



15 December 2016

The Hon Josh Frydenberg MP
Minister for the Environment and Energy
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Dear Minister

Re: Australian Renewable Energy Agency Statement of Intent

Thank you for your letter of 23 November 2016 setting out your expectations for the Australian Renewable Energy Agency (ARENA). I outline below ARENA's Statement of Intent.

I and other Board members look forward to working with the Government to drive clean energy innovation, helping to deliver jobs of the future and providing options to meet or exceed the Government's emission targets. ARENA will focus its efforts consistent with legislation, taking into account the Australian Government's broad policy framework and priorities.

Funding Priorities

The ARENA Board is aware of our important ability to fund clean energy technology research and development (R&D). ARENA has previously executed two specific, successful R&D funding rounds, which build on the substantial portfolio of R&D projects and Strategic Research Initiatives established by the Australian Solar Institute. ARENA is currently planning further R&D support based on the comprehensive work of the recently completed Solar R&D Review. In addition to these specific ARENA-driven programs ARENA supports R&D across a range of other topics through, for example, studies funded through the Advancing Renewables Program.

The ARENA Board expects that a significant proportion of ARENA's uncommitted funding will be used for R&D activities, contributing to Australia's Mission Innovation commitment. Initial planning work currently being undertaken by ARENA suggests that a doubling of R&D expenditure is possible. A significant contribution will be made through the draft priorities the Board envisages for the next three years. The Board intends to review progress and adjust expenditure with a view to at least doubling ARENA's expenditure on R&D. When expanding ARENA's R&D expenditure the Board and I are cognisant that a gradual increase is required in order to build capacity of both qualified people and research infrastructure so that 2020 R&D expenditure is utilised in a proper, efficient and effective manner.

The successful commercialisation of R&D - pulling R&D through to a point of commercial readiness - will also need significant attention so that R&D support delivered by ARENA and other Government agencies leads to practical options to enable Australia to meet and exceed its emissions targets at least cost over coming decades.

The ARENA Board is confident Australia will be able to maintain security and reliability as the proportion of renewable energy in the electricity network increases, although it will no doubt require concerted effort and innovation in policy, regulatory, commercial and technical areas. Research, development and demonstration can help enable a smooth transition at least cost. ARENA is well placed to assist this transition through supporting innovation in enabling technologies such as storage as well as other technologies and approaches to balance the grid and enhance security. ARENA's preliminary investment planning process has also identified these topics as priority areas for work. There is potential for ARENA-funded projects and studies to inform technical and commercial innovation, as well as policy and regulatory reform. We anticipate a particular focus on integrating distributed energy sources, grid balancing, security and storage. We intend to build on established relationships with energy sector participants and institutions, such as the Australian Energy Market Operator (AEMO), to ensure ARENA's contribution complements that of others.

I look forward to discussing these and other identified priority areas with you in the context of the General Funding Strategy and Investment Plan. The Board intends to provide these to you for comment and review in the timeframes suggested in your letter. We will review and update these documents as needed, taking into account changes in market conditions, global developments, relevant regulatory changes and policy reviews (including the low-emissions technology roadmap, Finkel review of energy security, innovation audit, and 2017 climate policy review).

Working in Partnership with other agencies

ARENA recognises it is one of multiple government agencies supporting clean energy innovation and the ARENA Board is aware that our unique ability to fund across the entire innovation chain gives ARENA the opportunity to work collaboratively with a wide range of organisations.

ARENA has built up a strong relationship with many of these agencies, especially the CEFC with which close collaboration already occurs on a number of projects including the successful large scale solar program. ARENA looks forward to continuing to develop its strong relationships with Government agencies, relevant non-government organisations (such as AEMO), as well as your Department. When working in partnership with such organisations ARENA will ensure Government support for clean energy innovation is collaborative, efficient and effective.

Regarding the Clean Energy Innovation Fund (Innovation Fund), ARENA is committed to ensuring the Innovation Fund is successful. ARENA and the CEFC have been working collaboratively to establish the Innovation Fund since the announcement was made and we anticipate the Innovation Fund governance arrangements will shortly be finalised.

Organisational Governance and Financial Management

The ARENA Board, with advice from our Risk and Audit Committee, will continue to uphold good governance and compliance with all legislative requirements including those for financial management. ARENA has robust and efficient processes consistent with its obligations for proper, efficient and effective administration, transparent decision making, and functions it is required to perform under the ARENA Act and PGPA Act.

The Board will seek to continually improve ARENA's operations and services. ARENA's Corporate Plan for 2016-17 has been recently completed and the Work Plan required by the ARENA Act is currently under development; we propose to advise you of significant business improvements as part of the process to develop these documents each period.

I also see ARENA's Corporate Plan and Annual Report as opportunities to advise you how we will continue to focus on high performance and value for money in ARENA's support for innovation in renewable energy and, in future, other clean energy technologies. I have asked ARENA management to continue to consult with your office and Department as the next iterations of these documents are developed.

Communication with the relevant Minister and the Department of the Environment and Energy

We will continue to seek your prior approval for overseas travel by the Board, CEO or CFO undertaken for ARENA purposes.

ARENA looks forward to continuing a strong relationship with your Department. I have asked ARENA management to keep engaging in cross-portfolio discussions, and to work with your Department as appropriate to help inform policy development.

ARENA also intends to continue fulfilling its knowledge sharing function by informing project proponents, investors, regulators and policy-makers of significant project outcomes. Where ARENA project experience is able to shed light on a policy problem, it may be appropriate for this to extend to engaging in policy discussions or making submissions to enquiries. In doing so ARENA will keep your department informed. ARENA management will also continue to provide notice of significant announcements and events.

I will continue to inform you after each board meeting of key deliberations and outcomes, and details of any significant correspondence or stakeholder interactions, consistent with the conventions outlined in your letter and the established approach.

Once again, thank you for the opportunity to contribute to the Government's agenda on clean energy innovation through ARENA, and I look forward to working with you further.

Yours sincerely



Martijn Wilder AM
Chair
Australian Renewable Energy Agency