

CEFC confirms record renewables investment as race to net zero gathers momentum



CEFC Investment Update: 2022-23

21 August 2023

The CEFC has confirmed \$1.9 billion in new investment commitments in the 2022-23 year, including a record \$1.2 billion in renewable energy and grid-related investment commitments by Australia's 'green bank', delivered despite challenging market conditions.

CEO Ian Learmonth said: "In making a record \$1.2 billion in renewables investment commitments in the 2022-23 year, we have worked with investors and project developers to help bring forward 14 large-scale solar, wind and storage projects with a total transaction value of \$5.7 billion.

Investment of this scale is critical to our national goal of reaching 82 per cent renewables by 2030. With Australia's renewables sector responding to complex global economic and supply chain pressures, we have confirmed our important role in using our capital to fill market gaps in the face of a difficult market for investors and developers.

Ian Learmonth
CEO, CEFC

Investment Update 2022-23

In its Investment Update 2022-23¹, the CEFC completed 30 new and 20 follow-on transactions in the 12 months to 30 June 2023, committing an additional \$1.9 billion to transactions with a total value of \$11.7 billion. Lifetime CEFC commitments reached \$12.7 billion across more than 300 large-scale transactions, taking lifetime total transaction value to \$48.8 billion, with Australia's 'green bank' driving public and private investment in net zero ambitions.

Significantly, private sector leverage for CEFC investment commitments in the 2022-23 year reached an all-time high, with each \$1 of CEFC capital attracting an additional \$5.02 in private sector capital. This strong leverage reflects CEFC investments in large-scale transformational investments, including a \$100 million commitment to the NSW Waratah Super Battery, one of the largest standby network batteries in the world. The CEFC also made its single largest investment in a wind project, committing up to \$222.5 million to Victoria's 756 MW Golden Plains Wind Farm.

The CEFC also invested a record \$54.5 million in new and follow on commitments via the Clean Energy Innovation Fund, which is managed by fund manager Virescent Ventures. Each \$1 of Innovation Fund capital attracted an additional \$6.47 in private sector capital in the 2022-23 year, delivering a combined \$407.3 million to emerging cleantech businesses.

Renewables and grid

CEFC investments in large-scale renewables and transmission-related projects since inception have contributed to transactions with a total value of \$18.8 billion at 30 June 2023.

Mr Learmonth said the 2022-23 year had been characterised by supply chain shortages and grid constraints for the renewables sector, with the CEFC working closely with investors and project proponents to deliver a continued flow of capital to eligible projects.

He added: “This has included responding to market headwinds in capex, interest rates and foreign exchange, with our capital accelerating project delivery and underpinning offtake agreements to aid proponents in navigating challenging market conditions. Our finance is also backing larger projects, in terms of capital and generation capacity, a positive signal of investor and developer appetite in the required large-scale investments.

“These investments have occurred alongside important early work on the Rewiring the Nation program, laying the foundation for critical grid investments to unlock additional renewable generation in identified locations. On the back of strong investment in 2022-23, we are looking forward to announcing our first Rewiring the Nation investment transactions.”

Economy-wide benefits and opportunities

Mr Learmonth said the CEFC was seeing the national ambition to deliver net zero emissions by 2050 adopted by an increasing number of participants across the economy, particularly in managing energy demand.

“A defining feature of the net zero transition is the flow on economic benefits, in terms of new investment in infrastructure, property and natural capital, alongside the development of new energy sources, such as hydrogen and alternative fuels,” he said. “These trends are in evidence across CEFC transactions in 2022-23, where Australian and international capital is underpinning economic and sustainability gains in diverse areas of our economy.

“CEFC finance is driving greater ambition at the asset owner level across multiple sectors, including exciting mid-market infrastructure and infrastructure-like businesses in areas from healthcare and energy to transport and data centres. Notable examples include our \$50 million investment in a new sustainable agricultural platform with Canadian investors CDPQ and a \$20 million commitment to innovative car leasing company Splend to help convert the rideshare market to electric vehicles.”

Investment approach

Mr Learmonth said the CEFC maintained a rigorous approach to its investment decisions, reflecting its commitment to deliver a positive return across its portfolio. Capital returned to the CEFC in 2022-23 was \$1.2 billion, taking lifetime repayments and returns to more than \$4.5 billion. At 30 June 2023, the CEFC portfolio of on-risk investments was \$7.7 billion.

“We are pleased to report repayments and refinancings have averaged close to \$1 billion for each of the past four years, reflecting the strength of the CEFC model,” he said. “This demonstrates the crowding in of private sector banks and investors allowing us to continue to reinvest capital from our original \$10 billion allocation, alongside new commitments drawing on the additional \$20.5 billion allocation announced in the reporting year.”

CEFC role substantially expanded

The 2022-23 year saw important developments for the CEFC at the start of its second decade, with an amendment to the CEFC Act extending the object of the CEFC to include a specific reference “to facilitate the achievement of Australia’s greenhouse gas emissions reduction targets”.

The Australian Government also approved an additional \$20.5 billion capital allocation to the CEFC, the first increase since the CEFC was established in 2012. The new capital includes \$19 billion to transform the Australian energy transmission grid through Rewiring the Nation, \$1 billion to help householders reshape their energy use, and \$500 million to back the ongoing growth and development of projects and companies in the climate tech sector. The CEFC expects to make investments drawing on the additional capital allocation from the 2023-24 year.

Mr Learmonth said: “The CEFC was established to drive investment in our clean energy transition, reflecting the essential role of both public and private sector capital in cutting emissions across our economy.

“Working alongside co-investors, we have seen our initial \$10 billion capital allocation deliver almost \$50 billion in total transaction value. We are proud of the positive economic impact of these investments, as well as their contribution to the urgent task of lowering our emissions.

“The recent increase in our capital allocation to \$30.5 billion substantially expands the role of the CEFC as Australia’s ‘green bank’. We begin our second decade with a clear focus on driving new investment through the Rewiring the Nation program, the new Household Energy Upgrades Fund and Powering Australia Technology Fund, alongside our ongoing core businesses.”

	2021-22	2022-23	Lifetime
CEFC commitments	\$1.4b	\$1.9b	\$12.7b
New transactions financed	29	30*	>300
Transaction value	\$4.8b	\$11.7b	\$48.8b
Leverage	\$2.30: \$1.00	\$5.02: \$1.00	\$2.82: \$1.00
Renewable energy	\$715.7m	\$1.2b	\$7.0b
Energy efficiency	\$330.4m	\$402m	\$4.2b
Low emissions	\$400.8m	\$370.3m	\$1.4b
Capital deployed	\$1.8b	\$929m	\$10.1b
Capital repaid or returned	\$837m	\$1.2b	\$4.5b

1 Figures in this Investment Update relate to CEFC commitments drawing on the Australian Government original \$10 billion capital allocation to the CEFC. The Australian Government approved an additional \$20.5 billion capital allocation to the CEFC in the 2022-23 year. The CEFC expects to make investment commitments drawing on this additional capital allocation from the 2023-24 year.

Notes:

To 30 June 2023, the CEFC had drawn a net \$4.93 billion from its original \$10 billion funding allocation from the Australian Government, including \$6.46 billion drawn from, and \$1.53 billion returned to, the CEFC Special Account.

* Excludes 20 follow-on commitments in the 2022-23 year. All other figures reflect new and follow-on commitments.

The Investment Update 2022-23 reflects investment commitments drawing on the original \$10 billion CEFC capital allocation. The CEFC expects to make investments drawing on the additional \$20.5 billion capital allocation from the 2023-24 year.

Media release, 2023

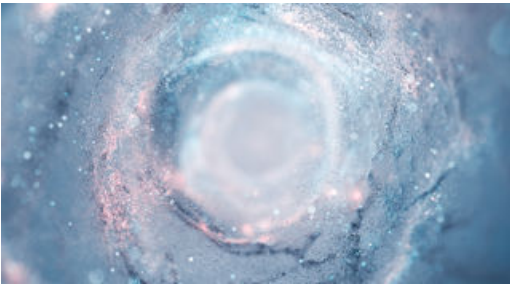
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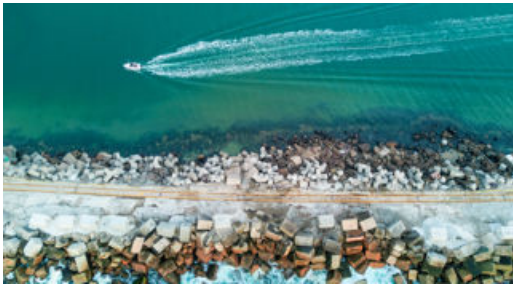
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