



13 October 2022

Meredith Mayes
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000 (via online submission) [Reference: EMO0042]

**Review into extending the regulatory framework to hydrogen and renewable gases –
Submission on final report**

Dear Ms Mayes,

The Clean Energy Finance Corporation (**CEFC**) welcomes the opportunity to make a submission to the Australian Energy Market Commission's (**AEMC's**) review into extending the regulatory frameworks to hydrogen and renewable gases. We very much value the opportunity to engage in this process.

The CEFC is responsible for investing \$10 billion in clean energy projects on behalf of the Australian Government and was established to facilitate increased flows of finance into the clean energy sector. The CEFC supports the development of a secure, reliable and affordable energy system whilst lowering emissions through its investment activities. The CEFC has made investments to support hydrogen and bioenergy (totalling \$351 million) and regulated network assets (e.g. \$295 million in funding for Project EnergyConnect), relevant to this review.

Given the CEFC's unique role in the Australian energy market, we are of the view that the most valuable perspective we can bring to policymakers is as an investor who invests in the public interest with commercial considerations in mind. The observations we make are from our perspective as a financial investor (albeit one with a specific policy objective to facilitate a low-carbon transition). The views and approach of the financial investment community are critical to Australia's ability to cost-effectively fund our energy transition. Our submission focuses on a key overarching issue (i.e. treatment of concessional finance) that is most relevant to our role and experience as a clean energy investor.

We welcome the AEMC's approach to concessional financing (as outlined in section 3.7) of the AEMC's Review into extending the regulatory frameworks to hydrogen and renewable gases, Final report, 8 September 2022. Significant investment is needed to transition the energy sector in the coming decades. The cost of capital will be a key determinant of end-consumer charges, given the high fixed cost/low operating cost nature of the investments to be made. Therefore, concessional finance is an important tool for ensuring the lowest cost outcomes for consumers through the transition. Furthermore, as the AEMC note, it can also help to support an investment that would not otherwise be undertaken by the service provider in the absence of concessional finance but is otherwise necessary for public policy outcomes such as decarbonising the energy system. The most relevant example of this is to overcome financeability challenges of service providers. We support the recommended draft rules outlined by the AEMC that allow concessional finance to be applied to achieve these outcomes and are supportive of the CEFC (as concessional funder) to have input into the



allocation of the benefit between consumer and network service provider. We note that whilst concessional financing is targeting capex for a project, there may be instances where the financing is to the service provider at the corporate level for allocation to particular project(s). We suggest that the AEMC make this sufficiently clear in the draft rules, as the rules need to be broad enough to cover the financing at both the corporate and direct project level. More broadly, we also look forward to engaging further with the AEMC in respect of the proposed concessional finance framework in the context of electricity network investments being proposed in the Transmission Planning and Investment Review Stage 3.

We very much value the opportunity that the AEMC has provided to enable the CEFC to provide input into this process. We look forward to the opportunity to engage further with the AEMC. Should you wish to discuss this submission further, please contact Allina Fawcett (Manager, Strategic Research Programs) at allina.fawcett@cefc.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ian Learmonth", is positioned above the printed name and title.

Ian Learmonth
Chief Executive Officer