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# AUSTRALIA'S GREEN BANK TO SCALE UP LOW-CARBON INVESTMENT

**Key messages**

The Clean Energy Finance Corporation is one of only a handful of national green banks in OECD countries. Its main purpose is to help scale up investment in clean energy projects, thereby contributing to Australia's transition to a low-carbon economy. The Corporation has helped overcome barriers to private investment in low-emission solutions and cleantech.

**Country:** Australia
**Sectors:** Energy | Finance
**Scale:** National

Affordable and clean energy | Climate action | Partnerships for the goals

## Challenge

The Australian Government emphasises the key role of clean energy technologies on the path towards a low-carbon economy. Investment in innovative clean technology and solutions needs to take place on a far greater scale if Australia is to curb its greenhouse gas emissions in line with its international commitments. Financial flows need to be aligned with the low-carbon transition goal and help mobilise private capital to bridge the investment gap.

## Approach

Australia is one of the few OECD countries to have established a green bank at the national level. The Clean Energy Finance Corporation (CEFC) was set up in 2012 as an independent statutory authority. Its primary role is to facilitate investment into the clean energy sector, with the ultimate goal of bringing Australia on a low-carbon emission path.

The Government provided AUD 10 billion to the CEFC to be invested in the clean energy sector and used to catalyse additional finance from other investors. The Corporation is governed by an independent Board and reports to the Australian Parliament.

The Corporation finances projects related to energy efficiency, renewables and technology to reduce greenhouse gas emissions, excluding nuclear power. Since 2020, the Corporation has also invested in advancing hydrogen technology. In addition, the CEFC provides finance for projects to cut emissions from the built environment, transport, agriculture and waste management. Financing takes a variety of forms, from project finance and co-financing programmes to corporate loans, climate bonds and equities.

As of mid-2021, the CEFC had made investment commitments of more than AUD 9.5 billion over its lifetime, helping to spur nearly AUD 33 billion in clean energy projects across the country. This equals to nearly 2% of the country's gross domestic product. Since its inception, the Corporation has leveraged about AUD 2.40 in private sector finance for every dollar invested.

More than half of the Corporation's investment targets renewable energy projects. Since it started operations, the CEFC has financed 31 utility scale solar projects and 12 wind farms.

With a capital of AUD 200 million, the CEFC's Clean Energy Innovation Fund supports innovative and entrepreneurial cleantech businesses. In its first five years of operation, the Fund participated in financing almost 100 individual cleantech pioneers. Companies in the Fund's portfolio have attracted strong interest in follow on investment rounds, an indicator of the potential of these emerging businesses.

## Outcomes and lessons learned

The entire investment portfolio of the Clean Energy Finance Corporation is estimated to contribute to abating 220 Mt CO2eq over the lifetime of the financed projects.

The capital that the Corporation committed in 2019/20 is expected to reduce emissions by 1.1 Mt CO2eq annually.

The Corporation had helped develop debt and equity markets for clean energy investment, which had been a barrier to private investment.

## Further information

OECD (2019), *OECD Environmental Performance Reviews: Australia 2019*, OECD Publishing, Paris, https://doi.org/10.1787/9789264310452-en.

OECD (2021), *OECD Economic Surveys: Australia 2021*, OECD Publishing, Paris, https://doi.org/10.1787/ce96b16a-en.

CEFC (2021), "Year of firsts for trailblazing clean energy investor", *CEFC 2020-21 Investment Update*, Clean Energy Finance Corporation, Sydney, https://www.cefc.com.au/media/r0flqsvn/cefc_2020-21_investmentupdate.pdf.

**Last updated:** 06-10-2021