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Director, Member Outcomes and Governance Branch
Retirement, Advice and Investment Division
Treasury
Langton Cres
Parkes ACT 2600

Dear Sir/Madam,

**RESPONSE TO EXPOSURE DRAFT LEGISLATION & EXPLANATORY MEMORANDUM
TREASURY LAWS AMENDMENT (MEASURES FOR A LATER SITTING) BILL 2022:
FAITH-BASED PRODUCTS**

We thank the Treasury for the opportunity to provide a response to the aforementioned Exposure Drafts and wish to share the following views. On behalf of NRN Holdings Pty Ltd (NRN), I have been endorsed to provide the following response.

Introduction to National Renewable Network (NRN)

NRN was established in 2021 by Alan Hunter to develop an innovative solution to democratise access to clean energy. This innovative solution involves NRN installing a Solar Battery System (SBS), containing solar panels, inverters, battery & ancillary equipment, on residential & commercial properties eligible to receive small-scale technology certificates (STCs) but without the occupier or owner of the property having to make any upfront capital investment or entering into a financing arrangement for the SBS. Instead, the consumer occupying the property enters into an electricity plan with Partner Energy Retailers who obtain access to NRN's SBS under a licencing arrangement.

Through this solution & NRN's management of the SBS using virtual power plant (VPP) technology, NRN is able to deliver lower cost, renewable energy to the consumer via the Partner Energy Retailer while also helping to deliver lower cost energy supply to the Partner Energy Retailer and provide additional services via the battery & VPP-enabled intelligent software to support efforts to stabilise the grid. Moreover, because the consumer is not paying for the SBS upfront or having to enter into a financing arrangement, this enables a wider group of Australians to get access to STC-eligible renewable energy assets including renters, low-income earners, small businesses and not-for-profits.

NRN currently has two Partner Energy Retailers and is about to complete its first commercial rollout of SBS to approximately 100 properties on the East Coast of Australia. In order to finance the longer-term rollout of SBS, NRN has worked with an AFSL-holding Trustee to create the NRN Asset Fund. This Fund enables wholesale investors to provide the capital required to finance the installation of SBS and receive a share of the revenues generated from the SBS. Over time, further investment vehicles will be established to allow for investors to generate financial returns while also playing their part in delivering a greener future for Australia, in alignment with the Federal Government's climate efforts, as well as providing much broader ESG-related benefits.

NRN's perspective on the Exposure Draft

NRN believes that the principle behind the Superannuation Performance Test Treatment of Faith-Based Products is positive for the Australian superannuation sector - by having screening in place, this should help make sure that investment products seeking to be designated faith-based are appropriately vetted. However, NRN believes that such performance testing & screening should be adopted across the broader range of Environmental, Social & Governance (ESG) related investment products and that a higher standard with positive affirmation be adopted for all ESG related investment products, faith-based or otherwise.

ESG-designated investment products have been growing rapidly in Australia and globally as investors seek to utilise their capital to obtain a financial return as well as meet their ethical, moral & other social desires. This includes responding to environmental challenges such as climate change & water pollution, social issues such as poverty, slavery & child exploitation, and governance issues such as inclusion & workplace diversity. Currently, screening in the ESG investments sector achieves only a bare minimum standard while certification is largely voluntary. There is also a lack of consistency in how screening and certification is achieved.

We note international efforts to drive improvements in this area (for example, the EU ESG regulations and the creation of the International Sustainability Standards Board) as well as entities in Australia bringing in greater rigour (for example the Responsible Investment Association of Australia). However, unless regulation stipulates ESG screening standards that exceed a bare minimum level to obtain their ESG designation as well as adopting a positive proof in the process of retention of ESG designation, there is a high risk of a lowest common denominator outcome for ESG investment options (in faith-based products which this draft exposure legislation is trying to address but also more broadly across ESG factors) and investors being potentially misled about the ESG credentials of their investment selection.

On the other hand, Australia has an opportunity to develop strong standards for screening and certification on ESG criteria for investments which would help superannuation funds & other investors deliver on both their financial returns & other ESG-related goals with a greater degree of confidence in the credibility of the ESG designations used by investment product manufacturers.

We thank the Treasury again for this opportunity to comment on this Exposure Draft and are available to address any questions you may have or requirement for more information.

Kind regards,



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