



THE HON JOSH FRYDENBERG MP
MINISTER FOR THE ENVIRONMENT AND ENERGY

PDR: MS16-002032

Mr Martijn Wilder
Chair
Australian Renewable Energy Agency
GPO Box 643
CANBERRA ACT 2601

23 NOV 2016

Dear Mr Wilder

Statement of Expectations

Following the Government's decision to increase the amount of funding available to ARENA over the forward estimates by \$800 million, I am pleased to provide you with the following statement setting out the Government's expectations of how the Australian Renewable Energy Agency will perform its role.

It is important that, in exercising its functions and meeting its legislated requirements, ARENA takes into account the Government's broad policy framework and key priorities.

In writing this Statement of Expectations, I acknowledge the functions of ARENA as set out under the *Australian Renewable Energy Agency Act 2011* and the *Australian Renewable Energy Agency (Consequential Amendments and Transitional Provisions) Act 2011* (the ARENA Acts), as well as ARENA's independence as a corporate Commonwealth entity.

Funding priorities

Following recent negotiations in the Parliament on ARENA's funding, it is timely to ensure that this funding is directed to activities that reflect Australia's energy policy priorities. The following are therefore the Government's key priorities for ARENA:

1. ARENA should dedicate substantial funding to research and development, in particular to support the next wave of new clean energy technologies. It is at the early stage, including when these technologies are being researched and developed in laboratories and startup businesses, that the case for Government grant support is strongest. It is important that ARENA's financial assistance is provided with line of sight to commercial outcomes, where funding is not available from other sources.

The Prime Minister has made a commitment, as part of the global Mission Innovation initiative, to double Australia's annual research and development expenditure on clean energy technologies by 2020. Accordingly, I expect that ARENA should at least double the amount of its funding allocated to research and development, compared to past allocations, consistent with the Mission Innovation target.

2. ARENA should prioritise research and development funding of technologies such as storage that will support electricity system security and reliability while the proportion of electricity generated from renewable energy increases. ARENA's choices in this area should take account of the findings of the Chief Scientist's review into a blueprint for national energy system security and reliability.
3. I expect the revision and setting of other funding priorities to be informed by input from independent expert sources (as they become available), including CSIRO's Low Emissions Technology Roadmap, the national innovation system audit by the Office of Innovation and Science Australia, and the outcomes of the 2017 review of climate policies.

I would like to review a revised ARENA General Funding Strategy by March 2017, and receive a detailed Investment Plan by then also. Funding priorities should of course be periodically reviewed, which I would expect the ARENA Board to do on the basis of expert independent advice and taking into account emerging developments in clean energy.

I expect the ARENA Board to develop a clear strategy for the allocation of ARENA funding and for evaluating the efficacy of that funding. That strategy should include careful consideration of how ARENA's funding complements the work of other agencies and measures (see below).

Working in partnership with other agencies

The Government has in place a suite of agencies and measures to support clean energy innovation. These are arranged into three distinct elements: beginning with research and development, then demonstration, and through to deployment. Within those three elements, agencies like ARENA, the Australian Research Council (ARC), the CSIRO and the Clean Energy Finance Corporation (CEFC) play complementary roles.

It is important that ARENA plays a collaborative role in partnership with these other agencies and other relevant Commonwealth Government departments, so that the support provided to technologies and businesses is seamless across the three elements of the spectrum and synergies are realised.

As you know, the Department is working with ARENA to progress a regulation that will expand the scope of ARENA's activities to include energy efficiency and low emissions technology. The drafting of that regulation will make clear how these new technology areas will complement ARENA's ongoing primary focus on renewable energy.

It is important that ARENA works with other agencies in making major funding decisions and determining priorities. There should be scope to deliver joint activities or work programs with agencies like the CSIRO and the ARC. ARENA should also continue with its knowledge sharing activity, where that activity clearly adds value to the development of emerging technologies.

I confirm that it remains the Government's expectation that the Clean Energy Innovation Fund will be jointly managed by the CEFC and ARENA, and will draw on the complementary experience and expertise of both agencies. The Innovation Fund will build on the financial assistance that ARENA provides by investing in businesses and technologies that are ready to take the next step towards commercialisation.

My expectation is that governance arrangements for the Clean Energy Innovation Fund will soon be agreed between the Boards of ARENA and the CEFC and set out in a Charter or Memorandum of Understanding.

Organisational governance and financial management

The Government expects ARENA to ensure that, in administering the Commonwealth's funds, it acts in a proper, efficient and effective manner, with decisions about the provision of financial assistance being merit based, decided against transparent criteria, well documented, and subject to an appropriate level of risk assessment.

The Government expects that ARENA is efficient in its use of resources and pursues all opportunities to improve the efficiency of its operations, and to deliver value for money for the services and the financial assistance it provides. I look forward to your advice on how this is being achieved.

ARENA should continue to meet its obligations under the *Public Governance, Performance and Accountability Act 2013*. I also expect ARENA to continue to seek my prior approval for any overseas travel proposed to be undertaken by the Board, Chief Executive Officer or Chief Financial Officer for ARENA purposes.

Keeping the relevant Minister updated

ARENA operates as an independent statutory authority, under my portfolio responsibilities. As the responsible Minister I expect ARENA to keep me and my Department informed, in a timely and accurate way, of significant issues relating to the agency. This includes a written report within 10 business days of each Board meeting, outlining the key deliberations and outcomes of the meeting, and details of any significant correspondence or significant stakeholder interactions.

It is my expectation that ARENA continues to liaise with the Department so that Ministerial briefing and advice that ARENA provides to Government canvasses all relevant issues and sensitivities and encompasses portfolio-wide issues. In return, I will ensure that the Department consults with ARENA in a timely manner when it is working on matters which are expected to affect it.

ARENA should also continue providing prior notice, to my Department, of significant announcements and events, or any intention to participate in policy discussions (such as through submissions to enquiries).

This Statement of Expectations applies from the date of receipt by ARENA until otherwise amended. I look forward to receiving in response your Statement of Intent, outlining how you propose to implement these expectations, and to working collaboratively with ARENA and other portfolio agencies on this very important work.

Yours sincerely



JOSH FRYDENBERG