort demonstrates our commitment to sustainable environmental tourism practices."

Voyages CEO
Andrew Williams

SOLAR SOLUTIONS SUPPORTING AUSTRALIA'S TOURISM INDUSTRY

LANDFILL GAS INDUSTRIES

Queensland-based Landfill Gas Industries, one of Australia's specialist landfill gas service providers, is expanding its waste-to-energy operations with up to $10 million in CEFC finance. The finance also supports the company's delivery of carbon credits under the Australian Government's Emissions Reduction Fund.

PROJECT SCOPE

The LGI expansion involves installing 6MW of electricity generation and supporting the operation of biogas-fired generators across landfill sites in Queensland.

New generators are being placed at landfill sites where the company already operates flares and has an existing working relationship with the local government authority administering the facility. LGI builds, owns, operates and maintains the generators and sells the electricity generated into the grid. LGI was a successful first-round ERF bidder and, with CEFC finance support, has developed two new abatement projects to participate in the next ERF auction.

Just under half of Australian waste ends up in more than 600 landfills across the country, resulting in significant greenhouse emissions. Landfill gas is generated for many years after organic waste is deposited and begins to decompose. Generally, about 40 to 60 per cent of this gas is composed of methane.

Looking to the future

The CEFC is interested in talking with aggregators and intending bidders in the ERF to explore how it might assist project proponents by providing upfront capital to expand the scope and capacity and projects.

The CEFC has the experience and the finance available for projects which meet the criteria for many of the method determinations available under the ERF, including:

- Commercial and public lighting energy efficiency
- Commercial building energy efficiency
- Industrial electricity and fuel efficiency
- Coal mine waste gas
- Land and sea transport
- Alternative waste treatment
- Landfill gas wastewater treatment.

"Landfill tends to be the biggest source of greenhouse gas emissions for Australian councils, accounting for the majority of the smaller, regional councils' total carbon footprint. With the CEFC's finance aiding our expansion and successful ERF bid we're positioned to help councils tackle that issue."

LGI Managing Director
Adam Bloomer

HELPING COUNCILS MANAGE GREENHOUSE GAS EMISSIONS

UTERNE POWER STATION

The CEFC financed the $13 million expansion of the existing 1MW Uterne solar plant at Alice Springs, to 4.1MW, making it Australia's largest completed solar farm using tracking technology.

PROJECT SCOPE

The expanded plant, which has effectively quadrupled in capacity, is helping Alice Springs reduce its dependence on gas and diesel-fired generation. It is expected to meet the needs of about 840 average Alice Springs households.

The solar farm will produce about three per cent of Alice Springs' electricity a year and can meet six per cent of peak demand on a sunny day. The additional capacity means Alice Springs now has one of the highest penetration levels of solar in the country.

The tracking technology enables the panels to follow the sun and deliver up to 30 per cent more energy than fixed-tilt installations.

Owned by Australian renewable energy company Epuron, the plant was constructed by SunPower and is supplying the Alice Springs electricity network, which is operated by the Northern Territory's Power and Water Corporation.

Looking to the future

The CEFC's finance demonstrates the potential for structured project finance to be used in other similar smaller-scale projects.

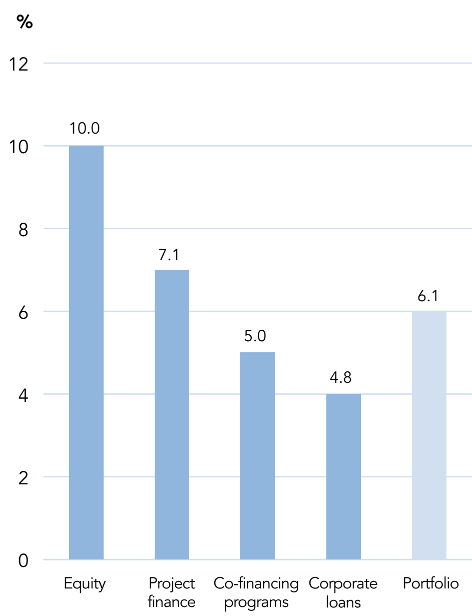
Construction of more solar projects will help drive down future construction and maintenance costs, while industry participants gain experience building and operating these projects.

"We are delighted to add the Uterne expansion to our growing portfolio of operational solar assets. Uterne is the largest solar farm in Australia with technology which captures more energy consistently throughout the day."

Epuron Solar Executive Director
Martin Poole

INNOVATION BRINGS TECHNOLOGY TRANSFORMATION TO MEET CENTRAL AUSTRALIA'S ENERGY NEEDS

Figure 8: CEFC projected yield of investments by finance type



At 30 June 2015

KEY PORTFOLIO METRICS

Investment yield

The CEFC's current $1.2 billion portfolio of commitments is projected to generate an annual yield of 6.1 per cent once fully deployed.

The CEFC calculates projected yield on a lifetime basis, including both fees and interest charged. Yield is an indicator of the return the CEFC's portfolio is expected to return over time, once funds are fully drawn down and deployed.

The projected yield of 6.1 per cent is lower than the figure of 7 per cent from the corresponding period last financial year. The projected yield is attributable to the following three factors:

1. An overall compression in interest rates due to declining credit margins and market base rates which has tracked decreases in the underlying cash rate, bank bill swap rates and Australian Government bond rates, which are used as base or reference rates for most debt instruments in Australia. The Reserve Bank of Australia cash target fell 50 basis points between July 2014 and June 2015, from 2.5 per cent to 2 per cent.
2. A decrease in the volume of high yielding project finance loans written by the CEFC, due to reduced levels of investment in the face of policy uncertainty around the RET and electricity market conditions of oversupply.
3. An increase in the volume of corporate loans written which achieve a lower projected yield, reflecting their lower risk profile.

Yields vary across finance types and for individual projects and programs, reflecting a different risk-return expectation for each particular investment. Generally, less risky investments will be expected to attract a lower expected yield. Equity and project finance investments are typically expected to earn the highest yields. Co-financing and corporate loans generate a lower projected yield because they are either less risky (a corporate loan to an investment grade company, for example, as opposed to a project financing) or tend to be offered at concessional rates to stimulate take up of energy efficient equipment, in line with the CEFC's public policy purpose.

More information about how the CEFC calculates yield and a benchmark rate of return is contained on page 21.

Investment leverage

As anticipated in the CEFC's 2013–14 Annual Report, private sector leverage was lower in 2014–15. The following factors influence private sector leverage:

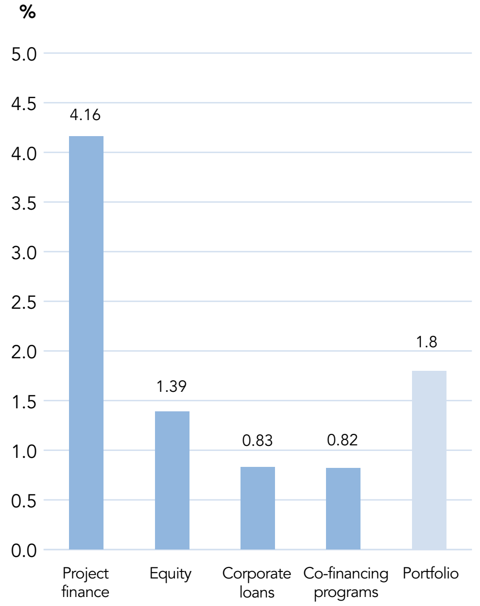
1. The relative share of investments across finance types. Project finance typically attracts a higher rate of leverage as the CEFC generally invests as part of a consortium of lenders.
2. The rate of leverage for an individual project. Rates of leverage can vary by project or program. A higher rate of leverage for an individual project will increase the average for that finance type and vice versa.

Over time, the amount of private sector leverage has fallen as the portfolio has grown and the nature of the CEFC's investment activity has changed. As the CEFC's portfolio continues to grow, changes in the portfolio from new investments from year to year will have a smaller impact on average private sector leverage. Private sector leverage may increase in the future if the CEFC is able to help finance more large-scale renewable energy projects alongside the private sector.

In the 2012–13 and 2013–14 financial years, renewable energy accounted for 63-66 per cent of new CEFC contracted investments by value. In 2014–15, renewable energy accounted for only 38 per cent of new contracted investments. Leverage was also lower for renewable energy deals in 2014–15, compared with earlier years, reflecting subdued private sector interest and smaller deal sizes.

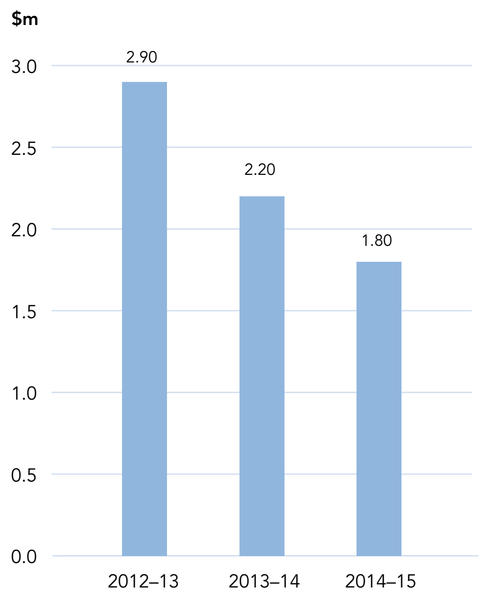
Across the CEFC portfolio, for each dollar of CEFC investment, the private sector has invested an average of $1.80. If other government funding is included, such as grants from ARENA, a total of $1.92 in additional funds have been mobilised for every $1 of CEFC investment.

Figure 9: CEFC investment leverage by finance type



At 30 June 2015 ($ of private sector investment for each $1 of CEFC investment)

Figure 10: Trend in private sector leverage for CEFC portfolio over time



($ of private sector investment for each $1 of CEFC investment annually at 30 June 2015)

Figure 11: CEFC portfolio shadow credit rating (SCR) by amount

Shadow Credit Rating	Total CEFC investment ($m)	% of total portfolio
AA	195	16%
A	58	5%
BBB	309	26%
BB	391	32%
B	48	4%
Equity (unrated)	206	17%
Total	**1,206**	**100%**

At 30 June 2015
SCR figures rounded to nearest $m

Figure 12: CEFC portfolio shadow credit rating (SCR) by finance type

Finance type*	CEFC PD weighted average shadow credit rating	% of total portfolio
Project finance	BB	27%
Corporate loans	BBB	34%
Co-financing programs	BBB	23%
Total (average)	**BB**	**83%**
Equity	(equity is unrated)	17%

At 30 June 2015
Percentages rounded and may not equal 100%

More information about the role of SCRs in our investment process is outlined on Page 159.

Portfolio shadow credit rating

As a key part of the CEFC's investment risk evaluation process, shadow credit ratings (SCRs) that align with the Standard & Poors' credit rating scale are assigned to each individual investment to determine the appropriate market pricing and estimate the likely probability of default.

On a weighted average basis, by dollars invested, the CEFC's contracted investment portfolio of $999 million (excluding equity and at 30 June 2015) has an overall composite SCR of BB, unchanged from the prior year.

INVESTMENTS BY TECHNOLOGY

Across the main technology types, the CEFC's portfolio remains well-diversified, with 56 per cent of investments in renewable energy ($673 million), 38 per cent in energy efficiency ($458 million) and six per cent in low emissions technology ($75 million).

Since 2013, the technology mix for the portfolio has been within the range of 56-63 per cent renewables, 29-38 per cent energy efficiency and 0-8 per cent low emissions technology. This range will fluctuate from year to year as investment commitments enter and exit the portfolio.

Energy efficiency

The CEFC invested approximately $238 million in energy efficiency technologies across the year, attracting a further $133 million in private sector investment, to catalyse a total of $371 million investment in 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 created strong demand for energy efficiency and onsite generation as a hedge against future higher prices.

These areas offer significant opportunity for least cost emissions reductions and major productivity improvements across the economy.

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 implement projects which produce quick payback periods, such as lighting upgrades.

Access to upfront finance, information about available technologies, global economic pressures, and uncertainty surrounding government policy direction, remain 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, SME, commercial building, government, agribusiness, mining, retail or utilities.

CEFC 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.

In terms of industry sectors targeted, CEFC new investments in 2014–15 were primarily directed at commercial, manufacturing and agricultural activities through efficiency in buildings, equipment and fuel efficiency in vehicles.

Solar PV

The 2014–15 year saw the CEFC make investments of approximately $199 million in both residential and commercial scale solar.

- CEFC investment in solar PV was the largest area in 2014–15, with around 80 per cent of this devoted to small-scale solar and 20 per cent to large-scale generation.
- The CEFC financed one new large-scale generation project: $4.7 million for Epuron to install 1.8MW of solar PV at the award-winning Ayers Rock Resort.
- An additional project was financed just after the end of the financial year: a $15 million investment towards what will be Australia's largest solar and battery storage project at Sandfire Resources' DeGrussa copper mine in Western Australia. This is not included in the aggregate figures in this Annual Report.
- The Royalla Solar Farm in the ACT was included in assets underpinning the NAB Climate Bonds.
- CEFC-supported finance programs for small-scale residential and commercial solar focused on the early stage commercial development of new market delivery models, such as power purchase agreements (PPA), which can bring down the cost of deployment. These programs for deployment of small-scale solar included the CEFC's investments in:
  - A $100 million investment to support Origin's deployment of solar PV through its "Solar as a Service" PPAs, removing the need for business and residential customers to contribute upfront capital to finance the installation of solar PV, and helping accelerate the take up of solar and battery storage.
  - A $120 million investment to support NAB's clean energy equipment financing program across a broad commercial base, with a particular emphasis on agribusiness and regional Australia.
  - Similarly, the CEFC's investment with Firstmac will also be used to help customers access small-scale solar PV.

The CEFC's participation in solar-related investment activities in 2014–15 reflected the comparatively low risk associated with small-scale solar PV and the Small-scale Renewable Energy Scheme (SRES), where payments are received in full upfront, compared with the perceived risk for large-scale solar and the Large-scale Renewable Energy Target (LRET), where payments are received over the operating life of the project.

The CEFC's pipeline of $500 million in solar-related projects evidences emerging opportunities for large-scale solar as costs reduce and solutions emerge for end-of-grid capacity and remote off-grid solutions. The CEFC's ability to offer longer-dated finance for large-scale projects is enabling financial partners to provide project finance for projects involving new technologies, such as battery storage, and for projects deploying new technologies where specialist understanding is required.

Solar thermal

Solar thermal is an earlier stage renewable energy technology and the CEFC is continuing to consider opportunities to promote and catalyse investment in this area.

The CEFC was an early supporter of a solar thermal opportunity with Sundrop Farms, underwriting the initial debt package on the project. Sundrop Farms will use solar thermal to produce greenhouse grown vegetables for the domestic and export markets.

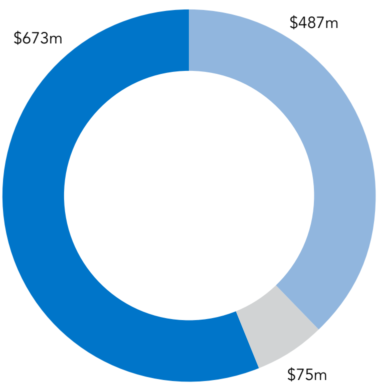
Bioenergy

The CEFC made one new investment into the bioenergy sector this year, to support Landfill Gas Industries in its generation of energy waste methane from municipal landfill sites at several locations in Queensland. This project was the beneficiary of a successful bid at the inaugural ERF auction.

The CEFC considers there are significant opportunities in the bioenergy and waste-to-energy sector. However, these are typically complex projects which require specialist understanding of the required technology, as well as deep industry knowledge. Consequently, this sector has typically been under-serviced by traditional financiers.

Local government authorities in particular are considering more effective ways to deal with landfill waste. Waste-to-energy can be deployed to address landfill issues and can have the added benefit of reducing local government energy costs.

Figure 13: CEFC portfolio by main technology type



Energy efficiency	38%
Low emission	6%
Renewable energy	56%

At 30 June 2015 ($m and %)

The CEFC expects to see further interest in this area, in part stimulated by the next ERF round, and will continue to consider ERF-eligible projects.

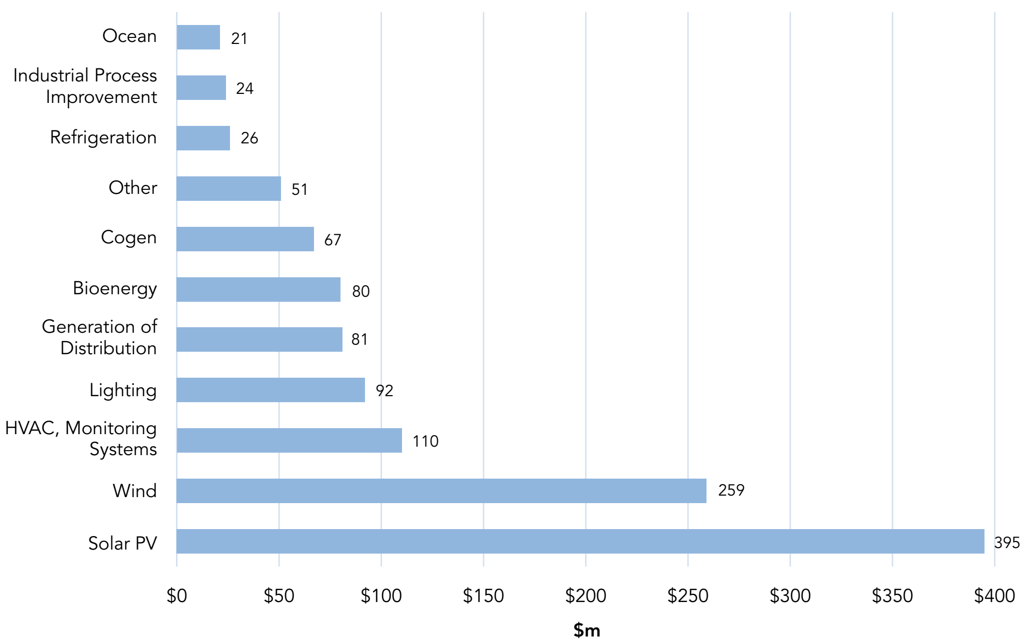
The CEFC remains actively engaged in a selection of other large-scale bioenergy projects, including those with the potential to bring new export opportunities to the Australian forestry and agriculture sectors in particular. These projects typically have very long development cycles.

These projects also require large-scale infrastructure investments that can benefit from the longer-dated finance models offered by the CEFC, which support the start-up development of emerging areas of economic activity. These projects are attracting interest from experienced international operators who have experience deploying the specialist technology in the US, China and Brazil in particular.

Wind

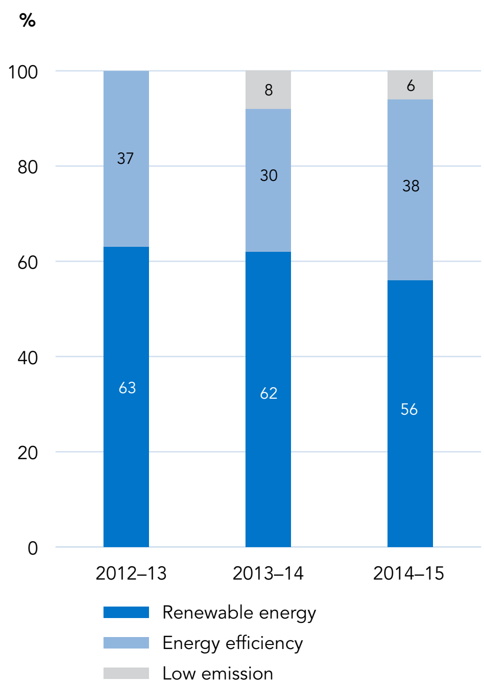
The CEFC made no new investments into wind technology within 2014–15, although had indirect exposure to wind through the NAB Climate Bonds investment. General uncertainty in the sector was magnified by increased policy risk specific to wind around social licence and perceived health issues, including a Senate Committee of Inquiry and a National Health and Medical Research Council (NHMRC) review into the technology.

Figure 14: CEFC portfolio by technology type – detailed



At 30 June 2015 ($m)

Figure 15: Historical portfolio of investment commitments by main technology type



At 30 June (% of total investment commitments)

Low emission technologies

Low emissions technologies which have been defined by the CEFC Board as being eligible for investment are those where the amount of emissions reduction is equal to, or greater than, 50 per cent of the baseline activity. The CEFC's investment with Energy Developments Limited provides a good demonstration of the potential for low emissions technologies to contribute to Australia's emissions reduction task.

As at 30 June 2015, six per cent of the CEFC's portfolio was in low emission technologies. We see further opportunities in the following areas:

- Methane gas combustion for 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
- Low emission technology solutions to meet energy network and transmission constraints.

INVESTMENTS BY FINANCE TYPE

The CEFC's portfolio remains diversified by finance type, with approximately 70 per cent of the portfolio in senior debt investments and 30 per cent in equity or hybrid investments.

Debt investments are diversified across corporate loans ($407 million or 41 per cent), project finance ($320 million or 32 per cent) and co-financing programs ($272 million or 27 per cent).

In 2014–15, the following factors led to changes in the portfolio finance type mix:

- An increase in equity exposure through the $125 million investment into the EG Group High Income Sustainable Office Trust
- A decrease in project finance investments of $67 million due to committed funds not being required

- A $50 million increase in co-finance programs (Firstmac), offset by a $120 million decrease in co-finance programs already in the portfolio caused by the expiry of funding agreements
- A $300 million increase in corporate loans, largely driven by:
  - A $120 million investment into the NAB Energy Efficient Bonus program
  - A $100 million into the Origin Solar as a Service program
  - A $75 million investment in the NAB Climate Bond.

Figure 16: Finance types

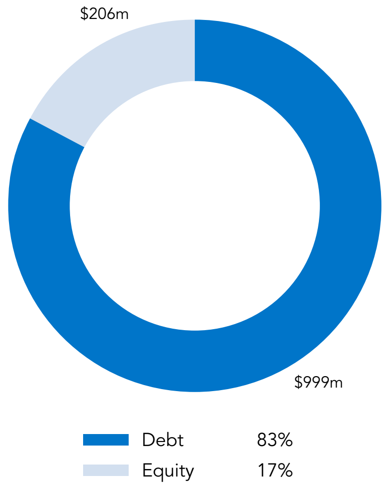
Project finance
Typically larger-scale investments secured against a single asset, such as a utility-scale generator, which is held by special purpose entity that exists solely to house this single generating asset or project

Corporate loans
Typically a loan to a company which may be engaged in multiple activities for its smaller-scale projects, or a bundle of projects, secured against the corporate entity

Co-financing programs
A demand aggregation program, typically a loan based arrangement administered by 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

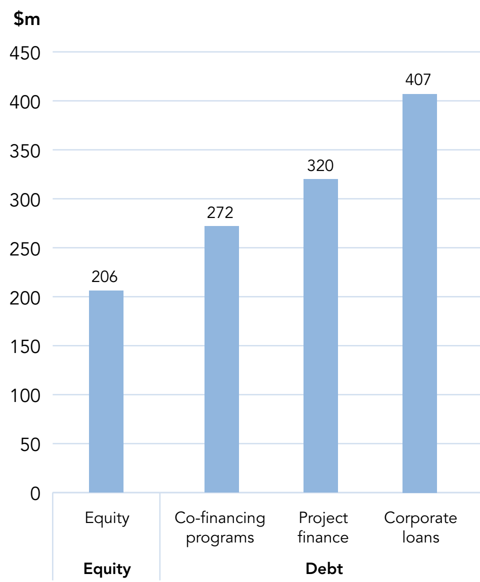
Equity
Equity is a financial instrument where the CEFC typically takes an ownership position in an asset through a unit holding in a fund or other pooled investment vehicle. Returns are based on earnings and capital appreciation, instead of interest payments.

Figure 17: CEFC investments by finance type – debt and equity



At 30 June 2015 ($m and %)

Figure 18: CEFC investments by finance type – by subcategory



At 30 June 2015 ($m)

INVESTMENT COMMITMENTS BY SECTOR

The CEFC's portfolio of investment commitments is diversified across sectors of the economy.

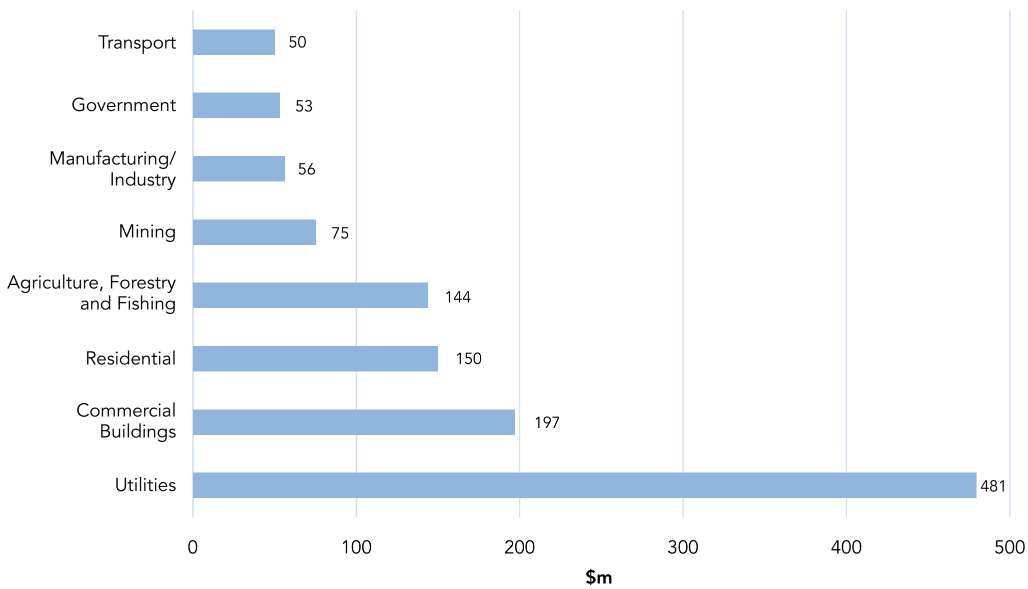
Of the sector-specific commitments, the largest share of CEFC investments fall into utilities ($481 million or 40 per cent), followed by commercial buildings ($197 million or 16 per cent), residential ($150 million or 12 per cent) and agriculture, forestry and fishing ($144 million or 12 per cent). The remaining commitments were split across mining ($75 million or 6 per cent), manufacturing and industry ($56 million or 5 per cent), government ($53 million or 4 per cent) and transport ($50 million or 4 per cent).

The utilities sector accounts for the largest share of the CEFC portfolio, as this includes larger utility-scale renewable energy projects. The CEFC Act stipulates that at any time on or after 1 July 2018, at least half of CEFC funds invested are in renewable energy technologies and therefore it is to be expected that the portfolio has significant investments in the utilities sector.

In 2014–15, the sector mix of the CEFC portfolio changed due to:

- An increase in investment into the residential sector via the $100 million investment in the Origin Solar as a Service program
- An increase in investment into commercial buildings, due to the $125 million equity investment into the EG Group High Income Sustainable Office Trust (HISOT), offset by a $100 million reduction to the portfolio in the commercial building sector due to funds not being utilised.
- A $75 million investment into the NAB Climate Bond.

Figure 19: CEFC investment by sector



At 30 June 2015 ($m)

Investments by geography

The CEFC portfolio remains well-diversified geographically, with 63 per cent of investments targeted at nation-wide initiatives and 37 per cent targeted at state-specific projects or opportunities.

The largest share of state-specific CEFC investments are in New South Wales (30 per cent) and Victoria (30 per cent), followed by Queensland (20 per cent), Western Australia (16 per cent), the Northern Territory (four per cent) and South Australia and Tasmania (less than one per cent).

In 2014–15, there were some shifts in the portfolio geographic mix.

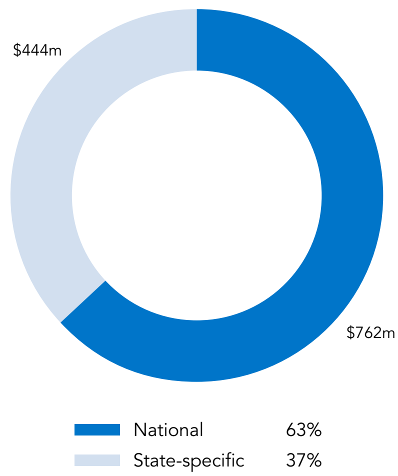
Over time the state-by-state portfolio distribution is subject to change due to multiple factors, including maturity of individual investments and market changes. For example, the significant investment committed to South Australia by the CEFC in the Sundrop Farms project was not in the end required as the project successfully attracted $100 million in private sector investment, and therefore did not require the $40 million CEFC commitment. The CEFC remains active in seeking out other South Australian opportunities.

There will also be changes in these relativities through time as the CEFC continues to build out its portfolio, including the amount of funds committed to nation-wide programs.

Emissions abatement

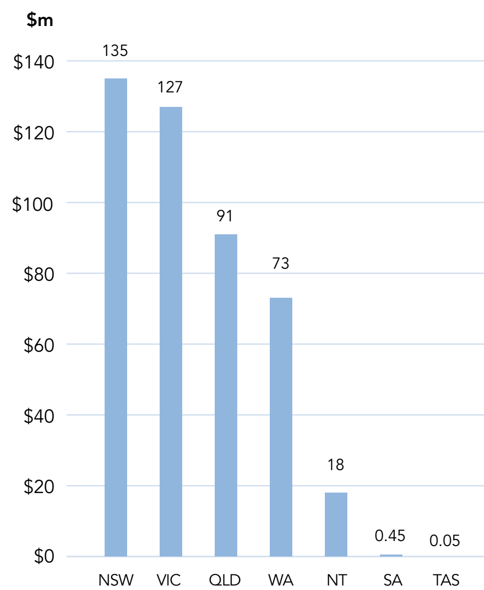
Once constructed and operational, projects in the CEFC portfolio (as at June 30 2015) are expected to achieve annual CO_2-e abatement of 4.2 million tonnes, with project forecast lifetime abatement of 77 million tonnes. The CEFC does not claim that this abatement occurs independently of complementary policy, such as the RET.

Figure 20: CEFC investments by geography



At 30 June 2015 (national or state-specific) ($m and %)

Figure 21: CEFC investments by state



At 30 June 2015 ($m)

FINANCE SOLUTIONS FOR BUSINESS GROWTH

OUR INVESTMENTS IN ACTION

NAB ENERGY EFFICIENT BONUS	78
ORIGIN SOLAR AS A SERVICE	80
CBA ENERGY EFFICIENT LOANS	82
SUNEDISON ENERGY PLAN PROGRAM	84
FIRSTMAC	86

NAB ENERGY EFFICIENT BONUS

The CEFC is providing up to $120 million through the National Australia Bank (NAB) for a major new investment program to incentivise Australian businesses to cut their energy and operating costs and lift business performance.

PROJECT SCOPE

With the support of the CEFC, NAB is offering equipment finance customers a 0.7 per cent per annum. discount on the funding of qualifying energy efficient assets.

The program is designed to help accelerate the switch to greener vehicles, as well as help businesses upgrade industrial and agricultural equipment and increase their uptake of solar. The program is available across a broad commercial base, with a particular emphasis on agribusiness and regional Australia.

The program is financing both small and large projects, up to $5 million, and can be used for:

- Upgrading light and heavy vehicles
- Improving manufacturing and agricultural plant and equipment, including irrigation equipment
- Installing solar PV or solar pumps
- Upgrading buildings to significantly cut energy use and/or improve NABERS ratings
- Installing biogas and waste-to-energy equipment
- Upgrading industrial and commercial refrigeration

Looking to the future

In its first few months in the market, the NAB Energy Efficient Bonus program has financed around $20 million in loans to a range of agribusinesses, manufacturers and other commercial businesses. Two investments include:

- A 3,500 hectare NSW farm has financed a new pump with a high-efficiency engine and variable speed drive that matches the engine speed to the load, resulting in diesel fuel savings of four litres for every hour of operation, a substantial saving on the farm's annual machine use of 2,500 hours
- An Australian-owned private company which supplies quality fabricated steelwork to the building and mining industries has invested in energy efficient equipment to cut, drill and weld steel, cutting energy costs, speeding production times and helping the business improve its export competitiveness.

Image courtesy of Irrigation Australia

"We've been working with customers to help them manage their natural capital risk for some time and we know that energy risk is a key concern. It's great to be able to help them address this concern with the support of the CEFC."

Executive General Manager
NAB Business
Cindy Batchelor

CUTTING ENERGY COSTS AND BOOSTING PRODUCTIVITY ON THE FARM AND IN THE FACTORY

ORIGIN SOLAR AS A SERVICE

The CEFC and Origin have joined forces to further the deployment of solar energy and storage in Australia, via a 12-year $100 million CEFC financing commitment

PROJECT SCOPE

The finance supports Origin's offering of power purchase agreements (PPAs) to business and residential customers, helping more consumers access solar energy and ultimately for energy storage. Through its Solar as a Service offering, Origin owns, installs and maintains residential and commercial rooftop solar PV systems.

PPAs are an innovative way of driving further uptake of solar, by effectively allowing solar customers to purchase the energy generated from their panels, rather than having to purchase the panels themselves.

They offer a clear benefit for residential and business consumers, who can have increased confidence about their long-term electricity costs, while at the same time enjoying the benefits of solar.

The CEFC's commitment to this financing reflects its complementary role in investing alongside the private sector to support new financing structures that catalyse investment in renewable energy technologies.

Looking to the future

An estimated one in seven Australian households benefit from solar energy.

Bloomberg New Energy Finance expects that by 2030, Australia will have around 23GW of installed large, commercial and residential solar PV. This includes an expected 5 million commercial and residential systems, with an increasing proportion of solar installations in the commercial sector.

The CEFC is setting precedents in financing solar in Australia with investments that broaden and deepen local skills within the sector, while supporting the adoption of commercially-proven technologies and internationally-proven finance models.

"Solar as a Service is already proving an attractive proposition to customers since it was launched earlier this year, and the CEFC finance will be used in expanding the offering, so more Australians can enjoy the benefits of solar."

Origin General Manager Solar and Emerging Businesses
Phil Mackey

ACCELERATING SOLAR — AND BEING — BATTERY STORAGE READY IN HOMES AND BUSINESSES

COMMONWEALTH BANK ENERGY EFFICIENT LOANS

Manufacturers, retailers, produce suppliers, schools, and clubs across Australia are transforming their business operations and costs, investing in clean technologies financed through an Energy Efficient Loan (EEL), co-funded by the CEFC and Commonwealth Bank. The loans are supporting increased production capacity, improved productivity and lower operating costs.

PROJECT SCOPE

Energy Efficient Loans are individually tailored to help businesses, not-for-profit organisations and local and state governments better manage their energy costs. The loans enable organisations to make changes now that will help them save on energy for years to come.

The loans can be used across a wide range of energy saving technologies, including:

- Energy efficient lighting
- Industrial refrigeration
- Heat exchangers
- Energy efficient motors
- Pumps and fans
- Solar systems and battery storage
- Compressed air and variable speed drives
- Compressed air and variable speed drives
- Gas-fired generators
- Onsite energy generation from methane capture
- Purpose built energy efficient equipment such as industrial printers, ovens and fruit graders
- Refrigeration

Looking to the future

With a significant pipeline of Energy Efficient Loans building across a diverse set of industries, this program has potential to significantly assist businesses reap the cost advantages of new efficient equipment

HELPING SMALL BUSINESS BOOST PERFORMANCE AND CUT ENERGY AND OPERATING COSTS

"The Col Crawford project is genuinely ground-breaking. Approximately half of all the solar panels are integrated into a new solar car park shading structure that generates pollution-free solar electricity at the same time as providing shade and cover from rain for parking."

Autonomous Energy Director Mark Gadd, whose company designed and installed the project.

Highlights

The EEL program has accelerated some $21 million in total investments, with more than $6 million of projects in the pipeline. During 2014–15:

- Bankstown Sports Club received an Energy Productivity in Action 2015 from the New South Wales Office of Environment and Heritage (OEH), recognising its commitment to energy efficiency. The club's investment in energy efficiency improvements, part financed through the EEL program, has delivered energy savings of $500,000 a year, or 1.5 GWh.
- Leading Sydney car dealership Col Crawford Lifestyle Cars used an $800,000 EEL loan to install 1,000 solar panels, including a solar car park shading structure and more than 1,000 LED lights. It is estimated the dealership will halve its electricity use.
- Having financed a refrigeration upgrade in 2013, leading Victorian apple and pear supplier Radevski Coolstores used an additional $1.15 million EEL loan for the installation of an efficient new fruit grader and solar panels, which are expected to reduce its energy bill by 25 per cent.

SUNEDISON ENERGY PLAN PROGRAM

The CEFC has committed finance for SunEdison's Energy Plan Program, which offers no-deposit solar installations to eligible customers.

Under this program, customers lease the installed equipment, using solar energy generated to reduce their grid electricity consumption and benefit from lower energy bills.

SunEdison's program of leasing and PPA products in Australia is aimed at residential and small and large commercial customers. The company is now preparing to add battery storage options to its offering or products.

The PPA model has proven highly successful in overseas markets, with the majority of new home solar power systems in California installed under lease financing.

INNOVATIVE

PPA FINANCE

PAVES THE WAY FOR

SOLAR GROWTH

Image courtesy of the Clean Energy Council

FIRSTMAC

An asset finance agreement of up to $50 million between the CEFC and Firstmac, a leading Australian non-bank lender, will help accelerate business and personal adoption of low emissions and electric vehicles, as well as solar and energy efficient equipment.

PROJECT SCOPE

The CEFC/Firstmac finance program will support the private and commercial purchase of a range of passenger vehicles which are included in the best performing quartile in the Australian Government's Green Vehicle Guide, which categorises vehicles in terms of their CO_2 savings, fuel consumption and overall pollution rating.

It will also finance vehicles that achieve emissions of 20 per cent less than the most recent average carbon emission figure as published by the National Transport Commission.

The asset finance program includes commercial vehicles and materials handling, such as courier and light delivery vans, garbage trucks, forklifts and vehicles used in warehouses and logistics.

The finance will help increase the commercial uptake and broaden the financing options for residential rooftop solar PV and inverters. Leasing for solar thermal, including for hot water, and for batteries that form part of a solar installation, is also eligible.

Looking to the future

Australians buy more than 1.1 million new vehicles a year, with some 80 per cent of these purchased through consumer or business loans and leases.

This program is designed to accelerate uptake of low emissions and electric vehicles purchases by business and government fleet managers. While sales of hybrids and electric vehicles remain a small component of the overall sales figures, private buyers are leading the conversion to lower emissions vehicles, where there is an increasing range of available models.

DRIVING ECONOMIC PERFORMANCE THROUGH BETTER EQUIPMENT, CLEANER VEHICLES AND SOLAR

"This is great news for anyone who wants to drive a new-generation low emission vehicle, or save on energy costs by installing solar. Firstmac is very pleased to be working with CEFC to deliver this initiative which will save customers money and result in reduced carbon emissions."

Firstmac Managing Director
Kim Cannon

2

GOVERNANCE, STRUCTURE AND PEOPLE

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GOVERNANCE, STRUCTURE AND PEOPLE

The CEFC is an Australian Government entity, and reports to Parliament through its Responsible Ministers. The CEFC is constituted as a Commonwealth statutory authority by the *Clean Energy Finance Corporation Act 2012.*

The governance structure of the CEFC is determined by:

- The CEFC Act, and
- The *Public Governance, Performance and Accountability Act 2013*, and
- By policies, procedures and systems established by the Board and Management.

The CEFC Act provides for a governing Board made up of Australian Government appointees. These in turn appoint the Chief Executive Officer (a statutory officer) and staff, employed under such terms and conditions as the Board sees fit.

The Corporation's investment function is to invest in the clean energy technology areas of renewables, energy efficiency and other low emissions technologies.

The investment process is governed by the CEFC Act; an Investment Mandate from Responsible Ministers that sets out the direction to be taken by the CEFC in relation to risk and return; and Board-made Investment Policies.

The CEFC is funded by $10 billion of special appropriations through the CEFC Act, rather than through the annual Federal Budget process.

Ultimate authority resides in the Board, unless delegated to the CEO, or from the CEO to the Corporation's staff. The Board has established two committees to assist it in governance of the Corporation: Audit and Risk, and Remuneration and HR.

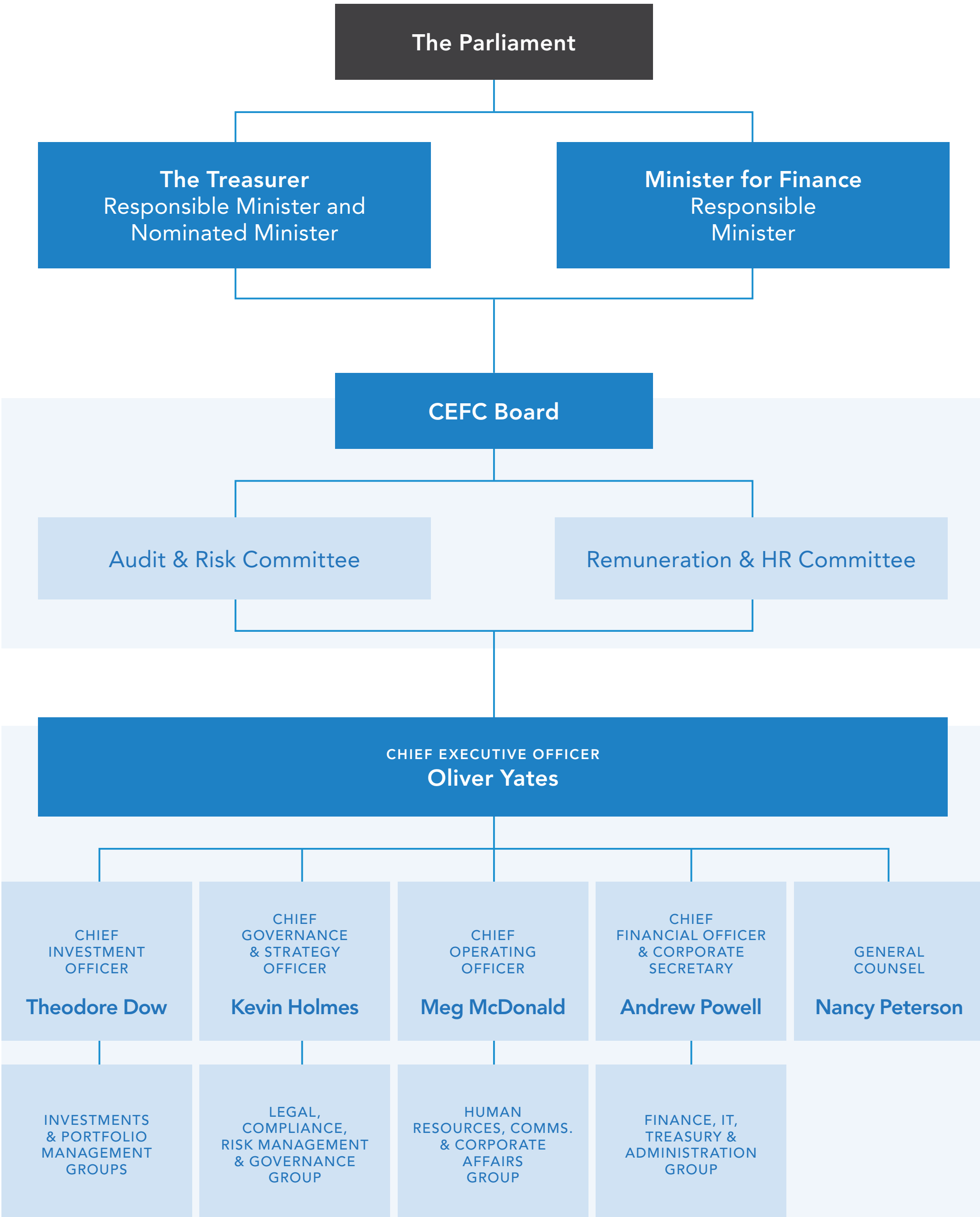
The CEO has responsibility for the day-to-day management of the Corporation, and the Corporation has been structured with a leadership group of four supporting executives (collectively, 'the Executive').

The Executive is supported by the General Counsel and the CEO has established three committees to assist in day-to-day management: the Executive Investment Committee; the Asset Management Committee and the Executive Risk Committee.

During the reporting period, the Corporation had no subsidiaries.

A diagram illustrating the Corporation's structure is set out in Figure 22.

Figure 22: CEFC organisational structure 2014–15



After the close of the 2014–15 financial year, under revised AAOs of 21 September 2015, responsibility for the CEFC transferred to the Environment portfolio, under Responsible Ministers, the Hon Greg Hunt MP, Minister for the Environment, and Senator the Hon Mathias Cormann, Minister for Finance.

RESPONSIBLE MINISTERS

The CEFC has two Responsible Ministers, and for the 2014–15 year sat within the Treasury portfolio.

Under the CEFC Act, the Responsible Ministers are the Treasurer and the Finance Minister. During the reporting period this was the Hon Joe Hockey MP as Treasurer and Senator the Hon Mathias Cormann, as Finance Minister, with no changes.

The Nominated Minister is one of the Responsible Ministers who exercises additional powers and functions under the CEFC Act. The CEFC Act provides that the Responsible Ministers must determine between them which is to be the Nominated Minister. 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 two Administrative Arrangements Orders (AAOs) current during the 2014–2015 year, and each of them affirmed that primary responsibility for administration of the CEFC's enabling legislation remained with the Treasurer.

Note that after the reporting period, on 21 September 2015 amendments were made to the AAO to transfer the CEFC Act from the Treasury portfolio to the Environment portfolio.

In consequence, this Annual Report is transmitted to the Hon Greg Hunt MP, Minister for the Environment, and Senator the Hon Mathias Cormann, Minister for Finance.

Ministerial powers of direction

The CEFC Act is structured in such a way as to maximise operational independence (particularly in regards investment decision making), and Ministerial powers to direct under that Act are limited, primarily to the Investment Mandate (see discussion on the Investment Mandate on page 109).

The CEFC also requested and on 18 February 2015 received a Ministerial Direction to pay monies the Board identifies as surplus back into the Special Account. This reflects the fact that the CEFC was not conceived as having a large cash management function.

Apart from the Investment Mandate, the CEFC did not receive any other Ministerial Directions under the enabling legislation or other legislation during the reporting period.

MEMBERS OF THE CEFC BOARD

The following individuals were all Members of the CEFC Board throughout the 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 of Australia from 1998 to 2013.

Ms Broadbent also serves on the board of Woolworths Limited, is chair of the board of Swiss Re Life and Health Australia Limited and 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
Member

Mr Binsted has extensive experience in investment banking and other aspects of corporate financial advice. Mr Binsted's breadth of experience comes from his previous position as managing director and joint CEO of Lazard in Australia, and senior roles with other investment banks, including Citigroup Australia.

Mr Binsted was a member of the Australian Financial Forum (Johnson Report) Panel of Experts into growing the Australian Financial Services Industry. He is also a former chairman of both the State Rail Authority of NSW and the Sydney Ports Corporation.

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

Mr Michael Carapiet
Member

Mr Carapiet is chair of the Safety, Return to Work and Support Board covering Workers' Compensation Insurance, Motor Accidents Authority and Lifetime Care in NSW. He is the chair of Smartgroup Corporation Limited and chair of Adexum Capital Limited.

Mr Carapiet is a board member of Infrastructure Australia and Link Group, and on the advisory board of Norton Rose Australia. He was the deputy chair and board member of the Export Finance and Insurance Corporation from 2005 to 2011.

Mr Carapiet retired from Macquarie Group in July 2011, having joined Macquarie in 1985. He held several senior executive roles at Macquarie, and was a member of the Executive Committee from 2005 until his retirement, when he was executive chairman of Macquarie Capital and Macquarie Securities.

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

Mr Ian Moore
Member

Mr Moore was a member of the CEFC Expert Review Panel in 2011 and 2012. He has 22 years of banking and finance experience, predominantly at Bankers Trust. He was the head of the Bankers Trust corporate finance business and a member of the bank's Credit Committee.

Mr Moore was previously a board member and on the audit committee of the responsible entity for four listed and one unlisted Challenger Infrastructure and Property Funds. He was also previously on the advisory committee for the Challenger Emerging Markets Global Infrastructure Fund. He was also a board member and chair of the risk committee of hedge fund Artesian Capital Management.

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

Ms Anna Skarbek
Member

Ms Skarbek is CEO of ClimateWorks Australia. She has previously worked in investment banking in London, at Climate Change Capital, and in Melbourne at Macquarie Bank, and as senior policy adviser to the Victorian Deputy Premier.

Ms Skarbek is also a trustee of the Sustainable Melbourne Fund and a member of the Grattan Institute's Energy Program Reference Panel. She is a former director of the Carbon Market Institute, Linking Melbourne Authority, Amnesty International Australia and The Big Issue Australia. Ms Skarbek was a member of the Australian Government's Energy White Paper Reference Panel, Land Sector Carbon and Biodiversity Board and NGO Roundtable on Climate Change.

Ms Skarbek holds First Class Honours Degrees in Commerce and Law from Monash University and is a Graduate Member of the Australian Institute of Company Directors.

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

Mr Andrew Stock
Member

Mr Stock is an experienced professional having spent more than 40 years in the energy sector, including in senior management roles in petroleum and petrochemical companies in Australia and overseas. Mr Stock is a director of Alinta Holdings and Horizon Oil Limited, and past director of Geodynamics Limited and Silex Systems Limited.

In his previous long career at Origin, Mr Stock was responsible for Origin's major capital developments in upstream petroleum, power generation and low emissions technology businesses. He is chair of the 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
Member

Martijn Wilder AM is a partner with Baker & McKenzie where he established and heads the firm's Global Environmental Markets and Climate Change practice. Mr Wilder is also an adjunct professor of Law at the Australian National University and an affiliate of the Cambridge Centre for Climate Change Mitigation Research, Department of Land Economy at the University of Cambridge.

His other roles include: chair of the NSW Climate Change Council; governing board member of the Renewable Energy and Energy Efficiency Partnership; a director and governor of the World Wildlife Fund; a director of the Climate Council and a member of the Wentworth Group of Concerned Scientists. In 2015, Mr Wilder was appointed to chair the Victorian Government's Independent Review Committee of its Climate Change Act. Mr Wilder was previously chairman of Low Carbon Australia.

Mr Wilder holds a Bachelor of Economics (Hons) from the University of Sydney, LLB Honours from the Australian National University, LLM from the University of Cambridge and has studied at the Hague Academy Centre for Studies and Research in International Law and International Relations. He is also a Graduate Member of the Australian Institute of Company Directors.

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

ABOUT THE BOARD

The Corporation is governed by a Board consisting of a Chair and between four and six other Members, each appointed by the Responsible Ministers to act on a part time basis.

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:

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

Board Committee membership

Each of the Board Members, other than the Chair, serves on one of the Board Committees, either 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 2014–2015 year are outlined in Figure 23.

Figure 23: Board Committee Memberships 2014–15

Board Member	Remuneration & Human Resources Committee	Audit & Risk Committee
Jillian Broadbent AO		
Paul Binsted		Committee Chair
Michael Carapiet	Committee Chair (to 21/08/2015); Committee Member (21/08/2015-)	
Ian Moore		Committee Member
Anna Skarbek	Committee Member	
Andrew Stock	Committee Member (to 21/08/2015); Committee Chair (21/08/2015-)	
Martijn Wilder AM		Committee Member

Figure 24: Board Member attendance at meetings 2014–15

	Board Meetings		Remuneration & Human Resources Committee Meetings		Audit & Risk Committee Meetings	
Board Member	No. Attended	No. Eligible to Attend	No. Attended	No. Eligible to Attend	No. Attended	No. Eligible to Attend
Jillian Broadbent AO	12	12				
Paul Binsted	11	12			5	5
Michael Carapiet	10	12	5	5		
Ian Moore	10	12			3	5
Anna Skarbek	11	12	5	5		
Andrew Stock	11	12	5	5		
Martijn Wilder AM	11	12			4	5

Meeting attendance by Board Members

In 2014–15 there were 12 Board meetings and a further 10 Board Committee meetings.

Figure 24 outlines the attendance record of each member of the CEFC Board at the 12 Board and 10 Board Committee meetings held during 2014–15. Please note that for Committees, only attendance of actual Members of each Committee is recorded in this figure (although all Board members are entitled to attend any meeting of a Committee).

Board Member remuneration and allowances

Under the CEFC Act and the *Remuneration Tribunal Act 1974*, remuneration for Board members is determined independently by the Australian Government Remuneration Tribunal. Throughout 2014–15, the following Remuneration Tribunal Determinations were in effect and are reflected in the Figure 25.

Under both determinations, Board members were remunerated annually (rather than per day or by meeting) as outlined in Figure 26. The amount did not change in 2014–15.

In addition, superannuation is payable on these amounts at the rate of 9.5 per cent in accordance with the *Superannuation Guarantee Charge Act 1992*. Actual amounts paid to each Board member during the reporting period are specified in Note 11 in the Financial Statements from page 168.

Travel allowance is also payable under the Remuneration Tribunal determinations and these are set by a separate *Remuneration Tribunal Determination 2013/16 – Official Travel by Office Holders* (as amended). Interpretation of the 2013/16 Determination was affected by other Policies of the Australian Government (page 114).

Board Member professional development and performance evaluation

During the reporting period, legislation to abolish the CEFC was before the Parliament and, in the circumstances, the CEFC Board chose not to undertake a formal performance review.

In the 2014–15 year, the Board identified a need for deeper understanding of developments in the clean energy technology sector and conducted technology 'deep-dive' sessions examining solar thermal and hydrogen technologies. A further 'deep-dive' session considered electricity and gas pricing forecasts. During the year the Board also kept itself informed of legislative developments, with a particular focus on the Renewable Energy Target and the Emissions Reduction Fund.

Figure 25: Remuneration Tribunal determinations for Board Member remuneration 2014–15

Determination Title	Date of Effect
Remuneration Tribunal Determination 2014/08 – Remuneration and Allowances for Holders of Part-Time Public Office	From 1 July 2015 to 11 May 2015
Remuneration Tribunal Determination 2015/08 – Remuneration and Allowances for Holders of Part-Time Public Office	From 11 May 2015

Figure 26: Rates of Board Member remuneration 2014–15

Office	Annual Remuneration
Chair	$102,400
Board Member	$51,200

ABOUT THE CEO

The Chief Executive Officer (CEO) is a statutory officer under the CEFC Act who is responsible for the day-to-day administration of the Corporation. The CEO is appointed by the Board after consultation with the Responsible Ministers and holds office at the Board's pleasure.

The terms and conditions of the CEO's employment are established by the Board. The CEO's role is performed according to the policies established by the Board. The CEO cannot be a Board Member. The Board also delegates authority to the CEO by standing delegation or other delegations as it sees fit from time to time.

Oliver Yates
Chief Executive Officer

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

Mr Yates has more than 20 years of global experience in corporate advisory, financial structuring, project finance, debt structuring, equity raising and listings, with extensive experience in clean energy. Mr Yates was an executive director at Macquarie Bank for over 10 years, being country head in the United States (1998-2004), co-head Macquarie Capital Private Placements Group (2004-2008) and co-head Macquarie Capital Products Group (2001-2008). At Macquarie Bank, Mr Yates was involved in establishing new businesses and growing the bank's operations internationally, as well as leading the bank's initiatives in wind, solar, biofuels, carbon credits and other renewable businesses.

Mr Yates is an investor in and has held board positions on a number of innovative energy ventures. He participated in the South Australian Government 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 with an Advanced Diploma in Mastering the Boardroom.

ABOUT THE EXECUTIVE TEAM

The CEO is supported by a leadership team of four Executives. The CEFC Executive is drawn from different industries and market segments, bringing the skills and private sector experience necessary for the CEFC to pursue its objectives. Executives are delegated responsibilities to administer their areas by the CEO.

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, during the course of his career Mr Dow has completed more than 60 transactions globally, with an aggregate enterprise value of approximately $30 billion.

Mr Dow has previously held positions with AMP Private Capital, Babcock & Brown and Westpac, and was most recently managing director of DIF Capital Partners, where he held line responsibility for managing approximately $600 million in investments in private debt, hybrid capital, equity-linked bonds and private equity.

In addition to serving on the board of DIF, Mr Dow has held a number of board and advisory board positions, including the PaperlinX SPS Trust, Strategic Capital Equities, Sports Tips Pty Ltd and the NSW Government Energy GAP Taskforce.

Mr Dow holds an Advanced MBA from the University of Queensland, a Masters in Financial Management from Manchester Business School (UK), a Post Graduate degree in Japanese from Kansai Gai Dai University (Japan) and a Magna Cum Laude Honors BA Degree in Economics from Boston University.

Kevin Holmes
Chief Governance and Strategy Officer

Mr Holmes is responsible for coordinating the development of CEFC strategy and overseeing risk management of CEFC investments and the Corporation itself. In his governance capacity, Mr Holmes also chairs the Executive Investment Committee and the Executive Risk Committee.

Mr Holmes was previously chief financial officer at EnergyAustralia (formerly TRUenergy), where he played a key role in the growth and transformation of the business into Australia's second largest electricity retailer and largest privately-owned generator.

Prior to that, Mr Holmes was chief operating officer and chief financial officer of Pacific Hydro, where he helped establish a world leading renewable energy company through an aggressive global growth strategy, including major greenfield projects in Australia, Chile, Brazil, the Philippines and Fiji.

Mr Holmes also had a long international career with BHP Billiton, holding senior positions both in Australia and overseas, as well as with British Gas in the United Kingdom.

Mr Holmes is a Chartered Accountant, a Commerce Graduate of Otago University in New Zealand, a member of the Chartered Accountants Australia and New Zealand and a Graduate Member of the Australian Institute of Company Directors.

Meg McDonald,
Chief Operating Officer

Ms McDonald has significant career experience in business, government and carbon policy. Ms McDonald had roles with Alcoa as President of Alcoa Foundation; 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 and as Australia's Ambassador for the Environment. In 1997-98, Ms McDonald was Australia's lead negotiator for the Kyoto Protocol and played a key role in shaping those negotiations and other environment treaties.

As the CEO of Low Carbon Australia Limited, prior to its merger with the CEFC in 2013, Ms McDonald led the development of innovative financial solutions to Australian business, government and the wider community to encourage action on energy efficiency, cost-effective carbon reductions and carbon neutral accreditation. Low Carbon Australia financed energy efficiency projects and investment partnerships of more than $80 million, generating a flow of new financing of more than $270 million for energy efficiency and low emissions technologies in the marketplace.

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 more than 25 years of business experience, working within industry and public accounting both in Australia and the United States. Mr Powell is experienced in all aspects of financial accounting, as well as mergers and acquisitions, public listings and transaction and deal structuring.

Mr Powell was previously the chief financial officer and company secretary of Low Carbon Australia Limited, a public company established by the Australian Government in 2010. In addition to having oversight of the finance, IT, HR and legal roles as CFO, Mr Powell worked with the deal teams on structuring and reviewing transactions. He also actively supported the CEO in providing strategic direction, articulating a compelling vision and building the company's profile with the general public and business community.

Prior to that, Mr Powell was senior vice president of finance for Symyx Technologies, Inc. a NASDAQ-listed company, for a period of eight years in California. He also worked with Ernst & Young in both Australia and the United States for a combined period of nine years.

Mr Powell is a Chartered Accountant and holds a Bachelor of Economics from Macquarie University.

Management Committees

In addition to the Executive leadership group, the CEFC has three formal Management level committees that assist the Corporation in internal governance and the review and management of its investments. In summary these are:

- The Executive Investment Committee – which screens new investments prior to presentation to the Board, and closes out transactions after Board investment approval
- The Asset Management Committee – which has an oversight role for the ongoing management and performance of investments that have reached financial close
- The Executive Risk Committee – which assists the Corporation in managing risk, compliance and governance issues, associated with the Corporation's investments and the Corporation itself.

Executive remuneration and allowances

The Board's Remuneration and Human Resources Committee is chartered with responsibility for the structuring of Executive remuneration, evaluation of performance and approving any variable compensation amounts.

During the reporting period, Total Annual Remuneration Packages (TARPs) for the five CEFC Executives included the following components:

- Base salary
- Superannuation
- Allowances
- Variable compensation

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


CEFC staff members on a site visit to Taralga Wind Farm

Figure 27: The CEFC's human resourcing structure as at 30 June 2015

Category	Level	Number
Statutory Officers (8)	Chair	1 (part time)
	Board Members	6 (part time)
	Chief Executive Officer	1 (FTE)
Staff (56 FTE)	Executive-Level	4 (FTE)
	Non-Executive Level	51 (FTE)
	Consultants	1 (FTE)

The method for calculation is based on both short-term and longer-term metrics agreed by the Board and includes 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 1.8 and Note 13 (pages 145 and 170 respectively).

Most CEFC Executive travel and expenses claims are usually dealt with on an indemnity and reimbursement basis (see indemnities and insurance premiums for officials on page 125).

THE CEFC'S PEOPLE

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

The Corporation has eight statutory officers, including a Board of seven, made up of one part-time Chair and six part-time Board Members, plus a full-time Chief Executive Officer.

The CEFC is headquartered in Sydney, has a second office located in Brisbane, and an arrangement to utilise offices of the Climate Change Authority in Melbourne. At 30 June 2015, there was a headcount of 31 staff located in Sydney, 27 staff located in Brisbane and two in Melbourne (including the CEO but excluding Board members).

At 30 June 2015, excluding Board members and including the CEO and four Executives, the CEFC had a headcount of 60 staff (FTE: 57 staff) dedicated to fulfilling the Corporation's investment portfolio management, corporate treasury, finance, human resources, compliance, risk management, marketing, communications, stakeholder relations and administration functions. Given our investment focus, the CEFC's staff are mainly drawn from a private sector financing 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.

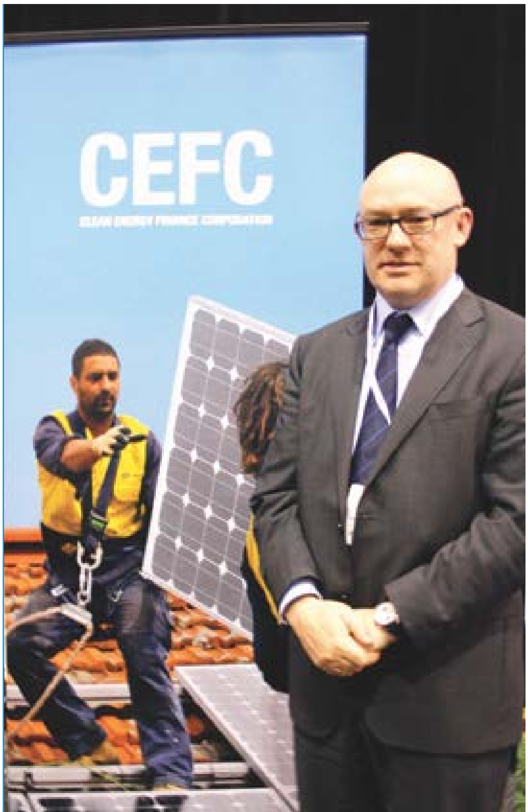
The organisation remains a relatively young one, still building its operating platforms and maturing its structures as its portfolio builds and evolves, and in light of the experience in the market. This also requires the CEFC to progressively augment and deepen its staff skill base.

The CEFC has also been able to draw upon the expertise and experience of its international counterparts, in particular from the UK Green Investment Bank (GIB) in specialist areas of our respective investment priority market sectors, emerging technologies, portfolio management, and in the legal area. To assist this, the CEFC has developed a short-term staff exchange program with the GIB. The initial successful two month placement in the CEFC by a member of the GIB's investment team took place in Q4 of 2014–15. This will be followed up by a reciprocal exchange of a CEFC legal team member to the UK during 2015–16.

Terms of employment, remuneration and conditions

CEFC staff have their terms and conditions established under contract. Salaries may include a variable compensation component. As for Executives, this is overseen by the Board's Remuneration and Human Resources Committee. More information on payments made to employees in the reporting period is available in the Financial Statements at Note 1.8 and Note 3 (see pages 145 and 155 respectively).

CEFC staff travel and expenses claims are usually dealt with on an indemnity and reimbursement basis.



CEFC was a key supporter of the Solar 2015 Conference

Figure 28: CEFC staffing structure (FTE, excludes Board and CEO)

Level	No.
Executive	4
Executive Director	8
Director	8
Associate Director	16
Analyst	6
Manager	7
Administration	7
TOTAL	**56**

Staff profile: Structure

The CEFC does not use Australian Public Service classifications and has instead adopted the structure outlined in Figure 28.

Staff Profile: Age

CEFC staff have an average age of 43 years. This reflects the specialised role of the CEFC, and:

- The need to hire experienced, senior practitioners within each profession required, and
- The fact the CEFC does not have a graduate entry program. Consideration may be given to instituting such a program as the Corporation reaches further maturity.

Staff Profile: Gender and equal employment opportunity

The Corporation is at near gender equity in raw terms, with 49 per cent female compared with 51 per cent male. These statistics are based on headcount and exclude the Board and CEO.

Women are over-represented at more junior levels of the organisation and under-represented at more senior levels:

- At Executive level, the gender ratio is 75 per cent male to 25 per cent female (i.e. one of four Executives, excluding the CEO)
- Of the next 16 most senior employees below Executive level, 69 per cent are male and 31 per cent are female (a headcount ratio of 11 men to five women)
- Of the next 39 employees, 59 per cent are female and 41 per cent are male (a headcount ratio of 23 female to 16 male).

The CEFC takes gender equity seriously, and during the 2013–14 year added an Equal Employment Opportunity program to a list of measures the Corporation has adopted to reinforce that the workplace is supportive of women. The full EEO report for 2015 can be accessed online at the CEFC website.

Staff Profile: Diversity

Of the CEFC's headcount of 60 staff at 30 June 2015, 45 per cent were born overseas and nine per cent have English as a second language. No CEFC employees identified as Indigenous or as having a disability.

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

These statistics are based on headcount and exclude the Board and CEO.

CEFC staff members visit Moree Solar Farm

LAW AND POLICY

ENABLING LEGISLATION

CEFC Act and associated key governance events

The CEFC Act sets out the organisation's purpose and functions, establishes arrangements for the Board, CEO and staff, and creates a system of delegations to ensure that the Corporation has sufficient resources and sufficient controls on their use. The Corporation was established by the CEFC Act on 3 August 2012.

The object of the CEFC under the CEFC Act is 'to facilitate financial flows into the clean energy sector'.

The main function of the CEFC is the 'investment function': to invest, directly and indirectly, in renewables, energy efficiency and other emissions reducing technologies. The CEFC Act also specifies a number of support functions such as:

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

In summary, the CEFC Act contains five positive duties (i.e. 'you must do this') and three negative duties ('i.e. you must not do this') in relation to the investment function.

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

- To perform the investment function including by investing in businesses or projects for the development of, commercialisation of, or in relation to the use of clean energy technology, or in businesses that supply goods or services needed to develop, or commercialise or in relation to the use of the same
- To ensure investments are solely or mainly Australian-based
- By 1 July 2018, to ensure that at least 50 per cent of the Corporation's portfolio is invested into renewables
- To otherwise comply with directions of the Investment Mandate, a piece of subordinate legislation described at page 109
- To establish Investment Policies that support the above.

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.

Clean energy technology is broadly defined through the definitions of renewable, energy efficiency and low emissions technologies (excluding the prohibited technologies above). Further restrictions on eligibility may be placed by means of the Investment Mandate, which had not occurred at the time of writing.

During the financial year there were no amendments to the CEFC's enabling legislation. Following the change of government on 18 September 2013, Australian Government policy towards the CEFC has been to abolish the Corporation through repeal of the CEFC Act. This has remained Australian Government policy throughout the reporting period.

The Australian Government has brought forward legislation to effect its policy of abolition on three occasions, but at the time of writing none of these Bills had secured passage. Figure 30 outlines the current status of these Bills.

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 the CEFC 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 Treasury and the Finance Departments. Throughout the period, the CEFC has been able to engage with, and work constructively with, Government and the Treasury (as portfolio department), 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.

Figure 29: 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 (including supply of goods or services)
Energy Efficiency Technologies	Energy efficiency (including energy conservation and demand management)
	Technologies (including enabling technologies) that are related to energy efficiency (including supply of goods or services)
Low Emissions Technologies	Technologies that reduce emissions that are not renewables or energy efficiency* (including supply of goods or services)

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

Figure 30: Abolition legislation – current status

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

After the close of the 2014–15 financial year, under revised Administrative Orders of 21 September 2015, responsibility for the CEFC transferred to the Environment portfolio, under Responsible Ministers, the Hon Greg Hunt MP, Minister for the Environment, and Senator the Hon Mathias Cormann, Minister for Finance.

CEFC Investment Mandate and associated key governance events

The Investment Mandate direction is the means by which the Government of the day provides instruction as to how the Corporation can make investments, providing it:

- Does not have a purpose of directing the Corporation to make or not make a particular investment; and
- Is not inconsistent with the CEFC Act, (including the object of the Act).

Under the CEFC Act, the CEFC Board must be consulted on the draft of a proposed new Mandate, and any submission made by the Board must be tabled in the Parliament.

During the reporting period there were two versions of the Investment Mandate in effect. Details of these are set out in the figure below.

During the reporting period, the CEFC was provided with a consultation draft of a further new Investment Mandate by its Responsible Ministers under correspondence dated 24 June 2015. At the time of writing the consultation period was still in train.

The currently applicable 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 plus 4 to 5 per cent, measured across the portfolio of investments over time
- Not increase the level of exposure to credit risk above the level of the existing portfolio as assessed on 5 March 2015
- 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

Figure 31: Investment Mandates in effect 2014–15

Name	Date Issued	Date Registered	Date of Effect
Clean Energy Finance Corporation (Investment Mandate) Direction 2013	16 April 2013	24 April 2013	25 April 2013 to 4 March 2015
Clean Energy Finance Corporation (Investment Mandate) Direction 2015	17 February 2015	4 March 2015	5 March 2015 onwards

- 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.

Copies of the current Investment Mandate, and accompanying Explanatory Statement, the consultation draft and CEFC submissions on them are available on the Comlaw website at comlaw.gov.au

CEFC Investment Policies and associated key governance events

Meeting the various requirements of the Investment Mandate is a difficult task, but it is the Board's role to ensure that the Corporation takes all reasonable steps necessary to achieve these ends, and to establish Investment Policies that support the Investment Mandate. The CEFC Investment Policies are published on the CEFC's website.

The CEFC Investment Policies set out:

- A governance framework for the CEFC, which clarifies the roles of the Board, the Executive team, committees and external advisors in investment making
- The investment strategy of the Corporation, including the 2018 Portfolio Vision, investment approach and guidelines
- Board-approved definitions of key terms it is empowered to define under the CEFC Act ('solely or mainly Australian-based' and 'low emissions technology') and guidelines as to what it will assess as 'renewable energy technology' and 'energy efficiency technology'
- Benchmarks and standards for assessing performance of the CEFC's investments and of the Corporation itself
- Risk management for its investments and for the Corporation itself.

Figure 32: Credits to the Special Account under CEFC Act, section 46*

Specified date	Amount credited on specified date	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

*excluding surplus returned by the Corporation

These policies are reviewed at least once annually and automatically upon issue of a new Investment Mandate. The Investment Policies were under review from the change of Investment Mandate from 5 March 2015, when a consultation draft on a new Mandate was received on 24 June 2015. In light of this, further review of the Investment Policies has been suspended pending the outcome of this most recent process.

CEFC funding and associated key governance events

The CEFC is self-funding through its investment returns on money appropriated to it under the CEFC Act.

Under 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, as outlined in Figure 32.

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 created by *The Constitution* until they are released for investment when authorised by the Nominated Minister in accordance with the procedure outlined in the Act.

In other words, the funds depicted in Figure 32 above are a drawing right of the CEFC against the Special Account maintained by the Treasury, rather than an actual transfer to the CEFC. The funds are only actually drawn down when the CEFC has a use for them. Investments are made (both directly by the CEFC and indirectly through intermediaries) into eligible clean energy projects. Repayments and returns from these projects are paid directly to the CEFC's operational account. Where the Board has identified funds that it considers surplus money, this surplus can then be returned to the Special Account via the Treasury.

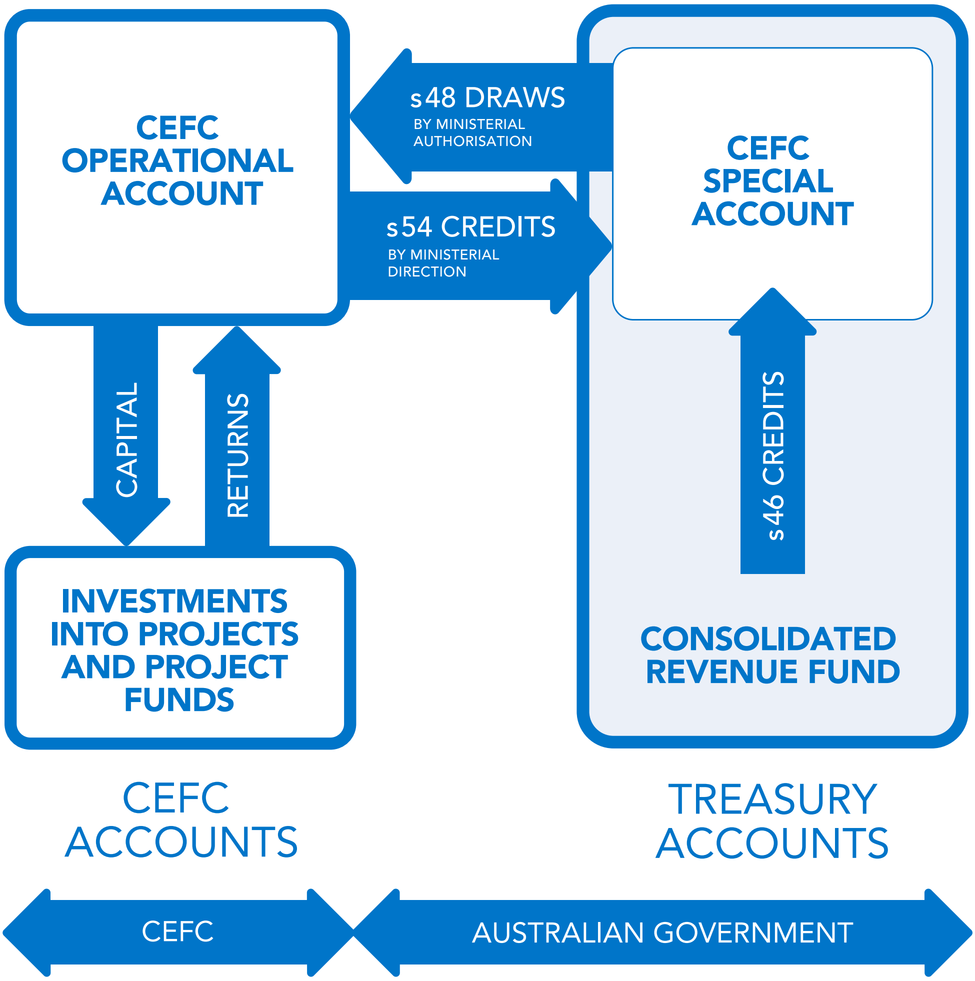
During the year, the CEFC and the Responsible Ministers agreed a mechanism for return of surplus cash amounts and the Corporation returned funds to the Commonwealth including amounts of repaid principal from some of the first fully-acquitted loans. Figure 33 summarises movements in and out of the Special Account.

Under the CEFC Act, and subject to ministerial authorisation, the Corporation may also make payments to ARENA. No requests were made and no payments to ARENA occurred during the 2014–15 reporting period.

Figure 33: Credits and debits to the Special Account during 2014–15

Transaction	Credits ($m)	Debits ($m)	Balance ($m)
Opening balance of the Special Account			868.4
Section 46 Credit – 1 July 2014	2,000.0		2,868.4
Section 54(1) Return of Funds	50.6		2,919.0
Total	**2,050.6**	-	**2,919.0**

Figure 34: How the CEFC's Special Account and Operational Accounts work



OTHER LEGISLATION, POLICIES OF THE AUSTRALIAN GOVERNMENT AND KEY GOVERNANCE EVENTS

Transfer of remaining assets and deregistration of Low Carbon Australia Limited

Low Carbon Australia Limited (LCAL) was a Commonwealth company formed in 2010 with $84.6 million in funds, primarily to invest in energy efficiency and activity resulting in greenhouse gas abatement. As a loan-based program in an area traditionally associated with grants, in many ways LCAL was a much smaller forerunner of the CEFC.

On 19 December 2012, the then Australian Government and Boards of both the CEFC and LCAL announced the intention that the CEFC and LCAL integrate. Integration of staff occurred on 17 April 2013, and during the 2013–14 financial year integration of the LCAL investment portfolio was completed.

On 25 June 2013, LCAL's then Responsible Minister, the Hon Greg Combet AM MP, directed that the balance of the LCAL assets be transferred to the CEFC and that LCAL be deregistered. This process was suspended during the operation of the caretaker period following 5 August 2013.

On 18 September 2013, the Abbott Ministry was sworn in and on 14 October 2013, the new Minister for the Environment, the Hon Greg Hunt MP, wrote to the Board of Low Carbon Australia Limited directing the company to cease the deregistration process while the Government examined its options.

On 1 May 2014, the National Commission of Audit report was released which recommended abolition of Low Carbon Australia Limited, and on 13 May 2014, the Environment Portfolio Budget Statement affirmed that LCAL would be abolished.

On 1 August 2014, the LCAL Board received correspondence from Minister Hunt directing the recommencement of the deregistration process and the transfer of any remaining assets to the CEFC (as disclosed at Notes 12 and 18 to the Financial Statements), and as a related entity transaction (see pages 169 and 177 respectively).

Low Carbon Australia Limited was deregistered by the Australian Securities and Investments Commission as of 17 December 2014 and ceased to exist at that date. Up until that time, and from 17 April 2013, the CEFC provided the necessary services for LCAL to continue to meet its remaining legal and reporting obligations.

Public Governance, Performance and Accountability Act 2013 (PGPA Act)

The PGPA Act was passed to repeal and replace the former *Commonwealth Authorities and Companies Act 1997* (the CAC Act) from July 1, 2014. However, the *Commonwealth Authorities (Annual Reporting) Orders 2011* remains in force and has been applied in the preparation of this annual report.

As a corporate Commonwealth entity, apart from the CEFC Act, the PGPA Act and its subordinate instruments are the main legislation that govern the Corporation's activities. The PGPA Act imposes various duties, responsibilities and accountabilities on the CEFC Board (both as a collective and as individuals) and on employees.

As the main finance law for government at the federal level, the PGPA Act sets the standard for the use of public resources and the management of risk. The *Public Governance, Performance and Accountability Rule 2014* specifies further requirements at a more operational level of detail. Australian Accounting Standards Board (AASB) standards are applied to the Corporation by force of the *Public Governance, Performance and Accountability (Financial Performance) Rule 2015*.

The CEFC makes an annual representation to Ministers as to compliance under this legislation, and in 2015 reported full compliance.

Government Policy Orders

The PGPA Act also allows the Australian Government to issue directions to the Corporation by means of a Government Policy Order (GPO). As at the time of writing there were no GPOs in effect, but the CEFC has received notice of intended future application of the Australian Government Protective Security Policy Framework to the Corporation by this means.

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.

Australian Government energy and environmental policies

The 2014–15 year was characterised by a number of important reviews and policy changes at the intersection of energy and environment policy – i.e. where the CEFC tends to invest as a 'clean energy' financier. Some of these policy reviews and changes included:

- A green paper/white paper process on the future of the energy sector
- A green paper/white paper process on the Emissions Reduction Fund, followed by new legislation and the scheme's successful introduction
- Termination of the former carbon pricing legislation and associated industry grant assistance measures under the various Clean Technology Innovation and Investment programs
- Termination of the former Energy Efficiency Opportunities legislation
- A review and legislation to reduce the Renewable Energy Target (RET)
- Reduction and re-phasing of funding to ARENA.

As investors generally seek policy clarity and certainty, many of these changes and processes had a dampening effect on demand for clean energy take up, as is reported in Section 1 of this report.

Other Australian Government policy affecting the CEFC

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. Some of these could take shape in future as Rules or Government Policy Orders made as part of the PGPA Act 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.

To 30 June 2015, policies informally notified to the CEFC by correspondence are set out in Figure 35.

Figure 35: 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
13 May 2014	International Travel – Reporting international travel over a threshold of $50k as stipulated in Whole of Government Travel Arrangement Advice 2014/15
20 February 2012	Recruitment – Requests that the CEFC comply with the APSC's Interim Recruitment Arrangements for non-APS Agencies (effective until 1 July 2015)
28 March 2014	Employment Framework – Requests that the CEFC conduct bargaining under the Australian Government Public Sector Workplace Bargaining Policy

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.

Anti-Money Laundering/Counter-Terrorism Financing Act 2006 (AML/CTF Act)

Compliance with the AML/CTF Act is embedded into CEFC's business. As the name suggests, the AML/CTF Act is directed to combatting money laundering and terrorist finance. The principal responsibilities are ensuring that the CEFC understands who its customers are and that suspect transactions are reported. A range of reporting and review obligations apply, and the CEFC has an internal compliance group to run AML/CTF Act compliance and assurance.

Equal Employment Opportunity (Commonwealth Authorities) Act 1987 (EEO Act)

Under the EEO 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 the Corporation's first EEO 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 2015 Report was tabled in Parliament on 1 September 2015. The report is available online at the CEFC website.

Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)

The CEFC is required to report annually under the EPBC Act, and a full report can be found at Appendix B.

***Freedom of Information Act 1982* (FOI Act)**

The CEFC is an applicable agency for FOI Act purposes. Agencies subject to the FOI Act are required to grant access to non-exempt material on application and publish information as part of the Information Publication Scheme (IPS).

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 2014–2015 with the Information Commissioner on 31 July 2015.

During the reporting period, the Corporation received no FOI applications. More information on FOI applications and the CEFC's IPS is available on the CEFC website.

***Public Interest Disclosure Act 2013* (PID Act)**

The PID Act puts in place a scheme to encourage public officials to report suspected wrongdoing in the Australian public sector. Under the PID Act, the CEFC has responsibilities in establishing effective and clearly articulated policies and procedures for facilitating and responding to public interest disclosure requests.

The CEFC also provides the Commonwealth Ombudsman with the statistical information annually. The CEFC received no public interest disclosures during 2014–2015.

***Work Health and Safety Act 2011* (WHS Act)**

The CEFC is required to report annually under the WHS Act, and a full report can be found at Appendix C.

Judicial Decisions and Parliamentary Committees

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 2014–2015. 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 2013–14 annual audit report accompanying the financial statements (as reproduced in the CEFC's 2013–14 Annual Report).

As far as the CEFC is aware the only Parliamentary Committee reports which substantially involved the CEFC during 2014–2015 were as follows:

- Senate Economics Legislation Committee which reported on Additional Estimates 2014–15 (March 2015)
- Senate Economics Legislation Committee which reported on Budget Estimates 2015–16 (June 2015)
- Senate Select Committee on Wind Turbines which reported its Final Report after the end of financial year (August 2015).

CEFC BUSINESS MODEL AND APPROACH TO BUSINESS

PUBLIC PURPOSE WITH A PRIVATE SECTOR APPROACH

The CEFC is an investment institution and operates commercially. However the CEFC differs from commercial financial institutions in that it also 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.

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 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. Put simply this means that the Corporation can give weight to non-financial aspects to the transaction that are of economic or public benefit.

GOVERNANCE APPROACH

The Board has built upon the statutory framework and Government policies 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 Australian best practice and appropriate for an organisation of its type and maturity.

The latest improvement in this process was the selection and appointment of an Internal Auditor to provide further assurance to the Board of the Corporation's integrity.

INVESTMENT PROCESS

The CEFC's investment process has several fixed 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 and fixes the exposure to solely or mainly Australian based activity.
- 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.

Within this universe, 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.

APPROACH TO INVESTING

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.

In addition to applying commercial rigour when making its investments, the Corporation is directed to target a benchmark return on its portfolio.

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 on a pathway to financially self-sufficiency.

During the year, with the change of Investment Mandate, the benchmark return was lifted from meeting the five year Australian Government Bond Rate, *net* of operating expenses, to meeting a return of the five year Australian Government Bond Rate +4 to 5 per cent *before* operating expenses.

Achieving financial self-sufficiency means the Corporation needs to keep operating expenses low. The Corporation's primary expense is its staffing footprint. With just 57 staff (FTE, excluding the Board), 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 rates 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 providers. 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 2015, the CEFC had provided a cumulative $12.9 million of concession on its investments. Within the 2014–15 year, the CEFC provided $1.4 million (2013–14 : $5.6 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.

Once all the CEFC's requirements have been met, 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 a further two loans under management fully repaid. The CEFC also invests a limited amount in equity and equity-like structures.

Any surplus funds in the CEFC's operating account can be returned to the CEFC's Special Account, 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.

INVESTMENT STRATEGY

The CEFC investment strategy is part of the CEFC Investment Policies and includes the 2018 Portfolio Vision.

When the CEFC evaluates an opportunity for investment, two broad threshold factors are considered:

- Eligibility constraints: the CEFC's ability to invest is limited by the CEFC Act, the Investment Mandate and the PGPA Act.
- Investment selection criteria: The CEFC evaluates 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 portfolio is still being built, but the Portfolio Vision identifies that, in accord with the CEFC Act, that at least 50 per cent renewable energy portion of the portfolio includes investments in wind, solar PV, thermal and CSP, biomass, geothermal, tidal and other renewable energy. This will include both on-grid and off-grid projects, and utilise creative and innovative structures to reduce the cost of capital, and will enable transactions in energy storage and transmission.

The balance of the portfolio, of up to 50 per cent low emissions and energy efficiency technologies, 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, diversified by borrower and include both direct and indirect financial participation.

PERMITTED INVESTMENT INSTRUMENTS

The CEFC has the capability to invest directly or indirectly 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.

APPROACH TO RISK

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

The largest aspect of risk for a financing entity with the CEFC's operating profile is investment risk. The CEFC manages other corporate risks (e.g. workplace health and safety) through identifying, assessing and controlling activities. These activities are reported and reviewed at Board meetings, by the Board's Audit and Risk Committee, and by the 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

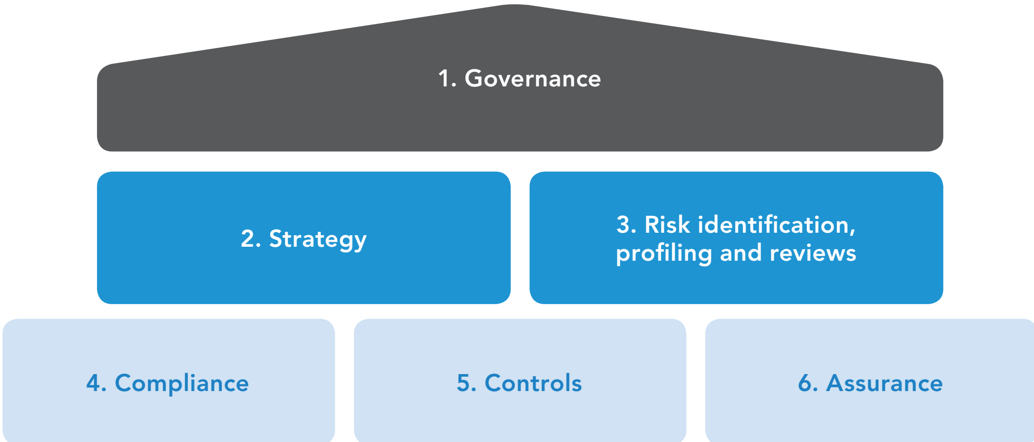
The Board believes that effective management of financial and reputational risks, including matters related to environmental, social and governance (ESG) issues will, over the long term, support its objectives and mission. More information about the Corporation's environmental and social impact is available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

DEALING WITH INVESTMENT RISK

Risk is related to return and is integral to how the CEFC assesses, considers, approves and manages investment opportunities. 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.

A 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 unacceptable levels of 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.

Figure 36: Illustration of the CEFC enterprise risk management framework



Types of risk in CEFC investments

Credit Risk

The CEFC is exposed to credit risk, that is counterparty risk associated with extending finance to 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 in place. Guidelines are also applied to single asset, entity and industry level exposures.

During the 2014–15 year, there was a change in the Investment Mandate which basically has the effect of imposing a portfolio ceiling on credit risk measured with reference to the risk levels present in the portfolio as at 5 March 2015.

Market risk

The CEFC is also exposed (indirectly) to market risks. These 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 of risks.

Technology risk

The CEFC is, in addition, exposed (indirectly) 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.

Concentration risk

The CEFC has concentration risk. 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.

Policy risk

The CEFC is also exposed to policy risk at both state and federal level, but particularly at 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 government policy. Many of the CEFC's investments depend on a 'green price' for financial viability and the RET review impacted on demand for CEFC finance. 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.

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
- This is underpinned by a thorough process of due diligence
- 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 unfamiliar, 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 Figure 37) 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
- 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. In a default, the CEFC structures investments to minimise loss 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.

Figure 37: **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	

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.

RED TAPE REDUCTION

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. The CEFC 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. Where the CEFC runs funding rounds and tender requests and the process doesn't suit, proponents are free to pick up the phone or lodge an application outside the process via the website.

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 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 clients without compromising investment integrity, the CEFC will continue to do so.

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 a high standard of ethical behaviour, the tone of corporate culture, and an expectation of ethical conduct at all times.

RELATED ENTITY TRANSACTIONS

The CEFC approach to dealings with related entities during the 2014–15 year was governed firstly by the procedures of the CEFC Act and PGPA 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.

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.

Individual related entity transactions are disclosed in accordance with the relevant standards at Note 12 within the Financial Statements (page 169). 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, and Mr Martijn Wilder AM was Chair of the LCAL Board while serving on the CEFC Board. The CEFC has also done business with Baker & McKenzie, a law firm in which Mr Wilder is a partner.

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICIALS

The CEFC has made certain indemnities and insurances to 'officers' of the Corporation including Board Members and senior managers (for the CEFC, this is the Executive). The CEFC also indemnifies staff for items such as travel expenses on a reimbursement basis.

Comcover and Comcare insurance

These insurances have general application that include Board Members and the Executive among others as per the ordinary insurances required of Commonwealth entities.

Travel and expense 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 and Allowances, page 98).

Figure 38: Indemnities and insurance premiums for officers 2014–15

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; all staff and office bearers	1 July 2014 – 30 June 2015	$71,427
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 2014 – 30 June 2015	$20,473
Indemnification for Reasonable Travel and Expenses	All Directors and Officers	on-going	Nil – indemnity only

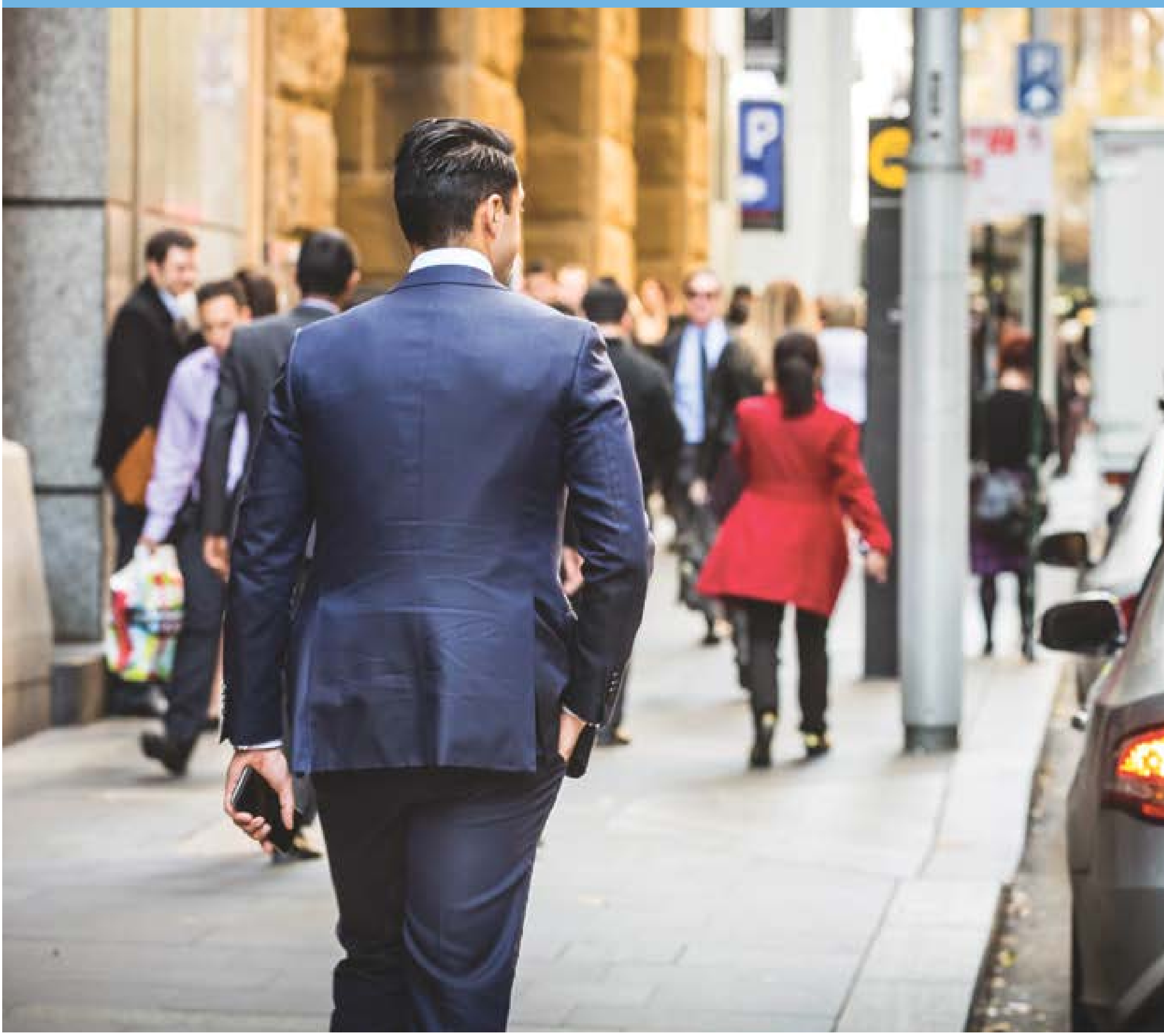
PROCUREMENT

The CEFC is not an entity to which the Commonwealth Procurement Rules are applicable. Procurement occurs via the most efficient, effective economical and ethical means possible, which can involve direct engagement of service providers based on quotes, select tenders, engagement of external advisors, and in some instances joining Australian Government procurement arrangements. 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 in Figure 39.

Figure 39: CEFC procurement contracts that were in place during the 2014–15 financial year

Date entered into	Value of Contract $	Value expensed during the FY $	Contracting Party	Purpose
February 2013	1,625,009	549,733	Dexus Property Group	Lease of premises, I Bligh Street, Sydney from 1 March 2013 to 29 February 2016.
June 2013	590,665	73,783	Marsh Pty Ltd	D&O Insurance for period 14 June 2013 to 14 June 2021
July 2013	714,945	265,772	The Uniting Church in Australia Property Trust (Q.)	Lease of premises at Level 8, 140 Ann Street, Brisbane through 14 July 2015
June 2014	132,000	0	Australian National Audit Office	Audit of financial statements for 30 June 2014
July 2014	107,884	98,243	Bloomberg Finance LP	Bloomberg terminal and NEF All Insight Package Level III
July 2014	134,245	134,245	Dakota Media Pty Ltd	Production services for case studies
July 2014	351,506	351,506	FCM Travel Solutions	Work travel and incidental costs for period 1 July 2014 to 30 June 2015 under the whole of government travel procurement program
July 2014	186,780	186,780	Studio Thick Pty Ltd	Website development, maintenance and Internet presence
June 2015	723,377	0	The Uniting Church in Australia Property Trust (Q.)	Extension of lease of premises at Level 8, 140 Ann Street, Brisbane from 15 July 2015 to 14 July 2018
July 2014	202,384	202,384	Intuitive Communication Pty Ltd t/a Momentum 2	Communications and marketing education on co-finance products
January 2015	204,000	73,740	Reval.com Inc	2 year license fees, maintenance, support and implementation costs for Loan Management System
February 2015	133,392	133,392	King & Wood Mallesons	Legal staff member seconded to the Corporation
March 2015	83,600	83,600	Randstad Pty Ltd	Staff placement fees
June 2015	145,000	145,000	Australian National Audit Office	Audit of financial statements for 30 June 2015
June 2015	501,031	0	Technology One Ltd	License Fees, 3 year minimum maintenance, support and initial implementation costs for FinanceOne software.
All contracts in year	**5,835,818**	**2,298,178**	Total 15 procurement contracts over $80,000.	

FINANCE SOLUTIONS FOR BUSINESS GROWTH



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FINANCIAL STATEMENTS

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Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

I have audited the accompanying annual financial statements of the Clean Energy Finance Corporation for the year ended 30 June 2015, which comprise the:

- Statement by the Accountable Authorities, Chief Executive and Chief Financial Officers;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments; 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 under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Directors are also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

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for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Clean Energy Finance Corporation as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

Ian Goodwin
Group Executive Director
Delegate of the Auditor-General

Canberra
19 August 2015

CLEAN ENERGY FINANCE CORPORATION

Statement by the Accountable Authorities, Chief Executive and Chief Financial Officers

In our opinion, the accompanying financial statements for the year ended 30 June 2015 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Clean Energy Finance Corporation will be able to pay its debts as and when they fall due.

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

Jillian Broadbent AO Chair of the Board	Paul Binsted Director	Oliver Yates Chief Executive Officer	Andrew Powell Chief Financial Officer
19 August 2015	19 August 2015	19 August 2015	19 August 2015

CLEAN ENERGY FINANCE CORPORATION

Statement of Comprehensive Income

for the period ended 30 June 2015

	Notes	2015 $'000	2014 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	3A	14,544	12,942
Suppliers	3B	4,688	4,677
Depreciation and amortisation	3C	455	387
Finance costs	3D	6	30
Concessional loan charges	3E	1,392	5,582
Write-down and impairment of assets	3F	2,271	641
Provision for irrevocable loan commitments	3G	266	232
Total expenses		**23,622**	**24,491**
Own-source Income			
Own-source revenue			
Interest and loan fee revenue	4A	54,619	41,787
Other revenue	4B	19	-
Total own-source revenue		**54,638**	**41,787**
Gains			
Other gains	4C	139	-
Total gains		**139**	**-**
Total own-source income		**54,777**	**41,787**
Net contribution from services		**31,155**	**17,296**
Revenue from Australian Government	4D	-	8,000
Surplus before income tax on continuing operations		**31,155**	**25,296**
Income tax expense	1.20	-	-
Surplus after income tax on continuing operations		**31,155**	**25,296**
Surplus after income tax		**31,155**	**25,296**
Surplus attributable to the Australian Government		**31,155**	**25,296**
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent classification to net cost of services			
Changes in asset revaluation surplus		1,138	-
Total other comprehensive income before income tax		**1,138**	-
Income tax expense – other comprehensive income	1.20	-	-
Total other comprehensive income after income tax		**1,138**	**-**
Total comprehensive income		**32,293**	**25,296**
Total comprehensive income attributable to the Australian Government		**32,293**	**25,296**

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

CLEAN ENERGY FINANCE CORPORATION

Statement of Financial Position

as at 30 June 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	5A	149,577	123,102
Short-term investments	5B	100,000	270,000
Trade and other receivables	5C	6,451	4,759
Loans and advances	5D	322,871	231,627
Available-for-sale financial assets	5E	77,057	305
Other financial assets	5F	597,875	621,822
Total financial assets		**1,253,831**	**1,251,615**
Non-financial assets			
Property, plant and equipment	6A, 6B	314	423
Intangibles	6C, 6D	338	28
Prepayments and other assets	6E	515	590
Total non-financial assets		**1,167**	**1,041**
Total assets		**1,254,998**	**1,252,656**
LIABILITIES			
Payables and unearned income			
Suppliers	7A	1,617	1,194
Unearned income	7B	6,530	4,903
Other payables	7C	3,004	3,397
Total payables and unearned income		**11,151**	**9,494**
Provisions			
Employee provisions	8A	878	599
Other provisions	8B	10,860	10,545
Total provisions		**11,738**	**11,144**
Total liabilities		**22,889**	**20,638**
Net assets		**1,232,109**	**1,232,018**
EQUITY			
Contributed equity	18	1,168,363	1,200,565
Reserves		1,138	-
Retained surplus		62,608	31,453
Total equity		**1,232,109**	**1,232,018**

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 2015

	Retained Surplus		Reserves		Contributed Equity		Total Equity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Opening balance								
Balance carried forward from previous period	31,453	6,157	-	-	1,200,565	338	1,232,018	6,495
Comprehensive income								
Surplus for the period	31,155	25,296	-	-	-	-	31,155	25,296
Other comprehensive income	-	-	1,138	-	-	-	1,138	-
Total comprehensive income	**31,155**	**25,296**	**1,138**	**-**	**-**	**-**	**32,293**	**25,296**
Total comprehensive income attributable to the Australian Government	**31,155**	**25,296**	**1,138**	**-**	**-**	**-**	**32,293**	**25,296**
Transactions with owners								
Distributions to owners								
Return of equity to Special Account	-	-	-	-	(50,600)	-	(50,600)	-
Contributions by owners								
Equity injection from Special Account	-	-	-	-	-	1,131,600	-	1,131,600
Equity injection from Low Carbon Australia Limited	-	-	-	-	18,398	68,627	18,398	68,627
Total transactions with owners	**-**	**-**	**-**	**-**	**(32,202)**	**1,200,227**	**(32,202)**	**1,200,227**
Closing balance as at 30 June	**62,608**	**31,453**	**1,138**	**-**	**1,168,363**	**1,200,565**	**1,232,109**	**1,232,018**
Closing balance attributable to the Australian Government as at 30 June	**62,608**	**31,453**	**1,138**	**-**	**1,168,363**	**1,200,565**	**1,232,109**	**1,232,018**

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 2015

	Notes	2015 $'000	2014 $'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Australian Government		-	8,000
Interest and fees		51,620	36,040
Distributions from equity investments		6	-
Total cash received		**51,626**	**44,040**
Cash used			
Employees		14,576	10,162
Suppliers		4,805	4,603
Interest paid		-	41
Total cash used		**19,381**	**14,806**
Net cash from operating activities	**9**	**32,245**	**29,234**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received		18,605	4,831
Redemption of short-term investments		375,000	71,817
Redemption of other financial assets		201,333	1,796
Total cash received		**594,938**	**78,444**
Cash used			
Purchase of property, plant and equipment		254	47
Purchase of intangibles		388	35
Loans made to other parties		108,650	209,229
Purchase of AFS financial assets		74,514	-
Purchase of short-term investments		205,000	270,000
Acquisition of other financial assets		179,700	693,105
Total cash used		**568,506**	**1,172,416**
Net cash from / (used by) investing activities		**26,432**	**(1,093,972)**
FINANCING ACTIVITIES			
Cash received			
Contributed equity		18,398	1,173,707
Total cash received		**18,398**	**1,173,707**
Cash used			
Return of equity		50,600	-
Total cash used		**50,600**	**-**
Net cash from / (used by) financing activities		**(32,202)**	**1,173,707**
Net increase in cash held		**26,475**	**108,969**
Cash and cash equivalents at the beginning of the reporting period		123,102	14,133
Cash and cash equivalents at the end of the reporting period	**5A**	**149,577**	**123,102**

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

CLEAN ENERGY FINANCE CORPORATION

Schedule of Commitments

as at 30 June 2015

	Notes	2015 $'000	2014 $'000
BY TYPE			
Commitments payable			
Capital commitments			
Committed credit facilities	17	(499,245)	(605,564)
Committed investments at call	17	(205,000)	(80,000)
Intangibles		(217)	-
Total capital commitments		**(704,462)**	**(685,564)**
Other commitments			
Operating leases		(1,038)	(1,114)
Other		(465)	(158)
Total other commitments		**(1,503)**	**(1,272)**
Total commitments payable		**(705,965)**	**(686,836)**
Net commitments by type		**(705,965)**	**(686,836)**
BY MATURITY			
Commitments payable			
Capital commitments			
Within 1 year		(389,751)	(367,070)
Between 1 to 5 years		(314,711)	(318,494)
Total capital commitments		**(704,462)**	**(685,564)**
Operating lease commitments			
Within 1 year		(533)	(799)
Between 1 to 5 years		(505)	(315)
Total operating lease commitments		**(1,038)**	**(1,114)**
Other commitments			
Within 1 year		(297)	(149)
Between 1 to 5 years		(168)	(9)
Total other commitments		**(465)**	**(158)**
Total commitments payable		**(705,965)**	**(686,836)**
Net commitments by maturity		**(705,965)**	**(686,836)**

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

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Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Corporation

The Clean Energy Finance Corporation ('CEFC' or 'the Corporation') was established on 3 August 2012 under the *Clean Energy Finance Corporation Act 2012* [Cth] ('the CEFC Act') and is classified as a corporate Commonwealth entity. It is a not-for-profit entity and, working with co-financiers, its objective 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 technologies (including enabling technologies) that are related to renewable energy technologies;
    - Energy efficiency technologies, including technologies that are related to energy conservation technologies or demand management technologies (including enabling technologies); and
    - Low emissions technologies.

    By investing in solely or mainly Australian based renewable energy, energy efficiency and low emissions technologies and projects;
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 CEFC Act makes provision for funding of the Clean Energy Finance Corporation via an appropriation to a Special Account. 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 Corporation in its present form would require an act of Parliament to repeal the CEFC Act. 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 the time of this report, a Government bill to abolish the Corporation remains on the House of Representatives Notice Paper. This bill has not progressed since 23 June 2014.

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. Therefore, even if the Corporation was to be abolished in accordance with the proposed legislation, there would not be a material difference in the carrying values of the assets and liabilities in the financial statements of the Corporation at reporting date as a result of the proposed legislation.

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

a. section 42 of the PGPA Act; and

b. section 74 of the CEFC Act.

The financial statements have been prepared in accordance with:

c. the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* ('FRR'); and

d. Australian Accounting Standards ('AAS') 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.

Unless an alternative treatment is specifically required by an accounting standard or the FRR, assets and liabilities are recognised in the Statement of Financial Position 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 Judgements 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 judgements 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 judgements 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. This involves benchmarking to market rates for similar facilities and adjusting for specific differences in tenor, credit worthiness, security, etc. Further judgement is also required to be exercised in relation to the anticipated pattern under which loans will be drawn down as well as the rate at which they are expected to amortise so the extent of concessionality being offered in the transactions can be estimated.

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 and advances

The Corporation reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (asset type, industry, geographical location). The impairment loss on loans and advances is disclosed in more detail in Note 3F and Note 5C and further described in Note 14E.

Impairment of available-for-sale ('AFS') financial assets

For AFS financial assets, the Corporation assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its 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.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Corporation evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as loans and advances. The Corporation's AFS debt instruments are early in their life (of what can be 7+ 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.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer–dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities.

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 following new standard was issued prior to the signing of the statement by the accountable authority, chief executive and chief financial officers, and is applicable to the current reporting period and had a material effect on the Corporation's financial statements:

Standard/ Interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 1055 *Budgetary Reporting*	This standard specifies budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government. Where a Budgeted statement of financial position, comprehensive income, changes in equity or cash flows, is presented to Parliament, AASB 1055 requires disclosure of the original Budget as well as explanations for major variances between the original Budget and the actual amount disclosed in the financial statements. AASB 2013-1 removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in AASB 1055. As a result of AASB 1055, Note 20 has been added to the financial statements

All other new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the Corporation's financial statements.

Future Australian Accounting Standard Requirements

The following new standard was issued by the AASB prior to the signing of the statement by the accountable authority, chief executive and chief financial officers, and is expected to have a material impact on the Corporation's financial statements for future reporting period(s):

Standard/ Interpretation	Application date for the Corporation	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 9 *Financial Instruments*	1 July 2018	*Regulatory Deferral Accounts.* Part E defers the application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

Standard/ Interpretation	Application date for the Corporation	Nature of impending change/s in accounting policy and likely impact on initial application
		The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard will require the Corporation to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below: a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: – The change attributable to changes in credit risk are presented in other comprehensive income – The remaining change is presented in profit or loss

Standard/ Interpretation	Application date for the Corporation	Nature of impending change/s in accounting policy and likely impact on initial application
		AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, most notably revisions to AASB 7, including significant new disclosure requirements for each component of AASB 9. The Corporation is currently evaluating the likely impact of adopting AASB 9. It is reasonable to expect that certain financial assets will be classified differently and that it will involve a larger provision for impairment based on the change to the expected-loss model.

All other new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on the Corporation's financial statements.

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

Interest 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 Australian Government

Funding received or receivable from agencies (as a corporate Commonwealth entity payment item) is recognised as Revenue from Australian 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 Gains

Extinguishment of Make Good Obligations

Gains from extinguishment of lease make good obligations at no cost to the Corporation are recognised when the Corporation no longer has a legal liability to restore the leased premises to their original state at the end of the lease term.

1.7 Transactions with the Australian Government as Owner

The Corporation's investment funds are provided for by a special appropriation under section 46 of the CEFC Act. Funds credited to the CEFC Special Account are held by the Department of the Treasury and are released to the Corporation in accordance with the CEFC Act when the CEFC identifies investments that it intends to make. Surplus funds are returned to the CEFC Special Account held by the Department of the Treasury for reinvestment by the CEFC or payment of a dividend to ARENA in accordance with the CEFC Act.

Equity Injections

Amounts received from the Australian Government as drawings out of the CEFC Special Account held by the Department of the Treasury are designated as 'equity injections' and recognised directly in contributed equity in that year.

Other Distributions to Owners

The CEFC Act provides that any amounts returned to the Commonwealth must be retained in the CEFC Special Account held by the Department of the Treasury 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. Amounts returned to the CEFC Special Account will be designated as either a return of equity in the case of capital being returned or a distribution of profits in the case of accumulated profits being transferred to the CEFC Special Account.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Australian Government entity under restructuring of administrative arrangements are adjusted directly against contributed equity.

1.8 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.

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 Corporation is estimated to be less than the annual entitlement for sick leave.

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.

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. 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.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Corporation recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

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.

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 periods of the year.

1.9 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Corporation as lessee

Leases that do not transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred.

1.10 Fair Value Measurement

Fair values of financial instruments measured at amortised cost are disclosed in Note 14(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.

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.

1.11 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.

1.12 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.

1.13 Financial Assets

Initial Recognition and Measurement

The Corporation classifies its financial assets, at initial recognition, in the following categories:

a. financial assets at fair value through profit or loss ('FVPL');

b. held-to-maturity ('HTM') investments;

c. AFS 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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Corporation's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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 FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as financial assets at 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 Corporation 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 the surplus attributable to the Australian Government in the statement of comprehensive income. The net gain or loss recognised in surplus attributable to the Australian Government incorporates any interest earned on the financial asset.

The Corporation had no financial assets at FVPL during the financial years ended 30 June 2015 and 2014.

AFS Financial Assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and credited in the reserves until the investment is derecognised, at which time the cumulative gain or loss is recognised in other gains in the statement of comprehensive income, or the investment is determined to be impaired when the cumulative loss is reclassified from the reserves to the statement of comprehensive income as a write-down and impairment of assets. Interest earned while holding AFS financial assets is reported as interest income using the effective interest method in the statement of comprehensive income.

The Corporation evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Corporation is unable to trade these financial assets due to inactive markets, the Corporation may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified as a write-down and impairment of assets in the statement of comprehensive income.

Where a reliable fair value cannot be established for unlisted investments in equity instruments, these instruments are valued at cost.

HTM Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity are classified as HTM investments. HTM investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

The Corporation had no HTM investments during the financial years ended 30 June 2015 and 2014.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

This category generally applies to short-term investments, loans and advances and other financial assets.

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.

At the end of each reporting period the Corporation assesses 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 (i) the contractual cash flows of the assets in the group and (ii) 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 statement of comprehensive income.

AFS financial assets

For AFS financial assets, the Corporation assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its 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 expenses in the statement of comprehensive income – is removed from other comprehensive income and recognised as an expense in the statement of comprehensive income. Impairment losses on equity investments are not reversed through expenses in the statement of comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Corporation evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and loan fee revenue. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

1.14 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 of comprehensive income.

Financial Liabilities at FVPL

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates any interest paid on the financial liability.

There are no outstanding financial liabilities at FVPL as at reporting dates.

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.

Trade creditors and accruals 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).

1.15 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position 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.

1.16 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*.

1.17 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.

1.18 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, 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 Corporation where an obligation exists to restore premises to original condition. These costs are included in the value of the Corporation's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and any accumulated impairment losses. The valuation is based on internal assessment by management to ensure that the carrying amount of the assets do not differ materially from their fair values. As at 30 June 2015, the carrying amount of property, plant and equipment approximates their fair value.

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 Corporation using, in all cases, the straight-line method of depreciation.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2015	2014
Leasehold improvements	5 years (or the remaining lease period if shorter)	5 years (or the remaining lease period if shorter)
Property, 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 are assessed for impairment at each reporting date. 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 Corporation 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.

1.19 Intangibles

Asset Recognition

The Corporation's intangibles comprise purchased software for internal use. These assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Corporation's software are 2 to 3 years.

Impairment

All software assets are assessed for impairment at each reporting date. 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 Corporation were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

De-recognition

An item of software is de-recognised when the license expires or when no further future economic benefits are expected from its use or disposal.

1.20 Taxation

The Corporation 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.

Note 2: Events after the Reporting Period

There have been no significant events subsequent to balance date.

Note 3: Expenses

	2015 $'000	2014 $'000
Note 3A: Employee Benefits		
Wages and salaries	13,445	12,004
Superannuation		
Defined contribution plans	796	627
Leave and other entitlements	279	311
Separation and redundancies	24	-
Total employee benefits	**14,544**	**12,942**
Note 3B: Suppliers		
Goods and services supplied or rendered		
Consultants	553	866
Contractors	888	861
Insurance	149	126
Information technology services	82	108
Legal fees	245	265
Marketing and communications	333	179
Travel and incidentals	514	474
Website	163	280
Other	922	752
Total goods and services supplied or rendered	**3,849**	**3,911**
Goods supplied in connection with		
External parties	34	24
Total goods supplied	**34**	**24**
Services rendered in connection with		
External parties	3,815	3,887
Total services rendered	**3,815**	**3,887**
Total goods and services supplied or rendered	**3,849**	**3,911**
Other suppliers		
Operating lease rentals in connection with:		
Minimum lease payments for office premises – external parties	762	716
Workers compensation expenses	77	50
Total other suppliers	**839**	**766**
Total suppliers	**4,688**	**4,677**

	2015 $'000	2014 $'000
Note 3C: Depreciation and Amortisation		
Depreciation		
Property, plant and equipment	377	329
Total depreciation	**377**	**329**
Amortisation		
Intangibles	78	58
Total amortisation	**78**	**58**
Total depreciation and amortisation	**455**	**387**
Note 3D: Finance Costs		
Loans	-	24
Make good provision	6	6
Total finance costs	**6**	**30**
Note 3E: Concessional Loan Charges		
Concessional loan charge	1,392	5,582
Total concessional loan charges	**1,392**	**5,582**

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 un-wind 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.

	2015 $'000	2014 $'000
Note 3F: Write-Down and Impairment of Assets		
Loan impairment charge	2,232	227
AFS financial assets impairment charge	39	414
Total write-down and impairment of assets	**2,271**	**641**
Note 3G: Provision for Irrevocable Loan Commitments		
Provision for irrevocable loan commitments	266	232
Total provision for irrevocable loan commitments	**266**	**232**

Note 4: Revenue

	2015 $'000	2014 $'000
Note 4A: Interest and loan fee revenue		
Loans and advances:		
– interest and fees	22,826	14,863
– unwind of concessional loan discount	1,508	1,414
Interest from AFS financial assets	1,642	-
Interest from cash and short-term investments	12,711	16,545
Interest from other financial assets	15,932	8,965
Total interest and loan fee revenue	**54,619**	**41,787**
Note 4B: Other Revenue		
Distributions from equity investments	19	-
Total other revenue	**19**	**-**
Note 4C: Other Gains		
Gain on elimination of make good obligation	139	-
Total other gains	**139**	**-**
Note 4D: Revenue from Australian Government		
Department of the Treasury		
Corporate Commonwealth entity payment for operational expenditures	-	8,000
Total revenue from Australian Government	**-**	**8,000**

Note 5: Financial Assets

	2015 $'000	2014 $'000
Note 5A: Cash and Cash Equivalents		
Cash on hand or on deposit	149,577	123,102
Total cash and cash equivalents	**149,577**	**123,102**
Note 5B: Short-Term Investments		
Short-term deposits with financial institutions	100,000	270,000
Total short-term investments	**100,000**	**270,000**
Note 5C: Trade and Other Receivables		
Goods and services receivables in connection with		
Trade debtors – external parties	208	6
Total goods and services receivables	**208**	**6**
Other receivables		
Unbilled receivables	908	625
Interest	5,260	4,086
Other	75	42
Total other receivables	**6,243**	**4,753**
Total trade and other receivables (gross)	**6,451**	**4,759**
Less: Impairment allowance	**-**	**-**
Total trade and other receivables (net)	**6,451**	**4,759**
Receivables are expected to be recovered		
No more than 12 months	6,451	4,759
Total trade and other receivables (net)	**6,451**	**4,759**
Receivables are aged as follows		
Not overdue	6,451	4,759
Total trade and other receivables (gross)	**6,451**	**4,759**

Credit terms for goods and services were within 30 days (2014: 30 days)
Interest receivable is due monthly, quarterly or upon maturity, depending on the terms of the investment.

	2015 $'000	2014 $'000
Note 5D: Loans and Advances		
Gross funded loans	332,752	239,560
Less concessional loan discount	(7,045)	(7,329)
Funded loans, net of concessionality discount	**325,707**	**232,231**
Less impairment allowance	**(2,836)**	**(604)**
Net loans and advances	**322,871**	**231,627**
Maturity analysis loans and advances, net of concessionality:		
Overdue – impaired	3,431	-
Due in 1 year	32,925	14,480
Due in 1 year to 5 years	238,688	82,483
Due after 5 years	50,663	135,268
Funded loans, net of concessionality discount	**325,707**	**232,231**
Less impairment allowance	**(2,836)**	**(604)**
Net loans and advances	**322,871**	**231,627**

Concentration of risk

The largest single exposure in the loan portfolio at 30 June 2015 was for an amount of $67.7 million (2014: $69.3 million). The following table shows the diversification of investments in the loan portfolio at 30 June 2015:

	2015			2014		
	No. of Loans	Loan Value $'000	%	No. of Loans	Loan Value $'000	%
<$10 million	59	40,655	13%	35	40,665	17%
$10 – $30 million	2	45,624	14%	2	38,516	17%
$30 – $50 million	3	121,689	37%	1	33,739	15%
$50 – $80 million	2	117,739	36%	2	119,311	51%
Total loans and advances, net of concessionality discount	**66**	**325,707**	**100%**	**40**	**232,231**	**100%**

The following table shows the diversification of investments within the loan portfolio at 30 June 2015 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).

	2015		2014	
	Loan Value $'000	%	Loan Value $'000	%
Corporation's Shadow Credit Rating				
AA- to AA+	39,135	12%	1,108	-
A- to A+	6,751	2%	11,657	5%
BBB- to BBB+	59,273	18%	51,351	22%
BB- to BB+	195,286	60%	166,284	72%
B- to B+	25,262	8%	1,831	1%
Total loans and advances, net of concessionality discount	**325,707**	**100%**	**232,231**	**100%**

Impairment allowance

	2015 $'000	2014 $'000
Reconciliation of the Impairment Allowance: Movements in relation to loans and receivables		
As at 1 July	604	-
Transferred from Low Carbon Australia Limited ('LCAL')	-	377
Increase recognised in write-down and impairment of assets	2,232	227
Closing balance at 30 June	**2,836**	**604**
Note 5E: Available For-Sale-Financial Assets		
Quoted:		
Debt securities	75,902	-
Equities	1,125	250
	77,027	**250**
Unquoted:		
Debt securities	-	55
Equities	30	-
	30	**55**
Total AFS financial assets	**77,057**	**305**

Concentration of risk and impairment – AFS financial assets

Equity investments are amounts held by way of shares in publicly listed entities or units in unincorporated unit trust structures. During the 2015 financial year, a permanent diminution in the value of certain AFS financial assets was recognised in the amount of $39,000 (2014: $414,000).

	2015 $'000	2014 $'000
Note 5F: Other Financial Assets		
Restricted deposit accounts with financial institutions	597,875	621,822
Total other financial assets	**597,875**	**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.

	2015 $'000	2014 $'000
Maturity analysis for other financial assets (gross)		
Due in 1 year	57,226	38,445
Due in 1 year to 5 years	198,687	190,815
Due after 5 years	341,962	392,562
Total other financial assets	**597,875**	**621,822**

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 Australian banks each of which have a credit rating of no less than A+. No single bank holds more than 50% of the total.

The following table shows the diversification of anticipated projects/loans that the investments are expected to be applied against at 30 June 2015 by credit quality using the Corporation's SCR methodology:

	2015		2014	
	$'000	%	$'000	%
Corporation's Shadow Credit Rating				
A- to A+	-	-%	100,333	16%
BBB- to BBB	206,317	35%	192,535	31%
BB- to BB+	246,558	41%	228,855	37%
B- to B+	20,000	3%	20,099	3%
Unrated – equity investments	125,000	21%	80,000	13%
Total restricted deposit accounts	**597,875**	**100%**	**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 2015 (2014: $Nil).

Note 6: Non-Financial Assets

	2015 $'000	2014 $'000
Note 6A: Property, Plant and Equipment		
Other property, plant and equipment		
Gross book value	1,474	1,358
Accumulated depreciation	(1,160)	(935)
Total other property, plant and equipment	**314**	**423**
Total property, plant and equipment	**314**	**423**

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.
The book value of property, plant and equipment at 30 June 2015 approximates their fair value.

	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 2015		
As at 1 July 2014		
Gross book value	1,358	1,358
Accumulated depreciation	(935)	(935)
Total as at 1 July 2014	**423**	**423**
Additions:		
By purchase	269	269
Depreciation expense	(377)	(377)
Disposals:		
Gross book value	(153)	(153)
Accumulated depreciation	152	152
Total as at 30 June 2015	**314**	**314**
Total as at 30 June 2015 represented by:		
Gross book value	1,474	1,474
Accumulated depreciation	(1,160)	(1,160)
Total as at 30 June 2015	**314**	**314**

	Other property, plant & equipment $'000	Total $'000
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	(4)	(4)
Total as at 1 July 2013	**68**	**68**
Additions:		
By purchase	164	164
Gross book value of assets received from LCAL	1,122	1,122
Accumulated depreciation of assets received from LCAL	(602)	(602)
Depreciation expense	(329)	(329)
Total as at 30 June 2014	**423**	**423**
Total as at 30 June 2014 represented by:		
Gross book value	1,358	1,358
Accumulated depreciation	(935)	(935)
Total as at 30 June 2014	**423**	**423**

	2015 $'000	2014 $'000
Note 6C: Intangibles		
Computer software		
Purchased – in use	560	172
Accumulated amortisation	(222)	(144)
Total computer software	**338**	**28**
Total intangibles	**338**	**28**

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 2015		
As at 1 July 2014		
Gross book value	172	172
Accumulated amortisation	(144)	(144)
Total as at 1 July 2014	**28**	**28**
Additions:		
Purchase or internally developed	388	388
Amortisation	(78)	(78)
Total as at 30 June 2015	**338**	**338**
Total as at 30 June 2015 represented by:		
Gross book value	560	560
Accumulated amortisation	(222)	(222)
Total as at 30 June 2015	**338**	**338**
Reconciliation of the opening and closing balances of intangibles for 2014		
As at 1 July 2013		
Gross book value	14	14
Accumulated amortisation	(2)	(2)
Total as at 1 July 2013	**12**	**12**
Additions:		
Purchase or internally developed	35	35
Gross book value of assets received from LCAL	123	123
Accumulated depreciation of assets received from LCAL	(85)	(85)
Amortisation	(57)	(57)
Total as at 30 June 2014	**28**	**28**
Total as at 30 June 2014 represented by:		
Gross book value	172	172
Accumulated amortisation	(144)	(144)
Total as at 30 June 2014	**28**	**28**

	2015 $'000	2014 $'000
Note 6E: Prepayments and other assets		
Prepayments	491	544
Deposits	24	46
Total prepayments	**515**	**590**
Total prepayments expected to be recovered:		
No more than 12 months	125	104
More than 12 months	390	486
Total prepayments	**515**	**590**

Note 7: Payables and Unearned Income

	2015 $'000	2014 $'000
Note 7A: Suppliers		
Trade creditors and accruals	1,617	1,194
Total suppliers	**1,617**	**1,194**
Suppliers expected to be settled:		
No more than 12 months	1,617	1,194
Total suppliers	**1,617**	**1,194**
Suppliers in connection with:		
Related parties	-	5
External parties	1,617	1,189
Total supplier payables	**1,617**	**1,194**

Settlement of supplier balances was usually made within 30 days.

	2015 $'000	2014 $'000
Note 7B: Unearned Income		
Unearned establishment and commitment fees income	6,530	4,903
Unearned income expected to be recognised:		
No more than 12 months	1,400	804
More than 12 months	5,130	4,099
Total unearned income	**6,530**	**4,903**
Note 7C: Other Payables		
Wages and salaries	2,618	2,977
Superannuation	65	50
FBT liability	3	1
Other	318	369
Total other payables	**3,004**	**3,397**
Other payables expected to be settled:		
No more than 12 months	2,778	3,130
More than 12 months	226	267
Total other payables	**3,004**	**3,397**

Note 8: Provisions

	2015 $'000	2014 $'000
Note 8A: Employee Provisions		
Annual and long service leave	878	599
Total employee provisions	**878**	**599**
Employee provisions expected to be settled:		
No more than 12 months	466	349
More than 12 months	412	250
Total employee provisions	**878**	**599**
Note 8B: Other Provisions		
Provision for concessional loans	10,233	10,064
Provision for make good	129	249
Provision for impairment on irrevocable undrawn commitments	498	232
Total other provisions	**10,860**	**10,545**
Other provisions expected to be settled:		
No more than 12 months	129	22
More than 12 months	10,731	10,523
Total other provisions	**10,860**	**10,545**

	Provision for concessional loans $'000	Provision for make good $'000	Provision for irrevocable commitments $'000	Total $'000
Opening balance 1 July 2014	**10,064**	**249**	**232**	**10,545**
Additional provisions made	1,854	14	266	2,134
Finance cost	-	6	-	6
Amounts reversed	(464)	(140)	-	(604)
Offset to loans and advances	(1,221)	-	-	(1,221)
Closing balance 30 June 2015	**10,233**	**129**	**498**	**10,860**
Opening balance 1 July 2013	**5,890**	**-**	**-**	**5,890**
Additional provisions made	5,665	118	232	6,015
Received from LCAL	2,085	125	-	2,210
Finance cost	-	6	-	6
Amounts reversed	(87)	-	-	(87)
Offset to loans and advances	(3,489)	-	-	(3,489)
Closing balance 30 June 2014	**10,064**	**249**	**232**	**10,545**

Note 9: Cash Flow Reconciliation

	2015 $'000	2014 $'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	149,577	123,102
Statement of financial position	149,577	123,102
Difference	**-**	**-**
Reconciliation of net cost of services to net cash from operating activities		
Net contribution from services:	31,155	17,296
Revenue from Australian Government	-	8,000
Adjustments for non-cash items		
Depreciation and amortisation	455	387
Concessional loan charge	1,392	5,582
Impairment	2,271	542
Provision for irrevocable commitments	266	232
Capitalised interest and fees on loans	(3,147)	(1,276)
Amortisation of concessional loan discount	(1,508)	(1,414)
Interest on make good	6	6
Gain on elimination of make good	(139)	-
Distribution from equity investment	(14)	-

	2015 $'000	2014 $'000
Movements in assets and liabilities		
Assets		
(Increase) / decrease in net receivables	590	(7,082)
(Increase) / decrease in prepayments and other assets	75	134
Liabilities		
Increase / (decrease) in employee provisions	279	310
Increase / (decrease) in supplier payables	311	692
Increase / (decrease) in unearned income	549	3,430
Increase / (decrease) in other payables	(296)	2,411
Increase / (decrease) in other provisions	-	(16)
Net cash from operating activities	**32,245**	**29,234**

Note 10: Contingent Assets and Liabilities

Quantifiable Contingencies

At 30 June 2015 and 2014 the Corporation had no significant quantifiable contingencies.

Unquantifiable Contingencies

At 30 June 2015 and 2014 the Corporation had no significant unquantifiable contingencies.

Significant Remote Contingencies

At 30 June 2015 and 2014 the Corporation had no significant remote contingencies.

Note 11: Directors' Remuneration

	2015 No.	2014 No.
The number of non-executive directors of the Corporation 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 Corporation	**$448,512**	**$510,251**

The Corporation has no executive directors.

Note 12: 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 2015. 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	2015	-	-
Martijn Wilder AM	Baker & McKenzie	Legal advice	2015	7	-
Martijn Wilder AM	Baker & McKenzie	Staff secondment	2014	301	-
Martijn Wilder AM	Baker & McKenzie	Legal advice	2014	151	-

Mr Wilder was also the Chairman of LCAL.

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 2015:

Department of the Treasury:

The Department of the Treasury has provided administrative funding totalling $Nil (2014: $8 million) as a corporate Commonwealth entity payment for operational expenditures (refer Note 4D).

The Department of the Treasury were instrumental in establishing the operational capability of the Corporation in 2013. In establishing the Corporation, The Department of the Treasury incurred costs on behalf of, and for the benefit of, the Corporation. The final $14,000 of these costs were reimbursed to the Department of the Treasury by the Corporation during the year ended 30 June 2014.

Low Carbon Australia Limited:

The Corporation and LCAL worked 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 LCAL incurring approximately $Nil (2014: $321,000) of costs on behalf of the Corporation and charging to the Corporation during the year ended 30 June 2014 matters such as rental of offices, third party IT infrastructure support services and web-site development. The $321,000 incurred by LCAL in 2014 was 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 was reimbursed by the Corporation prior to 30 June 2014. $Nil remained outstanding and owing to LCAL at 30 June 2015 or 30 June 2014.

Certain staff continued to provide services to LCAL through 30 June 2014 to ensure that Corporation 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 2015 on behalf of LCAL was approximately $Nil (2014: $98,000). LCAL was not charged for this work in light of the significant work undertaken by LCAL to assist in the establishment of the Corporation prior to 30 June 2013.

As part of a restructuring of administrative arrangements, LCAL relinquished net assets totalling $18,398,000 (2014: $68,627,000) to the Corporation for $Nil consideration. This was recognised by CEFC as an equity contribution. The distribution of net assets from LCAL 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 18 – Contributed Equity.

Note 13: Senior Management Personnel Remuneration

	2015	2014
Short-term employee benefits		
Salary	2,158,013	2,117,481
Performance bonuses	655,817	673,243
Retention bonuses	283,349	288,271
Travel allowances	17,600	-
Motor vehicle and other allowances	1,083	1,769
Total short-term employee benefits	**3,115,862**	**3,080,764**
Post-employment benefits		
Superannuation	94,298	89,235
Total post-employment benefits	**94,298**	**89,235**
Other long-term employee benefits		
Annual leave accrued	45,140	43,685
Long service leave	45,750	34,259
Total other long-term employee benefits	**90,890**	**77,944**
Total senior management personnel remuneration expenses	**3,301,050**	**3,247,943**

The total number of senior management personnel that are included in the above table are 5 (2014:5).

Note 14: Financial Instruments

	2015 $'000	2014 $'000
Note 14A: Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	149,577	123,102
Total cash and cash equivalents	**149,577**	**123,102**
Loans and receivables		
Trade and other receivables	6,451	4,759
Short-term investments	100,000	270,000
Loans and advances	322,871	231,627
Other financial assets	597,875	621,822
Total loans and receivables	**1,027,197**	**1,128,208**
AFS financial assets		
Debt	75,902	-
Equity securities	1,155	305
Total AFS financial assets	**77,057**	**305**
Carrying amount of financial assets	**1,253,831**	**1,251,615**

	2015 $'000	2014 $'000
Financial Liabilities		
At amortised cost		
Trade creditors and accruals	1,617	1,194
Other	304	257
Total	**1,921**	**1,451**
Carrying amount of financial liabilities	**1,921**	**1,451**
Note 14B: Net Gains on Financial Assets		
Cash and cash equivalents		
Interest from cash and short-term investments	12,711	16,545
Interest from other financial assets	15,932	8,965
Net gains on cash and cash equivalents	**28,643**	**25,510**
Loans and receivables		
Interest income and fees	22,826	14,863
Unwind of concessional loan discount	1,508	1,414
Net gains on loans and receivables	**24,334**	**16,277**
AFS financial assets		
Interest income from debt securities	1,642	-
Distributions from equity investments	19	-
Net gains on AFS financial assets	**1,661**	**-**
Net gains on financial assets	**54,638**	**41,787**

The total interest income from financial assets not at fair value through profit or loss was $54,638,000 (2014: $41,787,000).

	2015 $'000	2014 $'000
Note 14C: Net losses on Financial Liabilities		
Financial liabilities – at amortised cost		
Interest expense	6	30
Net losses on financial liabilities – at amortised cost	**6**	**30**
Net losses on financial liabilities	**6**	**30**

The total interest expense from financial liabilities not at fair value through profit or loss was $6,000 (2014: $30,000).

Note 14D: 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 2015 $'000	Level 2 2015 $'000	Level 3 2015 $'000	Total 2015 $'000	Total 2015 $'000
Financial assets at fair value					
AFS financial assets	77,027	-	30	77,057	77,057
Financial assets for which fair value is disclosed					
Loans and advances	-	235,000	115,000	350,000	322,871
Total	**77,027**	**235,000**	**115,030**	**427,057**	**399,928**

There was no transfer between levels.

	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					
AFS financial assets	250	-	55	305	305
Financial assets for which fair value is disclosed					
Loans and advances	-	161,000	70,900	232,000	231,627
Total	**250**	**161,000**	**70,955**	**232,305**	**231,932**

There was no transfer between levels.

Management assessed that cash, cash equivalents, short-term deposits, trade and other receivables, other financial assets, supplier payables, 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 is a description of the determination of fair value for financial instruments using valuation techniques:

AFS financial assets

- Fair value of quoted debt securities is derived from quoted market prices in active markets;
- Fair value of quoted equities is derived from quoted market prices in active markets; and
- Fair value of the unquoted equities has been estimated using a Discounted Cash Flow ('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.

Loans and advances

- The fair value on day one is the transaction price, and subsequent fair value is determined by applying market interest rates and using the valuation technique of discounted cash flows through an external valuation system.
- Non-concessional loans are classified as level 2 and the long-term fixed-rate and variable-rate receivables are valued by the Corporation through an external valuation system that recognises the discounted value of future cash flows based on current market interest rate (base rate plus a credit adjusted margin) for each customer. The credit adjusted margin for each customer is determined by reference to their Shadow Credit Rating (SCR) as set forth in Note 5D: Loans and Advances. These SCR's are reviewed regularly throughout the year by the credit managers within the portfolio management team and any significant changes are reported quarterly to the Board of Directors.
- Concessional loans together with any loans that are identified as requiring a specific impairment allowance are classified as level 3 as the impact on the estimated fair value of the loan arising from the concessionality or a forecast shortfall in cash flows in the case of an impaired loan have to be derived from inputs that are not necessarily based on observable market data. Concessional loans include inputs such as the likely rate of deployment of capital by co-financiers and impaired loans will include inputs such as the likely recovery amount and date of realisation in respect of any security held. Concessional long-term fixed-rate and variable-rate receivables are also valued by the Corporation through an external valuation system that recognises the discounted value of future cash flows based on current market interest rate (base rate plus a credit adjusted margin) for each customer. The credit adjusted margin for each customer is determined by reference to their Shadow Credit Rating (SCR) as set forth in Note 5D: Loans and Advances and these SCR's are reviewed regularly throughout the year by the credit managers within the portfolio management team and any significant changes are reported quarterly to the Board of Directors. The impact of concessionality as well as recoverable amounts related to security on impaired assets are factored into the forecasts of future cash flows for each of the transactions.
- When it is likely that a loan or debt will not be recovered in full, a specific event is recognised and recorded using the discounted cash flow method. All individual facilities are reviewed regularly.

Note 14E: 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 2015 $'000	Not past due nor impaired 2014 $'000	Past due or impaired 2015 $'000	Past due or impaired 2014 $'000	Total 2015 $'000	Total 2014 $'000
Cash and cash equivalents	5A	149,577	123,102	-	-	149,577	123,102
Short-term investments	5B	100,000	270,000	-	-	100,000	270,000
Trade and other receivables	5C	6,451	4,759	-	-	6,451	4,759
Loans and advances	5D	322,276	232,231	3,431	-	325,707	232,231
AFS financial assets	5E	77,057	305	-	-	77,057	305
Other financial assets	5F	597,875	621,822	-	-	597,875	621,822
Total financial assets		**1,253,236**	**1,252,219**	**3,431**	**-**	**1,256,667**	**1,252,219**
Committed credit facilities	17	704,245	685,564	-	-	704,245	685,564
Total Commitments		**704,245**	**685,564**	**-**	**-**	**704,245**	**685,564**
Total credit risk exposure		**1,957,481**	**1,937,783**	**3,431**	**-**	**1,960,912**	**1,937,783**

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 2015

The Corporation had no amounts past due but not impaired at 30 June 2015.

Note 14F: 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 2015

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	-	1,617	-	-	-	1,617
Other	-	304	-	-	-	304
Total	**-**	**1,921**	**-**	**-**	**-**	**1,921**

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
Trade creditors and accruals	-	1,194	-	-	-	1,194
Other	-	257	-	-	-	257
Total	**-**	**1,451**	**-**	**-**	**-**	**1,451**

Any financing shortfall is addressed through the contribution of equity provided by the Australian Government from the CEFC 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.

Note 14G: 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 Corporation accounts for loans and advances 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.

The Corporation accounts for AFS debt securities at fair market value. A +/-10bp change in the yield of the debt securities would have approximately a +/- $425,000 impact on the fair value at which the instruments are recorded in the statement of financial position.

Note 14H: 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% 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.

	2015 $'000	2014 $'000
Note 14I: Concessional Loans		
Loan Portfolio		
Nominal value	123,165	84,977
Less principal repayment	(6,729)	(5,077)
Less unexpired discount	(7,044)	(7,330)
Less impairment allowance	(1,336)	(4)
Carrying value of concessional loans	**108,056**	**72,566**

Note 15: Financial Assets Reconciliation

	2015 $'000	2014 $'000
Total financial assets as per Statement of Financial Position	**1,253,831**	**1,251,615**
Total financial assets as per Financial Instruments Note	**1,253,831**	**1,251,615**

Note 16: Remuneration of Auditors

	2015 $'000	2014 $'000
Financial statement audit services were provided to the Corporation by the Australian National Audit Office (ANAO).		
Fair value of the services provided		
Financial statement audit services	145	132
Total	145	132

No other services were provided by the ANAO.

Note 17: 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.

	2015 $'000	2014 $'000
Committed credit facilities	499,245	605,564
Committed investments at call	205,000	80,000
Total committed credit facilities as per commitments note	**704,245**	**685,564**

Note 18: Contributed Equity

Equity from CEFC Special Account

The Department of the Treasury maintains the CEFC Special Account established in accordance with section 45 of the CEFC Act.

	2015 $'000	2014 $'000
Appropriations credited to the CEFC Special Account maintained by the Department of the Treasury	2,000,000	2,000,000
Funds drawn / (returned) during the year as an equity contribution / (return) from / (to) the CEFC Special Account maintained by the Department of the Treasury	(50,600)	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 Australian Government controlled entity - LCAL - relinquished the following net assets to the CEFC for $Nil consideration (refer also Note 12).

LCAL de-registered by the Australian Government as advised in the 2014-15 Environment Portfolio Budget Statement. This accorded with the recommendation abolition of LCAL in the report of the National Commission of Audit – *Towards Responsible Government*. On 1 August 2014, the Hon. Greg Hunt MP as representative of the sole Member of the Company and the Responsible Minister of LCAL wrote to the LCAL Board directing it to expeditiously complete winding-up. LCAL was accordingly de-registered as of 17 December 2014.

A summary of the assets acquired and liabilities assumed follows:

	2015 $'000	2014 $'000
Financial Assets		
Cash and cash equivalents	18,398	42,107
Loans and advances	-	28,344
AFS financial assets	-	300
Non-Financial Assets		
Deposits	-	23
Property, plant and equipment, net	-	520
Intangibles, net	-	38
Payables and unearned income		
Unearned income	-	(334)
Suppliers	-	(161)
Provisions		
Provision for concessional loans	-	(2,085)
Make good provision	-	(125)
Net assets received	**18,398**	**68,627**
Summary of Contributed Equity		
Opening balance – 1 July	1,200,565	338
Return of equity to CEFC Special Account	(50,600)	-
Equity from CEFC Special Account	-	1,131,600
Net Assets received from restructuring of administrative arrangements	18,398	68,627
Closing contributed equity balance – 30 June	**1,168,363**	**1,200,565**

Note 19: 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.

Note 19A: Net Return from Outcome Delivery

	Outcome 1 2015 $'000	Outcome 1 2014 $'000	Total 2015 $'000	Total 2014 $'000
Departmental				
Expenses	23,622	24,491	23,622	24,491
Own-source income	54,777	41,787	54,777	41,787
Net return from outcome delivery	**31,155**	**17,296**	**31,155**	**17,296**

Note 20: Budgetary Reports and Explanation of Major Variances

The following tables provide a comparison of the original budget as presented in the 2014-15 Treasury Portfolio Budget Statements (PBS) to the 2014-15 final outcome as presented in accordance with AAS for the Corporation. The Budget is not audited.

Note 20A: Departmental Budgetary Reports

The budgeted financial statements for 2014/15 were prepared on the basis of the Australian Government's intention to abolish the CEFC. Legislation to abolish the CEFC and transfer the CEFC's existing assets and liabilities to the Commonwealth was before Parliament at that time. Given the uncertainty regarding the timing of the passage of legislation, the budgeted financial statements assumed the CEFC was to be abolished from 1 July 2014. Accordingly, the 2014/15 budget assumed:

- no new investments would be entered into by the CEFC post 30 June 2014;
- revenue from those contracts planned to be executed prior to 30 June 2014 was forecast to continue through the life of the investments (including revenue associated with the unwind of previously recorded concessionality charges);
- no additional concessionality charges were forecast to be incurred (consistent with the assumption of no new investments being entered into by the CEFC post 30 June 2014);
- all operational expenses (employee benefits and supplier costs) were anticipated to cease effective 30 June 2014;
- an allowance for possible loan impairment was provided in each period of the forward estimates in relation to the existing investment portfolio; and
- all outstanding liabilities to suppliers and employees were assumed to be settled at 30 June 2014.

The Corporation was not abolished at 1 July 2014, and therefore has continued to fulfil its obligation to invest in accordance with the CEFC Act. There has been no material change in the direction of the Corporation or the operations of the Corporation during the 2014/15 financial year, and as a consequence there are a large number of material variances to a budget that was based on assumption of abolition on the first day of the financial period. In explaining variances to the budget, the Corporation has therefore focussed on those items which are considered of most significance to the operations of the CEFC.

CLEAN ENERGY FINANCE CORPORATION

Statement of Comprehensive Income

for the period ended 30 June 2015

	Actual $'000	Budget[1] $'000	Variance[2] $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	14,544	-	(14,544)
Suppliers	4,688	-	(4,688)
Depreciation and amortisation	455	313	(142)
Finance costs	6	-	(6)
Concessional loan charges	1,392	-	(1,392)
Write-down and impairment of assets	2,271	3,396	1,125
Provision for irrevocable loan commitments	266	-	(266)
Total expenses	**23,622**	**3,709**	**(19,913)**
Own-Source Income			
Own-source revenue			
Interest and loan fee revenue	54,619	37,125	17,494
Other revenue	19	-	19
Total own-source revenue	**54,638**	**37,125**	**17,513**
Gains			
Other gains	139	-	139
Total gains	**139**	**-**	**139**
Total own-source income	**54,777**	**37,125**	**17,652**
Net contribution by / (cost of) services	**31,155**	**33,416**	**(2,261)**
Revenue from Australian Government	-	-	-
Surplus before income tax on continuing operations	**31,155**	**33,416**	**(2,261)**
Income tax expense	-	-	-
Surplus after income tax on continuing operations	**31,155**	**33,416**	**(2,261)**
Surplus after income tax	**31,155**	**33,416**	**(2,261)**
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent classification to net cost of services			
Changes in asset revaluation surplus	1,138	-	1,138
Total other comprehensive income before income tax	1,138	-	1,138
Income tax expense – other comprehensive income	-	-	-
Total other comprehensive income after income tax	**1,138**	**-**	**1,138**
Total comprehensive income	**32,293**	**33,416**	**(1,123)**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's 2014-15 PBS).
2. Difference between the actual and original budgeted amounts for 2014–15. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Statement of Financial Position

as at 30 June 2015

	Actual $'000	Budget[1] $'000	Variance[2] $'000
ASSETS			
Financial assets			
Cash and cash equivalents	149,577	-	149,577
Short-term investments	100,000	-	100,000
Trade and other receivables	6,451	3,924	2,527
Loans and receivables at amortised cost	322,871	408,311	(85,440)
Available for sale financial assets	77,057	565	76,492
Other financial assets	597,875	413,574	184,301
Total financial assets	**1,253,831**	**826,374**	**427,457**
Non-financial Assets			
Property, plant and equipment	314	134	180
Intangibles	338	-	338
Prepayments and other assets	515	-	515
Total non-financial assets	**1,167**	**134**	**1,033**
Total assets	**1,254,998**	**826,508**	**428,490**
LIABILITIES			
Payables and unearned income			
Suppliers	1,617	-	(1,617)
Unearned income	6,530	7,140	610
Other payables	3,004	-	(3,004)
Total payables and unearned income	**11,151**	**7,140**	**(4,011)**
Provisions			
Employee provisions	878	-	(878)
Other provisions	10,860	21,508	10,648
Total provisions	**11,738**	**21,508**	**9,770**
Total liabilities	**22,889**	**28,648**	**5,759**
Net assets	**1,232,109**	**797,860**	**434,249**
EQUITY			
Contributed equity	1,168,363	742,307	426,056
Reserves	1,138	-	1,138
Retained surplus	62,608	55,553	7,055
Total equity	**1,232,109**	**797,860**	**434,249**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's 2014-15 PBS).
2. Difference between the actual and original budgeted amounts for 2014/15. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Statement of Changes in Equity

for the period ended 30 June 2015

	Retained Surplus			Reserves			Contributed Equity			Total Equity		
	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000
Opening balance												
Balance carried forward from previous period	31,453	22,137	9,316	-	-	-	1,200,565	1,217,439	(16,874)	1,232,018	1,239,576	(7,558)
Comprehensive income												
Surplus for the period	31,155	33,416	(2,261)	-	-	-	-	-	-	31,155	33,416	(2,261)
Other comprehensive income	-	-	-	1,138	-	1,138	-	-	-	1,138	-	1,138
Total comprehensive income	**31,155**	**33,416**	**(2,261)**	**1,138**	**-**	**1,138**	**-**	**-**	**-**	**32,293**	**33,416**	**(1,123)**
Transactions with owners												
Distributions to owners												
Return of equity to Special Account	-	-	-	-	-	-	(50,600)	(475,132)	424,532	(50,600)	(475,132)	424,532
Contributions by owners												
Equity injection from Low Carbon Australia Limited	-	-	-	-	-	-	18,398	-	18,398	18,398	-	18,398
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(32,202)**	**(475,132)**	**442,930**	**(32,202)**	**(475,132)**	**442,930**
Closing balance as at 30 June	**62,608**	**55,553**	**7,055**	**1,138**	**-**	**1,138**	**1,168,363**	**742,307**	**426,056**	**1,232,109**	**797,860**	**434,249**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's 2014–15 PBS).
2. Difference between the actual and original budgeted amounts for 2014/15. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Cash Flow Statement

for the period ended 30 June 2015

	Actual $'000	Budget[1] $'000	Variance[2] $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees	51,620	38,166	13,454
Distributions from equity investments	6	-	6
Total cash received	**51,626**	**38,166**	**13,460**
Cash used			
Employees	14,576	3,883	10,693
Suppliers	4,805	960	3,845
Total cash used	**19,381**	**4,843**	**14,538**
Net cash from operating activities	**32,245**	**33,323**	**(1,078)**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received	18,605	16,411	2,194
Redemption of short-term investments	375,000	160,000	215,000
Redemption of other financial assets	201,333	26,241	175,092
Total cash received	**594,938**	**202,652**	**392,286**
Cash used			
Purchase of property, plant and equipment	254	-	254
Purchase of intangibles	388	-	388
Loans made to other parties	108,650	162,972	(54,322)
Purchase of AFS financial assets	74,514	-	74,514
Purchase of short-term investments	205,000	-	205,000
Acquisition of other financial assets	179,700	-	179,700
Total cash used	**568,506**	**162,972**	**405,534**
Net cash from (used by) investing activities	**26,432**	**39,680**	**(13,248)**
FINANCING ACTIVITIES			
Cash received			
Contributed equity	18,398	-	18,398
Total cash received	**18,398**	**-**	**18,398**

	Actual $'000	Budget[1] $'000	Variance[2] $'000
Cash used			
Return of equity	50,600	474,710	(424,110)
Total cash used	**50,600**	**474,710**	**(424,110)**
Net cash from / (used by) financing activities	**(32,202)**	**(474,710)**	**442,508**
Net increase in cash held	**26,475**	**(401,707)**	**428,182**
Cash and cash equivalents at the beginning of the reporting period	123,102	401,707	(278,605)
Cash and cash equivalents at the end of the reporting period	**149,577**	**-**	**149,577**

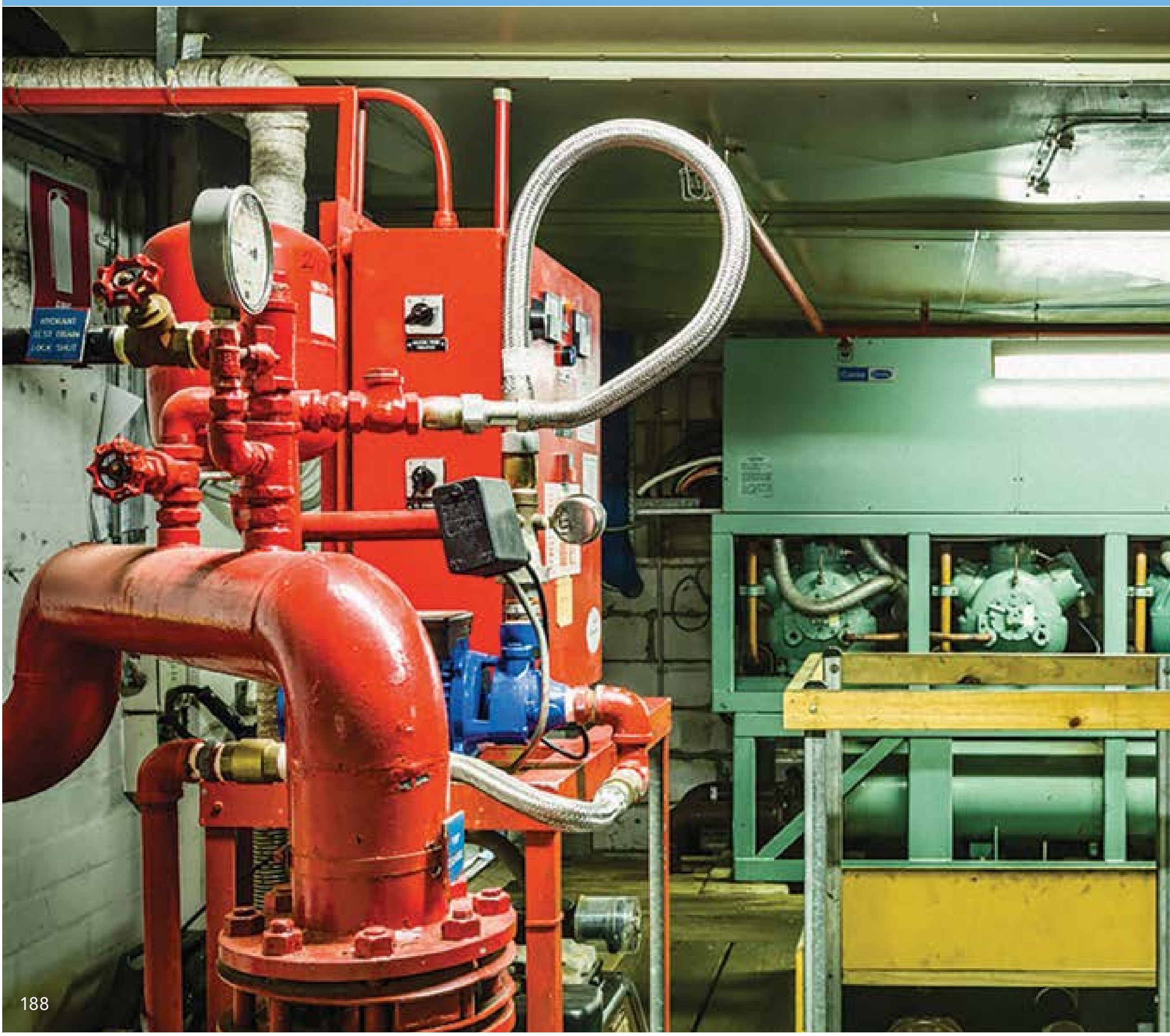
1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's 2014-15 PBS).
2. Difference between the actual and original budgeted amounts for 2014/15. Explanations of major variances are provided further below.

Note 20B: Departmental Major Budget Variance for 2014–15

Explanations of Major Variances	Affected Line Items
Statement of Comprehensive Income	
Employee Benefits	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget) employee benefit costs were incurred for the full 2014–15 financial year. In order to meet the obligations of the CEFC Act, it was necessary for the Corporation to continue to employ executives and staff across all key functions including investment, legal, risk management, finance, corporate affairs, human resources, etc.
Suppliers	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget) supplier costs were incurred in the normal course operations of the Corporation for the full 2014–15 financial year.
Concessional loan charges	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget) additional concessional loan charges were incurred on a number of new investments made during the 2014–15 financial year. The budget had assumed that no new investments would be made after 1 July 2014.
Interest and loan fee revenue	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), funds held for new investments were not returned to The Department of the Treasury but instead were invested to generate income for the Corporation throughout the financial year.
Statement of Financial Position	
Cash and Cash Equivalents; and Short Term investments	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), funds held for new investments were not returned to the CEFC Special Account held by Treasury but instead were held to fund new investments by the Corporation.

Explanations of Major Variances	Affected Line Items
Loans and receivables at amortised cost	A number of investments made by the Corporation in the 2013–14 financial year were expected to draw-down and become new receivables during the 2014–15 financial year. However, due to market uncertainty surrounding energy prices, including as a result of the proposed changes to the RET, a number of major projects did not proceed to construction and investment. Another significant investment by the Corporation was subsequently able to be funded by third party commercial banks, so the Corporation stepped aside and relinquished this investment to commercial banks.
Available for sale financial assets	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), the Corporation continued to make new investments in 2014–15. The largest component of the variance to budget in available for sale financial assets was an investment made during 2014–15 in a Climate Bond issuance by National Australia Bank.
Other financial assets	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), the Corporation continued to make new investments in 2014–15 and this is reflected in the other financial assets category.
Other provisions	The positive variance to budget in other provisions is due to (a) the fact that less concessionality was granted in 2013–14 than was anticipated at the time of preparing the 2014–15 budget and (b) the status of various investments in the Corporation's portfolio at 30 June 2015. Once an investment draws-down, the provision for concessionality is classified as an offset to the loan and receivable. In preparing a budget it is not possible to anticipate exactly at what stage each investment will be at any given point in time.
Contributed equity	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), funds held for new investments were not returned to the CEFC Special Account held by Treasury but instead were held to fund new investments by the Corporation. This meant that returns of equity to the CEFC Special Account held by Treasury were lower than budgeted.
Retained Surplus	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), it continued operations and generated a larger retained surplus than would have been the case had it been abolished.
Statement of Changes in Equity	
Retained Surplus	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), it continued operations and retained earnings are larger than would have been the case had it been abolished.
Contributed Equity	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), funds held for new investments were not returned to the CEFC Special Account held by Treasury but instead were held to fund new investments by the Corporation. This meant that returns of equity to the CEFC Special Account held by Treasury were lower than budgeted. The only return of equity in 2014/15 was an amount of $50.6 million from investments that had been realised during the normal course of operations.

Explanations of Major Variances	Affected Line Items
Cash Flow Statement	
Interest and fees	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), funds held for new investments were not returned to The Department of the Treasury but instead were invested and generated income for the Corporation.
Employees	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget) employees were retained in the Corporation and employment related payments were made throughout the 2014–15 financial year in the normal course of the Corporation fulfilling its investment obligations under the CEFC Act.
Suppliers	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget) supplier costs were paid throughout the 2014–15 financial year for costs associated with operating the Corporation in the normal course.
Redemption of other financial assets; and Acquisition of other financial assets	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), the Corporation continued to make new investments in 2014–15 and this is reflected in the redemption and acquisition of other financial assets in the Cash Flow Statement.
Loans made to other parties	A number of investments made by the Corporation in the 2013–14 financial year were expected to draw-down and become new receivables during the 2014–15 financial year. However, due to market uncertainty surrounding energy prices, including as a result of the proposed changes to the RET, a number of major projects did not proceed to construction and investment. Another significant investment by the Corporation was subsequently able to be funded by third party commercial banks, so the Corporation stepped aside and relinquished this investment to commercial banks.
Purchase of AFS financial assets	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), the Corporation continued to make new investments in 2014–15 including the purchase of AFS financial assets. The main component of AFS financial assets acquired was a climate bond issued by a major Australian Bank.
Redemption of short-term investments; and Purchase of short-term investments	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), funds held for new investments were not returned to the CEFC Special Account held by Treasury but instead were used to fund short-term investments and then subsequently redeemed by the Corporation to funds loans made to other parties, purchases of AFS financial assets and acquisitions of other financial assets.
Contributed equity	The Corporation received a final distribution of cash from LCAL upon the formal dissolution of that Company during the 2014–15 financial year. The 2014–15 budget had assumed that this would be received prior to 30 June 2014.
Return of equity; and Cash and cash equivalents at the beginning of the reporting period	Since the Corporation was not abolished effective 30 June 2014 (as anticipated in the budget), funds held for new investments were not returned to the CEFC Special Account held by Treasury but instead were held to fund new investments by the Corporation.



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APPENDIX A

INDEX OF ANNUAL REPORTING REQUIREMENTS FOR THE CEFC

As a Commonwealth statutory 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).

As part of the Australian Government's Public Management Reform Agenda, during the year the main provisions of the PGPA Act came into effect, and the former CAC Act was repealed. Transitional legislation was also passed.

The *Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011)* made under the CAC Act were repealed. Financial Statements are now prepared under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* ('FRR'); and Australian Accounting Standards ('AAS') and Interpretations issued by the Australian Accounting Standards Board ('AASB') that apply for the reporting period.

The *Public Governance, Performance and Accountability (Consequential and Transitional Provisions) Rule 2014* provides that the former *Commonwealth Authorities and Companies (Annual Reporting) Orders 2011* remain in effect for reporting on the 2014–15 year notwithstanding the repeal of that instrument.

Legislative reference	Nature of Obligation	How and Where Reported Against
Reporting Obligations under PGPA Act		
Section 46	CEFC must prepare an annual report in accordance with any rules and provide to the Responsible Ministers by 15 October each year	This Annual Report is the 2014–15 report
Reporting Obligations under *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*		
Sections 1-48 inclusive	Applies Australian Accounting Standards with modified effect and specifies requirements and format of preparation of financial statements for Commonwealth entities like the CEFC	Section 3, Page 139.
Reporting Obligations under *Commonwealth Authorities and Companies (Annual Reporting) Orders 2011* still in effect by way of transitional legislation		
Section 6	Specifies: • approval by resolution of Directors • a statement of approval by Directors, signed by a director and including details of I) how and when approval was given II) statement that directors are responsible for preparation and contents	This Annual Report includes the required particulars at the Letter of Transmittal.
Section 7	Specifies statement of any exemptions applied for from annual reporting requirements under these Orders	There were no exemptions from these Orders applied for or granted. This Annual Report includes the required particulars at the Letter of Transmittal.
Section 8	Parliamentary standards of presentation	The obligation applies to the whole of the Annual Report, which complies with this order.
Section 9	Plain English and clear design	The obligation applies to the whole of the Annual Report, which complies with this order.
Section 10	Enabling legislation	Page 107.
Section 11	Responsible Minister	Pages 92 and 109.
Section 12	Ministerial Directions	Pages 109 and 114. There were no instances of non-compliance.
	General Policies of the Australian Government	Page 113. There were no instances of non-compliance.
	General Policy Orders under CAC Act/Government Policy Orders under the PGPA Act	Page 114. There were no such orders in effect for the CEFC during the reporting period.
	Other Legislation	Page 115.

Legislative reference	Nature of Obligation	How and Where Reported Against
Section 13	Information about Directors (names, qualifications, experience, attendance at Board meetings, whether acting in an executive or non-executive capacity)	Pages 93–99.
Section 14	Organisational Structure	Pages 90–91.
	Location of major activities and facilities	Pages 17–18. Section 1, Page 104.
	Statement on Governance (Board committees, education and performance review processes for directors, ethics and risk management practices)	Section 2.
Section 15	Related entity transactions	Pages 125 and 169.
Section 16	CAC Act Significant events	Page 113.
	Operational and financial results of the authority	Sections 1, 2 and 3.
	Key changes to the authority's state of affairs or principal activities	Section 2.
	Amendments to the authority's enabling legislation and to any other legislation directly relevant to its operation	Pages 107–116.
Section 17	Judicial decisions and decisions by administrative tribunals that have had an impact	Page 116.
	Reports by the Auditor-General, Parliamentary Committees, Commonwealth Ombudsman or the Office of the Australian Information Commissioner	Page 116.
Section 18	Obtaining Information from subsidiaries	N/A. The Corporation had no subsidiaries in 2014–15.
Section 19	Details of indemnities and insurance premiums for officers	Pages 125–126.
Reporting Obligations under CEFC Act		
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	Figure 1: CEFC Performance against KPIs, Pages 19–27.
Section 74(1)(b)	Details of the realisation of any section 63 investments in the financial year	Pages 46–47.

Legislative reference	Nature of Obligation	How and Where Reported Against
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	N/A. See Figure 1.1. Summary of the CEFC's performance against KPIs, page 20.
Section 74(1)(d)	Total value of concessions given by the Corporation in the financial year	Page 119.
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	Section 3.
Section 74(1)(f)	Set out the remuneration and allowances of Board members and senior staff of the Corporation for the financial year	Pages 98–99, 103–104, 168, 170.
Section 74(1)(g)	Set out the Corporation's operating costs and expenses for the financial year	Appendix D, page 199. See also Section 3.
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	Appendix D, page 199.
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	Page 118.
Section 74(1)(j)	Details of credits and debits to the Special Account in the financial year	Page 113
Section 74(2)	Section 74(1) reports for subsidiaries	N/A. The Corporation had no subsidiaries in 2014–15.
Reporting Obligations under EBPC Act		
Section 516A(6)	How activities accorded with the principles of ecologically sustainable development Outcomes contributing to ecologically sustainable development Activities that affect the environment Measures taken to minimise the effect of activities Mechanisms to review and Increase the effectiveness of measures to minimise the environmental impact of activities	Appendix B, page 195.

Legislative reference	Nature of Obligation	How and Where Reported Against
Reporting Obligations under WHS Act		
Schedule 2, Part 4, section 4	Health, safety and welfare initiatives Health and safety outcomes Notifiable incidents Investigations Other matters under JCPAA Guidelines	Appendix C, page 197.
Reporting Obligations under EEO Act		
Section 9	Annual Program Report	Page 115. See also separate EEO Report online at cleanenergyfinancecorp.com.au/reports

APPENDIX B

ENVIRONMENTAL PERFORMANCE AND ECOLOGICALLY SUSTAINABLE DEVELOPMENT

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).

ESD reporting requirement	CEFC Response
How the CEFC's activities accorded with the principles of ESD	At the very core of all of the CEFC's activities is a strong alignment to the principles of ESD. As defined in the CEFC Act, the CEFC exists to facilitate financial flows to 'renewable energy', 'energy efficiency' and 'low emissions' technologies. By mobilising capital investment in renewable energy, low-emissions 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.
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 ESD. As at 30 June 2015, the CEFC had committed over $1.4 billion in projects with a total project value of over $3.5 billion. The CEFC invests for a positive return, with its more than 55 direct investments and 34 projects co-financed under aggregation programs. 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 $2.30 per tonne CO_2-e. The CEFC does not claim that this abatement occurs independently of complimentary policy, such as the RET. They help to improve energy productivity for businesses across Australia, lower emissions, develop local industries, increase competitiveness, and generate new employment opportunities.

ESD reporting requirement	CEFC Response
Activities that affect the environment	As stated 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 can be found at Section 1 of this Annual Report. In order to perform its functions, the CEFC has 57 FTE staff based in three locations (Sydney and Brisbane) which service Australia nationally. The nature of this operational activity has minimal impact on the environment in line with the CEFC aim to have as little impact as possible. The principal environmental impacts include: • Energy Consumption • Water Consumption • Other Resource Consumption • Greenhouse Gas ('GHG') Emissions. During the year, staffing numbers grew from 50 to 57 FTE — an increase of 14 per cent. This resulted in some 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. **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 2014–2015 year, the CEFC heavily utilised its video conferencing facilities in our Brisbane and Sydney offices to reduce inter-office flight requirements.

APPENDIX C

WORK HEALTH AND SAFETY REPORT 2014–15

The CEFC takes workplace health and safety seriously as people are our most precious resource. The CEFC is a 'public authority' under the *Work, Health and Safety Act 2011* (the WHS Act), and the Corporation must report annually according to the particulars of Schedule 2 Part 4, section 4 of that Act.

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 all workplace laws and ensure that their subcontractors are also in compliance. The CEFC's standard agreements with our contractor suppliers contain clauses insisting on compliance with workplace laws.

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 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 2014–2015, the CEFC appointed two health and safelty representatives to represent its workers across the two offices in Sydney and Brisbane. The CEFC had up to five fire wardens appointed across the organisation's two offices. These fire wardens have conducted emergency evacuation training in accordance with requirements under New South Wales and Queensland law.

The CEFC also has five 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 ergonomic 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:

- The CEFC has a zero rate of injuries for the reporting period amongst employees and contractors.
- There were no notifiable incidents (i.e. deaths, serious injury or illness and dangerous incidents) for the reporting period.

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. The CEFC has not received any notices, conducted any investigations, nor been investigated under the relevant provisions over the financial year and is a Nil report for all particulars.

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 the CEFC under this provision.

APPENDIX D

SUMMARY OF OPERATING COSTS AND EXPENSES, AND BENCHMARK

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 and Notes, but are also reproduced below for convenience.

ABOUT THE CEFC'S STRUCTURE

The CEFC is a *corporate Commonwealth entity* 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 and equity that is solely or mainly Australian based. It cannot invest in property and does not have a large cash investment function. It has a headcount of 60 employees (57 FTE) based in Sydney (HQ), Brisbane and Melbourne. The CEFC has drawing rights against 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; and

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 2014–15 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 UK Green Investment Bank (GIB) (all government-owned entities formed for public purpose with a commercial mode of operation). More information about these entities is provided below.

Future Fund Management Agency (Future Fund) – Structure

The Future Fund was established under Division 2 of Part 5 of the *Future Fund Act 2006* and is 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 (45 per cent,) property and infrastructure (13 per cent), alternative assets (13 per cent), debt (10 per cent) and cash (19 per cent) at 30 June 2015. It had circa AUD$117 billion funds under management invested in Australia and overseas as of 30 June 2015.

Export Finance and Insurance Corporation (EFIC) – Structure

Like the CEFC, EFIC is a corporate Commonwealth entity governed by an independent Board. EFIC operates on a commercial basis and partners but does not compete with banks. EFIC has four key functions under its 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 investment function is primarily related to the issuing of insurance and security guarantees, working capital guarantees and longer-term finance guarantees within these functions. EFIC is headquartered in Sydney, provided facilities on the Commercial Account totalling $577 million during 2013/14 and had some $2.7 billion under management at 30 June 2014 (made up of circa $1.87 billion on the Commercial Account and $0.87 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 and 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 greener, stronger economy…'. 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.

The GIB backs infrastructure projects which are green and profitable and wants to become a long-term enduring institution. 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 relatively young business and during the year ended 31 March 2015 committed circa £723 million (~$1.5 billion) to 22 new projects bringing its cumulative investment commitment at the end of its financial year (March 2015) to circa £1.9 billion (~$3.9 billion), with circa £0.6 billion ($1.2 billion) of the investments funded at the end of its financial year (March 2015).

	CEFC 2014–15		Future Fund 2013–14 (c)		EFIC 2013–14 (c), (d)		GIB 2014–15 (e)	
	$'000	%	$'000	%	$'000	%	$'000	%
Staff Employment Related Expenses								
Wages & Salaries	11,029		26,879		15,700		22,906	
Superannuation	757		1,441		1,600		1,967	
Leave & Other Entitlements	304		450		300			
Incentive Compensation	2,005						4,133	
Recruitment Costs	587							
Other Expenses	193						2,705	
Total Staff Employment Related Expenses	**14,875**	*63%*	**28,770**	*5%*	**17,600**	*10%*	**31,711**	*55%*
Board Expenses								
Wages & Salaries	411		788					
Superannuation	39		73					
Other Expenses	40							
Total Board Expenses	**490**	*2%*	**861**	*0%*	**-**	*0%*	**667**	*1%*
Other Costs								
Interest Expense	6				140,800	*78%*		
Provision for impairment and irrevocable loan commitments	2,537	*11%*			9,600	*5%*		
Concessional Loan Discount (b)	1,392	*6%*						
Consultants Fees and Expenses	822	*3%*						
Professional Fees	245	*1%*	469,499	*86%*	1,300	*1%*	5,007	*9%*
Other investment portfolio expenses	–	*0%*	31,920	*6%*	400	*0%*	8,581	*15%*
Travel & Incidentals	474	*2%*			1,200	*1%*		
Office Facility Costs	908	*4%*			1,400	*1%*	2,522	*5%*
Marketing & Communications	496	*2%*			1,600	*1%*		
Depreciation & Amortisation	455	*2%*	1,379	*0%*	3,400	*2%*	1,387	*2%*
Auditors' remuneration	145	*1%*	2,467	*0%*	240	*0%*	367	*1%*
Administrative & Other Expenses	777	*3%*	15,993	*3%*	2,360	*1%*	7,042	*12%*
Total Expenses	**23,622**	*100%*	**550,889**	*100%*	**179,900**	*100%*	**57,284**	*100%*

	CEFC 2014–15 (Actual)		Future Fund 2014–15 (Estimate) (f)	
	$'000	%	$'000	%
Employee benefits	14,544	*61%*	32,423	*5%*
Supplier Costs	4,694	*20%*	679,297	*95%*
Depreciation & Amortisation	455	*2%*	1,435	*0%*
Concessional Loan Discount (b)	1,392	*6%*		
Allowance for impairment of assets and irrevocable loan commitments	2,537	*11%*		
Total Expenses	**23,622**	*100%*	**713,155**	*100%*

Notes:

(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 2013-14 Annual Report since 2014–15 Information is not available at the time of finalising this report for publication.

(d) Costs are shown gross before National Interest Account allocation

(e) Green Investment Bank Group for twelve months ended 31 March 2015. Amounts converted at 30-6-15 average exchange rate of 1 GBP = 2.0388 AUD

(f) From 2015-16 Portfolio Budget Statements (Departmental + Administered)

(g) EFIC does not appear in the 2015-16 Portfolio Budget Statements and its 2014–15 Corporate Plan does not provide this level of detail.

GLOSSARY AND ABBREVIATIONS

GLOSSARY

Term	Description
Australian Industry Participation Plans (AIPP)	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 administers the AIPP.
Abatement	Refers to reductions in CO_2e emissions.
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.
Appropriations	The means by which money from the Treasury is made available to the Australian Government by the Parliament.
AusIndustry	A specialist business program delivery division within the Department of Industry, Innovation and Science.
Australian Government Bond Rate	The five-year Australian Government bond rate.
Australian Renewable Energy Agency (ARENA)	An Australian Government statutory authority with similar objectives to the CEFC, providing grant funding for earlier stage technology development. The CEFC shares information and works with ARENA to advance projects in the renewable sector.
Base building	With respect to NABERS ratings, a base building rating covers the performance of the building's central services and common areas, which are usually managed by the building owner (see further NABERS reference below).
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.
Clean Energy Finance Corporation Act 2012 (CEFC Act)	The enabling legislation that creates and empowers the CEFC.
Clean energy and clean energy technology	The types of technology the CEFC is permitted to invest in, which includes 'renewable energy technologies', 'energy efficiency technologies' and 'low emissions technologies'.
Climate Bonds	A specific type of green bond issued by the Climate Bond Standards and Certification initiative. See further information on green bonds below.
CO_2-e	Carbon dioxide equivalent is a standard measure that takes account of the different global warming potential of greenhouse gases and expresses the cumulative effect in a common unit (definition from the National Carbon Offset Standard).

Term	Description
Co-finance partner; co-financed products	'Sell through' investment in clean energy technology projects indirectly via a financial product that is cofinanced 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 or project owner, as arranged with the CEFC). The CEFC develops these products with cofinanciers 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.
Cogen/cogeneration	The combined generation of power and useful heat from the same process or source.
Committed investment	Where the CEFC has made a commitment to invest funds if all necessary pre-conditions are fulfilled by the counterparties.
Commonwealth Authorities and Companies Act 1997 (CAC Act)	The legislation that governed Australian Government statutory authorities such as the CEFC during the 2013–14 financial year, now repealed and replaced with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). See further information on the PGPA below.
Concession/concessionality	Concessionality is defined by the Investment Mandate and reflects the mark-to-market valuation of loans committed that financial year. It should be measured as the difference between the net present value of each loan's future cash flows, discounted at market rates, and the net present value of each loan's future cash flows discounted 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 or corporate loan	Typically, a loan to a company (rather than a specific project) for its smallerscale projects, or a bundle of projects, often secured against the assets or operations of the corporate entity.
Decarbonisation	Action that reduces the emissions intensity of the economy.
Distributed generation	Distributed generation is essentially generation that occurs away from large power stations, and closer to where the power is consumed, 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 onsite cogeneration and rooftop solar panels. It can include cogeneration within a building or factory (embedded generation), or even a network of connected buildings (precinct generation).
Dollars ($)	All references to dollars are Australian dollars unless otherwise specified.
Drivetrain	The components of a vehicle that deliver power from the engine to the wheels.
Ecologically Sustainable Development (ESD)	A set of principles that corporations and government entities must report against under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). See further information below.
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).
Emissions Reduction Fund (ERF)	An Australian Government initiative that purchases emissions abatement through a competitive process.
Energy productivity	Using less energy to produce the same per unit outcome.

Term	Description
Energy Efficiency Technology (EET)	Clean energy technologies that fit within the CEFC Act's definition of 'energy efficiency technologies'. Includes technologies that are enabling technologies and technologies that are related to energy conservation or demand management.
Environmental Upgrade Agreement	A type of finance created by statute, available in local government jurisdictions in NSW (City of Sydney, North Sydney, Parramatta, Lake Macquarie and Newcastle) and Victoria (City of Melbourne). Funding from a financier is repaid out of a council rate charge, increasing the security of the finance.
Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)	The Australian Government's central piece of environmental legislation, which provides a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places.
Equity	In finance terms, owned capital (such as shares) in a business or enterprise.
Export Finance and Insurance Corporation (EFIC)	An Australian Government statutory authority that provides finance and support to Australian exporters.
Forecast lifetime yield	The annualised weighted average of forecast income on outstanding principal balance over the life of the investment.
Fringe-of-grid	Areas at the edges of an electricity grid. These are typically the farthest points away from large-scale generation and transmission. Transmission over long distances tends to increase loss of energy. If energy demand is also increasing, fringeofgrid areas may lend themselves to localised energy solutions.
Fugitive methane emissions	CO_2-e emissions that leak from certain sites, such as mines and landfills.
Government Policy Order	An instrument to direct government entities made under the PGPA Act.
Green bonds	A generic term for bonds used to finance projects with an environmental outcome. See Climate Bonds above.
Green Investment Bank (GIB)	A public company owned by the UK Government and charged with accelerating the UK's transition to a greener, stronger economy. Operates with a mission similar 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.
Greenhouse gases	The six Kyoto Protocol classes of greenhouse gases are carbon dioxide (CO_2-e), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF6).
Grid	An electricity grid. The main grids in Australia are the National Electricity Market (NEM), the SouthWest Interconnected System (SWIS) and the NorthWest 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.
Heliostat	A mirror or polished surface used in concentrating and directing sunlight to optimise generation capacity.

Term	Description
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.
Hybrid vehicle	A motor vehicle that uses both fuel and electric batteries as dual power sources.
Investment Mandate	The Clean Energy Finance Corporation Investment Mandate Direction 2015 is a formal Ministerial Direction made under the CEFC Act which specifies conditions under which the CEFC may perform its investment function. More commonly, the term 'investment mandate' refers to the particular spectrum of opportunities that any given entity is permitted to invest in (also known as the 'investment universe'). In this report we use capitalisation to distinguish between the two. The CEFC Investment Mandate changed during the 2014-15 reporting year.
Large-scale	In reference to renewables, a power station large enough to earn certificates under the LRET (i.e. above 100kW for Solar PV).
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.
Large-scale Renewable Energy Target (LRET)	The LRET creates a financial incentive for the establishment or expansion of renewable energy power stations, such as wind, solar farms and hydro-electric power stations. It does this by legislating demand for Large-scale Generation Certificates (LGCs). One LGC can be created for each megawatt-hour of eligible renewable electricity produced by an accredited renewable power station.
Lifetime abatement	The estimated amount of abated emissions over a project's useful life.
Light Emitting Diode (LED)	A form of light bulb that emits less heat than incandescent bulbs and are therefore an energyefficient technology.
Limited recourse	Means that the recourse of the financier is limited to the assets, that are the subject of the finance.
Low Carbon Australia Limited (LCAL)	An Australian Government company that served as a small-scale pilot for the CEFC's work. The Australian Government determined that LCAL would be integrated into the CEFC, and this process was completed during the 2013-14 year. LCAL was deregistered as a company in the 2014-15 year and no longer exists.
Low Emissions Technology (LET)	Low Emissions Technologies may be applied to a number of activities including but not limited to: a) energy production b) electricity generation including the use of nonrenewable, fossil fuels c) fuels for and modes of transportation; and d) 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_2e 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.
Merchant basis	In respect of renewable energy generation, energy sold onto the spot market without the benefit of a fixed price power purchase agreement where the price received is the prevailing market price at the time of sale.
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 Figure 37 for an illustration of the capital structure.

Term	Description
National Australian Built Environment Rating System (NABERS)	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.
National Electricity Market (NEM)	A regulated electricity trading market that interconnects the electricity grids of the states and territories of New South Wales, Victoria, Queensland, South Australia, Tasmania and the ACT.
Off-grid	Not connected to the electricity grid, such as in remote areas.
Offtake agreement	An agreement between a producer (of energy or 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 distinct from 'subordinated debt'.
Partner	A services company that the CEFC partners with to identify, channel and further develop project opportunities.
Photovoltaic (PV)	A type of solar cell generation, as in 'solar PV'.
Pipeline	The forward view of potential CEFC investment opportunities.
Portfolio Benchmark Return (PBR)	A longterm target rate of return established by the CEFC Investment Mandate, against which the performance of the portfolio invested by the Corporation is measured.
Portfolio return	Weighted average return forecast to be made by the CEFC on its portfolio of investments.
Positive externalities	Benefits which are not exclusive to parties to a contract, such as an investment contract. May include reduced carbon emissions which benefit society as a whole. It is a requirement of the CEFC Investment Mandate that positive externalities be considered when the CEFC makes investment decisions.
Power Purchase Agreement (PPA)	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	Longterm financing of infrastructure and industrial projects (such as a utilityscale 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 distinct from the project financiers.
Public Governance, Performance and Accountability Act 2013 (PGPA Act)	An Act about the governance, performance and accountability of, and the use and management of public resources by, the Commonwealth, Commonwealth entities and Commonwealth companies, and for related purposes.
Refinancing	Repayment of an existing loan with a new loan.
Renewable Energy Certificates (RECs)	A generic term for tradeable certificates under the *Renewable Energy (Electricity) Act 2000.*
Renewable Energy Target (RET)	A target for the production of electricity from renewable energy sources under the *Renewable Energy (Electricity) Act 2000.* Made up of the small-scale renewables scheme (SRES) and the large-scale target (LRET).

Term	Description
Renewable Energy technologies (RNET)	Clean energy technologies that fit within the definition of 'renewable energy technologies' under the CEFC Act, and can include hybrids that integrate renewable energy technologies, and technologies that are related to renewable technologies, including enabling technologies.
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.
Roll off	Investment amounts that exit the portfolio (e.g. by sale, repayment, cancellation of all or part of the facility, reduction in quantum borrowed etc.).
Sell-through	Investments that are on-sold by the counterparty in order to finance small-scale projects or equipment upgrades (for example to a small business or a consumer).
Senior debt	Debt that takes priority in repayment over other unsecured or more junior debt. See Figure 37.
Single-axis tracking	A type of PV array that rotates a panel around a single axis to track the sun's movement across the horizon, optimising generation capacity.
Small-scale Renewable Energy Scheme (SRES)	A scheme to increase uptake of small-scale renewables, implemented through the *Renewable Energy (Electricity) Act 2000* and the accompanying Renewable Energy (Electricity) Regulations 2001, by issuing small-scale technology certificates (STC). One STC is equivalent to 1MWh (megawatt hour) of: a) renewable electricity generated by the solar panel, small-scale wind or hydro system (unless the Solar Credits multiplier applies); or b) electricity displaced by the installation of a solar water heater or heat pump.
Special Account	A type of Australian Government account in which funds are held for a specified purpose.
Split incentive	In energy efficiency this references a misalignment of interests between those who pay energy bills and those who control the amount used. A typical example is where a building owner may avoid capital expenditure on energy saving equipment since the benefit flows to the tenant rather than the building owner.
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 distinct from 'pari passu debt' — see Figure37.
tCO_2-e	Tonnes of carbon dioxide equivalent greenhouse gas.
Tenor	Length or term of the loan.
Total Annual Remuneration Packages (TARPs)	Total remunerative benefits for staff including salary, superannuation and any other benefits.
Tri-generation	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.
Utility-scale	Large centralised generation e.g. a power plant.

TABLE OF ABBREVIATIONS

Abbreviation	Full Name
AAO	Administrative Arrangements Orders
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AFS	Available for sale financial assets
AIPP	Australian Industry Participation Plans
AML/CTF Act	*Anti-Money Laundering and Counter-Terrorism Financing Act 2006*
ANAO	Australian National Audit Office
APSC	Australian Public Service Commission
ARENA	Australian Renewable Energy Agency
ASX	Australian Securities Exchange
CAC Act	*Commonwealth Authorities and Companies Act 1997*
CCS	Carbon capture and storage
CEFC	Clean Energy Finance Corporation
CEFC Act	*Clean Energy Finance Corporation Act 2012*
CEO	Chief Executive Officer
CFS	Colonial First State
CFSGAM	Colonial First State Global Asset Management
COSBOA	Council of Small Business Australia
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSP	Concentrated Solar Power
EAP	Employee Assistance Program
EEO Act	*Equal Employment Opportunity (Commonwealth Authorities) Act 1987*
EET	Energy Efficiency Technology
EFIC	Export Finance and Insurance Corporation
EPBC Act	*Environment Protection and Biodiversity Conservation Act 1999*
ERF	Emissions Reduction Fund
ESD	Ecologically Sustainable Development
ESG	Environmental, Social and Governance
EUA	Environmental Upgrade Agreement
FBT	Fringe Benefits Tax
FOI Act	*Freedom of Information Act 1982*

Abbreviation	Full Name
FRR	*Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*
FRV	Fotowotio Renewables Ventures
FTE	Full Time Equivalent
FVPL	Financial assets at fair value through profit and loss
GGS	General Government Sector
GHG	Greenhouse gases
GIB	Green Investment Bank
GPO	Government Policy Order
GST	Goods and Services Tax
GW	Gigawatt
GWh	Gigawatt hour
HISOT	High Income Sustainable Office Trust
HR	Human Resources
HTM	Held to maturity
HVAC	Heating, ventilation, air-conditioning and cooling
ILC	Indigenous Land Corporation
IPS	Information Publication Scheme
IT	Information Technology
JCPAA	Joint Committee of Public Accounts and Audit
KKR	Kohlberg Kravis Roberts
KPI	Key Performance Indicators
kW	Kilowatt
LCAL	Low Carbon Australia Limited
LED	Light Emitting Diode
LET	Low Emissions Technology
LRET	Large-Scale Renewable Energy Target
MP	Member of Parliament
MW	Megawatt
MWh	Megawatt hour
NA	Not applicable
NAB	National Australia Bank
NABERS	National Australian Built Environment Rating System

Abbreviation	Full Name
NEM	National Electricity Market
PBO	Parliamentary Budget Office
PBR	Portfolio Benchmark Return
PBS	Portfolio Budget Statement
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PID Act	Public Interest Disclosure Act 2013
PPA	Power Purchase Agreement
PV	Photovoltaic
RECs	Renewable Energy Certificates
RET	Renewable Energy Target
RNET	Renewable Energy Technologies
SCR	Shadow Credit Rating
SMEs	Small to Medium Enterprises
SRES	Small-scale Renewable Energy Scheme
TARP	Total Annual Remuneration Package
UK	United Kingdom
WHS Act	*Work, Health and Safety Act 2011*

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