



Australian Government

Australian Renewable Energy Agency

ARENA

General funding strategy

2013/14 - 2015/16

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Under section 19 of the *Australian Renewable Energy Agency Act 2011*, ARENA is required 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. The general funding strategy determines how ARENA provides financial assistance. 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 legislative objectives are to:

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

To achieve these objectives, ARENA's mission is to help catalyse the development and deployment of renewable energy in Australia.

Principles

Complementarity

ARENA is an integral element of the Australian Government's strategy for driving the long-term transformation to a clean energy economy. Two market measures - a price on carbon and the Renewable Energy Target - support the deployment of mature commercial renewable energy technologies. However, there is a range of cost and other barriers to overcome if Australia is to develop a robust, technologically diverse portfolio of renewable energy assets. ARENA will work in concert with state and territory governments, project proponents and with the agencies, programs and initiatives shown in the figure on page 3 to achieve its renewable energy objectives.

ARENA will seek to support projects that require a mix of financing from commercial and non-commercial sources such as the Clean Energy Finance Corporation (CEFC). 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-cost 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 investments 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 will use a range of funding mechanisms to provide the appropriate type and level of support. ARENA intends to achieve diversity across several dimensions: themes and outcomes, technologies, funding sources and business models.

Australian Government Initiatives and Programs

Research and Development

- ARENA
- Cooperative Research Centres
- Australian Research Council
- CSIRO
- Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (Research and Development Tax Incentive, Clean Technology Innovation Program)

Demonstration

- ARENA

Deployment

- ARENA
- Clean Energy Finance Corporation
- Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (Commercialisation Australia, Enterprise Connect, Clean Technology Innovation Program)
- Clean Energy Regulator (Renewable Energy Target)

Enabling Measures

Regulation; market access and grid integration; resource understanding; collaboration; knowledge sharing.

Investment Priorities

Scope of activities

ARENA supports a range of activities including:

- » research and development;
- » demonstration;
- » deployment; and
- » international engagement, knowledge development and sharing.

ARENA monitors, identifies and pursues opportunities that have the potential to significantly advance the development and deployment of renewable energy technologies.

This involves exploring opportunities in renewable energy generation and fuels 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 integrating renewables with existing fossil fuel plants (hybridisation). Hybridisation can be used to demonstrate renewables in a lower risk, lower cost manner providing a smoother transition to more renewable energy generation in the future.

ARENA's priorities also include research and development into 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 and those transferred from the Australian Solar Institute on 1 January 2013. ARENA will also continue to work to progress projects selected under the former Solar Flagships program, as well as those projects referred to it by the Minister for Resources and Energy.

Investment Framework

ARENA has a three tier framework to structure its initiatives.

The specific initiatives selected by ARENA are described in the ARENA Investment Plan, which is released separately.

ARENA will be nimble in identifying and capitalising on opportunities that accelerate the development and deployment of renewable energy. The capacity to provide financial assistance and support for exceptional (high merit) opportunities where those opportunities are not fully captured by specific initiatives will form an integral part of ARENA's Investment Plan. ARENA may either instigate these projects at its own initiative or work with industry to facilitate such exceptional opportunities.

The General Funding Strategy gives ARENA the legal authority to make investments, while the Investment Plan outlines what investments ARENA intends to make. ARENA's investment plan may be updated from time to time. If any conflict was to arise between the two documents, the General Funding Strategy takes priority.

Tier 1

Strategic initiatives

Strategic initiatives are larger in scope and scale and typically fund market-oriented, near commercial projects. While ARENA expects to implement only a small number of strategic initiatives over time, this is where the bulk of ARENA's funding is likely to be allocated, given the costs associated with large scale demonstration and deployment.

Tier 2

Supporting Initiatives

Supporting initiatives are of more limited scope and address specific roadblocks to the success of a strategic initiative; they may also create the pre-conditions necessary for the emergence of the next generation of strategic initiative solutions.

As their name implies, the purpose, design and timeframe of supporting initiatives will be strongly defined by the strategic initiative they are supporting.

Tier 3

Complementary Initiatives

Complementary initiatives provide ARENA with the flexibility to invest in a diverse range of opportunities, maximising the prospects of ultimately fulfilling its objectives. These initiatives may have a wider scope than strategic and supporting initiatives, and often address themes common to multiple initiatives, helping balance the ARENA portfolio. ARENA anticipates that this tier of the investment framework will support a diverse mix of activities and provide scope for trialling more innovative funding models.

ARENA

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