



Energy market step change required now to unlock clean energy investment and save \$7b

23 August, 2021, Canberra: The [Clean Energy Investor Group \(CEIG\)](#) has today launched its Clean Energy Investor Principles, outlining the key reforms needed to align Australia with international markets this decade, reducing the cost of capital and attracting significant new investment into the National Electricity Market.

If governments and regulators implement reforms consistent with the principles that would deliver a cost saving of up to \$7 billion in the \$70 billion investment pipeline of new generation required by 2042 to meet the energy sector's contribution to Australia's Paris Climate Agreement commitments.

The 5 Clean Energy Investor Principles announced today are:

1. Align National Electricity Market (NEM) development with global markets;
2. Redesign governance for transformation;
3. Improve revenue certainty;
4. Allocate risk effectively;
5. Build investable and innovative markets.

Supported by expert modelling commissioned by CEIG from **Rennie Partners**, the Principles outline what is necessary to reduce investor risk in the NEM and align with international investment markets. A survey of investors revealed that clean energy projects in Australia currently bear excessive risk and as a result there is inadequate investment and a cost premium which is ultimately borne by consumers.

CEIG's investor members determined that the Step-Change Scenario is the only scenario in the Integrated System Plan that is aligned with both international markets and Australia's commitment to the Paris Target. It should be adopted for future planning and risk mitigation by Australian governments and market regulators.

The Rennie Partners modelling quantified the pace of change already underway and demonstrates that the governance and rules of the NEM must be redesigned around transformation to create investable markets over the 2020s. Key findings include:

- **51 GW of new renewable energy generation** will need to be built before 2042;
- Only **3 GW of wind and solar projects have been committed, leaving a deficit in the project pipeline of 48 GW (to 2042);**
- In total this renewable energy investment pipeline is worth **\$70b;**
- **15 GW of new storage capacity** will also be required;
- A survey of investors found that the cost of investment could reduce dramatically if the Principles were adopted, **saving up to \$7 billion in capital costs** with the cost of equity reduced by 100-250 basis points.
- Adopting the Principles will translate to potential cost of equity reductions worth up to 10% in the total cost of the future NEM development pipeline.

Board Chair and CEO of the CEIG, Simon Corbell said:

“Clean Energy Investors currently face significant risks in the NEM, which is holding back the capital needed. To unlock an investment pipeline worth up to \$70 billion we need effective market reforms and policy certainty, which could also save up to \$7b in capital costs, or up to 10% of the cost of Australia’s clean energy transition.

“Adopting the Clean Energy Investor Principles would address the key risks faced by investors and align Australia’s energy investment landscape with international market expectations, unlocking the low-cost capital required.

“Focusing on reforms which address the need for timely and secure access to the grid, greater revenue certainty, contestability in transmission development and fit for purpose NEM governance will deliver the investment confidence needed - and at a cheaper cost.

“The Clean Energy Investor Group, representing 18 domestic and global investors with a combined Australian portfolio value of over A\$24 billion is ready to commit to a \$70b investment pipeline.

“Australia’s clean energy future can be realised at a significantly cheaper cost if key investor risks are tackled, and we plan for a future electricity market which is aligned with our international commitments and global investor sentiment.”

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