

GENERAL FUNDING STRATEGY

2015/16 – 2017/18



ARENA



Australian Government
Australian Renewable
Energy Agency

01 Introduction

This General Funding Strategy (GFS) guides how the Australian Renewable Energy Agency (ARENA) provides financial assistance to renewable energy activities.

ARENA uses principles in the GFS to identify investment focus areas, which are provided in the Investment Plan (IP).

To determine which renewable energy activities will be financially supported, ARENA assesses all proposals for best fit with the investment focus areas.

Under sections 19 to 23 of the *Australian Renewable Energy Agency Act 2011*, ARENA is required to develop and publish a general funding strategy that outlines its principal objectives and priorities for a period of three financial years.

The GFS is reviewed each year, updated if necessary, and provided to the Minister for Industry and Science for approval.

The current version of the GFS remains in force until the subsequent version has been approved by the Minister.

ARENA may only provide financial assistance in accordance with the GFS. While ARENA considers the documents to be consistent, if any conflict arises between the GFS and IP, the GFS takes precedence.

ARENA's mission

An Australian
economy and society
increasingly powered
by competitive
renewable energy

02 Overarching objectives

ARENA's overarching objectives are set out in the *Australian Renewable Energy Agency Act 2011*.

They are to:

- improve the competitiveness of renewable energy technologies
- increase the supply of renewable energy in Australia.

To achieve these objectives, ARENA's mission is to help catalyse the development and deployment of renewable energy. ARENA's vision is an Australian economy and society increasingly powered by competitive renewable energy.

ARENA takes a long-term view of its objectives, with the aim of having maximum impact from 2020 to 2040.

03 Investment objectives

ARENA's investment objectives are to:

- demonstrate renewable energy's role in addressing Australia's current energy issues and/or
- provide renewable energy technology options for the long term.

ARENA identifies investment focus areas that will best accomplish these objectives, and publishes them in the IP.

The IP therefore provides guidance for funding applicants and informs knowledge sharing activities.

The IP is reviewed from time to time to ensure it reflects the latest state of technology development and understanding of market needs.

ARENA's guiding principles

Responsive and agile

Commercially focused

Technology neutral

Targeted

Diverse

04

Guiding principles for ARENA funding assistance

Responsive and agile

ARENA aims to be responsive to market conditions, technology developments and industry needs as they arise. It works cooperatively with federal agencies, state and territory governments, proponents and others, and aims to complement other programmes and initiatives to ensure its activities achieve maximum value in the market.

ARENA reviews its IP from time to time in light of its investment portfolio as well as market and policy developments, to ensure it invests in the most strategic activities.

ARENA also aims to be an agile organisation. It is prepared to fund novel ideas and approaches, recognising there is no absolute certainty they will pay off, and then expand or contract support depending on the actual experience with activities.

For example, ARENA may initially fund a pilot activity for a new technology where there is a hypothetical commercial proposition but significant technical uncertainty. If the pilot is successful, ARENA may then consider supporting a larger demonstration activity.

Commercially focused

ARENA helps technologies or applications advance towards commercialisation, helping to overcome early-mover disadvantage that leads to under-investment in renewable energy. ARENA does this by:

- building investor confidence and knowledge of renewable energy by providing assistance to de-risk activities
- supporting emerging and next generation technologies to move through the research, demonstration and pre-commercial deployment stages
- informing regulatory decisions and standards development by other agencies.

ARENA only funds activities that are expected to advance renewable energy technologies towards commercial readiness, improve business models or reduce overall industry costs. ARENA does not fund activities that are commercially viable without ARENA support.

The timeframe for commercialisation is expected to vary by innovation stage and investment focus area. Research and development into emerging technologies, for example, may have a path to commercialisation measured in decades while demonstration activities may have a path to commercialisation that spans five to ten years.

All ARENA-funded activities are also required to share knowledge, providing a benefit beyond the proponent to the broader industry.

Technology neutral

ARENA takes a technology-neutral approach to supporting research, development, demonstration, and pre-commercial deployment activities, as well as those that develop expertise and share knowledge.

While the IP indicates funding opportunities for particular technologies, ARENA aims to maintain at least one programme that allows for exceptional proposals, regardless of technology.

ARENA also recognises the importance of supporting new energy technologies, improvements in existing technologies and new energy sources in making renewable energy more competitive and helping to enhance economic development, productivity and affordability.

Targeted

ARENA directs its investments to those investment focus areas where it can make the most impact. Well targeted funding can help move renewable energy technologies closer to commercial viability by reducing risk, building partnerships, attracting investors and increasing knowledge.

However, there is limited opportunity to address fundamental cost/price constraints, barriers in market and regulatory structures, or inherent technological limits.

Where ARENA can make a difference, its investments focus on maximising value for money.

Diverse

Given the uncertainty and risk inherent in researching and developing new energy solutions, ARENA sees value in preserving diversity in its investment portfolio to ensure options are kept open for the future.

Accordingly, the activities in ARENA's investment portfolio include:

- early-stage technologies that are world-leading or address specific Australian requirements
- demonstration of the feasibility of new technologies
- demonstration and deployment of energy supply technologies/ business models
- studies and knowledge sharing activities that increase the competitiveness or uptake of renewable energy.

ARENA also maintains diversity in its investment portfolio by providing support across multiple dimensions, for example:

- types of technology (including enabling technology)
- stages of technology development on the commercialisation pathway
- funding mechanisms and sources.

Fig 1

Advancing renewables along the path to commercialisation

COMMERCIALISATION PATHWAY



RESEARCH & DEVELOPMENT

Support world-leading Australian research or research relevant to Australian conditions



DEMONSTRATION

Demonstrate the feasibility of new technologies and disseminate learning to facilitate scale-up



DEPLOYMENT

Improve commercial readiness through demonstrating business models and improving commercial viability

Early stage research

Development

Pilot scale

Large scale

Pre commercial

Commercial

ARENA PROGRAMMES

Research and Development Programme

Advancing Renewables Programme

Standalone knowledge sharing activities are funded under the Advancing Renewables Programme. All ARENA-funded activities are required to include a knowledge sharing component.

ARENA'S RELATIONSHIP WITH OTHER RELEVANT ACTIVITIES

ARENA

ARENA-CEFC
Co-Investment projects

CEFC

RET

05 Decision-making

The ARENA Board assesses and determines which renewable energy proposals will be financially supported, consistent with the GFS.

ARENA's Board includes members with skills in renewable energy technology, commercialisation, business investment and corporate governance appointed by the Minister for Industry and Science. The Secretary of the Department of Industry and Science is also on the Board.

NOTE: The Australian Government has announced its intention to repeal the Australian Renewable Energy Agency Act 2011 and move management of existing projects into the Department of Industry and Science. The ARENA Repeal Bill 2014 was referred to Parliament in June 2014, and at June 2015 remained subject to decision by the Senate. Until this eventuates, this General Funding Strategy applies to ARENA's investment decisions.

Further information is available at
arena.gov.au

Australian Renewable Energy Agency

Enquiries about the General Funding Strategy

Phone: +61 2 6243 7054

Email: proposals@arena.gov.au

Postal Address

GPO Box 643

Canberra ACT 2601

Location

2 Phillip Law Street

New Action ACT 2601

ARENA



Australian Government

**Australian Renewable
Energy Agency**