Australian Government

cefc

Corporate Plan 2024-25

Contents

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 the continuing connections to country, water and culture.

Introduction

Statement of preparation

The Board, as the accountable authority of the Clean Energy Finance Corporation (CEFC), presents the 2024-25 Corporate Plan, covering the four financial years commencing on 1 July 2024, as required under paragraph 35(1)(a) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*.

Steven Skala AO
Chair
Clean Energy Finance Corporation

Purpose

Our purpose, set out in section 3 of *the Clean Energy Finance Corporation Act 2012* (CEFC Act), is:

"To facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas reduction targets"

About us

The CEFC is an experienced specialist investor with a deep sense of purpose, investing in the transition to net zero emissions by 2050.

With access to more than $30 billion from the Australian Government, we're backing economy-wide decarbonisation, from renewable energy and natural capital to energy efficiency, alternative fuels and low carbon materials.

In parallel, we're focused on transforming our energy grid, backing sustainable housing and supporting the growth of our climate tech innovators. We collaborate with co-investors, industry and government, recognising the urgency of the decarbonisation task. We invest with commercial rigour, aiming to deliver a positive return across our portfolio.

Our Values

Our values explain how we approach our work and guide the way we deliver on our purpose.

Impact

We're driven to make a positive impact

Collaboration

We harness the power of many

Integrity

We work openly and honestly

Innovation

We're explorers of new frontiers

Our investments

*CEFC has made lifetime investment commitments of **$14.5** billion, as of 1 July 2024. Together with institutional investors, business, and industry this has contributed more than **$58** billion in investment in Australia's low emissions economy.*

During the 2023-24 year we delivered new investment commitments of $**1.8** billion following on from $**1.9** billion in the 2022-2023 year. Our investments continued to span diverse areas of Australia's economy.

The Australian Government has set national targets to cut emissions by at least 43 per cent below 2005 levels by 2030 and reach net zero emissions by 2050.

Australia's emissions reduction projections[1] to 2030 show a significant proportion of these reductions will be driven by renewable energy.

The CEFC is strategically investing to increase the share of renewables in Australia's energy market, while ensuring the electricity grid and infrastructure is prepared for the energy transition which will be crucial for Australia to achieve its emissions reduction targets.

Our work does not stop there. Through our specialised investment programs, we are funding projects and businesses that will contribute to delivering Australia's emissions reduction across the economy.

Figure 1: CEFC investment snapshot - 30 June 2024

	2021-22	2022-23	2023-2024	Lifetime*
CEFC commitments	$1.45b	$1.9b	$1.8b	$14.5b
Transactions financed	29*	30*	24*	>350
Transaction value	$4.79b	$11.7b	$9.3b	$58.4b
Leverage	$2.30: $1.00	$5.02: $1:00	$4.01: $1.00	$3.01: $1.00
Emissions reductions (CO_2-e) pa^	1.3Mt	0.5Mt	0.3Mt	7.5Mt

*Excludes follow-on commitments to existing portfolio companies

^Estimated annual average emissions reductions from transactions financed based on Emissions Intensity Factors adopted for the 2023-24 year (DCCEEW 2022, Australia's emissions projections 2022, Department of Climate Change, Energy, the Environment and Water, Canberra, December. CC BY4.0).

[1] Department of Climate Change, Energy, the Environment and Water (DCCEEW), Australia's emissions projections 2023.

Investment programs

With a $30.5 billion capital allocation, we draw on our deep sector experience, investment expertise and portfolio strength to fill market gaps and maximise our impact.

General Portfolio (GP)

CEFC's General Portfolio is a $9.5 billion allocation that is invested across a range of sectors, with a strong focus on renewable energy, to drive Australia's emissions reductions through various financial solutions including debt, equity, sustainability-themed bonds, managed funds and small scale asset finance.

Rewiring the Nation (RTN) Fund

Established July 2023, the $19 billion RTN fund will spearhead investment in a range of projects, including transmission and distribution infrastructure, long duration storage, and distributed energy resources.

Household Energy Upgrades Fund (HEUF)

Established July 2023, HEUF is a $1 billion fund that supports the private sector by providing concessional loans incentivising the uptake of clean energy technology for residential buildings.

Clean Energy Innovation Fund (CEIF)

Established in 2016, the $200 million fund has invested in early-stage climate tech companies and pursuing diverse opportunities ranging from the clean energy transition, circular economy and industry to agriculture.

Powering Australia Technology Fund (PATF)

Established July 2023, the $500 million fund supports the growth and expansion of projects and businesses that drive the development, commercialisation, and uptake of clean energy technologies.

Advancing Hydrogen Fund (AHF)

The $300 million AHF supports the growth of a clean, innovative, safe and competitive Australian hydrogen industry. Projects under the fund include advancing hydrogen production, developing export and domestic hydrogen supply chains and establishing hydrogen hubs.

Strategy, activities and performance measures

Strategy

Our strategy is to deliver on the focus areas set out in the CEFC Investment Mandate which in turn, contributes to the national emissions reduction targets, by directing more capital towards a low emissions economy.

Our strategy is informed by three key factors:

1. The CEFC Act and Investment Mandate
2. Australia's emissions reduction challenges
3. Market opportunities to support the achievement of Australia's emissions reduction targets

The main sources of emissions in the Australian economy are identified and our activities are aligned with the pathways and opportunities that will facilitate a lower emissions economy in line with Australia's emissions reduction targets.

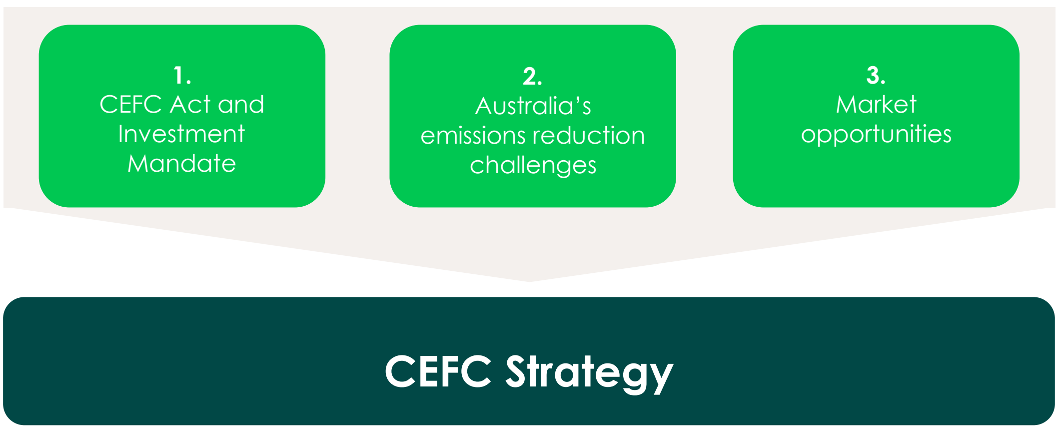
Our investment approach is flexible and responsive to the evolving markets within which we operate and to the evolving priorities of Government, as expressed through changes in the CEFC Act and the Investment Mandate.

The *Clean Energy Finance Corporation Investment Mandate Direction 2023* came into effect on 22 July 2023. Amongst other changes, this new Investment Mandate provides direction for how the CEFC will invest new budget allocations of $20.5 billion for Rewiring the Nation, the Household Energy Upgrades Fund and the Powering Australia Technology Fund.

Our approach is to step back from sectors when private investment is operating effectively and at scale to meet the investment task, but we step in to fill gaps when the private sector is absent or where our participation helps leverage private sector investment or accelerates investment in emissions reduction activities.

We leverage our finance (both debt and equity) with private sector investment across a diverse range of activities. Achieving Australia's emissions reduction targets requires the deployment of known, proven technologies at scale, along with the ongoing development of new and emerging ones.

Figure 2: How CEFC's strategy is informed



1. CEFC Act and Investment Mandate

First and foremost, our strategy is aligned with the CEFC Act and the Investment Mandate. The CEFC Act sets out the parameters within which we operate and invest and defines our purpose as:

> *"…to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets."*

The CEFC Act provides that the responsible Ministers may give the Board directions about the performance of the CEFC investment function. The Investment Mandate may set out policies to be pursued by the CEFC including, but not limited to, matters of risk and return, technologies, projects and businesses that are eligible for investment, the allocation of investments between various classes of clean energy technologies and the making of investments on concessional terms.

The Clean Energy Finance Corporation Investment Mandate Direction 2023:

- Provides direction for how the CEFC invests the $20.5 billion budget allocation for Rewiring the Nation ($19 billion), the Household Energy Upgrades Fund ($1 billion) and the Powering Australia Technology Fund ($500 million), in addition to providing guidance for the General Portfolio ($9.5 billion), the Clean Energy Innovation Fund ($200 million) and the Advancing Hydrogen Fund ($300 million); and
- Provides directions in relation to the risk and return settings for the funds and portfolios described above.

The Rewiring the Nation Fund, Household Energy Upgrades Fund and Powering Australia Technology Fund expanded the role of the CEFC, alongside its ongoing core businesses. New, large-scale investments in priority grid infrastructure projects complement our work in transforming our energy system and bringing the benefits of decarbonisation to key sectors of our economy.

2. Emissions reduction challenge

The second key influence on our strategy is identifying how we effectively and efficiently contribute to addressing Australia's emissions reduction challenge. Our investment strategy recognises the urgent nature of the emissions challenge and the increasing pressure from the public, society, businesses, trading partners and investors to deliver on net zero emissions targets. Australia has legislated targets of a 43% reduction in emissions in 2030 compared with 2005 and net zero emissions by 2050. Private sector investors, particularly institutional investors, are demanding that climate risks be disclosed, managed and priced in financial markets globally.[2]

We have an important role to play in driving progress towards achieving Australia's emissions reduction targets. This includes working with the private sector to implement measures to accelerate the uptake of renewable energy and electric vehicles, investing in new clean energy technologies and industries, and working with other government agencies and stakeholders to identify solutions to deliver and accelerate the transition.

[2] 2023 Annual Progress Report, October 2023, Climate Change Authority

Australia's emissions projections show that the electricity sector is critical, with nearly 80 per cent of projected annual emission reductions in 2023 coming from this sector[3]. To realise this, there needs to be a significant increase in investment and deployment of renewable energy and storage both at utility scale and in households. However, to achieve these emissions reductions and deliver a modern electricity system requires investment in electricity grid infrastructure. This is the focus of the $19 billion Rewiring the Nation Fund.

Outside of the electricity supply sector, implementation of energy efficiency technologies and practices is critical to helping reduce energy costs and emissions in industry and in households. Further emission reductions can be achieved through electrification and fuel switching. For example, through more energy efficient all electric homes – this is a key focus of the Housing Energy Efficiency Upgrade Fund. Investing in natural capital assets and replacing internal combustion engine vehicles with electric vehicles are additional pathways to emissions reduction.

3. Market opportunities to invest capital

The third key influence on our investment strategy is identifying market opportunities for our investment capital. As an investor with a strong public policy purpose, it is important that we anticipate and respond to market conditions, help develop new markets, build investor confidence, and craft tailored and innovative investment products to drive down emissions. Equally, we recognise that our investment activities are just the start of what is required – while the size of the investment requirement is seismic, so too are the opportunities.

To understand where the opportunities for investment are and to help address barriers when they arise, we have teams with specific technology and sector focus areas that are actively engaged with sponsors, investors, government agencies and regulators. To this end, where we can help regulators, policy makers or other investors, we do. Our objective is to facilitate investment in Australian businesses and projects that deliver economic and emissions reduction benefits.

[3] *Australia's emissions projections 2023, Department of Climate Change, Energy, Environment and Water (DCCEEW)*

Strategic Framework

Our strategic framework underpins all CEFC activities to guide our focus and behaviour, and ensure we deliver on our purpose.

Figure 3: Strategic framework

Purpose

To facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas reduction targets

Key Activities

Deploy capital across our investment portfolios and funds to drive action on our strategic priorities and deliver emission reductions

Harness our role as a leader to deliver emissions reductions beyond our investments

Values

Impact	Collaboration	Integrity	Innovation

Strategic Priorities

1. Drive cleaner, greener energy to deliver net zero
2. Transform energy and resource use to lower emissions
3. Make better use of our land to close the emissions gap

Portfolios and Funds

GP

PATF

CEIF

RTN	AHF	HEUF	

How we expect to invest near-term

RTN	AHF / HEUF	
Transform our electricity grid	Drive electrification and energy performance	Invest in low emissions agriculture
Significantly increase renewable energy generation	Encourage fuel switching and electric vehicles	Identify and promote sustainable land use solutions
Build out large-scale energy storage	Back low emissions design solutions	Accelerate land based carbon sequestration
Back the renewables supply chain	Invest in low emissions supply chains	Support carbon markets, the Safeguard Mechanism

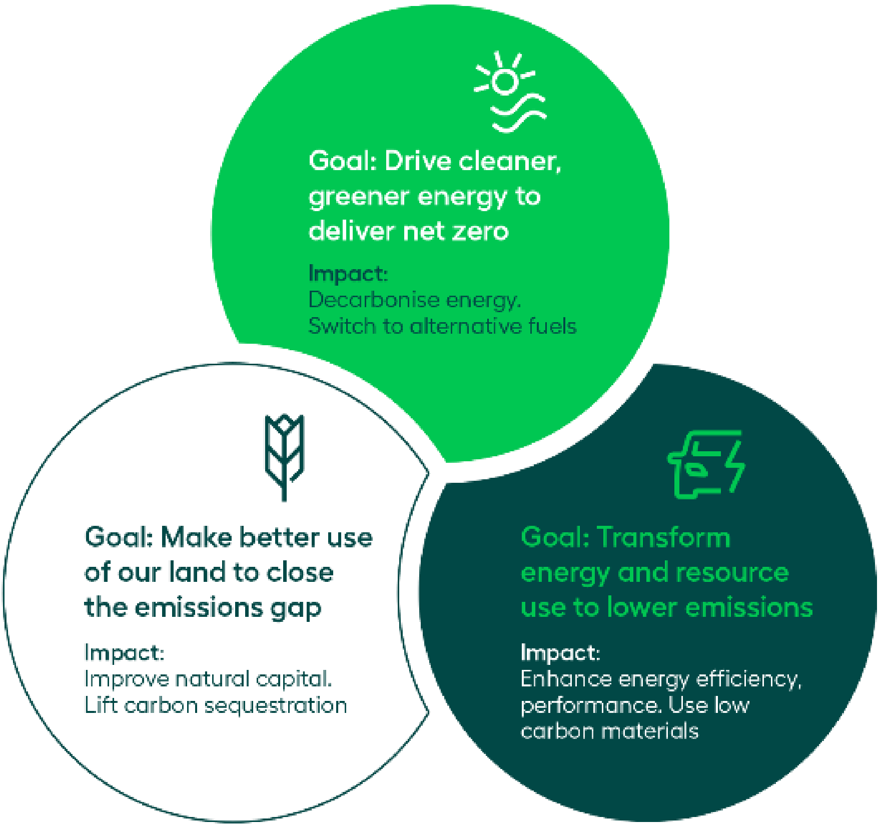
Investment impact and activities

We are a specialist investor at the centre of efforts to help deliver on Australia's ambitions for a thriving, low emissions future. With a strong investment track record, we are committed to accelerating Australia's transition to net zero emissions by 2050.

Where we invest

Our strategic investment priorities, developed with the support of the Board, identify those areas where we can make the biggest impact, drawing on our investment and clean energy expertise and networks to accelerate decarbonisation efforts.

Figure 4: CEFC's strategic investment priorities



Drive cleaner, greener energy to deliver net zero

Impact: Decarbonise energy

We will invest in green energy and transmission to help homes and businesses access clean, reliable electricity and fuel for as many of their essential activities as possible. This includes heating and cooling, cooking, making things, moving people and products around.

CEFC investment activities span the energy sector, from new solar and wind generation to the installation of large-scale energy storage and the development of a transmission and energy grid better suited to renewable energy generation. These energy-specific investments are essential to supporting the economy-wide transition from fossil fuels to renewable energy, for use by industry and households in heating, cooling, manufacturing, transportation and more.

Similarly, we recognise the critical role of our minerals sector in the clean energy transition. The mining sector is an enduring cornerstone of the Australian economy, and much of our low emissions economy of the future will rely on what our mining sector produces – not least because of Australia's abundance of critical minerals. Substantial investment is required to capitalise on national and global demand for these minerals, to ensure our mining industry makes a significant contribution to our net zero future. Importantly, Australian mining businesses can also benefit from the operational efficiencies and low-cost energy solutions underpinning the transition to net zero emissions.

In the longer term, CEFC investments can help strengthen Australia's leadership position in green fuels and energy exports, recognising the economy-wide benefits these provide, including in employment opportunities and regional communities. Investors, industry and governments must all contribute if we are to realise these ambitions. For the CEFC, this means taking an economy-wide approach, drawing on our capital, investment and market expertise, as well as our networks.

Why it will make a difference:

Energy:

Delivery of the Australian Energy Market Operator Integrated System Plan (AEMO ISP) by 2050 will see:

- NEM emissions fall to just 3% of current levels
- Grid-scale wind and solar increase 6-fold, reaching 127 GW
- 10,000 km of new transmission to connect new generation and storage
- Storage capacity increase 17-fold
- Nearly double the electricity delivered through the NEM, to ~ 313 TWh, to meet increasing electrification demand

Resources:

Australia's mining and resources sector has a critical role to play in the transition to net zero emissions. Australia is already among the top producers of the world's key mineral commodities, many of which are crucial to the low-emissions economy of the future, including lithium, tantalum, bauxite, ilmenite, manganese, copper and nickel. Australia was responsible for 46% the world's lithium production in 2023 and is projected to add more lithium extraction capacity than any other country between 2023 and 2029[4].

[4] *Resources and Energy Quarterly, March 2024, Department of Industry, Science and Resources*

Transform energy and resource use to lower emissions

Impact: Enhance energy efficiency, performance. Use low carbon materials

Energy efficiency and smart energy performance are key elements to the achievement of Australia's abatement ambitions. We will help Australian homes and businesses electrify, as well as reduce their energy demand for both electricity and fossil fuels. We will support fuel switching from alternative sources such as green hydrogen and biofuels. We will also support the uptake and integration of electric vehicles, along with accessible recharging, reduce demand for emissions intensive products and facilitate recycling and the circular economy.

As the electricity grid becomes greener, there is a feedback loop between customer demand behind the meter and renewable energy supply and transmission in the regions. Customer electricity demand can be shifted to times of the day when renewables power supply is plentiful to best support a higher renewables penetration grid.

Investment in this space can drive significant supply chain impacts and leverage our broader electrification aspirations. Materials use is also critical. Our investments will seek to promote the use of the lowest emissions materials feasible and reduce the amount of materials that are used in buildings across residential, commercial and industrial Australia.

In the longer term, we aim to support the Australian manufacture of low emissions construction materials and renewable energy supply chain inputs, using clean energy and/or zero emissions fuel sources. As an investor, we can lead the way here. However, the scale of the technology and investment challenge cannot be overstated and will require substantial involvement from private sector investors and financiers, industry and governments.

Why it will make a difference:

- Improved energy efficiency is critical if we are to capitalise on the benefits of a high penetration renewable energy grid. In the ISP step change scenario, energy consumption would be 22 per cent higher in 2050 without efforts to improve energy efficiency
- The ISP step change scenario also forecasts coordinated consumer-level storage, including batteries and electric vehicles, could represent half of dispatchable capacity in MW terms by 2050, reducing the need for shallow storage at utility scale
- Making electricity demand more flexible has substantial benefits, including enhanced energy affordability and security as well as lower emissions. Analysis for ARENA estimates demand flexibility measures also have the potential to yield substantial savings to consumers, by reducing the investment requirements associated with additional large-scale generation and storage capacity
- Reducing the embodied carbon emissions of materials used in buildings and infrastructure also offers substantial benefits. These emissions are estimated to be 30-50 $MtCO_2$-e annually (for domestic production), representing as much as 10 per cent of Australia's national greenhouse gas emissions.[5]

[5] *CEFC, Australian Buildings and Infrastructure: Opportunities for cutting embodied carbon*

Make better use of our land to close the emissions gap

Impact: Improve natural capital. Lift carbon sequestration

Land use is responsible for a significant portion of Australia's greenhouse emissions, predominantly from agriculture, land use change and operations including transport. Unlike other sectors, it cannot be easily 'greened' as our electricity grid decarbonises. However, it has the potential to be our most effective carbon sink with enormous sequestration potential to create 'negative emissions' and help Australia achieve its net carbon abatement ambitions. The marine environment, while a longer dated opportunity, has similar potential.

Some 55 per cent of Australia's land mass is agricultural land – with the twin challenges of declining arability per capita and increasing demand for food via population growth and changing consumption habits. The CEFC will invest alongside landowners to ensure that the country's natural capital assets are used optimally to deliver the national decarbonisation ambition. Our investments will maximise the productive, sustainable use of those assets with a key focus on sector leadership and attracting capital to the sector. As Australian corporates pursue their abatement targets, credible offsets from eligible land use activities will be required to address unavoidable emissions.

The CEFC role in convening capital and establishing and promoting best practice is critical to this highly fragmented sector, taking into account different types of agricultural and land use activities.

Why it will make a difference:

- Offsets are expected to play a crucial role in closing the gap towards net zero emissions. Climateworks modelling suggests land-based sequestration in 2050 could grow to around eight times what Australian land currently sequesters each year[6].
- According to the IPCC, pathways that limit warming to 1.5C with no or limited overshoot require net zero CO_2 to be reached in the early 2050s, followed by net negative CO_2 emissions. CO_2 removal methods like reforestation will be necessary to achieve net-negative CO_2 emissions
- The reforms to the Safeguard Mechanism aim to avoid around 205 MtCO_2-e from 2023 to 2030 from Australia's largest industrial emitters. Based on Reputex analysis, an estimated 23-85 per cent of this may need to be achieved through Australian Carbon Credit Units.

[6] https://carbonmarketinstitute.org/app/uploads/2024/04/2024_CMI-Westpac_Carbon-Market-Report.pdf

Performance measures and targets

Performance is assessed against measures and targets established by the Board. The Board reviews and sets these targets each financial year. Progress is monitored quarterly and reported annually in the annual performance statement.

We utilise both quantitative and qualitative metrics to monitor performance with a strong focus on activities that contribute to delivering Australia's emissions reduction targets.

Key Activity	Performance Measure	2024-25 Target	Expected Outcomes
Deploy capital across our investment portfolio and funds to drive action across our **strategic priorities** and deliver emissions reductions	Total capital committed (excluding RTN)	\$1.6b - \$2.0b	Increased supply of renewable energy in Australia and lower emissions across the broader Australian economy
	TWh of expected annual output of new capacity unlocked through CEFC financing	1.8TWh – 2.5TWh	
	Mt estimated emissions reductions pa	0.15Mt – 0.20Mt	
	Delivering the RTN: — Reach commercial commitment^ on 3 Integrated System Plan or State/ Territory priority transmission projects; — Deliver 4.5 GW of additional network capacity; and — Reach contractual close on the two FY23-24 transmission projects	Achieve 2 of 3 measures	
	Adjusted operating result* (\$m)	\$210m - \$230m	Deliver returns consistent with the Investment Mandate and maintain financial sustainability
	Demonstrate that deployment of RTN and HEUF concessionality is required to facilitate the policy objectives of the respective funds	Board evaluation	
Harness our role as a **leader** to deliver emissions reductions beyond our investments	Evidence of industry leadership and innovation that positively contributes to Australia's emissions reduction targets	Board evaluation	Industry, consumers and regulators are better informed to implement measures that positively contribute to emissions reductions.

*Adjusted operating result = Operating result adjusted for (1) concessionality, (2) loan modification charges, (3) bond revaluations, (4) Innovation Fund revaluations and (5) statistical impairment provision raised on RTN transactions where there is a material timing difference between income recognition and the provision raising.

^ Evidence of a documented term sheet for major transactions by 30 June 2025 would be a commercial commitment

Operating context

Environment

The CEFC is committed to its role of helping Australia achieve its 2030 and 2050 emissions reductions targets. Responding to an ever-changing operating environment requires us to remain flexible and adapt our operating approach accordingly.

During the 2023-24 year, ongoing and emerging geopolitical concerns and inflationary pressures continued to affect global supply chains, impacting all areas of the clean energy economy. We expect many of these challenges to continue into the 2024-25 year. As such, we have identified several external factors that influence our operations and performance, as outlined below:

Emissions reduction and energy policies

Australia's national emissions reduction targets for 2030 and 2050 provide a strong signal for investment in clean energy technologies. Increasing the level of investment is required and the introduction of the Capacity Investment Scheme provides a further investment signal, designed to accelerate the energy transition.

Investment demand

Significant eligible investment opportunities and consistently strong demand for General Portfolio finance may constrain the rate at which new investment commitments can be made utilising existing capital. Where the CEFC is required to limit new investment commitments in line with the rate at which capital is returned from existing investments, eligible investment opportunities may increasingly be left unaddressed. The CEFC has a limited capacity to accelerate the rate of capital recycling through cancellations and asset sales that will provide some relief from this constraint over the short term.

Energy markets

The CEFC Act requires at least half of all funds to be invested in renewable technologies. In parallel, the electricity sector is forecast to be the most significant contributor to emission reduction efforts through to 2030. The energy market will continue to strongly influence our activities and performance, both for our existing assets and future transactions. Transmission and distribution are critically important aspects of the energy market, ensuring electricity generated is delivered to end users. CEFC will continue to support the required augmentation of the transmission and distribution infrastructure via the Rewiring the Nation Fund.

Capital markets

Interest rate increases in Australia and across the developed world have moderated in recent times, however inflation remains higher than central bank targets which may drive further increases to capital costs. Higher interest rates drive higher levels of income for CEFC, but they may adversely impact investors' appetite to proceed with clean energy investments. This could adversely impact demand for CEFC capital. Investment challenges are expected to remain in the near term driven by higher input costs on projects.

Technology

The deployment and development of new technologies is key to Australia's transition to a low emissions economy. Many of the technologies required to achieve Australia's emissions reduction targets are proven and available and need to be deployed at scale and pace. In parallel, we are facing increasing need for technological development and innovation in hard to abate sectors. CEFC has a crucial role to play in these areas and will continue to invest in technological development particularly through the Powering Australia Technology Fund, following the successful deployment of the $200m Clean Energy Innovation Fund.

Investor appetite and ESG

Increasing market interest in embedding ESG principles provides a unique opportunity for the CEFC to strengthen its work with counterparties and borrowers to further drive ambition, investment and action in these areas.

Capability

Our ability to deliver on our objectives relies on our success in leveraging our existing capabilities and building on our strengths for the future.

Leveraging our market strengths

Significant pool of capital

We continue to harness our extensive expertise to effectively deploy capital to achieve Australia's emissions reduction targets. Entrusted with Rewiring the Nation, alongside a $20.5 billion capital injection for the Rewiring the Nation Fund and other specific Specialised Investment Funds, our role continues to grow.

Investment and structuring expertise

With over a decade of experience and a robust investment track record, we continue to prove our ability to execute market-leading clean energy transactions. We have the investment and technology expertise to structure the investment products vital to delivering our strategic priorities, filling market gaps, and providing market liquidity. Targeted use of our well-established, solutions-based investment capabilities towards our strategic priorities will further lift our impact.

Commercial rigour

The commercial rigour which framed our first decade continues to empower our second. In pursuing our strategic priorities, we are pragmatic in managing our portfolio and targeting returns in line with legislated benchmark rates.

Trusted brand, strong relationships

We use our leadership and influence to accelerate decarbonisation initiatives where they will have the greatest impact. This means working with clients and stakeholders across industry and Government to spur action via the right investments and policy settings. We also help build understanding about market trends, opportunities and gaps, supported by our own external market analysis. We recognise that our influence can have more widespread emissions abatement outcomes beyond our direct investments and have acknowledged this as our second key activity for 2024-25.

Flexibility on risk and return

To deliver on our purpose to facilitate increased flows of finance into the clean energy sector, we can take higher risk or lower returns to incentivise market change and catalyse abatement activities. We use this lever flexibly, sparingly, and effectively, investing to optimise the overall risk / return for Australian taxpayers and billpayers who ultimately bear the risk and cost. In parallel, we acknowledge that some longer-term abatement requires significant grant funding, as well as regulatory and legislative change. We work with National, State and Territory Governments to increase understanding of these needs and, where possible, co-develop solutions.

Leveraging our cultural strengths

Culture

Our values explain how we approach our work: we're driven to make a positive impact, we collaborate to harness the power of many, we work openly, honestly and with integrity, we embrace innovation to face challenges and opportunities with confidence. All members of the CEFC team and Board play a role in delivering on our strategic priorities, drawing on their broad commercial expertise, deep market knowledge and shared commitment to helping Australia achieve net zero emissions.

Leadership and influence

We value and encourage our people to lead and influence the market, industry and governments in "the race to the top": rewarding these activities alongside investment-specific achievements around commitments and profitability.

Resourcing

Our near term and longer-term strategic ambitions provide new career opportunities for our people. We are disciplined in aligning our resourcing needs with our strategic priorities. This means we leverage the opportunities for our people and build our organisation with new skill sets as our role evolves.

Diversity, Equity and Inclusion

We recognise the critical role of diverse experiences; skill sets and points of view in achieving our strategic ambitions. We actively promote and encourage an inclusive workplace culture where new ideas and creative solutions can flourish. This ensures that we can harness the full capability and capacity of our people to solve market related challenges and to lead change in our sector.

Reconciliation Action Plan (RAP)

We are committed to advancing Reconciliation with First Nations people in Australia. We recognise that the participation of Aboriginal and Torres Strait Islander peoples is paramount in achieving a just and equitable transition to a net zero emissions economy. Our Innovate RAP focuses on developing and strengthening relationships with First Nations people, engaging staff and stakeholders in reconciliation, and identifying opportunities to empower Aboriginal and Torres Strait Islander people to participate in and benefit from the energy transition.

Risk oversight and governance

Sound risk management is an integral component of our organisation. Informed risk taking facilitates the pursuit and achievement of our objectives. The CEFC does not accept risks that compromise the integrity of the organisation, and we require our people to behave ethically. We have appropriate tolerance for the risks necessary to deliver on our objectives.

Risk oversight

The CEFC Board is ultimately responsible for the overall performance of the business, including oversight of risk management. To assist in risk oversight, the Board has an Audit and Risk Committee, a People and Culture Committee and the CEFC Rewiring the Nation Advisory Committee to assist with the review of projects and transactions in this portfolio. These Board committees are in turn assisted by executive level committees, including the Executive Risk Committee, Executive Investment Committee, Joint Investment Committee (with ARENA) for the Clean Energy Innovation Fund, Impact Investment Committee and Asset Management Committees.

Risk management framework

Our risk management framework establishes how we identify, assess, monitor and manage material risks throughout the organisation, including strategic, investment and financial risks, operational, reputational and regulatory risks. We operate a "three lines of defence model" where the front line is responsible for managing risk within their business areas, supported and overseen by the (second line) independent risk and compliance function and the (third line) internal audit function that provides independent assurance of risk management, with a strong focus on the internal control environment.

The risk management framework includes the systems, policies, processes, people and structures employed throughout the organisation that all contribute to the management of risk for our investments and for the Corporation itself. Material risks are assessed with reference to their potential impact on the CEFC considering the financial, operational, safety and reputational consequences combined with the probability of occurrence.

Credit, risk and compliance team

The Chief Risk Officer (CRO) leads the credit, risk and compliance team, which forms the second line of defence. This team provides independent assessments, challenge, monitoring and reporting of the material risks to the CEFC. This centralised team reviews each new transaction and provides advice to the relevant executive or board committees, through the CRO on transaction level risks. This team also houses the organisation's compliance function that oversees regulatory compliance throughout the organisation along with the conduct and integrity practices that apply across the organisation.

Internal Audit

Grant Thornton has been appointed to provide internal audit services from July 2024, replacing PwC who resigned following the sale of PwC's government business, (now known as Scyne Advisory) to Allegro Funds. As was the case with PwC, Grant Thornton report to the Audit and Risk Committee with full access to staff and information when conducting its reviews. The Audit and Risk Committee receives internal audit reports and monitors agreed management actions arising from those reports.

Risk appetite

The Board has articulated the organisation's risk appetite via Risk Appetite Statements. Risk appetite defines the type and amount of risk the organisation will accept in the pursuit of the organisation's objectives. Risk appetite has been established for material portfolios and funds along with risks inherent in the business operations. Risk appetite is implemented throughout the business by establishing risk limits and policies supported by regular monitoring and reporting of risk indicators which guides corrective actions and mitigation strategies.

Risk culture

Establishing and maintaining a culture where sound risk management is valued and promoted throughout the organisation continues to be a critical enabler of effective risk management. Our Values and the Code of Conduct and Ethics set the standards of behaviour we require of our people. Our culture encourages people to be proactive in identifying and reporting issues so that they may be mitigated and addressed in a timely manner.

Investment risk

Material investment risks include credit, equity and the environmental and social risks of the projects and assets we finance. The first line Investment and asset management teams assess and mitigate investment risks, working with the second line credit team who reviews and assesses the risks, independent of the team originating the investment opportunity.

We apply commercial rigour in analysing each transaction across all the portfolios and funds set out in the Investment Mandate. Investment risks are mitigated (not eliminated) through financial structuring and the financing terms, while pursing the relevant policy outcomes.

Investment risks in the Rewiring the Nation Fund may be higher and more concentrated, when compared with the General Portfolio and this is reflected within the Investment Mandate and the nature of the underlying projects and assets may give rise to a higher level of residual risk.

Non-investment risks

The key non-investment risks we manage include conduct and integrity, compliance and legal, cyber and information security, financial crime, operational, strategic / business and workplace health and safety.

We have a suite of conduct and integrity related policies and practices that guide the way our people conduct themselves. Our financial crime risk mitigation includes anti-bribery and corruption, fraud risk management and our AML/CTF Program.

We continue to monitor our cyber security posture and invest in information security infrastructure, capability, policies and practices to combat the increasing cyber threat landscape. Our mitigation strategies are aligned with the Australian Signals Directorate's Essential Eight, being the most effective mitigation strategies to help organisations protect against various cyber threats.

Collaboration

Australia's energy systems are in transition. We are working closely with the Rewiring the Nation Office (RTNO), in our role as the finance delivery arm of the Rewiring the Nation Policy, along with Australian Energy Market Operator (AEMO) as a technical adviser.

We will continue to engage with the Commonwealth, State and Territory governments and agencies with the shared goal of delivering infrastructure and investments that contribute to emissions reduction and economic growth, both as part of delivering RTN finance and as part of our work in the broader energy transition. We continue to work closely with ARENA in many areas including hydrogen, electric vehicles, alternative fuels, renewable energy and storage. ARENA are also represented on our Clean Energy Innovation Fund's Joint Investment Committee.

Subsidiaries

This Corporate Plan covers the activities of our wholly owned subsidiary, CEFC Investments Pty Ltd. This subsidiary supports the CEFC objective of increasing the flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas reduction targets.