

INNOVATION & RENEWABLE ENERGY OPPORTUNITIES UNDER THE FEDERAL GOVERNMENT'S CLIMATE CHANGE PLAN "SECURING A CLEAN ENERGY FUTURE JULY 2011" ("CLIMATE PLAN").

By Dermot Duncan

1. INTRODUCTION

This Newsflash is the third of our briefing series on the Climate Plan following our earlier Newsflashes on Energy Efficiency and the Carbon Farming and Biodiversity initiatives. We now highlight the "second pillar" of the Climate Plan, namely the opportunities for innovation in renewable energy.

2. INNOVATION IN RENEWABLE ENERGY OPPORTUNITIES

Chapter 6 of the Climate Plan is dedicated to the Federal Government's initiatives for innovation in renewable energy as a means of mitigating the impacts of climate change as well as developing new industries, jobs and technologies whilst restructuring Australia's economy to become more resilient.

Firstly, a "carbon price" will incentivise the demand for renewable energy in Australian as it incentivises investment decisions across the innovation chain, namely: from research, development, demonstration (i.e. crossing the "valley of death") to commercialisation. It is recognised that due to a "carbon price" focusing on greenhouse gas abatement, and a slow start coupled with compensation being paid to "polluters" and "households" that "complementary measures" are required to do some of the heavy lifting that a "carbon price" will achieve in the medium to long term: not immediately.

Secondly, there are different "complementary measures" used at the start of the "innovation chain" designed to "push" technology into the "valley of death" (i.e. R&D Tax Credit; Government Grants; Feed-in Tariffs; and Carbon Pricing) and others to "pull" demonstrated technology into "commercialisation (i.e. Renewable Energy Target; Energy Savings Schemes; Feed-in Tariffs; Carbon Pricing). The primary driver for the development of renewable energy is the Federal Renewable Energy Target ("RET") which will remain an effective tool to further incentivise the roll out of commercial technology.

Due to Australia's historical lack of a "carbon price" coupled with its small angel investor and venture capital markets, and the fact that only "commercial technology" is bankable under the RET, investment in early stage clean technology ("Cleantech") has not been strong with money coming from mainly friends, family and fools coupled with existing government grants and tax incentives.

The Government, in recognition of these "market barriers" is to establish:

- a new \$10 billion "independent" Clean Energy Finance Corporation ("CEFC") governed by a board of suitable investment experts. The CEFC will invest in two streams, the Renewable Energy Stream (i.e. wind/wave/tidal/solar etc); and/or the Cleantech Stream, including low-emission cogeneration as well as renewable energy. The CEFC will not invest in Carbon Capture and Storage. A variety of funding tools will be used to assist the CEFC financing, including: commercial or concessional loans and equity investments with all capital returned from its investment reinvested in the CEFC;

- a new Australian Renewable Energy Agency, incorporating the Australian Centre for Renewable Energy and the Australian Solar Institute (“ARENA”) to streamline and coordinate the administration of \$3.2 billion in existing support for renewable energy. ARENA will provide early stage grants and financing assistance for projects helping them cross the “valley of death”. It will also independently administer \$3.2 billion in existing Government support for R&D demonstration and commercialisation of renewable energy technologies. ARENA will receive discretionary funding from the CEFC and a share of future “carbon pricing” revenues should the “compensation” packages be amended downwards following the Productivity Review during 2014-15. ARENA will be administered by an independent board and together with the CEFC provide a robust framework to deliver funding for new clean technologies; and
- a \$200 million Clean Technology Innovation Program to provide grants to support R&D, proof-of-concept and early-stage commercialisation in renewable energy, low-pollution and energy efficiency in addition to the R&D Tax concession currently open for consultation.

3. CRISP LEGAL

We are hosting our third Environmental Leaders’ Forum shortly on the renewable energy sector. We are delighted to announce that Fiona O’Hehir (CEO: Greenbank Environmental Pty Ltd) will be speaking on recent developments in the renewable certificate markets and the renewable energy market as a whole.

We are currently assisting numerous stakeholders in the renewable energy sector from small scale installers of PV; carbon traders of RECs/ESCs; and larger project developers of wind/solar projects. If you would like any further information in relation to the renewable energy market, please contact Dermot Duncan or Glenn Crisp on their details below.

Our next Newsflash will look at the mechanics of the “carbon pricing” regime.