

Clean Energy Finance Corporation Investment



Mandate Direction 2020

We, ANGUS TAYLOR, Minister for Energy and Emissions Reduction, and MATHIAS PAUL HUBERT CORMANN, Minister for Finance, give this direction under subsection 64(1) of the *Clean Energy Finance Corporation Act 2012*.

Dated ** ***** 2020

ANGUS TAYLOR
Minister for Energy and Emissions Reduction

MATHIAS PAUL HUBERT CORMANN
Minister for Finance

Part 1 Preliminary

1. Name of Direction

This direction is the *Clean Energy Finance Corporation Investment Mandate Direction 2020*.

2. Commencement

This direction commences on the day after it is registered.

Note: Section 42 of the *Legislation Act 2003* (which deals with the disallowance of legislative instruments) does not apply to this instrument: see section 44 of that Act and section 9 of the *Legislation (Exemptions and Other Matters) Regulation 2015*. Part 6 of that Act (which deals with the sunset of legislative instruments) does not apply to this instrument: see section 54 of that Act and section 11 of the *Legislation (Exemptions and Other Matters) Regulation 2015*.

3. Authority

This direction is made under subsection 64(1) of the *Clean Energy Finance Corporation Act 2012*.

4. Definitions

In this direction:

Act means the *Clean Energy Finance Corporation Act 2012*.

ARENA, Board, clean energy technologies, complying investment, Corporation, investment function, nominated Minister and *responsible Ministers* have the same meaning as in the Act.

Australian Recycling Investment Fund means the Australian Recycling Investment Fund referred to in subsection 14(4) of this direction.

Clean Energy Finance Corporation Special Account means the account established by section 45 of the Act.

Clean Energy Innovation Fund means the Clean Energy Innovation Fund referred to in subsection 14(1) of this direction.

Sustainable Cities Investment Program means the Sustainable Cities Investment Program referred to in subsection 14(2) of this direction.

Reef Funding Program means the Reef Funding Program referred to in subsection 14(3) of this direction.

5. Purpose of this direction

The purpose of this direction is to give guidance to the Board in relation to the performance of the Corporation's extended functions. The Corporation is required under section 58 of the Act to invest in clean energy technologies and technologies to increase Australia's physical-economic productivity and to provide employment for the Australian workforce subject to its other obligations under the Act and any directions given by the responsible Ministers under subsection 64(1) of the Act.

Part 2 Direction

6. Introduction

Since the 2019 Mandate direction, Australia has faced a national emergency - the combined crisis of a public health threat and economic collapse. The economic crisis however is not solely due to the coronavirus pandemic, but also to Australia's inadequate industrial capacity and infrastructure, including and especially healthcare. For national survival, these economic deficiencies must be addressed as a matter of urgency.

The Clean Energy Finance Corporation Act 2012 has been amended to enable the financing of an emergency economic mobilisation without borrowing from overseas, to provide the necessary credit and transform the economy by harnessing and directing public and private credit into long-term nation-building infrastructure projects and expansion of productive industries, especially, immediately, those involved in the production of healthcare supplies and equipment and to invest in the nation's economic development for a guaranteed long-term return and to support the financial system to serve the real economy, and thereby restore public confidence.

The Corporation was initially incorporated as a mechanism to help mobilise investment in renewable energy, low-emissions and energy efficiency projects and technologies in Australia, as well as manufacturing businesses and services that produce the required inputs. The Corporation was established to finance Australia's clean energy sector using financial products and structures to address the barriers inhibiting investment. That function has now been expanded to reflect Australia's urgent need to provide credit to re-establish and expand its physical economy so as to provide for the welfare of all Australians.

Whilst the Corporation should apply commercial rigour when making its investment decisions, those decisions should not be governed by merely monetary considerations but by the primary aim of directly or indirectly providing credit or making loans to, or contracts with public and private enterprises engaged in the production and transportation of tangible economic wealth, including those involved in manufacturing, agriculture, construction, mining, public utilities and transportation and nationwide infrastructure projects in water, high-speed rail, and energy and such other aspects of the economy as may be determined by the Corporation to be vital, to increase Australia's physical-economic productivity and to provide employment for the Australian workforce.

7. Portfolio Benchmark Return

The Corporation's investments shall not be governed by any monetary benchmark rates of return but rather by an assessment that the investments will increase the general productivity of the economy.

8. Portfolio Risk

In employing any aspect of a commercial approach to its investments, the Corporation must, for all investments, seek to develop a portfolio across the spectrum of its investments that in aggregate have an acceptable but not excessive level of risk, having regard to the terms of the Act and the focus on particular areas identified in section 6 above.

The Board is to periodically review its investment practices for the purposes of managing the risk of the portfolio over time and must advise the responsible Ministers of specific measures taken in this regard.

9. Limits on Guarantees

Guarantees pose a particular risk to the Commonwealth's balance sheet and, as such, restrictions on their use are appropriate and the Corporation should seek to avoid their use where possible. The Corporation must ensure that all guarantees are limited and quantifiable whilst not of themselves thereby limiting the investments which the Corporation considers appropriate in achieving its extended functions as provided for in the Act.

10. Application of Australian Industry Participation Plans

Australian Industry Participation (AIP) Plans need not apply to projects that the Corporation invests in, in accordance with the Government's AIP Plan policy but the Corporation shall use its best endeavours to comply with the policy objectives of AIP Plans.

11. Corporation must consider impacts from its investment strategy

The Corporation must not act in a way that is likely to cause damage to the Australian Government's reputation.

12. Focus areas for the Corporation's activities

The Corporation must include in its investment activities a focus on those technologies related to the production and transportation of tangible economic wealth, including those related to manufacturing, agriculture, construction, mining, public utilities and transportation and nationwide infrastructure projects in water, high-speed rail, and energy and such other aspects of the economy as may be determined by the Corporation to be vital, to increase Australia's physical-economic productivity and to provide employment for the Australian workforce.

In supporting clean energy technologies, the Corporation is strongly encouraged to prioritise investments that support reliability and security of electricity supply. The Corporation will also take into consideration the potential effect on reliability and security of supply when evaluating renewable energy generation investment proposals, and if commercially feasible, consider investment in proposals that support reliability or security of supply.

This direction does not require the Corporation to divest investments that were in place prior to the commencement of this direction.

13. Other directions

(1) Clean Energy Innovation Fund:

Funding

The Corporation may make available such amounts as the Corporation may determine for debt and equity investment in emerging clean energy technology projects and businesses that involve technologies that have passed beyond the research and development stages but are not yet established or of sufficient maturity, size or otherwise commercially ready to attract sufficient private sector investment.

Investment proposals – factors to consider

In considering investment proposals under the Clean Energy Innovation Fund, the Corporation shall consider and take into account the advice of ARENA as to:

- a) whether the proposal is recommended for support under the Fund;
- b) the technical and commercial feasibility of the project technology; and
- c) the competitive environment of businesses seeking to deploy the technology.

Benchmark rate of return

In relation to investments made for the purposes of the Clean Energy Innovation Fund, the Board is not to target any specific monetary return but rather by an increase in the rate of creation, adoption or improvement of technologies and technological and scientific methods of production together with the provision of infrastructure which will increase productivity whilst improving living standards..

Risk level

The Corporation must seek to develop a portfolio that in aggregate has an acceptable but not excessive level of risk, having regard to the terms of the Act and the focus on particular areas identified in this Mandate.

The Board, in consultation with ARENA, should periodically review its investment practices for the purposes of managing the risk of the Clean Energy Innovation Fund

portfolio over time and must advise the responsible Ministers of specific measures taken in this regard.

(2) Sustainable Cities Investment Program:

The Corporation may make available investment finance for a Sustainable Cities Investment Program. This Program will invest in clean energy projects and businesses that provide productivity, accessibility and liveability benefits for cities.

(3) Reef Funding Program:

The Corporation may make available investment finance of such amount as may be determined by the Corporation for clean energy projects and businesses that support delivery of the Government's Reef 2050 plan.

(4) Australian Recycling Investment Fund:

The Corporation may make available investment finance of such amount as may be determined by the Corporation for an Australian Recycling Investment Fund to support recycling or recycled content projects utilising clean energy technologies, with a particular focus on waste plastics, paper, glass and tyres.

(5) The directions in subsections (1)-(4) do not require the Corporation to divest investments that were in place prior to the commencement of those directions, or to make new investments that are not complying investments.

14. Reporting Outcomes

The Corporation shall, as part of its annual report, report on the non-financial outcomes of all its investments, including those under subsections 14(1)-(4).

1. Corporate Governance

In performing its investment function, the Corporation must have regard to Australian best practice in determining its approach to corporate governance principles.

The Corporation must develop policies with regard to environmental, social and governance issues.

2. Repeal of Previous Direction

The *Clean Energy Finance Corporation Investment Mandate Direction 2019* is repealed.