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19 June 2026

Retirement Income and Superannuation Division
The Treasury
Langton Crescent
Parkes ACT 2600

Lodged online via: https://consult.treasury.gov.au/c2026-763205

Dear Sir/Madam,

Response to the Consultation Paper: Strengthening the Superannuation Performance Test

The Clean Energy Investor Group (CEIG) welcomes the opportunity to respond to Treasury's consultation paper, Strengthening the Superannuation Performance Test (the consultation paper), released in May 2026. CEIG strongly supports the Government's objective of ensuring the test does not create unintended barriers to investment while continuing to protect members from persistent underperformance.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of installed renewable energy capacity across more than 76 power stations and a combined portfolio value of around $38 billion. CEIG members' project pipeline is estimated to be more than 46GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy future on behalf of the investors who will provide the low-cost capital required for this transition.

Key Points

GENERAL COMMENTS

- CEIG appreciates the Treasury's ongoing efforts to remove policy barriers that inhibit increasing investment levels in renewable energy from the superannuation industry.
- CEIG supports updating the performance test used for renewable power assets so it is more fit for purpose.

RECOMMENDATION

- **CEIG recommends the Government continue to pursue Option 1 *and* adjust the benchmark so it includes emerging and alternative asset classes, including renewable power assets.**

Features of a benchmark suitable for renewable power assets

- A suitable benchmark that is fit for the purpose of performance testing must align with the needs and obligations of super funds and the investment timeframe and performance characteristics of renewable power assets
- A fit-for-purpose lookback period will align with the investment timeframes typical with renewable power assets
- A fit-for-purpose performance test will accommodate standard and reasonable fees required by infrastructure funds that can offer products that fit the risk appetite of superannuation funds

Benchmark options presented in the consultation paper

- CEIG continues to hold a preference for an alternative benchmark that assesses **unlisted infrastructure assets against a more granular, better aligned, industry-specific benchmark built and maintained by an independent regulator**.

- CEIG's first preference is for the Government to progress Option 1.1 by introducing a new emerging covered asset class benchmarked to a CPI + X target, with renewable generation and enabling technologies (including firming and long-duration storage and emerging transition technologies) expressly within scope. As the consultation paper remarks, a CPI + X benchmark appears better suited to contracted, inflation-linked renewable asset cash flows than the current benchmark because it should result in lower tracking error.
- In the alternative, or in addition, CEIG could support progressing Option 1.2 by broadening the Alternatives covered asset class and re-weighting, or replacing, its composite listed-market benchmark so that it better reflects the risk and return drivers of renewable power infrastructure.

GENERAL COMMENTS

Australia's $4.5 trillion superannuation system is one of the largest potential sources of the patient, long-term capital required to finance the energy transition. Recently released analysis shows that Australia's 30 largest superannuation funds together have contributed only 0.8% of the total capital invested in renewable power in Australia to date.[1] This amount, $771 million, is merely **0.03%** of the $2.5 trillion in members' retirement savings managed by these 30 funds and more than a third less than the $1.2 billion Canadian pension funds have invested from roughly the same sized pool of capital.[2]

CEIG therefore welcomes the Government's consultation on the Your Future Your Super performance test benchmark in consideration that it creates unintended barriers to investment in the sector.

As the consultation paper identifies, prior consultations and the Treasurer's roundtables have identified two aspects for reform that could improve the benchmark: renewable energy projects are among the assets poorly represented in the test's benchmarks (Box

[1] Reference to Market Forces report once available

[2] The 'Maple Eight' pension funds had approxmately $2.7bn in assets under management at the end of 2025. See https://en.wikipedia.org/wiki/Maple_Eight.

3) and some misalignment between investment timelines and historical performance data and the lookback period.
CEIG's submission focuses on the two design features that have been identified as discouraging superannuation investment in renewable generation:

1. the composition of the benchmark indices, and
2. the ten-year lookback period over which returns are assessed.

Because these two features interact, CEIG considers they should be reformed together.

Removing these barriers would support new generation even where the effect is indirect. Superannuation funds are natural long-term buyers of operating, de-risked renewable assets, and every dollar of super capital invested to acquire an operating plant recycles capital back to developers to finance new greenfield projects. The report referenced above supports this, finding that the majority of investments from large funds have flowed to asset managers or infrastructure funds.

The benchmark requires refinement to properly represent renewable energy assets
The current performance test's benchmark for renewable energy investments – the Australian Unlisted Infrastructure benchmark within the MSCI Australia Quarterly Private Infrastructure Fund Index, features assets that poorly match, on the whole, the risk and performance characteristics of renewable power infrastructure. As the consultation paper describes, it is "mainly comprised of power, airports, and other transport infrastructure, with some exposure to renewable energy."

Wind, solar, and storage assets therefore have their performance measured against a basket dominated by mature, operating transport and utility assets. These exhibit materially different cash-flow, risk and return characteristics than the large majority of renewable assets that are newer, and in an industry that features different market structure, risk, and performance parameters.

This mismatch is not a marginal technicality. Renewable generation assets typically earn revenue under long-term contracts – power purchase agreements and Commonwealth and state support schemes such as the Capacity Investment Scheme – as well as bidding into an organised wholesale market and frequently must hedge inflation and other financial risks. Their return drivers bear little resemblance to the predominantly brownfield infrastructure that drives the benchmark index. This means the tracking error that trustees holding renewables consequently incur reflects the unsuitability of the benchmark rather than the quality of their investment decisions, creating precisely the disincentive to invest that the consultation paper seeks to remove.

CEIG recommends Treasury:

- Progress Option 1.2 by broadening the Alternatives covered asset class and re-weighting or replacing its composite listed-market benchmark so that it better reflects the risk and return drivers of renewable infrastructure. Recently introduced benchmarks such as the Scientific Infra & Private Assets' Infra Green mentioned below could serve as a model or perhaps the benchmark.
- In the alternative, or in addition, progress Option 1.1 by introducing a new emerging covered asset class benchmarked to a CPI + X target, with renewable generation and enabling technologies (including firming and long-duration storage and emerging

transition technologies) expressly within scope. A CPI + X benchmark appears better suited to contracted, inflation-linked renewable asset cash flows than the current benchmark because it should result in lower tracking error.[3]

- Set any allocation cap on the new covered asset class above the five per cent level canvassed in the consultation paper, or make the cap subject to periodic review, so that the cap does not itself become a binding constraint on funds seeking larger energy-transition exposures.
- Apply growth and defensive versions of the CPI + X benchmark so that operating, contracted assets and earlier-stage development assets are each assessed against an appropriate margin.

The ten-year lookback systematically mis-measures greenfield renewables

The consultation paper recognises (Box 3) that renewable power infrastructure often can exhibit a "J-curve, with low or negative returns in early years followed by stronger performance as assets mature," and that the ten-year lookback is intended to provide flexibility for long-term decisions. Investors in private infrastructure respond to this by including time-weighting in their investment strategies and evaluations. CEIG's members' experience, and the available evidence, indicate that absent relevant time-weighting, ten years measured against an operating-asset benchmark is insufficient to neutralise the J-curve for greenfield renewable assets.

The J-curve in renewable infrastructure is real and measurable. For greenfield infrastructure, capital is called during construction and distributions begin only once the asset is operational – typically three to five years after the initial capital call. Greenfield renewable strategies target net returns of around 15 per cent or more, compared with 6 to 9 per cent for mature, operating assets, precisely because returns are backloaded. Measured against a benchmark of mature operating assets, the early years show low or negative returns that appear as underperformance even when the investment is performing to plan.

This pattern is visible not only in direct funds but in structured return data and in listed vehicles that hold portfolios of renewable assets:

- Scientific Infra & Private Assets' (SIPA) recently developed green equity and debt benchmarks that feature only renewable power generation assets to supplement its broad-asset private and unlisted infrastructure index. The broad one uses the most comprehensive dataset of unlisted infrastructure equity returns and classifies assets by age: Greenfield (under 5 years), Operating (6–10 years), Brownfield (11–20 years) and Mature (over 20 years). This age-banding is in effect a J-curve template, with greenfield assets at the bottom of the return curve and mature assets at the top. Renewable power is the fastest-growing segment of the index, though, and can explain the value in creating a renewables-only indices.[4]
- Listed renewable infrastructure trusts – financial products built from portfolios of operating renewable assets – show the same maturity effect. Over the long term the

[3] Based on the analyses, engagement, and consultations since 2022, the CEIG considers this option a suitable update to its original recommendation of adopting a benchmark return of 7.5%. See CEIG Submission on *Review of Your Future, Your Super Measures* Consultation paper (2022).

[4] See https://sipametrics.com/indices/private-market-indices/indices-benchmarks-2/ and https://publishing.sipametrics.com/bmr/Benchmark_Statement_InfraGreen_Index.pdf.

UK's Greencoat UK Wind[5] (listed 2013) has delivered low-teens NAV total returns and NextEnergy Solar[6] around 9 per cent annualised total shareholder return since 2014. While these same vehicles de-rated materially in 2024–25 as discount-rate and power-price assumptions moved, this illustrates how sensitive measured returns over any given window are to where assets sit on the maturity curve.

- U.S. "YieldCos" – listed vehicles created specifically to hold operating renewable assets – display the same dynamics, including tail risk. NextEra Energy Partners' units fell sharply in late 2024 amid distribution-cut concerns, while more diversified operators such as Brookfield Renewable and Clearway Energy delivered steadier mid-single to mid-teens returns. The dispersion underscores that a single short measurement window against an ill-fitting benchmark can misrepresent underlying asset quality.

Taken together, this evidence shows that a ten-year window measured against an operating-asset benchmark tends to penalise funds during the construction and early-operation phase of greenfield renewables – the phase in which new generation is built.

CEIG recommends Treasury:

- Utilise a tailored-for-purpose benchmark, such as SIPA Infra Green, for renewable power infrastructure assets.
- Extend the lookback period beyond ten years (for example to twelve to fifteen years) so that the early-year J-curve trough of greenfield assets is offset by the mature-phase returns the same assets deliver, consistent with the test's stated intent to support long-term investment.
- Alternatively, or preferably in combination, allow construction-phase years for newly commissioned assets to be assessed against a CPI + X (or otherwise maturity-appropriate) benchmark, transitioning the asset into the relevant established asset class as it matures. This would be consistent with the interim-measure approach described under Option 1.1.
- Pair any change to the lookback period with the benchmark-composition reforms above. Lengthening the window alone will not resolve the mismatch if greenfield renewables continue to be measured against a predominantly brownfield index.

Assessing risk-adjusted returns (Option 2)

CEIG sees some merit in Option 2. A simple reference portfolio that assesses total-portfolio risk-adjusted returns would reduce reliance on asset-class benchmarks and so directly address both the benchmark-composition and benchmark-hugging problems. CEIG is concerned, however, that, as the consultation paper cautions, uncorrelated unlisted assets may still carry a baseline level of tracking error against the reference portfolio. The lower measured volatility of unlisted assets could distort comparisons and create an unintended tilt. If further work is to be done on this option, CEIG recommends it be developed alongside, not instead of, the targeted benchmark-composition and lookback reforms, which can be implemented sooner and so far appear to present fewer risks of further benchmark hugging.

A routine review of the benchmarks (Option 3)

[5] https://www.greencoat-ukwind.com/portfolio/
[6] https://www.nextenergysolarfund.com/

CEIG sees merit in Option 3, but not as a stand-alone solution. As the renewable power industry and its financial treatment continue to mature, investing indices with sufficient history to guide institutional investing have started to emerge. This process should be expected to continue for near term, and possibly for the medium term. The benchmarks must be able to accurately reflect the risk and performance profile of the industry and its underlying assets.

CEIG recommends Treasury:

- Establish a routine review of the benchmarks every three to five years, led by government and informed by a technical working group that includes industry and investors.
- Include within the review's scope the emergence of new energy-transition sub-sectors and the suitability of benchmarks and the lookback period for assets with a J-curve maturity profile.
- Specify the benchmarks in a more flexible instrument than primary regulation so that review outcomes can be implemented in a timely and efficient way.

Capital recycling and new generation

CEIG emphasises that the benefit of these reforms for new build is both direct and indirect. Superannuation funds are natural long-term holders of operating, contracted renewable assets. Though uncommon, when a fund acquires and directly holds an operating plant, it returns capital to the developer that built it, enabling that developer to reach final investment decision on the next project. The more common investment strategy of investing in asset managers and infrastructure funds provides capital for those funds to invest in a portfolio of assets, which then also returns capital to developers for further new development.

This cycle of capital recycling is imperative for building new assets that grow the industry and result in more certain financial performance.

Removing the test's disincentives to hold renewables therefore can be reasonably foreseen to increase the pool of recycling capital available to fund new generation, supporting the energy, productivity and economic-growth objectives identified at the 2025 Economic Reform Roundtable. Importantly, reform need not compromise superfunds' member protection. It can re-base measurement on an appropriate counterfactual rather than weakening the failure threshold.

CEIG thanks Treasury for the opportunity to comment and would welcome the chance to discuss this submission and to share members' experience of the test's effect on renewable investment. We would be happy to discuss any element of this submission.

Yours sincerely,

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