8th December 2011

Clean Energy Finance Corporation

Review Panel,

c/- CEFC Secretariat (02) 6263 3899

Email: cefc@treasury.gov.au

Dear Ms Broadbent, Mr Paradice and Mr Moore,

I write this submission to the CEFC Review Panel on behalf of Clean Energy for Eternity Inc. (CEFE), a not for profit community organisation in which I currently hold the position of Executive Officer.

CEFE is a regional group with active chapters across 4 Shires in SE NSW (Bega, Eurobodalla, Cooma-Monaro, Snowy River) and in Sydney suburbs of Mosman and Manly. These communities have all adopted our **community target of 50/50 by 2020** (50% clean renewable energy and 50% reduction in energy consumption by 2020).

One key message for the Review Panel is our experience that there is a significant untapped resource in the form of community willingness to invest in Renewable Energy at a larger and more meaningful scale than individual north-facing rooftops.

We are the first region in Australia to set a challenging emissions reduction target. This 50/50 by 2020 target, driven by strong community support, has had bipartisan support at local, state and federal government levels. Our Federal Member, the Hon Dr Mike Kelly AM MP, has set a goal of seeing this aspirational target adopted by the entire electorate of Eden-Monaro, putting our region into a position of leadership.

Potential impacts of climate change are particularly real for the rural 50/50 by 2020 Shires, where major economic keystones are tourism and agriculture. CEFE sees investment in renewable energy as a cornerstone to reducing our dependency on fossil fuels and developing a resilient and low carbon regional economy.

Our aim has long been to showcase projects that can inspire practical community action on climate change –LifeSaving Energy is a key example, a project that has raised over $140,000 to install solar and wind energy systems on local surf lifesaving clubs, rural fire brigades, churches and soccer clubs.

However, CEFE's initial Action Plan for achieving our community target identified the need not only to harness the full range of renewable energy technologies available, but also to bring these technologies up to scale in Australia.

Thus, in 2007 we embarked on a collaborative rural-urban project to build a 1MW community solar farm. Importantly, our aim was also to develop a replicable model that other interested communities could use to roll out mid-scale solar farms. Suffice it to say, policy decisions around non-eligibility for both State and Federal Feed-In Tariffs has significantly slowed but not stopped progress on this project.

Noting that the CEFC objective is to overcome capital market barriers that hinder the financing, commercialisation and deployment of renewable energy, energy efficiency and low emissions technologies, we urge the Panel to leave the way open for innovative community-government-industry partnerships that could break new ground.

There has been dialogue with various arms of government over several years about the potential for revolving funds that could facilitate community renewable projects and develop robust models that could be deployed effectively and efficiently across numerous regions in Australia.

It may interest the Review Panel that the South Australian Commissioner for Renewable Energy has called for Expressions of Interest in replicable community solar models (see http://www.renewablessa.sa.gov.au/news/expression-of-interests-open-for-community-solar-farms.

The CEFC has an unparalleled opportunity to act as a catalyst to private investment that is currently not available for clean energy technologies. It is critical to maximise the potential for renewable energy to assist national efforts to reduce carbon emissions by supporting both large scale AND community projects in cleaner energy.

In summary, CEFE would like the CEFC to:

1. Specifically include collaborative community projects as a part of the package
2. Include both large scale AND community sized projects in the design of the scheme – please do not limit innovation by setting minimum investment amounts for the fund beyond community scale or by ignoring the full range of technologies
3. Investigate a range of options for allocating funds to enable early stage equity investment in community models and projects (see later points from Embark).

In our experience, involving the wider community in the roll-out of renewable energy can act as a great facilitator. Enhanced community engagement leads to better understanding of both the need and the benefit of pro-active clean energy policies.

This is important as the roll out of clean energy infrastructure will, sooner rather than later, lead to the need for significant re-investment in the national Grid, for example.

The economic and social benefits of community projects can play a vital role in building a broad social licence for clean energy. A vibrant community energy sector is an economically efficient and socially desirable outcome for Australia.

The CEFE Region contains progressive communities willing to embrace renewable energy. These communities are aware that major clean energy investment in our shires will have long term benefits for everyone. Our willingness to embrace renewable and energy efficient technology can make it easier and more attractive for commercial investors willing to plough millions of dollars into renewable projects.

We wish you well in your deliberation and look forward to future dialogue.
Yours sincerely,

Philippa Rowland
Executive Officer, Clean Energy for Eternity

Clean Energy for Eternity heartily endorses and supports the following detailed suggestions that have been shared by EMBARK:

1. How do you expect the CEFC to facilitate investment?

We envisage the CEFC will have a broad mandate with the ability to provide financing ranging through equity to senior debt. Additionally, we would expect CEFC to operate where there is an absence of reasonable or efficient commercial alternatives. Specific ideas are outlined under Question 4 relating to catalysing community and institutional funding.

2. Are there principles beyond financial viability that could be used to prioritise investments, such as emissions impact or demonstration effect?

A key principle beyond financial viability is social licence to operate.

To create broad-based support, the community needs to both understand the technology and the local benefits offered. We are looking to create this understanding through participation in our project.

3. What are the opportunities for the CEFC to partner with other organisations to deliver its objectives?

[THERE ARE A RANGE OF ORGANISATIONS THAT COULD PARTNER WITH THE CEFC TO DELIVER ON ITS OBJECTIVES SO WE'LL LEAVE IT UP TO YOU MAKE RECOMMENDATIONS. WE WILL BE PUTTING A CASE FORWARD FOR EMBARK TO PLAY A ROLE IN SUPPORTING THE COMMUNITY ENERGY SECTOR]

4. How could the CEFC catalyse the flow of funds from financial institutions?

There are four ways that the CEFC could catalyse the flow of funds.

1. Early stage equity investment

We expect prospective equity investors to be conservative in nature. Modest funds may be available from local angel investors, local governments and regional development authorities, however these groups generally have insufficient funds or domain expertise to be called upon to fund the entire development phase.

We believe there is a role for the CEFC to contribute early stage equity investment to our project. By providing equity finance for feasibility and development, the CEFC would catalyse our project.

2. Senior and subordinated debt financing

We expect that it will be difficult to raise debt financing from a bank, especially if we do not have a power purchase agreement ("PPA") in place. Commercially acceptable PPAs are not currently available. Banks will often require a PPA to provide a loan. If the CEFC were to provide loans to projects without a PPA, it would be catalysing investment.

By providing senior or subordinate financing to our project, the CEFC could change the risk profile, unlocking capital from more traditional funding sources as well as increasing project size to access economies of scale. We would expect that this would happen only after passing a strict due diligence process.

3. Loan guarantees

As an alternative to debt financing, a loan guarantee would be an effective way of unlocking debt financing for our project.

4. Power Purchase Agreements

As noted above, we do not expect it will be possible for our community energy project to obtain a PPA. Without certitude on the price that electricity will be sold at, it is more difficult to raise equity and almost impossible to secure debt financing. The CEFC could catalyse the flow of funds to our project by providing a fixed price PPA. This would allow for clearer marketing and identification of risks for equity and debt finance providers, unlocking funding for our project.

5. What experiences have firms in the clean energy sector had with trying to obtain finance; have term, cost or availability of funds been the inhibitor?

We expect term, cost and availability to all be issues in relation to obtaining finance for our project. We expect there to be very few lenders willing to back our project. We need more choice to reduce risk. The term of a loan needs to match the asset life of our project, rather than a much shorter duration. Lastly, the cost of financing needs to be competitive. We rely on a great deal of volunteer support, it would be a pity to see this effort be allocated to excessive bank margins.

6. What non-financial factors inhibit clean energy projects?

We are trying to obtain broad community backing and benefit sharing for our project, something that is often lacking in larger developments.

Issues that we deal with include a lack of resources to drive the project forward, as we for a large part on volunteer effort. We also need to access technical skills. At times it can be difficult to have access and dealings with industry participants, equipment, service, and finance providers. Even where there is a requirement to deal with us, negotiations with some counterparties, such as obtaining grid access, are one sided and weighted against our group.

7. Are there special factors that inhibit energy efficiency projects?

Community concerns can delay progress in this field. Please note and build on the excellent work carried out by the Sustaining Our Towns Initiative across 13 Shires: www.sustainingourtowns.org.au/

8. How does CEFC fitting with other government initiatives on clean energy?

CEFC is a key lever in achieving the goal of the 20% RET and laying the foundations for moving to more aggressive targets beyond 2020. A well-designed CEFC that encourages community participation will deliver a broader range of projects at various scales with significant community support and associated social benefits.

Background - What is Community Energy

Community energy projects empower communities to play a constructive role in response to climate change. They create environmental 'leadership by example', provide social cohesion and a sense of control over their energy requirements as well as lasting economic benefits for regional communities.
Key elements of community energy projects include:

- local participation in planning and ownership
- financial benefits remain in the area
- welcomed by the local community
- built and managed to create local jobs
- accountable to the local community
- scaled to the community's energy requirements.

Importance / benefits

Although community ownership of renewable energy projects is a relatively new concept in Australia, it is common practice in several European countries and North America.

Empowering communities to be proactive in reducing carbon pollution

- Direct ownership changes attitudes at the local level, and leverages committed individuals in a community, giving them a positive outlet for action.
- Community ownership increases support for additional climate change mitigation measures and improves broader environmental awareness by establishing a connection between the community and its energy supply.

Delivering regional economic benefits

- Projects create jobs in regional areas, and generate new income streams for communities adding depth and resilience to local and regional economies.
- Significant project profits remain in the community and deliver a genuine 'felt' benefit.

Tapping into a new funding source – the community investor

- Community ownership encourages greater investor base diversity and taps into a patient and lower-cost source of capital.
- Experience in the UK demonstrates that community projects tend to attract 'serial investors', who invest in a series of community related initiatives.

Enduring social benefits

- Locally-owned initiatives unite people around a common goal, creating social cohesion and a sense of purpose.
- Projects generally operate for 20-25 years, establishing a long-term sustainability dialogue with stakeholders and supporters.

Building social licence and accelerating renewable industry development

- Once successful local examples that directly benefit communities are established, opposition will be reduced.
- Local participation and contribution to decision making process often leads to smoother and quicker planning approvals.
- Small projects often lead to large ones. In Europe, community initiatives have led the way for large-scale corporate investment in renewable energy.

Bridging the gap between individual and corporate action

- The average rooftop solar installation delivers up to 1.5 kW of electricity, while a large-scale renewable energy project may deliver in excess of 100 MW. Between these two extremes lies an enormous opportunity for medium-scale initiatives.
- Community projects, typically in the range 1-10 MW, can deliver efficiencies that approach those of utility-scale infrastructure without sacrificing the social benefits of small-scale initiatives.

Delivering broader grid benefits

- Community renewable energy infrastructure promotes medium -scale distributed generation.
- Distributed generation reduces losses, can improve grid stability and reduces the load on the transmission network thus improving overall grid efficiency.

Barriers

Despite high levels of interest, the passion of committed individuals and promising business models, very few communities have yet progressed renewable energy

projects past the conceptual phase. Specific barriers include:

Economics

- Financial challenges are heightened for communities as these types of projects do not have robust balance sheets to support the formation stages of the project.
- Capacity for a community to weather uncertainty and withstand shocks or delays during a project can be lower.

Access to capital

- Traditional equity and debt providers are reticent to commit funds as the community renewable energy sector does not yet have a long established track record in Australia.
- Institutional investors avoid smaller, one-off projects because due diligence requirements are proportionately high.

Non-traditional market player

- Developing a renewable energy project is highly complex and requires a range of specialist skills not available in most communities.
- The ease and cost of grid connection is site specific. The greater the electricity exported into the local grid by the renewable generator, particularly an intermittent one, the more complicated and costly it will be to achieve the connection.
- Off-take agreements are bilateral and very challenging to negotiate in the current environment.

Inadequate policy framework

- While Australia has well developed (but unstable) policies covering domestic-scale renewables and solid policy for large-scale utility generation, federal and state policies have neglected the middle ground where community initiatives naturally fall.

Inefficiencies in scale

- Larger projects are generally more efficient as fixed costs are spread across greater generation capacity.

Capacity and skills

- To move projects forward, community groups need to transition from volunteer-based organisations to local social enterprises with paid staff.