

# The CEFC, a distraction not a solution

This paper outlines Beyond Zero Emissions (BZE)'s position on the Clean Energy Finance Corporation (CEFC) as it was recommended by the CEFC Expert Review in April 2012<sup>1</sup>.

Any new renewable energy policy must be measured against these two questions:

1. Will it create more renewable energy generation than existing policies?
2. Will it deploy important, but currently more expensive, types of renewable technologies that would not be installed under existing policies, pushing them down the cost curve?

The CEFC Review has absolved itself of any responsibility to expand the Renewable Energy Target, negating the first point. If we accept the necessary goal to move Australia to 100% renewable energy, the only other possible benefit of the CEFC is if it achieved the second point, primarily by investing in concentrating solar thermal power with storage (CST). BZE is not confident that the CEFC as proposed will see much, if any, CST constructed.

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## No guarantees – except on the limits

The recommendations of the CEFC review are too vague and ambiguous to offer any reassurance that it will result in significant improvements for renewable energy in Australia.

- There is nothing to guarantee it will invest in the type of renewables we need (i.e. CST)
- There is nothing to guarantee that the CEFC's investments will not distort the existing Renewable Energy Target scheme (RET) for existing projects. The best the Review can offer is that it *"will be cognisant of [i.e. will take into account] the potential impact on other market participants when considering investment proposals."* (p22).
- One point that is not ambiguous is that the CEFC will not see any additional amount of renewable energy built above what would already have been built under the RET. This

is because CEFC funded projects can receive Large Generation Certificates, with no corresponding increase in the 2020/2030 RET targets.

It is possible to imagine the CEFC financing CST under a very precise set of circumstances, or allocating most of its funding to renewables. However there is nothing to guarantee that it can or will.

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## Greenwashing with "hybrid" gas technologies

On the other hand, there is nothing to guarantee it won't invest most - if not all - of its money on greenhouse gas-emitting, fossil gas power projects, greenwashing them as 'low-emissions' or 'hybrid' by bolting on renewable augmentation.

The lack of guarantees on any of these fronts leaves renewable energy supporters having to put our collective faith in Martin Ferguson, the Federal Labor Party, and their appointed CEFC board. The track record of the Labor government should leave no one with the illusion that they will 'do the right thing' and help build a healthy renewable energy industry in Australia.

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## We need a comprehensive renewables policy to move beyond the RET

BZE opposes the CEFC in its current form because it will do nothing to actually support the installation of additional renewable energy beyond the current 20% by 2020 target. Instead the policy appears designed to distract the media and the public, and to obscure the very

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1. Broadbent, J., Moore, I., Paradise, D. 2012, "Clean Energy Finance Corporation Expert Review", [http://www.cefcexpertreview.gov.au/content/report/downloads/CEFC\\_report.pdf](http://www.cefcexpertreview.gov.au/content/report/downloads/CEFC_report.pdf),

real difference between government-defined 'clean energy' and truly clean renewables.

What is really needed to expand the type and amount of renewable energy installed in Australia is a comprehensive, uncapped policy which addresses both financial and non-financial barriers. The CEFC does not address the main non-financial barriers to renewable energy today:

- Inability to sign favourable power purchasing agreements,
- The monopoly of vertically integrated energy companies (AGL, Origin, TruEnergy)
- Poor state planning policies (e.g. anti-windfarm laws)
- The structure of the RET scheme that has kept Large Generation Certificate prices low.
- The lack of adequate grid connection access for many renewable projects

The CEFC Review discussed a number of non-financial barriers, but stated "*The CEFC has little capacity to address some of these barriers.*" (p29).

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### **BZE's alternative: we need FiTs**

A German-style Feed-in-Tariff (FiT) is by far the world's most successful policy to deploy large volumes of multiples types of renewable energy. The main components are:

- Tiered tariffs for each type and size of renewable technology
- Obligations on electricity market participants to accept renewable electricity production
- Obligations on transmission providers to build transmission connections to new installations

We have already had successful FiT schemes in Australia – in the 2010-11 financial year, \$4 Billion was invested in solar PV installation in Australia<sup>2</sup>. The vast majority of this was on individual rooftops, representing a 300% growth in kilowatts installed from the previous year<sup>3</sup>. This \$4 Billion in one year is almost half the \$10

billion that is expected to be invested in ten years from the CEFC!

The FiTs which enabled this need to be reinstated on a national level, expanded to other technologies at appropriate rates, and installation caps (which limit the size and number of projects that can receive a FiT) removed.

BZE proposes the following four policies for significantly expanding Australia's renewable energy sector:

1. Fix up the RET – pro-actively remove the "phantom" certificates from the market that were created by the solar multiplier scheme. This would increase the Large Generation Certificate prices immediately and make wind farms instantly more viable.
2. Restore the state-wide Feed-in-Tariff schemes for solar PV on a national level, with tariffs that reflect the true value of these technologies.
3. Extend the Feed-in-Tariff scheme to other technologies at appropriate rates and installation capacities, particularly to CST.
4. Removal of discriminatory and anti-competitive State level planning policies that excessively restrict wind energy installations.

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2. Clean Energy Council, 2011, "Clean Energy Australia 2011", Table 6, p14, <<http://www.cleanenergycouncil.org.au/dms/cec/reports/2011/Clean-Energy-Australia-Report-2011/Clean%20Energy%20Australia%20Report%202011.pdf>>,  
3. Analysis of data from Office of the Renewable Energy Regulator (ORER), 2012