

Sharpening our investment focus, lowering emissions

Investment update 2023-24



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The 2023-24 year was one of considerable momentum for those of us working in clean energy. It was a year of investment opportunities and constraints, of emissions progress and the increasingly personal impacts of climate change all highlighting the dynamic and critical nature of the sector.

As a specialist investor on behalf of all Australians, these factors substantially shaped CEFC activity during the reporting year. We contributed to important new investment across our economy, with \$1.8 billion in CEFC capital backing investments with a total transaction value of \$9.3 billion. In attracting an additional \$4.01 for each \$1.00 of CEFC capital invested in the 2023-24 year, we again saw the potential of CEFC capital to 'crowd in' investment in our net zero economy.

Investing at scale

At the same time, we sharpened our strategic investment focus to ensure we are most effectively using our capital to address the areas of highest emissions, most notably in clean energy generation, enhanced energy efficiency and carbon sequestration. Evidence of this progress can also be seen in the timely deployment of capital in just the first year of operation for each of the Rewiring the Nation (RTN), Household Energy Upgrades (HEUF) and Powering Australia Technology (PATF) Funds.

It can be tempting to view the challenges of our net zero future as too large, too complex or too distant to address. Yet at the end of another investment year, CEFC teams are buoyed by investor interest in net zero; the economy-wide commitment to emissions reduction and transparency; and the exciting progress of technology and innovation in tackling global greenhouse gas emissions. In responding to these opportunities, we benefit from the experience and expertise of more than a decade of investment in emissions reduction.

During the 2023-24 year, we drew on this deep experience in building Australia's renewable energy sector to further accelerate progress in large-scale energy storage and transmission infrastructure. Our experience in delivering Australia's first green home loans, alongside discounted finance for more than 70,800 smaller-scale asset finance projects, now underpins our approach to fast tracking household sustainability. And our early leadership in backing climate tech innovators as they build market share is bearing fruit, with investee companies attracting substantial additional capital to finance ambitious growth plans.

Collaboration and commitment

It is in this context that I am pleased to share with you this update on our investment activities for the 2023-24 year. The work we do to address emissions is opening important economic opportunities founded on our world-leading solar and wind resources. And for this we again extend our appreciation and thanks to the stakeholders, co-investors and governments who collaborate with us and share our commitment to Australia's net zero ambitions.

Ian Learmonth
Chief Executive Officer, CEFC

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Investment activity in the clean energy sector in the 2023-24 year was impacted by high interest rates, geopolitical uncertainty, disruptions to critical supply chains, and global competition for skilled labour. These factors again highlighted the important role of the CEFC in leading investment opportunities, filling market gaps and providing capital where private sector interest had slowed. In 2023-24, the CEFC committed an additional \$1.8 billion in capital across 24 new and 18 follow-on transactions. Together with co-investors, the total value of CEFC investment commitments delivered \$9.3 billion to clean energy and low emissions opportunities in the 12 months to 30 June 2024.

2023-24

\$1.8b

Investment commitments

\$9.3b

Transaction value

24

New transactions

\$4.01:\$1.00

Private sector leverage

18

Follow-on transactions

>17,150

Small-scale asset finance projects

Highlights 2023-24



The single largest transaction since the CEFC began investing, with a \$490 million commitment via the RTN Fund to accelerate the delivery of new grid infrastructure in NSW.



The first CEFC investment in the forestry sector, with a \$75 million commitment to the Australia New Zealand Landscapes and Forestry Fund targeting carbon abatement of one million tonnes over the next decade.



The identification of as much as \$850 million in investment opportunities in green loans to help consumers access cheaper home energy solutions and affordable finance, via the HEUF.



Substantial capital raisings in excess of \$260 million for Australian climate tech start-ups Hysata and Samsara Eco, on the back of early CEFC investment via the Clean Energy Innovation Fund.



A \$127.5 million commitment to fast track construction of the Golden Plains Wind Farm, Australia's largest, with the capacity to generate enough energy to power more than 750,000 homes.



Backing for two market-leading bond issuances, with SA Power Networks and the Australian Energy Market Operator (AEMO) raising an aggregate \$795 million in separate issuances to back investment in grid transformation and renewable energy.



A commitment of \$99 million to the second part of Neoen Goyder South Stage 1 Wind Farm and the Blyth Battery in South Australia, supporting the construction of 203 MW of renewable energy generation and 238.5MW / 477MWh of battery storage.



A commitment of up to \$110 million to provide ongoing liquidity to Liontown Resources for the Kathleen Valley lithium project in Western Australia. LG Energy Solution and Liontown subsequently reached a strategic partnership and extended offtake agreement and the CEFC commitment was not required.

Our role as a specialist investor

The CEFC is required to invest with commercial rigour, aiming to deliver a positive return across the investment portfolio over time. This approach is reflected in the \$5.2 billion received in lifetime repayments and returns on CEFC investments to 30 June 2024, including returns of \$675.3 million in the most recent 12 months. This capital is available for reinvestment.

On risk portfolio

After allowing for repayments, returns and cancellations, the CEFC on-risk portfolio at 30 June 2024 was \$8.8 billion, on lifetime commitments of \$14.5 billion. Capital deployment for the 12 months reached \$1.3 billion, against \$929 million the previous year, taking lifetime deployment to \$11.4 billion. Through the timely deployment of CEFC capital, we are accelerating the delivery of emissions reduction while also contributing to economic activity.

Capital leverage

A notable feature of CEFC investment activity is our role in attracting new and additional private sector involvement in the sector, at scale, to extend the impact of our capital, contributing to market confidence in net zero investment opportunities. This focus saw CEFC investment commitments in the 12 months to 30 June 2024 attract an additional \$4.01 for each dollar of CEFC capital invested.

Concessional finance

The increased provision of concessional finance was a feature of the 2023-24 investment year, particularly with respect to new transactions via the RTN Fund and the HEUF. Details about the level of concessionality provided in the reporting year will be included in the audited financial accounts in the CEFC Annual Report.

Tailored solutions

The CEFC continued to offer tailored investment solutions to accelerate investment in 2023-24. These may be in the form of direct debt or equity; listed and unlisted funds; sustainability-themed bonds and small-scale asset finance delivered via established co-financiers. Of the \$1.8 billion in investment commitments in the 2023-24 year, \$1.65 billion was in the form of debt, with the balance of \$192 million in equity. This flexible approach is of particular value given the economy-wide scope and scale of CEFC investment activities.

Technology focus

With energy at the heart of the net zero transition, the CEFC maintained its key focus on renewable energy, with \$1.3 billion in new and follow-on commitments taking the lifetime value of CEFC commitments to renewable energy to \$8.3 billion.

To 30 June 2024, CEFC capital was backing the delivery of 5.9 GW in additional large-scale renewable energy capacity, and 3.7 GWh in large-scale storage capacity. CEFC backing for low emissions technology, at \$413 million in the 2023-24 year, reflected in new and follow-on investments in natural capital, electric vehicles and the resources sector in particular. New investment commitments in energy efficiency-related technologies were \$90.1 million in 2023-24, taking the value of lifetime energy efficiency commitments to \$4.3 billion.

Our investment portfolio

The CEFC capital allocation of \$30.5 billion is invested in economy-wide decarbonisation opportunities, with investment commitments made via the General Portfolio and five specific focus areas, including the RTN Fund.

	Capital allocation	Purpose	CEFC commitments: 2023-24	CEFC commitments: lifetime to 30 June 2024
General Portfolio	\$9.5b	Invests economy-wide, including in renewable energy generation and storage, property, infrastructure, natural capital, electric vehicles, and bonds.	\$982m	\$13.4b
Rewiring the Nation Fund	\$19b	Spearheads investment in transmission infrastructure, long-duration storage, electricity distribution network infrastructure and distributed energy resources.	\$710m	\$710m
Household Energy Upgrades Fund	\$1b	Fast tracking sustainability for homeowners, with discounted finance to upgrade existing homes via established co-financiers.	\$60m	\$60m
Powering Australia Technology Fund	\$500m	Supports projects and businesses developing or commercialising clean energy technologies, via a diverse portfolio of alternative investment products.	\$77.3m	\$106.9m
Clean Energy Innovation Fund	\$200m	Backing for early-stage climate tech innovators with a competitive edge and the potential for domestic and global market reach.	\$17.6m	\$199.6m
Advancing Hydrogen Fund	\$300m	Finance to support the growth of an innovative and competitive Australian hydrogen industry, as part of the National Hydrogen Strategy.	\$0	\$15.7m

Notes:

1. Hydrogen-related commitments may be financed through the Powering Australia Technology or Clean Energy Innovation Funds, particularly where they are earlier-stage start ups.
2. With the Clean Energy Innovation Fund reaching its \$200 million investment cap, some follow-on transactions and new early-stage equity investments financed through the Powering Australia Technology Fund.

Lifetime impact

CEFC lifetime commitments reached \$14.5 billion to 30 June 2024, across more than 350 large-scale transactions. Together with our co-investors, CEFC investment activity saw the total value of lifetime commitments reach \$58.4 billion at 30 June 2024, with lifetime leverage of \$3.01:\$1.00 extending the impact of CEFC capital.

Economic impact

\$14.5b

Commitments

\$11.4b

Capital deployed

\$5.2b

Repayments and returns

Clean energy impact

>350

Large-scale transactions

\$1.3b

Transmission

5.9 GW

New generation

Technology impact

\$8.3b

Renewable energy

\$4.3b

Energy efficiency

\$1.8b

Low emissions

Investment priorities

The CEFC has a strong pipeline of investment opportunities for the 2024-25 year and beyond, including those identified in the first year of operation for each of the RTN Fund, the HEUF and the PATF. Our strategic investment priorities are:



Economy-wide decarbonisation starts with **energy**. Australia clearly has the natural resources to switch to 82 per cent renewable energy within the decade, backed by considerable investment in renewable energy, energy storage and transmission. As AEMO, the CSIRO and others have again confirmed, renewable energy is the cheapest and lowest emissions energy source.



We must also address **energy efficiency** and resource management, with new investment in infrastructure, property and resources, and alternative fuels such as hydrogen.



Land use is responsible for a significant portion of Australia's greenhouse emissions, predominantly from agriculture, land use change and operations including transport. It represents our most effective carbon sink with enormous sequestration potential to create 'negative emissions'.

About the CEFC

The CEFC is a specialist investor in Australia's transition to net zero emissions by 2050. With access to more than \$30 billion from the Australian Government, the CEFC works with co-investors, industry and government to drive economy-wide investment in decarbonisation. CEFC capital is invested in renewable energy, energy efficiency and low emissions technologies via the CEFC General Portfolio and five specific focus areas: the Rewiring the Nation Fund, the Household Energy Upgrades Fund, the Powering Australia Technology Fund, the Advancing Hydrogen Fund and the Clean Energy Innovation Fund. The CEFC is governed by an independent Board. It invests with commercial rigour, aiming to deliver a positive return across its portfolio.

Acknowledgement of Country

The CEFC acknowledges the Traditional Owners and Custodians of this land, and we pay our respects to all Elders, past and present. We recognise their continuing connections to country, water and culture.

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