



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party

Proposal No: A199

Date Referred: 14/12/2018

Date Published: 18/03/2019

Proposal Title: Clean and affordable energy - Clean Energy NSW

Cluster: Planning and Environment

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	735	7,350	8,085
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	-	(735)	(7,350)	(8,085)

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	-	(735)	(7,350)	(8,085)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	-	(735)	(7,350)	(8,085)
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Notes and costing assumptions

The policy proposes to establish a Public Non-Financial Corporation (PNFC) called "Clean Energy NSW" (CENSW) from 1 January 2021, to invest in renewable energy. The policy proposes to make equity injections totalling \$500 million, comprising \$50 million in 2020-21, \$200 million in 2021-22, \$250 million in 2022-23.

The estimated total cost of this policy is \$8.1 million over the forward estimates and \$22.8 million by 2022-23, after the last \$250 million equity injection. These costs represents the total interest expenses paid by NSW Treasury for the funds raised by the NSW Treasury Corporation (TCORP), for injection into CENSW.

CENSW Design and Financing

The costing is based on Treasury advice, which the PBO has applied based on the value of the injections:

- The establishment of CENSW would be completed by 1 January 2021
- The PBO assumes that a future government will take all legislative and regulatory steps to enable the creation and financing of CENSW, including amendment of current NSW Treasury policies regarding PNFC borrowing and dividends where necessary

Further costing details are overleaf.

Notes and costing assumptions

CENSW Design and Financing (cont'd)

- Funds for the equity injection are sourced by TCORP's bonds and then "injected" via Treasury to CENSW on 1 January 2021 and at the beginning of the applicable financial years thereafter
- The interest rate on the \$500 million sourced from Treasury Corporation is 2.94% (the current market rate as at December 2018), with a term of 20 years, after which the amount will reach maturity and will need to be repaid in full
- CENSW will re-invest any earnings (rather than return dividends to Treasury) and not require any additional financial support from Treasury
- As specific details relating to CENSW's activities, investment strategy and staffing are currently unknown, further likely budget impacts from payment of tax and tax equivalents to Treasury have not been included in the costing.