



# Australian Renewable Energy Agency Determination No 2 of 2012<sup>1</sup>

*Australian Renewable Energy Agency Act 2011*

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I, MARTIN FERGUSON, Minister for Resources and Energy, make this Determination under subsection 22 of the *Australian Renewable Energy Agency Act 2011*.

Dated **9 November 2012**

MARTIN FERGUSON  
Minister for Resources and Energy

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**1 Name of Determination**

This Determination is the *Australian Renewable Energy Agency Determination No 2 of 2012*.

**2 Commencement**

This Determination commences on 9 November 2012.

**3 Definition**

In this Determination:

*Act* means the *Australian Renewable Energy Agency Act 2011*.

*ARENA* means the Australian Renewable Energy Agency.

**4 Approval of the varied general funding strategy for the 2012-2013, 2013-2014 and 2014-2015 financial years**

- (1) On 2 July 2012, I approved, in accordance with subsection 19(1) of the Act, a general funding strategy (**the Strategy**) for the provision of financial assistance under the Act for the 2012-2013, 2013-2014 and 2014-2015 financial years. The Strategy was referred to as the Interim Funding Strategy in recognition of the fact that it was intended to allow continuation of activities whilst the board developed a framework for new funding programs.
- (2) The Board has, in accordance with subsection 22(4) of the Act, given a copy of the varied Strategy to me for approval (**the varied General Funding Strategy**). The varied General Funding Strategy is a general funding strategy within the meaning of section 19 of the *Australian Renewable Energy Agency Act 2011*. This general funding strategy wholly replaces the Interim Funding Strategy.
- (3) In accordance with subsection 22(5) of the Act, I approve the varied General Funding Strategy which is Schedule 1 of this Determination.
- (4) In accordance with subsection 22(5)(b) of the Act, the general funding strategy is to come into force on 9 November 2012.

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**Note**

1. All legislative instruments and compilations are registered on the Federal Register of Legislative Instruments kept under the *Legislative Instruments Act 2003*. See <http://www.frli.gov.au>.

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## Schedule 1

# ARENA General Funding Strategy 2012/13 – 2014/15

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ARENA is required under section 19 of the *Australian Renewable Energy Agency Act 2011* to develop a general funding strategy outlining ARENA's principal objectives and priorities for the financial year for which it is developed and the next two financial years. It determines how ARENA is able to provide financial assistance and provides the framework for its investment plan. The general funding strategy is reviewed and re-released annually and is subject to approval by the Minister for Resources and Energy.

### Strategic Objectives

ARENA's main objectives are to:

- improve the competitiveness of renewable energy technologies; and
- increase the supply of renewable energy in Australia.

Over the following three years, and consistent with ARENA's resourcing, ARENA will:

- (1) establish and implement a governance framework and corporate systems;
- (2) manage its portfolio of proposals, projects and programs to deliver value for money, including:
  - a. those referred to ARENA by the Minister for Resources and Energy;
  - b. the Emerging Renewables Program;
  - c. the Renewable Energy Venture Capital Fund;
  - d. the Advanced Biofuels Investment Readiness Program; and

- e. projects transferred to ARENA from the Department of Resources, Energy and Tourism and from the Australian Solar Institute (from 31 December 2012).
- (3) identify, design and launch new investment strategies (programs) in consultation with stakeholders; and
- (4) identify and pursue strategic initiatives in relation to individual projects, knowledge management, capacity building, collaboration and research.

**Complementarity:** ARENA is an integral element of the Australian Government's strategy for driving the long-term transformation to a clean energy economy. While two key market measures - a price on carbon and the Renewable Energy Target – will support the deployment of mature commercial renewable energy technologies, there is a range of price and non-price barriers to overcome if Australia is to develop a robust, technologically diverse portfolio of renewable energy assets. ARENA will work in concert with the agencies, programs and initiatives shown in the figure on page 5. ARENA anticipates working with the Clean Energy Finance Corporation (CEFC) to support projects that require a mix of financing from commercial and non-commercial sources. While ARENA will be able to provide finance necessary to de-risk many investments, it does not have the resources to fully finance large projects. ARENA may co-invest with the CEFC, among others, to assist with the additional finance required to support deployment at scale.

**Confidence building:** ARENA will address market failures and non-price barriers that lead to under-investment in renewable energy technologies from early-stage research through to commercialisation. ARENA seeks to build investor confidence and knowledge of renewable energy by providing assistance to help de-risk projects. ARENA will support emerging and next generation technologies through the research, development and demonstration stages.

**Diversity:** ARENA's mandate is to support the development and deployment of renewable energy rather than any particular renewable energy technology. ARENA's Investment Plan will primarily be thematically-based and outcome focused; that is, ARENA aims for successful near-commercial demonstrations and energy production.

ARENA will also support early stage investments in particular technologies, especially where it is strategic to do so; for example, when Australia has a world leading intellectual property position or the capacity to commercially exploit a particular renewable resource. ARENA's funding mechanisms will be designed to provide the appropriate type and level of support for prospective technologies given the outcome being pursued. ARENA intends to achieve diversity across several dimensions: themes and outcomes, technologies, funding sources and business models.



## Priorities

### Operational

- (1) Organisational capability: ARENA will develop its human, technological, information and learning capabilities, as well as engaging external experts.
- (2) Knowledge management: ARENA will identify, collect and disseminate information and knowledge produced by ARENA-funded projects while encouraging the creation of intellectual property.

- (3) Collaboration: ARENA will work with states and territories, industry, investors, researchers and other key domestic and international agencies to ensure it achieves value for money. In particular, it will:
- a. establish and maintain formal international engagement arrangements, and
  - b. actively seek to leverage funds from other investors.

### **Investment Plan**

ARENA has developed a three tier framework to structure its initiatives. These initiatives are described in the ARENA Investment Plan, which is released in conjunction with the General Funding Strategy. It will be updated as required during the term of the General Funding Strategy.

ARENA's Investment Plan will be delivered in stages and will be limited to a defined set of strategic objectives.

The Investment Plan will support activities undertaken on ARENA's own initiative as well as providing an outward facing mechanism that will provide opportunities for applicants to seek funding.

ARENA will develop flexible grant structures to deliver its initiatives.

ARENA will closely monitor the mix of solutions, funding mechanisms and business models deployed and, where necessary, adjust its level or mode of funding.

ARENA may focus in areas where Australia has unique challenges, already has an advantage or where Australia has the potential to make an impact globally.

ARENA will focus its efforts to help ensure projects succeed and appreciates that, in setting its priorities, it cannot be all things to all stakeholders.

#### **Tier 1: Strategic initiatives**

With funding guaranteed by legislation, ARENA will be an agent of change and bring a long-term commitment to the research, development,

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demonstration, commercialisation and deployment of renewable energy technologies.

The ARENA Board will identify and pursue opportunities, including the finalisation of the previously selected project under the former Solar Flagships program, that have the potential to significantly advance the development and deployment of renewable energy technologies in pursuit of defined outcomes. This will involve exploring renewable energy generation opportunities in off-grid and edge-of-grid areas, as well as promoting the integration of renewable energy technologies into major grids and hybrid solutions. This may also involve identifying opportunities for renewable transport fuels.

ARENA will be nimble in identifying and capitalising on opportunities that accelerate the development and deployment of renewable energy. For this reason, the capacity to initiate projects, commission research and undertake one-off initiatives that may fall outside the scope of specific programs will form an integral part of ARENA's Investment Plan.

The majority of ARENA's investment funds over the next three years are expected to be directed to energy generation projects that are closest to commercial viability and where investment will accelerate this outcome.

### **Tier 2: Supporting initiatives**

ARENA will put in place mechanisms and pursue initiatives that address roadblocks to the development and deployment of those solutions that offer the best prospects for achieving the outcomes of its strategic initiatives.

### **Tier 3: Complementary initiatives**

ARENA will support a range of activities including:

- research and development;
- demonstration;
- studies, international engagement and strategic research; and
- knowledge development and sharing: industry, researchers, community groups and other stakeholders will be able to apply for funding to carry out knowledge-based projects or activities.

Research and development is crucial to progressing emerging renewable energy technologies. ARENA will support the next generation of promising renewable energy technologies, including those projects that were transferred to ARENA on its commencement on 1 July 2012.