Business and Governance

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The CEFC was established under the Clean Energy Finance Corporation Act 2012 (CEFC Act) and is an independent statutory authority, defined as a corporate Commonwealth entity under the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

The CEFC has access to $10 billion in capital, by way of special appropriations under the CEFC Act, to invest in clean energy technologies, projects and businesses. It is governed by an independent Board that reports to the Australian Parliament through its responsible Ministers.

The purpose of the CEFC is to facilitate increased flows of finance into the clean energy sector. Consistent with this statutory objective, the Board has established the CEFC mission:

To accelerate Australia’s transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase investment in emissions reduction.

The CEFC’s purpose and mission is achieved through:
- Investing in clean energy technologies and projects
- Leveraging CEFC investment to attract additional private sector investment
- Sharing experiences, insights and expertise with project sponsors, co-investors, public sector agencies, the energy sector and other industry bodies.

INVESTMENT APPROACH

The CEFC Strategic Framework describes our investment approach, with a clear focus on the areas of the economy where CEFC finance can have a high impact in accelerating emissions reduction to contribute to Australia’s decarbonisation challenge.

We invest, directly or indirectly, in businesses and projects that are solely or mainly Australian-based and that develop, commercialise or are used in clean energy technologies, including the related supply of goods and services. Investments in renewable energy technologies are required to make up at least half of our investments from 1 July 2018.

We invest responsibly and manage risk prudently, adopting a commercially rigorous approach to our investment activities. See Figure 40.

COMPLYING INVESTMENTS

Under the CEFC Act, the CEFC may only invest where the investment meets the complying investment criteria. This requires investments to be solely or mainly Australian-based businesses and projects which include renewable energy, energy efficiency and low emission technologies.

Under the CEFC Act, investments in carbon capture and storage, nuclear energy and nuclear technology are prohibited.

PUBLIC POLICY PURPOSE

While we operate with an objective of financial sustainability, our primary purpose is not profit maximisation. We differ from private sector financial institutions in that we have a public policy purpose where we place considerable value on the externalities associated with our financing activities. These external benefits include emissions reductions, moving new technologies down the cost curve, productivity gains achieved through energy efficiency, technology diversity in the energy mix, innovation, capability development and leveraging private sector funds into the clean energy sector. In some circumstances, we may provide concessional finance where we consider this promotes public policy benefits.

COMMERCIAL RIGOUR

We apply commercial rigour in our investment approach, using financial products and structures to address the barriers inhibiting private sector investment in Australia’s emissions reduction. We are not a grant-making organisation. We invest with an expectation that our portfolio of investments will generate positive financial returns, noting that individual investments will differ in their underlying risk profiles. Careful risk assessment and mitigation through structuring and financing terms are a critical enabler of our investment activities. We seek to adopt the lowest acceptable risk position to minimise the likelihood of capital losses, while noting the level of expected emissions reductions and other public policy benefits.

‘CROWDING IN’

We encourage and actively seek to ‘crowd in’ additional investment in the clean energy sector, working with private sector financiers, project sponsors and business owners. We do not seek to displace private sector financiers in the clean energy sector, nor disrupt areas where the financial markets are functioning well. For more information, please refer to the CEFC Investment Policies on our website: www.cefc.com.au
The CEFC operates under the CEFC Act, as well as other governing legislation, including the PGPA Act. Under the CEFC Act, the CEFC has two responsible Ministers. The responsible Ministers jointly appoint the CEFC Board, which appoints the Chief Executive Officer, a statutory officer. The CEFC Executive and staff are employed under terms and conditions determined by the Board.

The Board draws on relevant Australian Government policies and incorporates private sector principles of good corporate governance in providing oversight and direction to the Executive.

Two Board committees contribute to effective governance:

1. Audit and Risk Committee – which advises and assists the Board in financial governance, financial performance, audit, annual reporting, compliance and risk management.
2. Remuneration and Human Resources Committee – which advises and assists the Board in workforce planning, performance evaluation and monitoring, as well as remuneration and succession planning for the CEFC Executive.

The Board has further adopted a Code of Conduct and Ethics, a delegated authority framework and corporate policies and procedures to establish appropriate controls and to provide an ethical decision-making framework for the CEFC Executive. The structure includes a robust set of Investment Policies, a Risk Management Framework and accompanying procedures.

The CEO has responsibility for the day-to-day management of the CEFC, assisted by the Executive team and four executive committees:

1. Executive Investment Committee – which reviews all investment proposals.
2. Joint Investment Committee – operated in conjunction with the Australian Renewable Energy Agency (ARENA) and which reviews all investment proposals relating to the Clean Energy Innovation Fund.
3. Asset Management Committee – which oversees the management of the investment portfolio.
4. Executive Risk Committee – which oversees performance and risk management for the Corporation’s investments and for the Corporation itself.

CONFLICTS AND RELATED ENTITY TRANSACTIONS

The CEFC considers matters regarding potential conflicts and related entity transactions in accordance with the CEFC Act and the PGPA Act. Declarations by Board members of any material personal interests are a standing agenda item at each Board meeting.

Executives and staff are also required to declare potential personal conflicts of interest, and comply with a share trading policy which prohibits share trading in entities with which the CEFC may be doing business and/or may hold price sensitive information. The Audit and Risk Committee reviews all related entity transactions which are disclosed in accordance with the relevant accounting standards at Note 5.4 within the Financial Statements.
Ms Jillian Broadbent AO - Chair
Ms Broadbent has had a distinguished career in banking and business. A former member of the Reserve Bank of Australia Board, she is University of Wollongong Chancellor, Chair of the board of Swiss Re Life and Health Australia Limited and on the board of Woolworths Limited. Ms Broadbent received an Officer of the Order of Australia for services to economic and financial development in Australia and the community. Ms Broadbent was CEFC Chair from 7 August 2012 to 7 August 2017.

Mr Paul Binsted - Member
Mr Binsted has extensive experience in investment banking and other aspects of corporate financial advice. A former managing director and joint CEO of Lazard in Australia, he has held senior roles in investment banking, including with Citigroup Australia. Mr Binsted was a member of the Australian Financial Forum Panel of Experts into growing the Australian Financial Services Industry. He is also a former chairman of both the State Rail Authority of NSW and the Sydney Ports Corporation. Mr Binsted was appointed to the CEFC Board from 1 February 2013 for five years.

Mr Ian Moore - Member
Mr Moore has extensive experience in investment banking, including senior roles with Bankers Trust, Challenger Infrastructure and Property Funds, and Artesian Capital Management. He was a member of the CEFC Expert Review Panel. Mr Moore was a member of the CEFC Board from 7 August 2012 to 7 August 2017.

Ms Anna Skarbek - Member
Ms Skarbek is CEO of ClimateWorks Australia and has previously worked in investment banking in London and Australia, and as senior policy adviser to the Victorian Deputy Premier. She is a trustee of the Sustainable Melbourne Fund, a director of the Green Building Council of Australia and a member of the Grattan Institute Energy Program Reference Panel, the Wentworth Group of Concerned Scientists and the Vivid Economics Advisory Group. Ms Skarbek was a member of the CEFC Board from 7 August 2012 to 7 August 2017.

Mr Andrew Stock - Member
Mr Stock has extensive experience in the energy sector, including in senior management roles in electricity and gas, petroleum and petrochemical businesses in Australia and internationally. Mr Stock is a director of Horizon Oil Limited, and chair of the Energy Advisory Boards at Adelaide and Melbourne Universities. Mr Stock was a member of the CEFC Board from 7 August 2012 to 7 August 2017.

Mr Martijn Wilder AM - Member
Mr Wilder is head of the Global Environmental Markets, Clean Energy and Climate Change practice at Baker & McKenzie. A Professor of Climate Change Law at the Australian National University, he chairs the Australian Renewable Energy Agency and is a director of the World Wildlife Fund (Australia) and the Climate Council. Mr Wilder chairs the NSW Climate Change Council, is a governing Board member of the Renewable Energy and Energy Efficiency Partnership and is a member of the Wentworth Group of Concerned Scientists. Mr Wilder was awarded a Member of the Order of Australia in recognition for service to environmental law, particularly in the area of climate change and to the community. Mr Wilder was appointed to the CEFC Board from 1 February 2013 for five years.
The Australian Government appointed four new CEFC Board members for five-year terms from August 2017, to replace retiring Board members. The new appointees are:

**Mr Steven Skala AO - Chair**

Mr Skala has more than 35 years’ experience in law, business and banking, as well as extensive service in the arts and community sectors. He is Vice Chairman (Australia) of Deutsche Bank AG. He is a former Chairman of Film Australia Limited and Wilson Group Limited, and a former Director of the Australian Broadcasting Corporation, the Channel Ten Group of Companies and Max Capital Group. Mr Skala was a senior partner at Arnold Bloch Leibler lawyers for almost 20 years, and has Arts and Law (Honours) degrees from the University of Queensland and a Bachelor of Civil Law from the University of Oxford. He is Chairman of the Heide Museum of Modern Art, Deputy Chairman of the General Sir John Monash Foundation, a Director of The Centre for Independent Studies, a Founding Panel Member of Adara Advisors Pty Ltd and a Member of the International Council of the Museum of Modern Art (MoMA) in New York. In 2010, Mr Skala was appointed an Officer of the Order of Australia for service to business and commerce, the arts and the community.
Ms Leeanne Bond
Ms Bond is one of Australia’s leading engineers, with extensive experience in the water and energy sectors in Queensland and the Northern Territory. She serves on the boards of Snowy Hydro, Territory Generation, Liquefied Natural Gas Limited, JKTech Pty Ltd, the Queensland Building and Construction Commission (QBCC) and Engineers Australia Ltd. She is also incoming Chair of Synertec Corporation. Ms Bond recently retired from the board of Coffey International Limited. She has previously held board positions on a number of water and energy businesses, including Tarong Energy and the Queensland Bulk Water Supply Authority (Seqwater) and was Chair of Brisbane Water. Ms Bond was awarded Australian Professional Engineer of the Year in 2007. She is a Fellow of the Australian Institute of Company Directors and an honorary fellow of Engineers Australia.

Ms Nicola Wakefield Evans
Ms Wakefield Evans is a non-executive director of Macquarie Group Limited, Lend Lease Corporation Limited, BUPA Australia & New Zealand and the national board of the Australian Institute of Company Directors. She is also a member of the boards of Asialink (University of Melbourne), the University of New South Wales’ Foundation and is a member of the Takeovers Panel. Ms Wakefield Evans was a partner of King & Wood Mallesons for 20 years, which included responsibility for the development and growth of the firm’s international practice and its Hong Kong, China and London offices. Ms Wakefield Evans’ key areas of expertise include resources and energy, infrastructure, airports, financial services, technology and media and communication.

Ms Samantha Tough
Ms Tough has extensive executive and board experience in the energy and resources sectors. She currently serves on the boards of Synergy and Saracen Mineral Holdings Limited and is deputy Chair of the WA Academy of Performing Arts. Ms Tough was previously Chair of Retail Energy Market Company Ltd, Strucrerre Pty Ltd, Molopo Energy Ltd, Aerson Pty Ltd and Southern Cross Goldfields Ltd. She is also a former director of Cape PLC, Strike Resources Ltd and Murchison Metals Ltd. Ms Tough has held senior executive roles with Woodside Energy Ltd, Hardman Resources Ltd, the Commonwealth Bank and the Pilbara Power Project. She has a Bachelor of Law and Bachelor of Jurisprudence from the University of Western Australia and worked as a barrister and solicitor before progressing to the commercial sector. Ms Tough is a Fellow of the Australian Institute of Company Directors.

**BOARD COMMITTEE MEMBERSHIP**

Board members serve on one of the Board Committees, either as a Committee chair or member. Committee meetings are open to all Board members to attend, but only Committee members have voting rights.

**Figure 42: Board committee memberships 2016-17**

<table>
<thead>
<tr>
<th>Board Member</th>
<th>Remuneration and Human Resources Committee</th>
<th>Audit and Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jillian Broadbent AO</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Paul Binsted</td>
<td>Chair</td>
<td></td>
</tr>
<tr>
<td>Ian Moore</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Anna Skarbek</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Andrew Stock</td>
<td>Chair</td>
<td></td>
</tr>
<tr>
<td>Martijn Wilder AM</td>
<td>Member</td>
<td></td>
</tr>
</tbody>
</table>

**Meeting attendance by Board members**

In 2016-17 there were 14 Board meetings and a further 12 Board Committee meetings. The attendance of Committee members is recorded in Figure 43.

**Figure 43: Board member meeting attendance 2016-17**

<table>
<thead>
<tr>
<th>Board Member</th>
<th>Board Meeting</th>
<th>Remuneration and Human Resources Committee</th>
<th>Audit and Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attended</td>
<td>Eligible to Attend</td>
<td>Attended</td>
</tr>
<tr>
<td>Jillian Broadbent AO</td>
<td>12</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Paul Binsted</td>
<td>13</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Ian Moore</td>
<td>12</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Anna Skarbek</td>
<td>14</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>Andrew Stock</td>
<td>14</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Martijn Wilder AM</td>
<td>12</td>
<td>14</td>
<td>-</td>
</tr>
</tbody>
</table>
Board member remuneration and allowances

Under the CEFC Act and the Remuneration Tribunal Act 1973, remuneration for Board members is determined independently by the Australian Government Remuneration Tribunal. Throughout 2016-17, the Remuneration Tribunal Determinations reflected in Figure 44 were in effect.

**Figure 44: Remuneration Tribunal Determinations 2016-17**

<table>
<thead>
<tr>
<th>Determination</th>
<th>Date of effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration Tribunal Determination 2015/20: Remuneration and Allowances</td>
<td>1 January 2016</td>
</tr>
<tr>
<td>for Holders of Part-Time Public Office (as amended)</td>
<td></td>
</tr>
<tr>
<td>Remuneration Tribunal Determination 2016/18: Remuneration and Allowances</td>
<td>8 December 2016</td>
</tr>
<tr>
<td>for Holders of Part-Time Public Office (as amended)</td>
<td></td>
</tr>
</tbody>
</table>

Under both determinations, Board members were remunerated annually (rather than per day or by meeting) as outlined in Figure 45. The remuneration amount did not change between each determination.

**Figure 45: Rates of Board member remuneration 2016-17**

<table>
<thead>
<tr>
<th>Office</th>
<th>Annual remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>$104,450</td>
</tr>
<tr>
<td>Board member</td>
<td>$52,230</td>
</tr>
</tbody>
</table>

In addition, superannuation is payable on these amounts at the rate of 9.5 per cent in accordance with the Superannuation Guarantee Charge Act 1992. Actual amounts paid to each Board member during the reporting period are specified in Note 5.3 in the Financial Statements.

Travel allowances are also payable under the Remuneration Tribunal Determinations. During 2016-17 these were set by the Remuneration Tribunal Determination 2015/11: Official Travel by Office Holders (as amended) (from 30 August 2015) and Remuneration Tribunal Determination 2016/07: Official Travel by Office Holders (as amended) (from 28 August 2016).

**Indemnities and insurance premiums for officers 2016-17**

<table>
<thead>
<tr>
<th>INDEMNITY/INSURANCE</th>
<th>OFFICERS INCLUDED</th>
<th>PERIOD OF COVERAGE</th>
<th>PREMIUM/FEES PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comcover indemnity for Directors and Officers</td>
<td>All Board members and the Executive. All Officers and staff</td>
<td>1 July 2016 – 30 June 2017</td>
<td>$65,870</td>
</tr>
<tr>
<td>Deed of Insurance, Access and Indemnity with each Director and Officer</td>
<td>All Board members and the CEFC Executive</td>
<td>10 May 2013 – 7 years after ceasing to be a Director or Officer of the Corporation</td>
<td>Nil: indemnity only</td>
</tr>
<tr>
<td>Supplementary Directors’ and Officers’ Insurance to fill in gaps in the Comcover coverage</td>
<td>All Directors and Officers</td>
<td>14 June 2013 – 14 June 2021</td>
<td>$590,665</td>
</tr>
<tr>
<td>Comcare Workers’ Compensation Insurance</td>
<td>All Directors, Officers and staff</td>
<td>1 July 2016 – 30 June 2017</td>
<td>$63,079</td>
</tr>
<tr>
<td>Indemnification for Reasonable Travel and Expenses</td>
<td>All Directors, Officers and staff</td>
<td>Ongoing</td>
<td>Nil: indemnity only</td>
</tr>
</tbody>
</table>

**Comcover and Comcare insurance**

Insurances provided by Comcover and Comcare have general application that include Board members and the Executive, among others, as per the ordinary insurances required of Commonwealth entities.

**Travel and expense reimbursement**

The CEFC does not issue corporate credit cards for staff travel and other work-related expenses. Staff members (including the Executive) are indemnified and reimbursed for reasonable travel and ancillary expenses incurred in the performance of their duties, based on verified claims and in accordance with relevant CEFC policies. Board members do not generally require travel reimbursement as their expenses are met through allowances as determined by the Remuneration Tribunal (refer Board member Remuneration and Allowances).
Mr Learmonth has more than 20 years’ experience as a financier and investor, working across clean energy and major infrastructure projects, as well as social impact investments. He established Social Ventures Australia’s Impact Investing business, raised its first Social Impact fund and structured and launched Australia’s first Social Impact Bond. He was also instrumental in establishing a dedicated Social and Affordable Housing fund. Previously an Executive Director of Macquarie Group for 12 years, Mr Learmonth has investment banking experience in Sydney, Hong Kong and London. He established and led its European renewable energy and carbon credit investments, as well as structured finance and asset financing in Asia and Europe. Earlier in his Macquarie career, Mr Learmonth established the bank’s IT operating lease business and completed a number of securitisations for both Macquarie Bank and external clients. Mr Learmonth has degrees in both Law and Commerce from the University of Queensland and is a director of Sydney’s Belvoir Theatre. Mr Learmonth became CEO in May 2017.
As General Counsel, Ms Cottrell heads the CEFC’s legal team, which provides proactive support to the originations and transactions and portfolio management teams and, more generally, provides advice on corporate legal matters to the CEFC. Ms Cottrell also provides support to the Board as Corporate Secretary. Ms Cottrell is a highly experienced leader within the financial services industry and a former partner of Goldman Sachs JBWere. She has worked in Australia and New Zealand, including senior leadership roles as Head of Federation and Head of Legal at Goldman Sachs in New Zealand, and as General Counsel and Company Secretary of the NZ Stock Exchange. Ms Cottrell is a solicitor admitted in the NSW Supreme Court and the High Court of New Zealand. Ms Cottrell joined the CEFC January 2017.

Mr Holmes is responsible for strategic development, governance, performance management, marketing and communications, investment research and risk management. He chairs the Executive Investment Committee, the Joint Investment Committee and the Executive Risk Committee and is a member of the Asset Management Committee. Mr Holmes was previously Chief Financial Officer at EnergyAustralia and chief financial officer and chief operating officer at Pacific Hydro. He also had long international careers with both British Gas and BHP. Mr Holmes is a Chartered Accountant, a Commerce Graduate of Otago University, a member of Chartered Accountants Australia and New Zealand, and a Graduate Member of the Australian Institute of Company Directors.

Mr Panizza is responsible for oversight of investment risk and overall management of the CEFC portfolio. He spent 10 years with the Macquarie Group in Singapore, and also developed an Asian leveraged finance business for ABN AMRO. Mr Panizza has served in a board capacity on several operating subsidiaries within the Macquarie Group, including Macquarie Capital (Singapore) Pte Ltd and the ASX-listed Miclyn Express Offshore Limited. He was also Vice Chair of the not-for-profit Humanitarian Organization for Migration Economics. Mr Panizza holds a Capital Markets Services License and Financial Advisers License from the Monetary Authority of Singapore. He is a Member of the Australian Institute of Company Directors and has a Master of Business Administration and a Bachelor of Economics from the University of Western Australia. Mr Panizza joined the CEFC in September 2016.
EXECUTIVE REMUNERATION AND ALLOWANCES

The Remuneration and Human Resources Committee is responsible for structuring Executive remuneration, evaluating performance and approving variable compensation payments, which consider short and long-term performance metrics, including financial, operational and individual targets.

During 2016-17, Total Annual Remuneration Packages (TARPs) for the CEFC Executive members included base salary, superannuation and variable compensation. For additional information, refer Note 2.1 and Note 5.2 in the Financial Statements.

CEFC Executive travel and expenses claims are usually dealt with on an indemnity and reimbursement basis. Refer Indemnities and Insurance Premiums for Officials.

Mr Andrew Powell
Chief Financial Officer

Mr Powell has more than 25 years’ experience working within industry and public accounting, both in Australia and the United States. As Chief Financial Officer, Mr Powell heads our Brisbane office and has oversight of the CEFC’s finance, information and communications technology and administrative function. Mr Powell is a member of the Executive Investment Committee and the Executive Risk Committee. Mr Powell is experienced in all aspects of financial accounting, as well as mergers and acquisitions, public listings and transaction and deal structuring.

Mr Powell was previously chief financial officer and company secretary of Low Carbon Australia Limited and the senior vice president of finance for Symyx Technologies Inc., a NASDAQ-listed company. Mr Powell worked with Ernst & Young in both Australia and the United States and is a Chartered Accountant with a Bachelor of Economics from Macquarie University, and is a Graduate Member of the Australian Institute of Company Directors.

Mr Ludovic Theau
Chief Origination and Transactions Officer (Joint)

As joint Chief Origination and Transactions Officer, Mr Theau is responsible for the origination and execution of new investments for the CEFC. Mr Theau has led the successful financing of a number of the CEFC’s innovative renewable energy and energy efficiency projects, helping to develop the CEFC’s growing investment portfolio. Mr Theau has more than 25 years’ experience in large transactions in the infrastructure, utilities and PPP sectors, including a wide range of renewable energy and energy efficiency projects.

Prior to the CEFC, Mr Theau worked in Europe and Australia in financial advisory, funds management, asset management, commercial and investment banking. Mr Theau holds a Master of Engineering from Ecole Centrale de Paris, France.
The CEFC’s success can be attributed to an effective organisational model based on deep experience and expertise, with a commercial and innovative approach to transforming clean energy investment. The CEFC seeks to be known as expert, commercial, transformative and innovative in our approach to transaction opportunities. See Figure 47.

**Figure 47: Approach to transaction opportunities**

**EXPERT**
We have a breadth of expertise across our target sectors, and work closely with project partners to deliver clean energy outcomes which make economic and commercial sense.

**COMMERCIAL**
We take a commercial approach to our activities, delivering a positive financial return on our investments while also delivering on our public policy purpose.

**TRANSFORMATIVE**
We operate at the forefront of the finance and energy sectors helping our clients meet their sustainability objectives and delivering outcomes to transform clean energy investments.

**INNOVATIVE**
We provide a range of innovative finance solutions, including debt and/or equity, and tailor our financial solutions to meet the needs of individual transactions.
OUR EMPLOYEES

While the CEFC has considerable available capital to invest, it remains a relatively small organisation in terms of numbers of people. Organisational effectiveness and operational efficiency are critical to the CEFC’s performance.

CEFC staff are mainly drawn from the finance and energy sectors, reflecting our specialist investment focus. Key organisational tasks include strategic planning, transaction origination, portfolio management, legal, finance, human resources, compliance, risk management, marketing and communications, investment research, stakeholder relations and administrative functions.

With the growth of the organisation and its investment portfolio, the CEFC has progressively augmented and deepened its skills base, as well as prioritised cross-skilling and backup for each role to minimise key-person risk.

For the 2016-17 year, annual employee turnover was 17 per cent, including six per cent planned (e.g. completion of fixed term contract) and 11 per cent unplanned (e.g. resignations).

During the reporting period, the CEFC participated in the Department of the Environment and Energy’s graduate program, hosting a graduate for a three-month rotation to provide exposure to the CEFC’s business and the markets in which it operates. The CEFC also hosted a Year 11 work experience student.

TERMS OF EMPLOYMENT

CEFC employees are employed under the CEFC Act and are not public servants for the purposes of the Public Service Act 1999.

CEFC employees are employed on individual contracts, with terms and conditions based on the National Employment Standards (NES) in the Fair Work Act 2009. In addition, the Australian Government Industry Award 2016 (AGIA) was introduced on 15 August 2016 to cover non-Executive employees. The CEO and Executive have individual contracts and are not subject to the AGIA.

In addition to the NES and AGIA, the CEFC Board has approved additional employment benefits, such as paid parental leave and study support.

Employee remuneration is determined by the CEFC with reference to market benchmarking data to ensure the organisation can recruit and retain high calibre employees with the requisite skills to manage the CEFC’s diverse functional areas. Employee remuneration may include a variable compensation component, noting the variable compensation plan is approved annually by the Board and is therefore not guaranteed.

Executive remuneration is overseen by the Remuneration and Human Resources Committee. Additional information on payments to employees is available in Note 5 in the Financial Statements.
EMPLOYEE PROFILE

The CEFC is a specialised financier and has recruited experienced, senior practitioners within each functional area. This is reflected in the CEFC’s average employee age of 42 years.

As the CEFC grows, it is recruiting more entry-level employees, and we are increasingly able to provide career development and growth pathways.

At 30 June 2017, the CEFC had 87 employees, compared with 66 at 30 June 2016. See Figure 49.

The CEFC has 43 per cent female employees, and 57 per cent male employees.

To support our people in balancing their work and personal commitments, flexible work arrangements are available to all employees. There are 10 people employed on a part-time basis, primarily to accommodate family responsibilities.

The CEFC has a diverse staff base, with 40 per cent of employees born in 16 countries other than Australia, and 13 per cent reporting English as their second language. No CEFC employees identified as Indigenous. In addition, there were no CEFC employees reporting as having a disability. Given the CEFC’s relatively small employment profile, the CEFC does not consider this as statistically significant.

The CEFC’s Equal Employment Opportunity report for the 2016-17 year is available in Appendix B.

<table>
<thead>
<tr>
<th>Category</th>
<th>Level</th>
<th>Headcount</th>
<th>Full time equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory Officers</td>
<td>Chair</td>
<td>1</td>
<td>0.2*</td>
</tr>
<tr>
<td></td>
<td>Board members</td>
<td>5</td>
<td>1 *</td>
</tr>
<tr>
<td></td>
<td>Chief Executive Officer</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Employees</td>
<td>Executive level</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Executive Director/ Head of Function</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Director</td>
<td>19</td>
<td>18.1</td>
</tr>
<tr>
<td></td>
<td>Associate Director</td>
<td>22</td>
<td>21.5</td>
</tr>
<tr>
<td></td>
<td>Senior Associate</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Associate</td>
<td>7</td>
<td>6.7</td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td>5</td>
<td>4.8</td>
</tr>
<tr>
<td></td>
<td>Administration</td>
<td>11</td>
<td>10.4</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>93</td>
<td>85.6</td>
</tr>
</tbody>
</table>

TOTAL, EXCLUDING CHAIR AND BOARD MEMBERS 87 84.4

* All Board roles are part-time.

WOMEN IN SUSTAINABLE FINANCE

CEFC staff took a leadership role in the development of ‘Women in Sustainable Finance’ networking groups in Sydney and Brisbane during 2016-17. The group brings together people from a broad cross section of business, including investment funds, banks and environment and sustainable development teams, as well as corporates, energy and renewable energy companies.
FOCUS ON LEARNING

CEFC employees have access to online learning modules, with content ranging from induction and compliance to leadership, emotional intelligence, and environmental and sustainability awareness.

Employees also participate in ‘lunch and learn’ sessions on market developments, emerging technologies and personal development. These initiatives provide an important opportunity for CEFC staff to increase their understanding of relevant developments and organisations in the clean energy sector, with presentations from respected external groups. See Figure 50.

Figure 50: Engaging with trends in the clean energy sector

APPROACH TO RISK

The CEFC Board is ultimately responsible for overall business performance, including oversight of risk management. To assist in risk oversight, the Board has established an Audit and Risk Committee.

The CEO has established the Executive Risk Committee, Executive Investment Committee, Joint Investment Committee for the Clean Energy Innovation Fund (with ARENA) and the Asset Management Committee, each contributing to effective risk management.

The Board has established an enterprise-wide Risk Management Framework to monitor and manage all areas of risk the CEFC faces, including strategic, investment and financial risks, operational risks, regulatory and compliance risk. Consistent with section 68(c) of the CEFC Act, the Risk Management Framework sets out the manner in which risk is managed for the CEFC’s investments and for the CEFC itself.

The Risk Management Framework, along with the CEFC Investment Policies, embed active identification, management and mitigation of risks into all areas of our investment functions, portfolio management and broader business operations.

INVESTMENT RISK

As a body whose primary activity is its investment function, the CEFC has a central focus on managing all types of investment risk. An investment strategy that is too risk-averse would prevent the CEFC from fulfilling its public policy purpose, while an approach that is too tolerant could lead to excessive capital losses. Balancing risk, return and public policy outcomes are factors that are considered as part of each investment decision, as well as on a portfolio basis.

The CEFC Investment Risk team reviews and assesses credit and other risks associated with each proposed investment, independent of the investment origination team. Post-investment, the Portfolio Management team manages and reviews the performance of investments, with prompt remedial action taken where necessary.
ANALYSING AND MITIGATING INVESTMENT RISK

The CEFC has a well-developed process for screening and reviewing investments to ensure that there are appropriate controls and ‘checkpoints’ for risk, before a given investment proposal is approved and documented. This is underpinned by a thorough process of due diligence.

- Investment proposals must be commercially viable, with an acceptable risk/return profile.
- Industry standard techniques are employed in risk identification, analysis and mitigation, as part of any investment analysis.
- Where unfamiliar or unique risks are identified, the progression of the investment may be paused while additional due diligence or market-specific research is undertaken.
- The CEFC typically seeks the lowest possible risk position in the capital structure as a protection of the CEFC investment against underperformance.
- If the CEFC lends to projects that sell power on an uncontracted or ‘merchant’ basis, the loans are sized and structured in a prudent manner that maximises the probability of repayment, even where actual prices fall below the forecast price levels. Overall merchant risk exposure is also capped at portfolio level.
- The CEFC also applies additional conditions to an investment to mitigate an identified risk, including accelerated repayments of capital in certain events.
- The CEFC has a strong preference for investing alongside private sector capital providers, enabling investment risks to be shared.
- For debt investments, the CEFC typically holds first ranking security against the borrowing entity, the project, or the equipment financing.
- The CEFC spends considerable effort analysing the creditworthiness of borrowers, the technology, the business case of the proposal, the security on offer, and the CEFC’s potential exposure in the event that an investment fails.
- The CEFC seeks portfolio diversification to avoid excessive exposure and concentration of risk across a range of areas, including: specific technologies; higher risk financing structures; single entities; merchant energy price risk; individual markets and geographical areas.
- The CEFC has instituted an extensive portfolio management function, with systems and processes to ensure continuous monitoring of investments and early detection of underperformance to enable remedial action.
- Inevitably a proportion of investments will underperform and the CEFC will experience a loss. For example, in a debt default situation, the level of loss incurred by the CEFC will be determined by a number of factors, including the level of seniority that the CEFC holds in the capital structure and the value of the underlying security.

RESPONSIBLE MINISTERS

Under the CEFC Act, the CEFC has two responsible Ministers (see Figure 52). At the beginning of 2016-17, the CEFC was within the Environment portfolio. Following the 2016 federal election, the CEFC came within the Environment and Energy portfolio.

Figure 52: CEFC Responsible Ministers

<table>
<thead>
<tr>
<th>Operative dates</th>
<th>Responsible Ministers</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 November 2015 – 19 July 2016</td>
<td>The Hon Greg Hunt MP, Minister for the Environment</td>
</tr>
<tr>
<td></td>
<td>Senator the Hon Mathias Cormann, Minister for Finance</td>
</tr>
<tr>
<td>From 19 July 2016</td>
<td>The Hon Josh Frydenberg MP, Minister for the Environment and Energy</td>
</tr>
<tr>
<td></td>
<td>Senator the Hon Mathias Cormann, Minister for Finance</td>
</tr>
</tbody>
</table>

NOMINATED MINISTER

The nominated Minister is one of the responsible Ministers and exercises additional powers and functions under the CEFC Act. The CEFC Act provides that the responsible Ministers must determine between them which is to be the nominated Minister.

Figure 53: CEFC Nominated Ministers

<table>
<thead>
<tr>
<th>Operative dates</th>
<th>Nominated Ministers</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 November 2015 – 19 July 2016</td>
<td>The Hon Greg Hunt MP, Minister for the Environment</td>
</tr>
<tr>
<td>From 19 July 2016</td>
<td>The Hon Josh Frydenberg MP, Minister for the Environment and Energy</td>
</tr>
</tbody>
</table>
MINISTERIAL POWERS OF DIRECTION

The CEFC Act is structured in such a way as to maximise the CEFC’s operational independence, particularly with respect to investment decision-making. Ministerial powers to direct under the CEFC Act are limited, primarily to the Investment Mandate (refer page 95).

The CEFC can additionally be directed by Ministers to pay surplus funds to the CEFC Special Account, since the CEFC was not conceived as having a large cash management function. The CEFC had one Ministerial Direction in effect during 2016-17, in addition to the Investment Mandate.

Figure 54: Ministerial Directions

<table>
<thead>
<tr>
<th>Operative dates</th>
<th>Nominated Ministers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July 2016 to 30 June 2017</td>
<td>Ministerial Direction to repay surplus monies to the CEFC Special Account, signed 5 May 2016 by the Hon Greg Hunt MP, Minister for the Environment, and Senator the Hon Mathias Cormann, Minister for Finance.</td>
</tr>
</tbody>
</table>

Government Policy Orders

The PGPA Act allows the Australian Government to issue directions to the CEFC by means of a Government Policy Order (GPO). No GPOs applied to the CEFC during 2016-17. The CEFC has received notice of the potential future application of the Australian Government Protective Security Policy Framework to the CEFC by means of a GPO.

Statement of compliance

The CEFC had no instances of non-compliance with Ministerial Directions (including the Investment Mandate) or GPOs in the 2016-17 year.

PROCUREMENT

CEFC procurement occurs via the most efficient, effective, economical and ethical means possible, which can involve direct engagement of service providers based on quotes, select tenders, proposals from external advisors, and in some instances, joining Australian Government procurement arrangements. Under section 74 of the CEFC Act, the CEFC must specify in the Annual Report the details for each procurement contract within the financial year valued at above $80,000. See Figure 55.

Figure 55: Procurement contracts 2016-17

<table>
<thead>
<tr>
<th>Effective date</th>
<th>Contract Value $</th>
<th>Expensed $ in 2016-17</th>
<th>Contracting party</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2013</td>
<td>590,665</td>
<td>73,783</td>
<td>Marsh Pty Ltd</td>
<td>D&amp;O Insurance for period 14 June 2013 to 14 June 2021</td>
</tr>
<tr>
<td>January 2015</td>
<td>204,000</td>
<td>41,393</td>
<td>Reval.com Inc</td>
<td>2-year license fees, maintenance, support and implementation costs for Loan Management System</td>
</tr>
<tr>
<td>June 2015</td>
<td>501,031</td>
<td>143,120</td>
<td>Technology One Ltd</td>
<td>5-year license fees, 3-year minimum maintenance, support and initial implementation costs for Finance One software</td>
</tr>
<tr>
<td>July 2015</td>
<td>723,377</td>
<td>492,299</td>
<td>The Uniting Church in Australia Property Trust (QLD)</td>
<td>Extension of lease of premises at Level 8, 140 Ann Street, Brisbane from 15 July 2015 to 14 July 2018. Fully expensed during 2016-17, as the premises were exited in June 2017</td>
</tr>
<tr>
<td>March 2016</td>
<td>4,331,218</td>
<td>766,244</td>
<td>Dexus Property Group</td>
<td>Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2016 to 28 February 2021</td>
</tr>
<tr>
<td>May 2016</td>
<td>155,100</td>
<td>132,396</td>
<td>PwC</td>
<td>Internal Audit engagement for 1 July 2016 to 30 June 2017</td>
</tr>
<tr>
<td>July 2016</td>
<td>310,161</td>
<td>310,161</td>
<td>Herbert Smith Freehills</td>
<td>Legal fees incurred for various investment projects for the period 1 July 2016 to 30 June 2017</td>
</tr>
<tr>
<td>July 2016</td>
<td>520,301</td>
<td>520,301</td>
<td>QBT Pty Ltd</td>
<td>Work travel and incidental costs for period 1 July 2016 to 30 June 2017, under the whole of government travel procurement program</td>
</tr>
<tr>
<td>July 2016</td>
<td>196,944</td>
<td>196,944</td>
<td>Bloomberg Financial</td>
<td>Bloomberg terminal and NEF All Insight Package Level III</td>
</tr>
<tr>
<td>July 2016</td>
<td>190,375</td>
<td>190,375</td>
<td>Datacom Systems Pty Ltd</td>
<td>IT support, applications and hardware for the period 1 July 2016 to 30 June 2017</td>
</tr>
<tr>
<td>July 2016</td>
<td>129,715</td>
<td>129,715</td>
<td>National Australia Trustees Ltd</td>
<td>Bond custody fees for the period 1 July 2016 to 30 June 2017</td>
</tr>
<tr>
<td>July 2016</td>
<td>124,673</td>
<td>124,673</td>
<td>Macquarie Telecom Pty Ltd</td>
<td>Provision of telecommunications, data and hosting for the period 1 July 2016 to 30 June 2017</td>
</tr>
<tr>
<td>October 2016</td>
<td>151,525</td>
<td>151,525</td>
<td>Taylor Root</td>
<td>Recruitment services</td>
</tr>
<tr>
<td>October 2016</td>
<td>101,200</td>
<td>101,200</td>
<td>Profusion PAC Pty Ltd</td>
<td>Recruitment services</td>
</tr>
<tr>
<td>October 2016</td>
<td>237,666</td>
<td>237,666</td>
<td>Korn Ferry</td>
<td>Recruitment services</td>
</tr>
<tr>
<td>May 2017</td>
<td>4,046,431</td>
<td>94,103</td>
<td>Riverside Development Pty Ltd</td>
<td>Lease of premises at Level 25, 71 Eagle Street, Brisbane from 18 May 2017 to 30 September 2022</td>
</tr>
<tr>
<td>June 2017</td>
<td>203,500</td>
<td>170,500</td>
<td>Australian National Audit Office</td>
<td>Audit of financial statements for year ended 30 June 2017</td>
</tr>
</tbody>
</table>

TOTAL 12,717,882 3,876,398
REQUIREMENTS UNDER THE CEFC ACT

The CEFC Act sets out the organisation’s purpose and functions, establishes arrangements for the Board, CEO and staff, and creates a system of delegations to ensure that the CEFC has sufficient resources and appropriate controls on their use.

The objective of the CEFC under the CEFC Act is “to facilitate increased flows of finance into the clean energy sector”. The main function of the CEFC is to invest, directly and indirectly, in clean energy technologies. The CEFC Act also specifies a number of support functions, including:

- Liaising with relevant individuals, businesses, agencies and State and Territory governments to facilitate the CEFC investment function
- Performance of any other functions conferred by the CEFC Act or any other Commonwealth law
- Anything incidental or conducive to the performance of the investment function or the other functions.

Clean energy technology is broadly defined in the CEFC Act to be energy efficiency, renewable energy and low emissions technologies. The Act expressly excludes CEFC investment in carbon capture and storage, nuclear technology and nuclear power.

During 2016-17 there were no amendments to the CEFC’s enabling legislation. However, on 31 May 2017 the Australian Government introduced a Bill into the Parliament to amend the CEFC Act to remove the prohibition on investing in carbon capture and storage. At the time of writing, the Bill was waiting to proceed through the House of Representatives and had not been introduced into the Senate.

CEFC INVESTMENT Mandate

The responsible Ministers may issue one or more directions to the Board under sub-section 64(1) of the CEFC Act, known as the Investment Mandate. This is the means by which the Government of the day provides instruction as to policies to be pursued by the CEFC in performing its investment function, provided this:

- Does not have a purpose of directing the Corporation to make or not make a particular investment
- Is not inconsistent with the CEFC Act (including the object of the CEFC Act).

Under the CEFC Act, the Board must be consulted on the draft of a proposed new Investment Mandate, and any submission made by the Board must be tabled in each House of the Parliament.

The Clean Energy Finance Corporation Investment Mandate Direction 2016 (No.2) (the ‘2016 Mandate No.2”) was issued on 13 December 2016 and replaced the Clean Energy Finance Corporation Investment Mandate 2016. The primary change was to provide direction in relation to the new Sustainable Cities Investment Program and the Reef Funding Program. It also directed the Corporation to reduce the funding allocation for the Clean Energy Innovation Fund. The changes in the Corporation’s Investment Mandate are detailed in Figure 56.

The 2016 Mandate No 2 is available at www.comlaw.gov.au.

Figure 56: Investment Mandates in effect 2016-17

<table>
<thead>
<tr>
<th>Name</th>
<th>Date issued</th>
<th>Date registered</th>
<th>Date of effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean Energy Finance Corporation (Investment Mandate Direction 2016)</td>
<td>5 May 2016</td>
<td>9 May 2016</td>
<td>10 May 2016</td>
</tr>
<tr>
<td>Clean Energy Finance Corporation Investment Mandate Direction 2016 (No.2)</td>
<td>13 December 2016</td>
<td>10 January 2017</td>
<td>11 January 2017</td>
</tr>
</tbody>
</table>

CEFC INVESTMENT POLICIES

The CEFC Investment Policies are available on the CEFC website: www.cefc.com.au. They include:

- The governance framework for CEFC investment activities
- The investment strategy, including the 2018 Portfolio Vision, investment approach and guidelines
- Links to Board-approved Guidelines
- Benchmarks and standards for assessing the CEFC performance
- Risk management.

The Board is responsible for formulating the Investment Policies and for ensuring they are consistent with the Investment Mandate. The Investment Policies are reviewed at least once annually and also upon issue of a new Investment Mandate. The Investment Policies were updated on 10 July 2017.
CEFC FUNDING

Under the CEFC Act, $2 billion is credited to the CEFC Special Account maintained by the Department of the Environment and Energy each 1 July, for five years from 1 July 2013.

The funds credited to the Special Account give rise to a drawing right of the CEFC against the Special Account, rather than an actual transfer to the CEFC. The funds are only drawn down by the CEFC when the CEFC has a need for them.

The CEFC funds its own operating costs through investment-related revenue. Repayments and revenue from the CEFC’s investments are paid directly to the CEFC operational account and are available for re-investment. Where the Board has identified funds that it considers surplus, these funds can be returned to the CEFC Special Account via the Department of the Environment and Energy.

Under the CEFC Act, and subject to ministerial authorisation by the Minister for the Environment and Energy, the CEFC may also make payments to ARENA. There were no payments made to ARENA during the 2016-17 reporting period.

A summary of movements in and out of the CEFC Special Account is set out in Figure 57.

Figure 57: Special Account credits and debits under CEFC Act 2016-17

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Credits ($m)</th>
<th>Debits ($m)</th>
<th>Balance ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance of the Special Account – 1 July 2016</td>
<td></td>
<td></td>
<td>4,979</td>
</tr>
<tr>
<td>Section 46 Credit – 1 July 2016</td>
<td>2,000</td>
<td></td>
<td>6,979</td>
</tr>
<tr>
<td>Section 48 Drawdown of Funds – 6 September 2016</td>
<td>100</td>
<td>350</td>
<td>6,879</td>
</tr>
<tr>
<td>Section 48 Drawdown of Funds – 21 October 2016</td>
<td>250</td>
<td>300</td>
<td>6,629</td>
</tr>
<tr>
<td>Section 48 Drawdown of Funds – 20 January 2017</td>
<td>300</td>
<td>350</td>
<td>6,329</td>
</tr>
<tr>
<td>Section 48 Drawdown of Funds – 21 April 2017</td>
<td></td>
<td></td>
<td>5,979</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,000</td>
<td>1,000</td>
<td>5,979</td>
</tr>
</tbody>
</table>

OTHER LEGISLATION, AUSTRALIAN GOVERNMENT POLICIES AND KEY GOVERNANCE EVENTS

PGPA Act 2013 and compliance with finance law

As a corporate Commonwealth entity the CEFC’s activities are also governed by the PGPA Act and its subordinate instruments. The PGPA Act imposes various duties, responsibilities and accountabilities on the CEFC Board (both as a collective and as individuals) and on CEFC employees.

There were no significant issues of non-compliance with finance law identified and reported to the responsible Ministers in 2016-17.

Note 1 to the Financial Statements contains more information about how the PGPA Act as the main finance law impacts the financial governance of the organisation and the preparation of the accounts.

Australian Government energy and environmental policies

Significant changes to Australian Government policy relating to the CEFC in 2016-17 were the creation of the Sustainable Cities Investment Program and the Reef Funding Program, through changes to the Investment Mandate. These policy developments were foreshadowed by the Australian Government before it was returned to office at the July 2016 federal election. Post-election, the Australian Government also determined to lower the amount of notional funding allocated to the Clean Energy Innovation Fund to $200 million over two years.

Through changes to Administrative Arrangements Orders, energy, energy efficiency, climate and environment policy were brought together into one portfolio under the Minister for the Environment and Energy. The CEFC welcomes this development and has been working effectively across the Department and relevant agencies and national energy sector regulators.

More broadly, the intersection of energy and environment policy took centre stage in national policy development and debate in 2016-17, reflecting Australia’s commitments to the Paris Agreement, the impacts of rising gas and electricity prices, the entry of new technologies and several unforeseen weather and system events. These included:

- Fallout from the Basslink outage and drought affecting hydro generation in Tasmania.
- The ‘system black’ event in South Australia on 28 September 2016.

Major climate and energy policy reviews were commissioned at the Commonwealth level in response to these events, including:

- The Department of the Environment and Energy 2017 Review of Australia’s Climate Change Policies, to recommend an approach to meeting Australia’s emissions target commitments under the Paris Agreement (ongoing).
- The Ministerial Forum on Vehicle Emissions (ongoing).
- The Independent Review into the Future Security of the National Electricity Market (Finkel Review) which reported on 9 June 2017. This review will also feed into the 2017 Review of Australia’s Climate Change Policies, above.
- The CSIRO Low Emissions Road Map – part of the CSIRO’s system-wide approach to mapping Australia’s future markets using science, which reported in June 2017. The Road Map is also intended to help inform the 2017 Review of Australia’s Climate Change Policies by providing an independent, science-based analysis of the technology options in the energy sector that can help Australia meet its 2030 emissions reduction target.
• The Climate Change Authority (CCA) report Towards a Climate Policy Tool Kit: Special Review on Australia’s Climate Goals and Policies – published in August 2016 after almost two years of research, analysis and policy consideration, the CCA recommended a comprehensive policy toolkit across Australia’s sources of emissions, including an Emissions Intensity Scheme for the electricity sector.

• The joint Australian Energy Market Commission and CCA report Towards the Next Generation: Delivering Affordable, Secure and Lower Emissions Power – which was commissioned to provide advice on policies to enhance power system security and to reduce electricity prices consistent with achieving Australia’s emissions reduction targets under the Paris Agreement. The bodies reported in June 2017 and agreed on three recommendations: (i) an Emissions Intensity Scheme for the electricity generation sector (ii) establishing a national framework for the gas market and (iii) the development of a competitive energy services market and associated demand management opportunities.

• A Feasibility Study of a Second Interconnector (Tamblyn Review). The Australian and Tasmanian Governments commissioned this study into whether a second electricity interconnector would help to address long-term energy security issues and facilitate investment in renewable energy. The study reported in April 2017 and found a second interconnector would “generate material benefits for the NEM under all plausible scenarios analysed and that those benefits would be sufficient to outweigh the cost… in some scenarios but not in others.” The CEFC contributed to this study and notes the scenarios in which the costs do not outweigh the benefit are based on a higher cost of capital than is observed in present market conditions.

The Australian Government and COAG’s determination of national responses to these reviews is critical to the investment climate for the entire electricity sector, consumers and the national economy. The CEFC has contributed to many of these processes, both informally and formally. Relevant CEFC submissions are available on the CEFC website: cefc.com.au

During the year, ARENA received more certainty as to its future funding arrangements. The amount of grant funding available for deployment to the sector generally impacts those investments that are incapable of supporting CEFC debt or equity investments without a grant. Certainty around ARENA’s future budget position is therefore a welcome development for the sector.

OTHER STATUTORY REQUIREMENTS AFFECTING THE CEFC

As a corporate Commonwealth entity which participates actively and commercially in the finance sector, the CEFC complies with a range of other statutory reporting requirements. These are outlined below. An index to reporting requirements can be found in Appendix A.

Equal Employment Opportunity (Commonwealth Authorities) Act 1987

The CEFC is required to report annually under the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 (EEO Act). A full report can be found in Appendix B.

Environment Protection and Biodiversity Conservation Act 1999

The CEFC is required to report annually under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act). A full report can be found in Appendix C.

Work Health and Safety Act 2011

The CEFC is required to report annually under the Work Health and Safety Act 2011 (WHS Act). A full report can be found in Appendix D.

Judicial decisions and parliamentary committees

The CEFC is not aware of any judicial decisions or decisions of administrative tribunals in 2016-17 that have had, or may have, a significant effect on the operations of the CEFC. There were also no reports about the CEFC made by the Commonwealth Ombudsman or the Office of the Australian Information Commissioner. There were also no reports about the CEFC from the Auditor-General other than the 2015-16 annual audit report accompanying the financial statements (as reproduced in the CEFC 2015-16 Annual Report).

As far as the CEFC is aware, the only Parliamentary Committee reports which substantially involved the CEFC during 2016-2017 were as follows:

• The Senate Environment and Communications References Committee report of the Inquiry into Retirement of Coal Fired Power Stations (29 March 2017)

• Senate Environment and Communications Legislation Committee, which reported on Additional Estimates 2016–17 (February 2017) and (29 May 2017)

• Select Committee into the Resilience of Electricity Infrastructure in a Warming World report, entitled Stability and Affordability: Forging a path to Australia’s renewable energy future (7 April 2017).