



## **Clean Energy Finance Corporation Investment Mandate Direction 2013**

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We, WAYNE MAXWELL SWAN, Treasurer, and PENELOPE YING YEN WONG, Minister for Finance and Deregulation, give this direction under subsection 64 (1) of the *Clean Energy Finance Corporation Act 2012*.

Dated            16 April 2013

WAYNE MAXWELL SWAN  
Treasurer

PENELOPE YING YEN WONG  
Minister for Finance and Deregulation

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## Part 1 Preliminary

### 1. Name of Direction

This direction is the *Clean Energy Finance Corporation Investment Mandate Direction 2013*.

### 2. Commencement

This direction commences on the day after it is registered (on the Federal Register of Legislative Instruments).

### 3. Definitions

In this direction:

*Act* means the *Clean Energy Finance Corporation Act 2012*.

Note: *Board*, *Corporation* and *responsible Ministers* are defined in the Act.

### 4. Purpose of this direction

The purpose of this direction is to give guidance to the Board in relation to the performance of the Corporation's investment function. The Corporation is required under section 58 of the Act to invest in clean energy technologies subject to its other obligations under the Act and any directions given by the responsible Ministers under subsection 64 (1) of the Act.

This direction is given under subsection 64 (1) of the Act.

## **Part 2 Direction**

### **5. Introduction**

The Corporation is a mechanism to help mobilise investment in renewable energy, low-emissions and energy efficiency projects and technologies in Australia, as well as manufacturing businesses and services that produce the required inputs. The Corporation will invest at the demonstration, commercialisation and deployment stages of innovation. The Corporation has been established to finance Australia's clean energy sector using financial products and structures to address the barriers inhibiting investment.

The intention of the Corporation is to apply commercial rigour when making its investment decisions. The Corporation will have regard to its potential effect on other market participants when considering investment proposals. In line with its policy intent, the Corporation should have regard to positive externalities and public policy outcomes when making investment decisions and when determining the extent of any concessionality for an investment.

### **6. Portfolio Benchmark Return**

The Board is to adopt a benchmark for the return of the portfolio based on a weighted average of the five-year Australian Government bond rate. Performance against this benchmark will be measured net of operating expenses.

In targeting the benchmark return and operating with a commercial approach, the Corporation will seek to develop a portfolio across the spectrum of clean energy technologies that in aggregate must have an acceptable but not excessive level of risk relative to the sector.

### **7. Limits on Concessionality**

The Corporation must limit the amount of concessionality it provides in any one financial year to \$300 million.

Concessionality reflects the mark to market valuation of loans made that financial year and should be measured as the difference between the present value of each loan at market rates and the present value of each loan at the given concessional rate.

## **8. Limits on Guarantees**

Guarantees pose a particular risk to the Commonwealth's balance sheet and, as such, restrictions on their use are appropriate and the Corporation should seek to avoid their use where possible. The Corporation must ensure that all guarantees are limited and quantifiable.

At no time may the total potential liability under outstanding guarantees exceed the amount of the uncommitted balance of the Clean Energy Finance Corporation Special Account. The Corporation must also ensure the total value of guarantees at any time does not exceed 5% of the total amount that has been credited to the Special Account under section 46 of the Act.

## **9. Application of Australian Industry Participation Plans**

Australian Industry Participation (AIP) Plans must apply to projects that the Corporation invests in in accordance with the Government's AIP Plan policy.

## **10. Corporation must consider impacts from its investment strategy**

In undertaking its investment activities, the Corporation must consider the potential effect on other market participants and the efficient operation of the Australian financial and energy markets.

The Corporation must not act in a way that is likely to cause damage to the Australian Government's reputation.

## **11. Corporate Governance**

In performing its investment function, the Corporation must have regard to Australian best practice in determining its approach to corporate governance principles.

The Corporation must develop policies with regard to environmental, social and governance issues.