

CEFC 2019-20 Investment Update

Ground-breaking transactions to cut emissions



>\$1 billion

New investment commitments



A message from our CEO

On behalf of the CEFC, I am pleased to provide this Investment Update on our activities in the 12 months to 30 June 2020.

The year was marked by important developments across the CEFC portfolio, including ground-breaking investments in new technologies and economic sectors.

We were pleased to make new investment commitments of just over \$1 billion, and continued to invest through the economic disruption of the COVID-19 pandemic.

We also saw a significant uplift in the level of CEFC capital repaid in the year, reflecting a maturing portfolio and the commercial rigour of our investment approach. This will continue to strengthen our ability to reinvest our capital over coming years.

On behalf of everyone at the CEFC, I extend our thanks and appreciation to our co-investors for their shared commitment to lowering our emissions and capturing the many benefits of clean energy. We look forward to continued strong investment as we work to decarbonise the Australian economy.

A handwritten signature in black ink, appearing to be 'Ian Learmonth'.

Ian Learmonth
CEO, CEFC

Leading investment in the future

The CEFC brings a unique combination of financial expertise, technical knowledge and industry experience to the challenge of lowering Australia's emissions.

As Australia embarks on the post-pandemic economic recovery, we have much to offer this endeavour: through our mandate to stimulate investment in clean energy and related grid infrastructure, our knowledge of energy challenges and solutions, and the financial expertise and investment insights that have helped build Australia's clean energy sector.

Our commitment to this transition has never been stronger.

We recognise that the scale and breadth of our portfolio is just the start of the decarbonisation effort, with much more to be done – whether in delivering a cleaner, stronger electricity grid, decarbonising all areas of economic activity or supporting the growth of a clean and competitive Australian hydrogen industry.

Our role as a specialist investor

The scale of the emissions challenge suggests Australia requires significant new investment across the economy.

While changes in investment patterns are evident in some sectors of the economy, in other areas the transition to lower emissions is yet to begin in earnest.

The CEFC has a unique role to increase investment in this transition to a lower emissions economy. In investing to lead the market, we are putting our capital to work in new areas, building investor confidence and accelerating solutions to difficult problems.



Hornsdale Power Reserve

2019-20 highlights

1

New CEFC investment commitments of more than **\$1 billion**, supporting **23 clean energy investments** with a combined value of **\$4.2 billion** in the year to 30 June 2020

2

CEFC finance extended to **new areas of the economy**, delivering Australia's first dedicated green bond fund, the CEFC's first green home loan, and a material uplift in the capacity of Australia's largest battery in South Australia

3

New investment commitments of just over \$13 million in three cleantech innovators, as well as increased investment of **\$3.4 million** in a further two Innovation Fund portfolio companies to accelerate their growth

4

More than **\$187 million** in CEFC wholesale finance to support **~6,700 smaller-scale investments** in clean energy projects, including in agribusiness, property and transport

5

New investment commitments in 2019-20 targeting **more than one million tonnes of carbon abatement** annually

6

Continued strong financial performance despite the challenging economic environment, with almost **\$942 million in CEFC finance recycled** through repayments, sales and redemptions over the 12-month period, to be available for further investment by the CEFC

Investing through the pandemic

CEFC capital has been critical to building the clean energy sector, and remains central to filling market gaps, whether driven by technology, development or commercial challenges. This was especially the case in 2019-20 as banks and other mainstream investors refocused their attention to address the challenges of the COVID-19 pandemic.

While our annual rate of new investments in 2019-20 slowed compared with previous years, we remained an active investor in the year.

New CEFC investment commitments in 2019-20 were matched by more than \$3 billion in additional investment, further magnifying the impact of our finance.

In the second half of 2019-20, as the economy tightened, the CEFC stepped up, committing \$380 million in CEFC finance to seven transactions in the six month period, working closely with project proponents and co-investors to bring projects to financial close in a timely manner.

Our investment impact

Total CEFC commitments since inception reached \$8 billion by 30 June 2020, helping spur \$27.3 billion in investment commitments to clean energy initiatives across the economy.

Over our lifetime, we have made almost 200 large-scale commitments, attracting an additional \$2.30 in private sector finance for each \$1 of CEFC finance committed.

In parallel, since inception we have seen more than \$1.27 billion in CEFC finance invested in almost 18,000 smaller-scale projects, with our tailored low cost asset finance programs delivered via our co-financiers.

Our portfolio of investment commitments was \$6.4 billion at 30 June 2020, after allowing for repayments, amortisation and cancellations on total commitments made since inception.

CEFC investment impact: the numbers

	2019-20	Lifetime*
CEFC commitments	>\$1b	\$8b
Transactions financed	23	~ 200
Transaction value	\$4.24b	\$27.3b
Leverage	>\$3:\$1	~ \$2.30:1
Smaller-scale transactions: financed	~ 6,700	~ 18,000
Smaller-scale transactions: total value	\$187m	\$1.27b
Finance deployed	\$937m	\$6.03b
Finance repaid	\$942m	\$1.66b

*Lifetime commitments since the CEFC began investing in 2012

Investing with innovation and impact

As catalysts for innovation and change, the CEFC invests to lead the market.

In 2019-20 we continued to pioneer investment across agriculture, cleantech innovation, clean energy generation and storage, infrastructure, property, transport and waste.

Having financed more than 3GW of new solar and wind renewable energy since we began investing, we continued to work with the renewables sector to address emerging market developments in 2019-20. We had a particular focus on how the CEFC can catalyse finance into Renewable Energy Zones, grid upgrades, the integration of significant storage and renewables and the potential for grid security services.

\$27.3b

Total transaction value of CEFC investment commitments since inception



Australia's first dedicated green bond fund

Up to **\$70 million** as a cornerstone investment alongside Australian Unity and Crestone Wealth Management. The fund will invest in a combination of green, social and sustainable fixed interest securities with the primary purpose of helping to lower carbon emissions.



Australia's first green home loan based on energy efficiency

Up to **\$60 million** in a new green home loan to spearhead the construction of market leading, energy efficient housing, with Bank Australia to deliver discounted interest rates to qualifying home buyers.



Increasing cleaner energy while cutting landfill emissions

Up to **\$57.5 million** in the East Rockingham Waste to Energy plant in Western Australia. The **\$511 million** plant will process about 300,000 tonnes of residual waste a year, and generate baseload energy to support the WA electricity network.



The world's biggest battery

Up to **\$50 million** in project finance for South Australia's landmark 'big battery', working alongside Neoen, ARENA and the SA Government to improve grid security and maximise the benefits of renewable energy. The CEFC finance is part of a 50 per cent expansion of the Hornsdale Power Reserve, the world's largest grid-scale battery.



Australia's largest clean tech investor

Up to **\$16.6 million** in new and extended investment commitments in cleantech innovators, via the Clean Energy Innovation Fund. New investee companies included JET Charge, to deploy smart charging hardware for electric vehicle charging stations; Tenacious Ventures, to create a specialist agrifood tech investment fund, and the Soil Carbon Company, to develop a microbial treatment to increase organic carbon in soil.

Reinvesting our capital

A significant amount of CEFC capital was repaid or recouped through sale or redemption in the year and is available for new investment in emissions reduction.

Total repayments since we began investing reached **\$1.66 billion** to 30 June 2020, including almost **\$942 million** in 2019-20.

As our portfolio matures, this demonstrates our commitment to operate with commercial rigour and reinvest our capital on behalf of the Australian community.

Deploying our capital

In the 2019-20 financial year, we maintained our strong focus on capital deployment, supporting the emissions reduction efforts of our co-investors.

We were pleased to deploy **\$937 million** of CEFC capital during the year, contributing to the accelerated delivery of a diverse range of clean energy and emissions reduction initiatives Australia-wide. Since we began investing, more than **\$6 billion** in CEFC capital had been deployed to 30 June 2020.

Expanding our reach

During 2019-20 we also expanded our reach, with two important changes to the Australian Government Clean Energy Finance Corporation Investment Mandate Direction.

1 Advancing Hydrogen Fund

Through the new **\$300 million Advancing Hydrogen Fund**, CEFC finance will be used to support the growth of a clean, innovative, safe and competitive Australian hydrogen industry. An early priority will see the CEFC seek to invest in projects included in the ARENA Renewable Hydrogen Deployment Funding Round, a \$70 million grant program aiming to demonstrate the technical and commercial viability of hydrogen production at a large scale using electrolysis.

2 Australian Recycling Investment Fund

Through the new **\$100 million Australian Recycling Investment Fund**, CEFC finance will be used to encourage increased investment in clean energy technologies which support waste recycling, leading to lower landfill related emissions. We expect to invest in eligible larger-scale commercial and industrial projects through the Fund, typically requiring \$10 million or more of CEFC debt or equity capital.

Both the Hydrogen and Recycling funds will use existing CEFC finance. In line with the CEFC Act, projects seeking CEFC finance through either Fund are required to draw on renewable energy, energy efficiency and low emissions technologies and contribute to emissions reduction. They must also be commercial, reflecting the requirement for the CEFC to deliver a positive return for taxpayers across the portfolio.

We are working actively with investors and project proponents in both hydrogen and recycling and look forward to making new investments as opportunities develop.



IJGlobal deals of the year

Two pioneering project transactions supported by CEFC finance were recognised at the IJGlobal Awards, which celebrate the best-in-class transactions and organisations across the international infrastructure and energy sectors.

The **East Rockingham Waste to Energy project** was awarded Asia Pacific Waste Deal of the Year, while the **Hornsedale Power Reserve** expansion financing won the Asia Pacific Energy Storage Deal of the Year.

The CEFC congratulates the co-investors and innovators behind these two landmark projects.

CEFC Investment commitments: 2019-20

Transaction	Investment detail	\$m
ANZ	Finance for smaller-scale energy efficiency and renewable energy assets	100
Altius Asset Management	Investment in the Australian Unity Green Bond Fund, the first dedicated green bond fund in the Australian market	70
Bank Australia	Finance for green home loans supporting energy efficiency and renewable energy	60
BlackRock and Edify Energy	Large-scale solar debt and equity finance	21.2
Genex Power Limited	Corporate subordinated debt facility supporting two large-scale solar farms	20
Greensync	Clean Energy Innovation Fund: follow-on equity finance in distributed energy	0.35
Infradebt	Investment in a debt fund financing smaller utility-scale renewable energy projects	50
JET Charge	Clean Energy Innovation Fund: electric vehicle charging infrastructure	3.5
John Laing; Masdar; HZI	Subordinated debt facility for the East Rockingham Waste to Energy facility	57.5
Macquarie Australian Infrastructure Trust	Equity investment to target emissions reduction in an infrastructure fund	100
Neoen	Debt finance for a large-scale battery storage facility	50
NSW Empowering Homes Program	Debt facility for the installation of residential battery storage alongside rooftop solar: NSW Government program	7

Transaction	Investment detail	\$m
Australian Hospitality Opportunities Fund II	Equity in a fund for the construction of energy efficient hotels	50
QIC Shopping Centre Fund	Corporate green bond issuance	30
QIC Shopping Centre Fund	Equity investment in a shopping centre fund to improve energy efficiency	80
Qualitas Build-to-Rent Impact Fund	Syndicated debt facility to a build-to-rent residential fund to provide sustainable options for the rental market	140
RateSetter	Finance for a peer-to-peer green lending platform	20
Soil Carbon Company	Clean Energy Innovation Fund: equity investment in an agricultural technology company	1.7
Stockland	Corporate debt facility supporting the reduction of emissions from a diversified real estate portfolio	75
Tenacious Ventures Fund	Clean Energy Innovation Fund: equity stake in first Australian dedicated agrifood tech VC fund	8
Kiamal Solar Farm	Follow-on investment in large-scale solar	11
Zen Ecosystems	Clean Energy Innovation Fund: follow-on equity investment in smart energy management	3
To be announced	Equity investment in a managed fund focused on driving emissions reduction	80



About the CEFC

The CEFC has a unique role to increase investment in Australia's transition to lower emissions. We invest to lead the market, operating with commercial rigour to address some of Australia's toughest emissions challenges – in agriculture, energy generation and storage, infrastructure, property, transport and waste. We're also proud to back Australia's cleantech entrepreneurs through the Clean Energy Innovation Fund. With \$10 billion to invest on behalf of the Australian Government, we work to deliver a positive return for taxpayers across our portfolio.

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