

Investment environment needs strengthening for clean energy transition

14 March 2023, Canberra: The Clean Energy Investment Confidence Survey for Q2 2022-23 has been released and it shows that positive investor sentiment around emissions policy was offset by a rise in the cost of equity, suggesting stronger policy settings are required to lower risk and increase clean energy investment.

Mr Simon Corbell, CEIG CEO said “The Q2 2022-23 Clean Energy Investment Confidence Survey shows that investor confidence has remained unchanged. Investors surveyed have welcomed energy ministers’ endorsement of the Capacity Investment Scheme for new zero emissions dispatchable capacity, but they have viewed the government intervention to cap NEM gas and coal prices negatively.”

“Ultimately, the market has accepted the short-term intervention to deal with the immediate problem of high energy prices. However, investors have expressed that long-term market intervention could increase risks and is not desirable.”

“Investors continue to report largely negative or unchanged sentiment on overall market conditions, noting that these results were compiled before the energy ministers meeting in February. This emphasises the point that we continue to operate in a risky, dynamic market.”

“While investor sentiment has seen some incremental improvements, there are still significant concerns about risks in the NEM, particularly in relation to transmission access and congestion.”

“Incremental improvement is not delivering us the urgency and scale of investment activity Australia needs to meet government targets, let alone Australia’s commitment under the Paris Agreement and therefore the need for a realistic plan for a 1.5 degree scenario.”

“We are not yet achieving the sustained uptick in investor sentiment needed despite the great clean energy opportunities before us. The science around climate impacts and

feedbacks is becoming increasingly alarming and governments will have to focus on achieving a 1.5 degree-consistent outcome in the NEM.”

“CEIG members surveyed reported that Q2 of FY 2022-23 saw a small number of project additions to the NEM. This is still well below the conversion level required from pipeline project to firm financial commitments,” said Mr Corbell.

ENDS

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Attachment: Q2 FY 2022-23 Clean Energy Investment Confidence Survey Results.pdf

Survey questions available on request.

Q2 FY 2022-23 Clean Energy Investment Confidence Survey

14 March 2023



**Clean Energy
Investor Group**

Q2 FY 2022-23 Summary

Investor Confidence
Unchanged



Cost of equity risk premium
Increased



Positive investor sentiment around emissions policy was offset by a rise in the cost of equity, suggesting stronger policy settings are required to lower risk.

Simon Corbell
Chief Executive Officer CEIG

Clean energy investors report that the risk premium on the cost of equity has increased for most respondents.

CEIG's August 2021 [Investor Principles](#) report found the risk premium for clean energy investment in the NEM was 100-250 basis points.

Q2 FY 2022-23 Reform headlines

Headline issues



Governments agree to cap NEM gas and coal prices for 12 months



Energy Ministers Meeting endorses Capacity Investment Scheme



Rewiring the Nation funding announced for Tasmania, Victoria, NSW



Victorian government restores State Electricity Commission



Victorian government renewable energy targets: 65% by 2030, 95% by 2035

Direction of reform

Unchanged

Investors reported balanced mixed signals about the direction of reform, resulting in unchanged sentiment from the previous quarter.



Government price caps were ranked as an important issue: the market has accepted the short-term intervention to deal with the immediate problem of high energy prices. However, investors have expressed that long-term market intervention could increase risks and is not desirable.

Investors also ranked highly the Capacity Investment Scheme, followed by Rewiring the Nation funding.

Q2 FY 2022-23 Risks stall projects

Key risks

Emissions policy uncertainty



Unrealistic NEM scenario planning & coal closure timetable



Complex & lengthy transmission development processes



Potential introduction of locational marginal pricing



Lack of marginal loss factor reform



Investors report emissions policy is getting better with other key risks remaining unchanged.

Project pipeline

	Projects
Wind	1 (200 MW)
Solar	0
Battery	1 (30 MW)
Pumped Hydro	0
Green Hydrogen	0

The volume of projects reaching financial close is insufficient to deliver Step Change.

About the Survey

The Clean Energy Investment Confidence Survey was launched at the start of the 2021-22 financial year. It is a regular survey of CEIG members that provides an indicator of investor sentiment and analysis of key issues that affect it. Members completed an online survey between 2 and 9 February 2023.

About CEIG

The Clean Energy Investor Group was formed in 2019 to respond to the increasing market volatility and risks faced by investors in utility-scale renewable energy projects in Australia. CEIG advocates on behalf of investors on the policy and market design needed to help unlock low-cost capital for Australia's clean energy transformation. We use our unique "voice of capital" for coordinated and targeted advocacy and market engagement in the best interests of institutional investors.

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