



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party
Date Referred: 01/02/2023
Proposal Title: Renewable energy fund

Proposal No: C1321
Date Published: 20/03/2023

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)	-	-	929	5,567	6,496
Depreciation			10	19	29
Less: Offsets					
Revenue			(211)	(1,268)	(1,479)
Net Operating Balance:	-	-	(1,150)	(6,854)	(8,004)

Capital Expenditure	-	-	76	76	152
Capital Offsets					
Net Capital Expenditure:	-	-	76	76	152

Net Lending/(Borrowing):	-	-	(1,216)	(6,911)	(8,127)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	-	(1,216)	(6,911)	(8,127)
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* Totals may not add to individual components due to rounding

Notes and coting assumptions:

The proposal involves investing \$1 billion in renewable energy projects. Capital contributions to the Fund are proposed as follows with funds being sourced from \$1.2 billion (as at 16 November 2022) of unallocated Restart NSW funds:

- 2024-25 - \$100 million
- 2025-26 - \$400 million
- 2026-27 - \$500 million

The PBO assumes the proposed Fund will be managed by an existing government agency and will form part of the General Government sector as its activities reflect a public policy purpose. This classification would be subject to consideration by NSW Treasury in conjunction with the ABS in accordance with Government Finance Statistics principles. It is also assumed that the Fund is established under legislation and will commence operation from 1 January 2024. Capital contributions are assumed to occur on 1 January in each financial year.

Notes and costing assumptions continued:

The costing undertaken by the PBO is based on similar activities undertaken by the Clean Energy Finance Corporation (CEFC) which was established by the Commonwealth Government in 2012-13 and is classified as a General Government Sector agency. The PBO has assumed that an existing government agency will administer the Fund but will incur additional costs which cannot be absorbed within its existing resources.

Key assumptions derived from the published financial reports of the CEFC over the period from 2022-23 to 2025-26 were used in this costing:

- Additional expenses (excluding depreciation) are estimated to average around 1.9 per cent of contributed equity of the Fund. These expenses include the operating costs of managing the entity as well as costs associated with any asset write downs. These expenses are expected to total \$6.5 million in the period to 30 June 2026.
- Revenues are estimated to average around 4.1 per cent of contributed equity of the Fund. This represents a return on the investments of the Fund. These revenues are expected to total \$14.3 million in the period to 30 June 2026 but are offset by the loss of investment earnings on Restart NSW funds of \$15.8 million.
- Additional capital expenditure is estimated to be equal to around 0.04 per cent of contributed equity over the first 2 years of operation of the Fund and are expected to total \$153,000 in the period to 30 June 2026.
- Depreciation is estimated to average around 12.5 per cent of accumulated capital expenditure.
- The impact of the re-investment of cash flow surpluses would be insignificant over the costing horizon.

An interest rate of 4.5 per cent per annum has been used to calculate foregone investment earnings from unallocated Restart NSW funding.

The use of Restart NSW funds for the proposed purpose would likely require legislative amendments to the Restart NSW Fund Act.

Data for the CEFC was sourced from annual reports of the Corporation.