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Secretariat
Clean Energy Finance Corporation Expert Review

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RE: General Electric submission to Clean Energy Finance Corporation Expert Review

General Electric (GE) welcomes the Australian Government's commitment to the Clean Energy Future program as a comprehensive approach to reduce Australia's greenhouse gas (GHG) emissions, improve carbon productivity and support new investment, new jobs and new opportunities for Australia in a carbon-constrained world.

GE urged the Government and the Multi-Party Climate Change Committee (MPCCC) to introduce a price on carbon and transition to an Emissions Trading Scheme (ETS) as soon as possible, retain the 20% 2020 Renewable Energy Target (RET), provide assistance for the development, demonstration and deployment of renewable and low emission technologies, and support emissions intensive-trade exposed industries, dependent communities and households.

Therefore, GE welcomes the MPCCC agreement to establish the $10 billion Clean Energy Finance Corporation (CEFC) and the consolidation of existing Clean Energy Initiative programs in the Australian Renewable Energy Agency (ARENA).

GE notes the MPCCC agreement stipulated that CEFC:
• funding would be divided into two streams – renewable energy and general clean energy;
• could not invest in carbon capture and storage (CCS) technologies;
• would consult with the renewable energy industry about the role of the CEFC and its relationship with the RET; and
• dividends returned from CEFC investments would be paid to ARENA.

The Government has appointed an expert review panel, chaired by Reserve Bank of Australia Board Member Ms Jillian Broadbent AO, to seek input on the scope and operations of the CEFC, the market gap in financing low emission technologies and how to overcome it, and how the CEFC could work with other government and market organisations.

The Government has also stated that the CEFC mandate would include:
• the commercialisation and deployment of renewable energy and enabling technologies;
• the commercialisation and deployment of energy efficiency and low emission technologies; and
• the transformation of existing manufacturing businesses to re-focus on making the inputs for these sectors.

General Electric

In framing our contribution to the MPCCC, GE commissioned and released a study by Vivid Economics and Norton Rose. The executive summary of the report is available at www.ge.com.au/protectingprosperity.

The Vivid Economics-Norton Rose study's key findings were that Australia's improvement in carbon productivity - the gross domestic product generated per tonne of CO2–equivalent emissions - lags the improvement in countries around the world.

The transformation required for more electricity to be generated with fewer emissions will require new investment, a price on carbon and a well-designed mix of complementary measures.

GE's support and advocacy for a carbon price also reflects our own decision to apply one on ourselves as part of our ecomagination™ initiative.

Under the ecomagination™ initiative, GE committed in 2005 to invest US$5 billion in clean technology research and development, earn US$85 billion in revenue from ecomagination™ products, reduce greenhouse gas emissions (22%) and water use (30%) compared to 2004, and secure US$130 million in energy efficiency savings over five years until 2010.

Each target was achieved and we have been extended our ambitions to double clean technology R&D investment to US$10 billion, grow ecomagination™ revenues at twice the rate of overall GE, reduce energy intensity (50%), GHG emissions (25%) and water use (25%) over the five years until 2015.

The targets we set for ourselves through ecomagination™ are providing new opportunities for our customers, our partners, our investors and our employees.

As a result GE is harnessing innovation to help society transform how we create, connect to and use power and water in a carbon-constrained world.

In Australia, GE employs more than 6000 staff across its businesses, including GE Energy. GE Energy is a major technology provider to the Gorgon LNG project, we have recently delivered the Darling Downs combined cycle gas turbine power station for Origin Energy and supplies technologies for the burgeoning coal seam gas industry-liquefied natural gas industry in Queensland.

GE Energy's technology offerings span a broad range of fuels and renewable resources including electricity generation from high efficiency gas turbines, cleaner coal, wind, solar, biomass and smart grid products, as well as water and wastewater treatment for industry (such as mines and coal seam gas production), municipal and the environment.

Projects supplied or developed by GE have attracted ECA funding support, including from the Export-Import (Ex-Im) Bank of the United States. In addition, GE is an investor electricity generation through its Energy Financial Services (EFS) business, which has investments around the world of US$30 billion including US$6 billion in renewable energy projects.

From our local experience across our Energy, Capital, Healthcare, Aviation and Transportation businesses, we know some of the finest exponents of innovative and sustainable business are also working here in Australia and they too are prepared for a clean energy future.

Recommendations

GE welcomes the opportunity to provide comment to the expert review panel, and would welcome the opportunity to meet with members of the panel, and to provide comment on the preparation and exposure draft of the CEFC legislation.

Timetable for formation of CEFC

GE notes the Government intends to consider the panel's review and introduce legislation next year to allow "sufficient time to allow CEFC to fully develop its systems and products before it commences operations from 2013-14".

GE acknowledges the importance for the Government and CEFC Board to consult industry on the Corporation's scope and structure, and the preparation of the enabling legislation.

Nevertheless the Government and Board of the CEFC should seek to bring forward the work schedule for the establishment of the Corporation ahead of July 1, 2013 particularly in terms of developing processes and internal capacity to assess existing projects and develop a pipeline of projects for possible CEFC support when funding becomes available from July 2013.

CEFC products and services

The Government has stated that the CEFC "will invest in firms and projects utilizing these [clean] technologies as well as manufacturing businesses that focus on producing the inputs required… [It] will not provide grants. It is intended to be commercially oriented and to make a positive return on investments".

GE believes the CEFC should provide the broadest possible scope of products and financial instruments for projects, including loan guarantees (as provided by the Australian Government's Export Finance and Insurance Corporation (EFIC) and US Loan Guarantees program), co-investment with debt and equity including direct, portfolio or seed investment, grants, policy risk insurance, direct project participation and bonds.

The CEFC should implement a direct lending program or co-ordinate a liquidity program with bank lenders and seek co-financing opportunities with export credit agencies (ECAs) as EFIC does.

Project maturity and interaction with ARENA

The $3.2 billion Australian Renewable Energy Agency is a consolidation of Clean Energy Initiative (excluding CCS Flagships) and other programs to support the development, demonstration and deployment of renewable energy technologies.

The Flagships programs, under the Clean Energy Initiative, provided funding for pre-feasibility and front-end engineering and design phases.

For project developers, investors and suppliers, the CEFC should be clear in its investment mandate whether it is prepared to invest in pre-final investment decision (FID) project development , such as pre-feasibility and front-end engineering and design.

Specifically, GE supported the Australian Government's 2010 election commitment of $1 billion over 10 years for the Connecting Renewables. GE welcomes the transfer of uncommitted funds under this program to ARENA. GE believes the investment in renewable energy corridors and shared infrastructure is vital to developing the renewable energy generation, and was concerned the original Connecting Renewables program only had a budget of $100 million over its first four.

Co-financing with export credit agencies

EFIC has co-financed international projects with foreign ECAs and CEFC should have the flexibility to co-finance and accept counter guarantees from ECAs.

As the Australian Government's Export Finance and Insurance Corporation (EFIC) is bound by international obligations such as the World Trade Organisation (WTO) Agreement on Subsidies and Countervailing Measures so should the CEFC.

In addition, as EFIC "endeavours to ensure its export finance and medium-term insurance activities are consistent with the [OECD] Arrangement on Officially Supported Export Credits", so should the CEFC and indeed it should encourage the Australian Government support or propose changes to OECD Common Approaches to support the further deployment of clean energy projects in the region.

Interaction with RET and consultation with industry

GE is concerned at the potential implications from the interaction of the CEFC and ARENA with the RET.

GE welcomes the MPCCC commitment, which has been reaffirmed by the Government, for industry to be consulted about the role of the CEFC and its relationship with the RET.

CEFC support for technologies and specific projects can assist in achieving the 20% 2020 RET, but they can also crowd out others unable to attract assistance from CEFC or ARENA, or have the unintended consequence of making these projects more expensive to develop due to unpredictable downward pressure on large-scale generation certificates (LGC) prices.

Technological change is always able to suppress LGC prices and this is a consequence of the compliance market mechanism that project developers have to allow for.   However GE would be concerned if CEFC funding decisions added complexities on the LGC supply side.

GE believes the segregation of the RET into large-scale and small-scale targets, from January 1 2011, should be allowed to stabilize recognizing the first biennial review of the RET legislation must be completed by the Climate Change Authority by the end of 2012.

An additional round of amendments to the *Renewable Energy (Electricity) Act 2000* – the Act has been amended eight times in the last five years – would create further disruption and uncertainty.

The Government and CEFC needs to engage with the renewable energy sector to examine options for managing the interaction between CEFC and the RET.

To arrange for GE to present to panel, please contact me on 0457 507 389 or kirby.anderson@ge.com.

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