



# Fighting for the ARENA

## Securing the Australian Renewable Energy Agency

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*The Commonwealth Government has made technology central to reducing emissions to 2030, but the Australian Renewable Energy Agency has only \$200 million to allocate to new projects. With multi-party support for the Agency, legislation to extend its funding should be urgently passed.*

Discussion paper

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# Summary

The Australian Renewable Energy Agency (ARENA) is the main funder of energy innovation in Australia. It was established by the Labor Government in 2011 with multiparty support, including from the then Liberal-National Opposition.

ARENA's funding is set in legislation. Currently, its grant making funding ends on 30 June 2022. However, the nature of energy project planning means that ARENA will effectively cease making new investments in mid-2020.

Australia will need ARENA over the 2020s to deliver reliable, clean electricity and help decarbonise the wider economy over the Paris Agreement period (2021-2030). This will require a similar if not greater commitment to ARENA's original funding, of \$2.5 billion over 10 years, and an expansion of its remit to include, for example, renewable energy transport and green hydrogen for manufacturing.

Technology and innovation are central to the Australian Government's policy for achieving emissions reduction. At the 2019 UN Climate Change Conference, Energy and Emissions Reduction Minister Angus Taylor highlighted a Technology Investment Roadmap and signed the country up to the technology-focused Leadership Group for Industry Transition. ARENA is key to the success of all these initiatives.

Analysis of federal ministerial media releases about ARENA reveals that the Liberal-National Government associated itself with ARENA's successes 149 times between 18 Sept 2013 and 30 July 2019. Since July 2014, 100% of Ministerial media releases issued have supported ARENA.

Polling commissioned by the Australia Institute in October 2019 found a majority of the public supports extending ARENA's funding.

While long term support for ARENA is negotiated and finalised, the Government should amend the *Australian Renewable Energy Agency Act 2011* to ensure ARENA continues to operate at capacity through 2020, providing a \$460 million extension of funding to FY24.

This short-term funding, and the long-term funding solution can be legislated on-budget or it could be allocated, at least in part, from the Clean Energy Finance Corporation through a dividend. Either way this would give ARENA the ability to continue its work over the next few critical years until a long term strategy and funding agreement is legislated.

# Table of Contents

Summary.....	1
Introduction.....	3
About ARENA.....	4
1. ARENA’s funding situation.....	9
2. Funding proposal.....	11
3. Amending legislation to continue ARENA.....	14
4. Government support for ARENA.....	16
5. Public support for refunding ARENA.....	20
Conclusion.....	21

# Introduction

In December 2019 Angus Taylor, the Minister for Energy and Emissions Reduction, represented Australia at the United Nations (UN) Climate Change Conference COP25 in Madrid. Mr Taylor's official speech was short, mentioning our emissions target and then focusing on the importance of technological innovation.<sup>1</sup> He said, 'The world needs action to reduce emissions and Australia believes technology is central to achieving this.'<sup>2</sup>

Mr Taylor highlighted the role of the Australian Renewable Energy Agency (ARENA) in driving energy technology, saying the Agency 'has provided \$1.4 billion to improve the affordability and increase the supply of renewable energy in Australia'.<sup>3</sup>

Also in December 2019, ARENA told the Senate that the Agency had only \$200 million remaining that could be allocated to new projects.<sup>4</sup> Without further legislated funding the Agency will effectively cease to operate.

Mr Taylor told the Madrid conference that 'we will be releasing a more detailed technology strategy next year' and this 'will build on the \$3.5 billion dollar Climate Solutions Package'. A Technology Investment Roadmap will identify priority technologies and Mr Taylor gave the example of hydrogen, as a priority technology that already has its own, National Hydrogen Strategy.<sup>5</sup>

With ARENA's resources down to a fraction of their initial levels and the Australian Government putting such emphasis on technological innovation, the question of ARENA's funding should be addressed early in 2020.

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<sup>1</sup> Taylor (2019) *National Statement COP25*

<sup>2</sup> Ibid., p.2

<sup>3</sup> Ibid., p.4

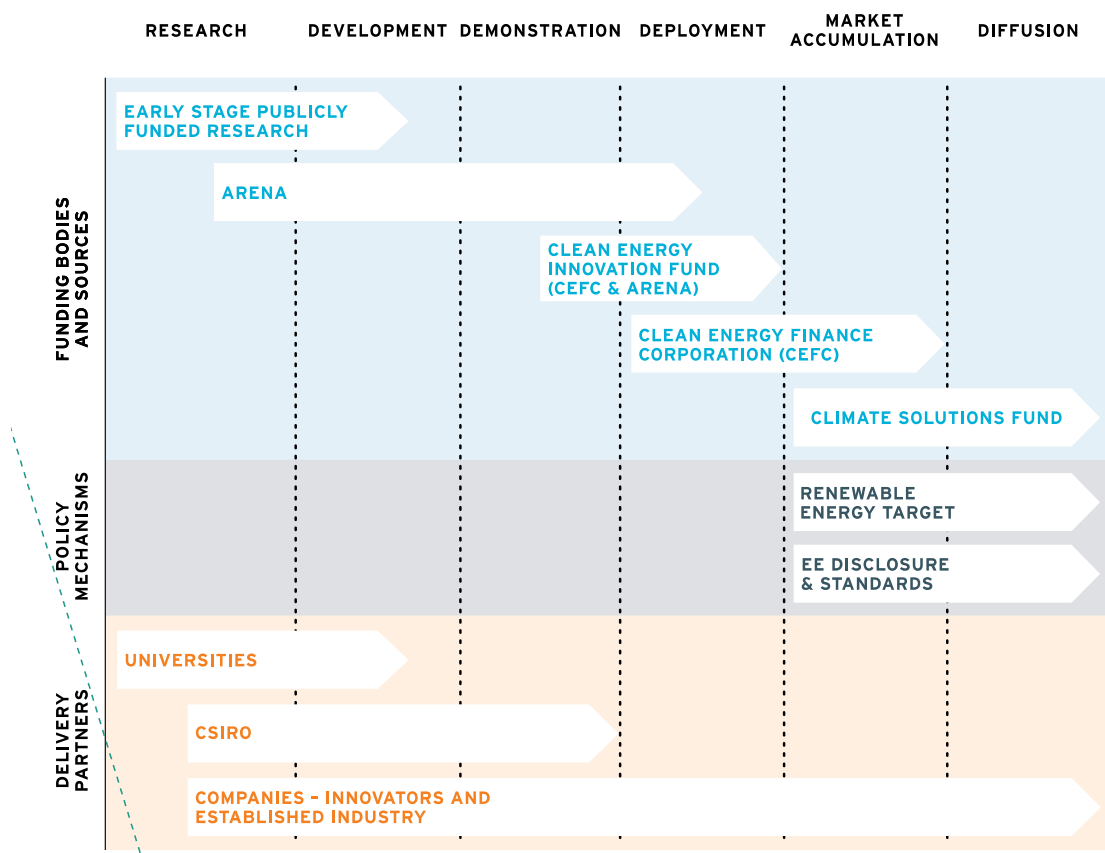
<sup>4</sup> ARENA (2019) Answers to questions on notice, Question number 180, Supplementary Budget Estimates, [https://www.aph.gov.au/Parliamentary\\_Business/Senate\\_estimates/ec/2019-20\\_Supplementary\\_Budget\\_estimates](https://www.aph.gov.au/Parliamentary_Business/Senate_estimates/ec/2019-20_Supplementary_Budget_estimates)

<sup>5</sup> Taylor, p.3

# About ARENA

ARENA is the national authority responsible for driving clean energy innovation in Australia. Its legislation restricts it to investments in pure renewable energy technologies, hybrid systems that include renewables and ‘enabling’ technologies that facilitate integration of renewables.<sup>6</sup>

**Figure 1: ARENA’s role in the clean energy innovation chain in Australia**



Source: ARENA (2019) Annual Report 2018-19, p.24

ARENA pushes technologies along the innovation chain, from early research and development to demonstration and the early stages of commercial deployment. At this point they are ready for wider commercialisation by private investors and ARENA’s

<sup>6</sup> ‘Technologies that are related to renewable energy technologies include, for example, technologies that store energy generated using renewable energy, technologies that predict renewable energy supply or technologies that assist in the delivery of energy generated using renewable energy technologies to energy consumers.’ (House of Representatives (2011) *Australian Renewable Energy Agency Act 2011 Explanatory Memorandum*, p.4)

sister agency, the Clean Energy Finance Corporation (CEFC). These stages and the roles of different organisations are explained in Figure 1.

ARENA was created by the Labor Government in negotiation with other parties to form minority government after the 2010 Federal election. Julia Gillard, the Leader of the Labor Party, agreed to create a multi-party sub-committee of Cabinet to negotiate a new climate policy for Australia.

The Multi-Party Climate Change Committee (MPCCC) was announced on 27 September 2010. Its parliamentary members included the Australian Labor Party, the Australian Greens and two independent members of the House of Representatives, Mr Tony Windsor and Mr Rob Oakeshott.<sup>7</sup>

The MPCCC created a comprehensive set of policies called the Clean Energy Future (CEF) package, which was released on 10 July 2011.<sup>8</sup> The three key elements for delivering emissions reductions under the CEF were an economy wide carbon price, the CEFC and ARENA. As illustrated in Figure 1, ARENA and the CEFC were designed to complement each other, with ARENA to provide grants to accelerate innovation and the CEFC to lend money and 'crowd-in' private finance for clean energy developments.

The 18 bills to create ARENA and the rest of the CEF were introduced into the Australian Parliament on 13 September 2011 and passed on 8 November 2011. The *Australian Renewable Energy Agency Act 2011* was passed with support from the Liberal-National Opposition.

ARENA has been active and successful. By the end of financial year 2018-2019, ARENA has provided funding of \$1.44 billion to 478 projects with a total value of \$5.49 billion, at an investment leverage of \$2.83 per dollar granted.<sup>9</sup> There is significant demand for ARENA funding. In 2018-2019, ARENA funded 79 projects and it received 60 expressions of interest and 94 full applications.<sup>10</sup>

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<sup>7</sup> Prime Minister, Deputy Prime Minister and Treasurer, Minister for Climate Change and Energy Efficiency (2010) *Prime Minister establishes Climate Change Committee*, p.1.

<sup>8</sup> Australian Government (n.d.) *Multi-Party Climate Change Committee Clean Energy Agreement*

<sup>9</sup> ARENA (2019) *Annual Report 2018-19*, p.4

<sup>10</sup> *Ibid*, pp. 4, 128

**Figure 2: ARENA funding by technology**

Technology	Funding (\$ million)
Solar PV	654
Grid integration	205
Solar thermal	145
Hybrid	105
Bioenergy	100
Storage: batteries, pumped hydro	95
Ocean	54
Geothermal	42
Hydrogen	35

Source: ARENA Annual Report 2018-19, p.4



Solar PV has received more investment than any other technology (Figure 2). ARENA has invested \$654 million or 46% of total grants to PV, more than three times as much as the second largest technology, grid integration, which received \$205 million (14%).

Investments in solar PV have driven deployment innovation in large-scale solar farms, reducing costs in Australia and also gone to ‘pure’ R&D designed to improve the efficiency of PV cells, which has global benefits. ARENA’s CEO Darren Miller has written that ‘ARENA’s most high-profile achievement to date has been to help reduce the cost of utility-scale solar’.<sup>11</sup>

One of the technologies supported by ARENA is the PERC cell, designed at the University of New South Wales and now incorporated into more than 60% of commercial PV cells worldwide.<sup>12</sup> This cell has set multiple world records for efficiency, with up to 25% of the energy incident on the cell being turned into electricity. The energy cost savings of this technology could be over \$37 billion internationally.

ARENA has consistently reviewed and updated its approach to investment, to ensure that its grants are well targeted. In September 2019, ARENA updated its Investment Plan. This new plan sets three priorities for future ARENA grants:<sup>13</sup>

1. Integrating renewables into the electricity system
2. Accelerating clean hydrogen development, including for export
3. Supporting industry to reduce emissions

ARENA is a vital policy instrument for delivering our obligations to reduce emissions under the Paris Agreement and related commitments. At Paris, Australia signed up to

<sup>11</sup> ARENA (2018) *Annual Report 2017-18*, p.12

<sup>12</sup> ARENA (2018) *Annual Report 2017-18*, p.37

<sup>13</sup> ARENA (2019) *Innovating Energy: ARENA’s Investment Plan 2019*, pp. 8-12



Mission Innovation (MI), a global initiative for accelerating clean energy innovation, to bring down the cost of clean energy. MI specifically requires countries to double their public R&D over 5 years from 2015 to 2020 and also to report annually on progress. As Australia's profile page makes clear, ARENA is the lead agency responsible for delivering on our specific international commitments under MI (Figure 3).

**Figure 3: Australia's member profile for Mission Innovation**



Source: MI (n.d.) *Australia* <http://mission-innovation.net/our-members/australia/>

Australia's reporting to MI established a baseline figure of \$108 million in clean energy R&D for 2015, which includes nuclear and carbon capture and storage.<sup>14</sup> Australia has failed to report annually on its progress to achieving the doubling to \$208 million per annum and it is unclear whether it can deliver on our commitment if ARENA's funding is discontinued.

ARENA needs the flexibility to adapt its Investment Plan to meet the new opportunities and challenges that Australia will face through the 2020s. This is likely to require amendments to its legislation. For example, the *Australian Renewable Energy Agency*

<sup>14</sup> Mission Innovation (n.d.) *Australia* <http://mission-innovation.net/our-members/australia/>

*Act 2011* does not specifically include energy efficiency or transport within the remit of the agency.<sup>15</sup>

Whatever level of commitment Australia makes to reduce greenhouse gas emissions, we clearly have an increasingly complex challenge in electricity, as coal-fired power stations retire. We also need to help industry and agriculture decarbonise.

ARENA was designed in 2010 and our clean energy innovation needs are far greater and broader now than they were then. For example, electric vehicles (EV) were a minor issue in 2010 but EVs are rapidly displacing internal combustion engines. ARENA should be able to update its Investment Plan to focus on any opportunities in clean transport innovation.

If ARENA is to continue to drive innovation in renewable electricity generation including grid integration and also expand into transport, industry and beyond, this will require substantial funding. The original 2011 budget was \$2.5 billion. A proper evaluation of ARENA's future funding requirements would be likely to arrive at a figure substantially higher than \$2.5 billion for the 2020s.

Unfortunately, there is a risk that ARENA will not survive in its current state through 2020 if its funding is not immediately extended over another two years and increased significantly. According to CEO Darren Miller, ARENA is unlikely to have funds for new projects after around August 2020 without an injection of new funds.<sup>16</sup>

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<sup>15</sup> There may be an argument that ARENA could do much more in these areas, as renewable energy is defined in the *Australian Renewable Energy Agency Act 2011* (clause 4, p.2) to include '(a) hybrid technologies; and (b) technologies (including enabling technologies) that are related to renewable energy technologies'.

<sup>16</sup> Hasham & Hannam (2019), 'Government MPs push for renewables funding to boost climate credentials', *Sydney Morning Herald*, <https://www.smh.com.au/politics/federal/government-mps-push-for-renewables-funding-to-boost-climate-credentials-20190221-p50zby.html>

# 1. ARENA's funding situation

The legislation that created ARENA in 2011 set its annual funding, for eight years ahead. It is unusual for the budget of an agency to be defined in its primary legislation like this. Most statutory government agencies have their budgets determined in the annual budgetary process, which sets out funding levels four years in advance.

The *Australian Renewable Energy Agency Act 2011*, which brought ARENA into existence, set out an allocation of \$2.5 billion in funding from 2012 to 2020 (Figure 4).

**Figure 4: ARENA's original and amended funding levels**

Year	Funding \$million		
	Original 2011	Amended 2014	Amended 2016
2012-2013	293	0	0
2013-2014	345	581	581
2014-2015	437	194	194
2015-2016	322	90	90
2016-2017	300	57	57
2017-2018	221	500	258
2018-2019	237	237	235
2019-2020	368	468	255
2020-2021	0	135	134
2021-2022	0	135	132
2022-2023	0	0	0
2023-2024	0	0	0
<b>Totals</b>	2,522	2,398	1,937



Source: The Australia Institute analysis based on *Australian Renewable Energy Agency Act 2011 Explanatory Memorandum*, *Australian Renewable Energy Agency Act 2011* (clause 46(1)), *Budget Savings (Omnibus) Act 2016*, (section 5)

Beyond the original 2011 funding, Figure 4 shows subsequent amendments made by successive governments. In 2014 the Federal Government, under Prime Minister Tony Abbott, amended the *Australian Renewable Energy Agency Act 2011* (see section 2 below) to reduce funding from \$2.5 to \$2.4 billion. The funding was also extended for two additional years, beyond the original final year 2019-2020, to 2021-2022, which meant ARENA had 10 years of funding committed in legislation.

In 2016 the Government of Prime Minister Malcolm Turnbull sought to take \$1.26 billion from the ARENA budget, as part of its general budget savings policy. After

negotiations with the Labor Opposition, the government agreed to reduce this cut to \$461 million.<sup>17</sup> This left ARENA with \$1.9 billion over 10 years.

As shown in Figure 4, ARENA has no funding beyond 2021-22. This is not an issue that can be left until that year. The period from when a project sponsor first talks to ARENA to discuss funding, until financial close, when all the project contracts are signed, is known as the project cycle. On complex projects, the project cycle is around 18 – 24 months.

After a project is funded, ARENA needs to then monitor the investment during construction, commissioning and evaluation. A core part of ARENA's mission is 'knowledge sharing' and all funding recipients are required to produce public reports about their projects to share information across the energy industry. Funding decisions are partly made on the basis of the potential value of the knowledge that the project is likely to share.<sup>18</sup>

ARENA currently predicts that it will have about \$9.3 million in financial year 2022-2023, to continue to discharge its obligations to oversee funds granted and report on projects.<sup>19</sup>

If ARENA only has funding for new projects until some time in 2020, this creates a critical risk for the organisation. ARENA has a highly experienced Business Development and Transactions Team and other specialised staff that could be lost if the organisation's future is in doubt. ARENA has developed valuable working relationships with academic researchers, the energy industry, large energy users and the finance sector and these will be lost if key staff resign due to budget uncertainty.

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<sup>17</sup> St John (2016) *What's happening with ARENA?*

[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/FlagPost/2016/September/ARENA-changes](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2016/September/ARENA-changes)

<sup>18</sup> ARENA (2019), *Innovating Energy: ARENA's Investment Plan 2019*, p.14

<sup>19</sup> ARENA (2019) *Innovating Energy: ARENA's Investment Plan 2019*, p.6

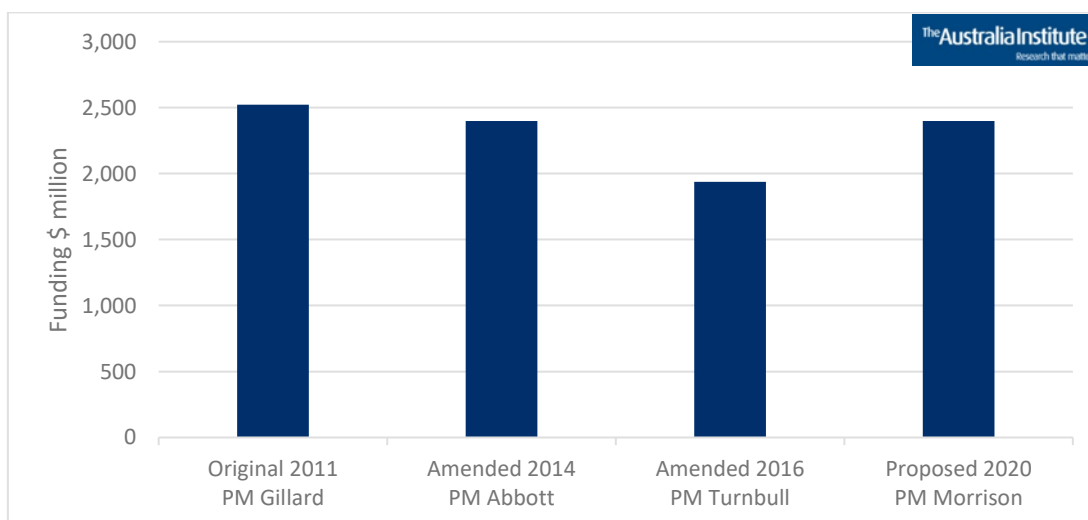
## 2. Funding proposal

If Australia is to meet its international climate obligations under the Paris Agreement period (2021-2030), then the Federal Government will need to appropriately resource ARENA. The Agency will likely need more for the coming decade than its first funding period, of \$2.5 billion over 8 years, which was legislated when it was established in 2011. In the interim, ARENA needs to have its life extended and an addition of sufficient funds to allow the Agency to continue to thrive.

ARENA needs an immediate extension of its life for two years to the end of financial year 2023-24. This lifeline for ARENA should be legislated as soon as possible. It should allow ARENA to maintain a pipeline of quality future projects, monitor existing projects adequately, share knowledge produced and also retain ARENA's Business Development and Transactions team.

We propose that the interim additional funding for ARENA should at least \$460 million for the two year extension. This would represent a restoration of the cut to the Agency that was made in 2016, restoring total funding since inception to the level agreed to by Prime Minister Tony Abbott in 2014 (in nominal terms), around \$2.4 billion (Figure 5). This is a reasonable minimum that all parties should be able to agree to.

**Figure 5: ARENA funding since inception by government**

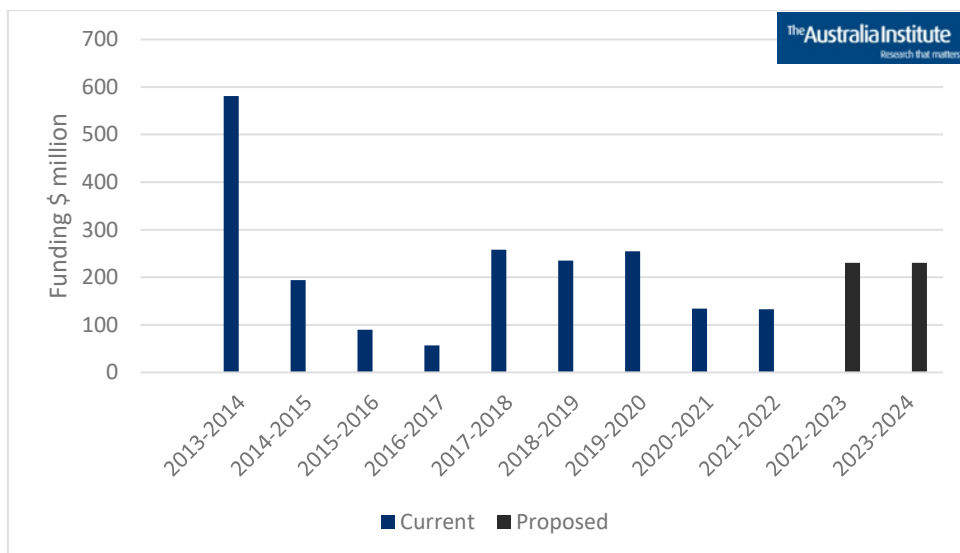


Source: The Australia Institute analysis

Even a restoration to \$2.4 billion in nominal terms represents a reduction of the overall funding in real terms compared to the Abbott years, due to inflation.

Figure 6 below shows the currently legislated annual funding, from 2013-14 when ARENA began making grants and up to the end of financial year 2022 and the proposed funding of \$230 million for each of the next two forward years, 2022-23 and 2023-24.

**Figure 6: ARENA’s current and proposed funding**



Source: The Australia Institute analysis

Under the *Australian Renewable Energy Agency Act 2011* there are two sources for this additional future funding. The first option is for the Federal Government to provide funds from Consolidated Revenue. The second option is to pay ARENA from the earnings of the CEFC. This is provided for in the *Clean Energy Finance Corporation Act 2012*.<sup>20</sup> What this means is the profits the CEFC makes in its loans to commercial clean energy projects pays for the grants disbursed by ARENA.

This transfer of profit from the CEFC to ARENA was an integral part of the CEF. It is an elegant mechanism. The CEFC is able to secure debt at government borrowing rates and then makes a profit on loans and would pay this to ARENA, to make grants to the technologies that may become suitable investments for CEFC in the future. At the time ARENA and the CEFC were designed, in 2011, the 10-year Australian Government bonds yielded around 4%, and in 2019 they dropped to around 1%, which makes for very cheap funds for ARENA.<sup>21</sup>

The formal process for making payments from the CEFC to ARENA is that the Board of the CEFC makes a request in writing to the relevant Minister.<sup>22</sup> Interestingly, the legislation does not give the Minister discretion to reject a request to pay ARENA on a

<sup>20</sup> *Clean Energy Finance Corporation Act 2012*, section 50

<sup>21</sup> RBA (2019), *The Australian Economy and Financial Markets: Chart Pack*

<sup>22</sup> *Clean Energy Finance Corporation Act 2012*, section 51

question of policy or merit, but gives him/her a merely administrative function. The Minister's chief role is to form an agreement with the CEFC about the administrative process, for example to determine the form in which a request is to be given, to whom and during which period.<sup>23</sup>

Over the longer term, it will be necessary to chart a course for ARENA, in reference to how Australia is going to meet its emissions reduction obligations under the Paris Agreement and our energy needs over the 2020s and beyond. In the Introduction we proposed this could be done through a review conducted by the Chief Scientist or the CSIRO, reporting to COAG Energy Council and the Energy Security Board.

ARENA has shown that it has the capability to invest across the innovation chain. It has managed investments totalling over \$1.4 billion and delivered leverage of \$2.83 per dollar invested. It is in a great position to play a growing role in Australia as we head into the 2020s. In the next section we turn to the legislation to see how changes to ARENA's funding are made.

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<sup>23</sup> Ibid., section 52

### 3. Amending legislation to continue ARENA

The Federal Government and Opposition can work together to provide budget certainty for ARENA through the 2020s. This is what happened when ARENA's budget was changed by Liberal Prime Ministers Tony Abbott in 2014 and Malcolm Turnbull in 2016. In the short term, this will require simple amending legislation to extend the budget through to financial years 2022-2023 and 2023-2024.

ARENA's governing legislation is the *Australian Renewable Energy Agency Act 2011*. Part 5 of the *ARENA Act 2011* establishes the financial processes. This section was designed to provide certainty and appropriate controls over funds. This was thought necessary because the Labor Government and the Australian Greens were concerned that if then Opposition Leader Tony Abbott came to power, he might seek to eliminate ARENA by cutting its budget.

The *Australian Renewable Energy Agency Act 2011 Explanatory Memorandum* explains that the two key purposes of Part 5 are:

1. Provide budget certainty to ARENA so that it is confident that if it enters into funding agreements, those funds will be made available when needed
2. Hold funds back from ARENA until they are required, because 'it is not appropriate that ARENA...hold large amounts of money...until it needs that money'<sup>24</sup>

Clause 64(1) the *Australian Renewable Energy Agency Act 2011* created a funding schedule for the financial years 2012-2013 to 2019-2020. The function of this sub-clause is to determine the level of Commonwealth funds available to ARENA. When read in the context of Part 5, this clause has the effect that the 'Commonwealth will be obliged to pay the money to ARENA, up to the amount specified' in the funding schedule.<sup>25</sup>

Section 66 provides for a standing appropriation to ARENA. It states that the tempo and size of payments are driven by ARENA, through requests to the Commonwealth (Section 65). This section defines the envelope for these requests by reference back to

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<sup>24</sup> House of Representatives (2011) *Australian Renewable Energy Agency Act 2011 Explanatory Memorandum*, p.16

<sup>25</sup> Ibid.



section 61 and the table at sub-clause 64(1), 'ARENA may, during a financial year specified in the table in section 64, request payments'.

The *Explanatory Memorandum* clarifies the process for variation of the funding available to ARENA during financial years 2012-2013 to 2019-2020 or for following years, 'Parliament could at any time amend sub-clause 64(1) to increase amounts to be available for payment to ARENA in any of the years specified, or for future years beyond 2019-2020.'<sup>26</sup>

The Act governing ARENA was designed with the intention that if it was to continue to exist beyond 2019-2020 then the Federal Parliament must amend clause 64(1). In 2016 this amendment was done by the *Budget Savings (Omnibus) Act 2016*, which amended sub-clause 64(1) of the *Australian Renewable Energy Agency Act 2011*.<sup>27</sup>

The Morrison Government can readily follow this process and provide short-term certainty to ARENA, extending its budget by two years, out to the end of June 2024 and providing funds for those two extra years.

Over the longer term, ARENA will need funding and also amendment of key parts of the *Australian Renewable Energy Agency Act 2011*, to allow it to invest in energy efficiency, industry and agriculture and possibly beyond.<sup>28</sup>

In the next section, we explain how Liberal-National governments have, since July 2014, frequently praised ARENA and its achievements and made them their own.

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<sup>26</sup> Ibid.

<sup>27</sup> *Budget Savings (Omnibus) Act 2016*, Section 5, p.18

<sup>28</sup> If ARENA is to invest broadly in clean fuels, transport and production as well as efficiency and system integration, that will require amendment of multiple sections of the *Australian Renewable Energy Agency Act 2011*, including Object (clause 3), Definitions (clause 4), ARENA's functions (clause 8). ARENA should also be able to employ all its staff directly, not via the Department, which will require amendment of clause 62.

## 4. Government support for ARENA

ARENA was created with support from all sides of politics in Australia. It was proposed by the government of Labor Prime Minister Julia Gillard, in consultation with the Australian Greens and rural independents. ARENA's legislation was passed with support of the Liberal-National Opposition.

When ARENA was legislated, Ian Macfarlane, the Liberal Shadow Minister for Energy and Resources, used his second reading speech to explain why the Coalition parties supported its formation and renewable energy in general.

Mr Macfarlane revealed how much he appreciated the value of ARENA, claiming that '[w]e would in our time, had we had the opportunity—or when we do get the opportunity—have established a structure perhaps even similar to this one.'<sup>29</sup>

Mr Macfarlane argued that the Coalition have been champions of renewable energy in Australia:

The renewable energy industry was started by the coalition. ... The mandatory renewable energy target, the MRET, was introduced by a coalition government. ... It was the first in the world. It was a coalition government that established the photovoltaic industries in Australia. It was a coalition government that funded the first wind projects in Australia. .... It was the coalition government that put money—and I was the minister partly responsible—into the first solar thermal projects.<sup>30</sup>

ARENA has been supported by the Liberal-National Coalition for most of the eight years since it was announced in 2011. In the lead-up to the 2013 federal election, Liberal leader Tony Abbott promised to repeal the whole Gillard-era CEF package, including ARENA.

However, when he became Prime Minister in September 2013 and then sought to dismantle Labor's legislated climate policies, Mr Abbott was not able to repeal the legislation governing ARENA or the CEFC, both of which were saved by the cross bench in the Senate.<sup>31</sup>

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<sup>29</sup> Macfarlane (2011), 'Australian Renewable Energy Agency Bill 2011 Second Reading Speech', Hansard, (1 November), p. 12337

<sup>30</sup> Ibid.

<sup>31</sup> Browne, Campbell & Cass (2018), *Saved by the bench*

Ever since July 2014, the Liberal-National Government’s Ministerial media releases about ARENA have been entirely supportive, as demonstrated in the analysis below. This means that ARENA has had the support of the government of the day for all but nine months of its history.


The Australia Institute has charted the Federal Government’s support for ARENA, through an analysis of media releases<sup>32</sup> that the Liberal-National Government has issued about ARENA since it was elected.

The database used for this analysis is the Federal Parliamentary Library’s *Parlinfo* online.<sup>33</sup> Parlinfo was queried using the search term: "Australian Renewable Energy Agency". The date range used was 18 Sept 2013 - 30 July 2019.

The government has issued 159 media releases about ARENA during the period being investigated (Figure 7). Most of the media releases issued (149) have been positive commentaries about ARENA’s investments. Eight of the media releases were administrative in purpose, such as announcing Board or executive appointments and these have been categorised as ‘neutral’.

**Figure 7: Tone of Government media releases about ARENA**

Tone of media release	Number of media releases
Positive	149
Neutral	8
Negative	2



Source: The Australia Institute analysis based on Parlinfo

Some media releases were highly supportive of ARENA. For example, on 14 October 2015, former Minister for the Environment Greg Hunt gave a speech entitled, *Australia's green shift* in which he praised ARENA and other innovation agencies and climate policies, for ‘making deep cuts in our emissions and shaping a cleaner, more resilient Australia’. He said, ‘[i]t is an exciting time and we are in a period of great opportunity.’<sup>34</sup>

<sup>32</sup> Parlinfo includes speeches and papers and major interviews under this category

<sup>33</sup> Commonwealth of Australia (2019), *Parlinfo*  
[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Department\\_of\\_Parliamentary\\_Services/Media](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Department_of_Parliamentary_Services/Media) [accessed 30 July 2019]

<sup>34</sup> Hunt (2015) *Australia's green shift: speech*, Canberra,  
<https://parlinfo.aph.gov.au:443/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F4133238%22>

On 14 October 2016 the then Minister for the Environment and Energy, Josh Frydenberg, announced \$18 million in ARENA funding for the massive Kennedy Energy Park, with a potential capacity of 1.2 GW of solar and wind. The ARENA funding was for integration of battery storage with solar and wind. Mr Frydenberg said that this project ‘opens the door to more reliable renewable energy that can be dispatched when the sun is not shining and the wind is not blowing’.<sup>35</sup>

More recently, on 25 February 2019 Prime Minister Scott Morrison and Angus Taylor, the Minister for Energy, published a media release praising ARENA’s investment in feasibility studies for a second interconnector across Bass Strait, between Tasmania and mainland Australia. PM Morrison said ‘the interconnector will mean more reliable power at lower prices for homes and businesses in Tasmania and on the mainland’.<sup>36</sup>

On 8 February 2019 the current Minister for Energy Angus Taylor put out a joint media release with Senator Simon Birmingham, Minister for Trade, Tourism and Investment, announcing a \$6 million investment by ARENA in Australia’s first compressed air energy storage project. They explained that this technology ‘can provide the dispatchability required to ensure reliability of the energy system as more solar and wind power is installed’ and claimed it as a ‘major win’.<sup>37</sup>

Parlinfo records only 2 negative Ministerial media statements about ARENA. Both of these relate to a paper released by Senator Matthias Cormann, the Minister for Finance, promoting the abolition of ARENA. In the lead up to the May 2014 Budget, the Minister released a paper titled *Smaller and More Rational Government 2014-15* to elaborate on the Abbott Government’s ‘major reforms to ensure the public service is as efficient, as effective and as accountable as possible’, and he included the abolition of ARENA in this compendium of cuts to government services.<sup>38</sup>

ARENA was formed with multi-party support, including from the Liberal-National Coalition. Federal Government Ministers have given public praise to ARENA and its

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<sup>35</sup> Frydenberg (2016), *Combining solar, wind and storage shows pathway for more reliable renewables*, <https://parlinfo.aph.gov.au:443/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F4874359%22>

<sup>36</sup> Morrison & Taylor (2019), *Accelerating a second Bass Strait interconnector*, <https://parlinfo.aph.gov.au:443/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F6520226%22>

<sup>37</sup> Taylor & Birmingham (2019), *Australia’s first compressed air energy storage project*, <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F6485255%22>

<sup>38</sup> Cormann (2014), *Delivering a smaller, more rational government*, media release, [https://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/3165176/upload\\_binary/3165176.pdf;fileType=application%2Fpdf#search=%22media/pressrel/3165176%22](https://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/3165176/upload_binary/3165176.pdf;fileType=application%2Fpdf#search=%22media/pressrel/3165176%22)

renewable energy innovation investments since July 2014. This provides a good basis for the Federal Government to move in 2020 to get bipartisan support to safeguard ARENA.

# 5. Public support for refunding ARENA

In October 2019 the Australia Institute commissioned polling into public attitudes to the future funding of ARENA. The poll asked people to choose between four options for funding ARENA, which are listed in Figure 8.

A majority of respondents (64%) support extended funding for ARENA, although 9% of respondents would wait for a return to federal budget surplus. Just 7% of respondents preferred to close ARENA down. 29% responded ‘don’t know/not sure’. The most popular response (33%) was for the future budget for ARENA to be similar to the original funding amount of \$2.5 billion.

### Question

*The government’s Australian Renewable Energy Agency has invested \$1.44 billion to commercialise and spread innovative renewable solutions across Australia, which in turn has helped reduce electricity prices and reliance on fossil fuel energy.*

*ARENA’s original funding allocation will soon conclude. Which of the following best describes your position?*

**Figure 8: October 2019 national poll results on options for funding ARENA**

	Total	Coalition	Labor
<b>The government should provide a similar funding amount (\$2.5 billion over 10 years) to ARENA to continue its work</b>	33%	29%	40%
<b>The government should direct the Clean Energy Finance Corporation to pay a regular dividend to ARENA to continue its work</b>	22%	24%	24%
<b>The government should renew ARENA’s funding once the budget is in surplus</b>	9%	11%	8%
<b>The government should close ARENA down</b>	7%	12%	2%
<b>Don’t know / Not sure</b>	29%	25%	27%



Source: The Australia Institute conducted a national survey of 1,424 people in October 2019, online through Research Now, with nationally representative samples by gender, age and state and territory.

# Conclusion

ARENA's legislation means it cannot continue to make new investments beyond 30 June 2022. At its current funding rate, ARENA will run out of money for new projects by about August 2020. ARENA requires at least two years of funding certainty ahead, if it is to maintain its impact.

The Federal Government should be able to build support in early 2020 to amend the *Australian Renewable Energy Agency Act 2011* to extend its grant-making function across financial years 2022-2023 and 2023-2024 and provide additional funds for those years. We propose that the minimum funding level in the two new forward years should be \$230 million per annum. This would restore ARENA's total funding \$2.4 billion, the level it was under Prime Minister Abbott. Funds could be allocated on-budget and also from the dividends earned by the CEFC.

This will ensure that ARENA can continue to make significant new investments in clean energy in Australia over 2020 and until about mid-2021. During this time, the Federal Government will have released its Technology Investment Roadmap and can negotiate the long-term future for ARENA.

ARENA has proven itself in energy innovation focused on renewable electricity generation and integration. It is currently restricted to renewable energy and enabling technologies.

Given its success, ARENA is perfectly placed to deliver innovation beyond its traditional focus. Australia is likely to increasingly rely on ARENA over the Paris Agreement Period (2021-2030), to deliver emissions reductions across the economy, beyond its original remit in energy.

When ARENA was formed in 2011, its legislation restricted its investment activity to renewable energy, hybrid and enabling technologies and provided \$2.5 billion in funds.

ARENA should now be given the legislative scope to set strategies and make investments across a wider field of genuine clean energy innovation, including energy efficiency, industry, transport and agriculture. ARENA would then require a future budget significantly larger than its current one, in order to meet the energy and climate innovation challenges of the 2020s.

***Front page Image***

*Gannawarra Energy Storage System (GESS), a 25 megawatt (MW)/50 megawatt-hour (MWh) lithium-ion battery co-located with the 60 MW(DC) Gannawarra Solar Farm, jointly funded by ARENA and the Victorian Government, to provide grid stability and power quality services.*