



## Investor confidence remains stalled despite net zero by 2050 policy

10 November 2021, Canberra: The [Clean Energy Investor Group \(CEIG\)](#) has today released its inaugural Clean Energy Investment Confidence Survey which shows that Australia's net zero 2050 commitment at COP26 has not shifted negative clean energy investor sentiment.

Simon Corbell, CEIG CEO said "The federal government's 2050 net zero announcement has not shifted the dial when it comes to reducing risk in the electricity market and improving investor confidence in the renewable energy sector."

In August 2021 CEIG released research showing that the cost of equity for clean energy investments in Australia is elevated by 100-250 basis points compared to other OECD markets due to climate and energy policy risks. The Survey reveals CEIG members have reached financial close on only two wind projects totaling 553 MW in Q1 of FY 2021-22.

Mr Corbell said, "Investor confidence remains stalled, with a deterioration in terms of the cost of equity and risk. This is despite the 2050 net zero announcement and the development of the Post 2025 redesign of the National Electricity Market (NEM) which was approved by National Cabinet in October 2021. Investors consider there remains a lack of sufficient scenario planning in the NEM around coal closures and emissions targets.

"Our survey shows that Australia is not planning for a fast enough transition to clean energy and this makes Australia a risky destination for investors focused on net zero outcomes consistent with the Paris Agreement. A majority of investors surveyed have a negative or mixed view of the Post 2025 reforms, which were supposed to set Australia up for a smooth transition from reliance on coal, to zero emissions electricity."

"The only bright light remains state government policies including the ambitious green hydrogen plans of Queensland and New South Wales and the continued tenure of Matt Kean as NSW energy minister while also becoming Treasurer.

"The good news is that institutional investors are ready to invest the \$70 billion required to decarbonise our electricity sector if reforms which address investment risk are implemented.

"Energy ministers and the NEM market bodies need to sharpen their focus on reducing structural risks that are holding back clean energy investment. The two reform priorities over the next 12 months need to be fixing grid access rules to remove arbitrary risks for generators wanting to connect and streamlining the build out of new transmission infrastructure so clean energy can replace ageing coal power stations," said Mr Corbell.

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**Media Contact:**

Simon Corbell

[Simon.corbell@ceig.org.au](mailto:Simon.corbell@ceig.org.au)

**Attachment:** Q1 FY 2021-22 Clean Energy Investment Confidence Survey Results.pdf

Survey questions available on request.

# **Q1 FY 2021-22 Clean Energy Investment Confidence Survey**

10 November 2021



**Clean Energy  
Investor Group**



# Q1 FY 2021-22 Summary

Investor Confidence   
**Down**

*'Australia's net zero 2050 commitment at COP26 failed to secure widespread investor support because of the lack of detail in the plan and no short-term target.*

*The NEM remains an unacceptably risky market.'*

Cost of equity risk premium   
**Worse**

Clean energy investors report that the cost of equity risk premium has become worse.

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

Simon Corbell

Chief Executive Officer CEIG

# Q1 FY 2021-22 Reform headlines

## Headline issues

- NEM reforms
- Federal Government's Long-Term Emissions Reduction Plan announcement
- NSW and QLD Hydrogen announcements
- Matt Kean remaining as energy minister while becoming Treasurer

The most important energy headline is the NEM reforms agreed by energy ministers requesting proposals for a congestion management model, capacity market and working towards adding an environmental objective in the National Electricity Objective.

## Direction of reform

**Deteriorated**



Most investors surveyed report that the direction of reform in the NEM has deteriorated or failed to improve over the quarter.

This is despite the Despite the 2050 net zero announcement and the Post-2025 NEM reform package approved by National Cabinet in October 2021.

# Q1 FY 2021-22 Risks stall projects

## Key risks

Emissions policy uncertainty



Unrealistic NEM scenario planning and timetable for coal closure



Complex and lengthy transmission planning, investment and connections processes



Introduction of locational marginal pricing



Lack of marginal loss factor reform



No key risks improved over the quarter and most deteriorated.

## Project pipeline

	Projects
Wind	2 (553 MW total)
Solar	0
Battery	0
Pumped Hydro	0
Green Hydrogen	0

The rate of projects reaching financial close is insufficient to meet Australia's emissions reduction obligations.

## About the Survey

The Clean Energy Investment Confidence Survey was launched in November 2021. 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 28 October – 3 November.

## 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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