# PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

| | | | |
|---|---|---|---|
| **Referred by:** | Coalition | **Proposal No:** | C1482 |
| **Date Referred:** | 01/03/2023 | **Date Published:** | 20/03/2023 |
| **Proposal Title:** | Clean Energy Superpower Fund | | |
| **Cluster:** | Treasury | | |

## General Government Sector Impacts

| | 2022-23 $'000 | 2023-24 $'000 | 2024-25 $'000 | 2025-26 $'000 | 4 year Total $'000 |
|---|---|---|---|---|---|
| Expenses (ex. depreciation) | | | | | - |
| Depreciation | | | | | - |
| Less: Offsets | | | | | - |
| Revenue | | | | | - |
| **Net Operating Balance:** | **-** | **-** | **-** | **-** | **-** |
| Capital Expenditure | - | 100,000 | 100,000 | 100,000 | 300,000 |
| Capital Offsets | | | | | |
| **Net Capital Expenditure:** | **-** | **100,000** | **100,000** | **100,000** | **300,000** |
| **Net Lending/(Borrowing):** | **-** | **(100,000)** | **(100,000)** | **(100,000)** | **(300,000)** |

## Total State Sector Impacts

| | 2022-23 $'000 | 2023-24 $'000 | 2024-25 $'000 | 2025-26 $'000 | 4 year Total $'000 |
|---|---|---|---|---|---|
| **Net Lending/(Borrowing):** | **-** | **(100,000)** | **(100,000)** | **(100,000)** | **(300,000)** |

### Notes and costing assumptions:

The policy has two components:

1. Establish the $1.5 billion Clean Energy Superpower Fund comprising:
   - the existing Transmission Acceleration Fund (TAF) with a maximum limit of $1.2 billion in net outlays (already budgeted)
   - a $300 million increase to TAF's maximum limit to provide additional recoverable funding for transmission, renewable energy storage, and grid security projects (not yet budgeted).

2. Invest $23 million to start regulatory reforms to expand the legislation behind the Electricity Infrastructure Roadmap (the *Electricity Infrastructure Investment Act 2020*) to support distributed energy resources. Distributed energy resources refer to smaller-scale devices that can either use, generate or store electricity, and form part of the local distribution system, allowing more people to produce and share energy locally. Examples include rooftop solar and small-scale, community batteries and distribution grid upgrades.

**Notes and costing assumptions continued:**

The policy states that the second component will be absorbed from within the Investment and Capacity Building stream of the budget from the Clean Technology Fund (part of the Climate Change Fund).

The total cost of the policy to 2026-27 is $375 million (or $300 million over the forward estimates).

**Key assumptions**

- The policy assumes the financial profiles of existing and new projects will be revised to accommodate the new capital expenditure envelope. Projects and their exact capital spend and capital offset/recovery amounts are yet to be determined.
- There is capacity within the existing TAF profile in the required years to fund an extra $75 million expenditure in 2026-27 that is not covered by the additional $300 million capital contribution. Alternatively, existing TAF projects will be reprofiled to enable the extra $75 million in 2026-27.
- Based on advice from Treasury, assets are assumed not to be amortised because the assets refer to development projects intended to be transferred to a private utility for construction and delivery.
- Budget impacts are a consequence of transactions by Energy Corporation with entities outside of the General Government Sector; they do not arise simply from fund allocations to TAF. TAF is not a budget or financial entity separate from Energy Corporation.
- Based on advice from Treasury, Energy Corporation administers a Special Deposits Account which allows the recycling of funds without needing further annual appropriations beyond the initial $300 million intra-government transfer.
- The NSW Office of Energy and Climate Change (OECC) advised there are funds not yet contractually committed from the Investment and Capacity Building stream of the Clean Technology Fund to offset the required funding of $23 million for the second policy component (see *Caveat*). The reallocation of funds is subject to the proposed reforms satisfying one or more of the purposes of the Climate Change Fund (section 34F of the *Energy and Utilities Administration Act 1987*).

**Caveats**

OECC notes that a reallocation of $23 million from the Clean Technology Fund would remove one-fifth of the OECC-administered funding for climate technology commercialisation.

In Q3 2022, OECC released a Request for Proposal (RFP) to the market to signal the government's commitment to directly invest $20 million of venture capital funding to the sector. OECC received a wide range of proposals and has been conducting assessments, analyses and stakeholder discussions.

Further, OECC advised that the reallocation may result in redundancies if staff working on multiple Clean Technology Innovation streams are unable to be reassigned. The cost of these redundancies is not included in the costing.