



24 October 2012

Mr. Bernie Fraser
Chair
Climate Change Authority
GPO Box 1944
Melbourne VIC 3011
Via email to: enquiries@climatechangeauthority.com.au

Dear Mr. Fraser:

Re: Renewable Energy Target Review

The Children's Investment Fund Management (UK) LLP, on behalf of the funds that it manages, is a major long term shareholder in Infigen, with a c33% holding.

TCI is a global investment fund managing US\$8bn, of which some 40% is invested in global utilities (including renewable energy) and infrastructure (including QR National in Australia).

With regards to the current RET Review being undertaken by the Climate Change Authority (CCA), I would like to take this opportunity to state how important it is that the material elements of the LRET scheme, including the existing LRET target, should remain unchanged throughout this review process.

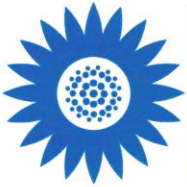
As you know, the LRET scheme is the fundamental support mechanism for clean energy generation investment in Australia. While the LRET scheme has a demonstrated track record in increasing renewable energy generation at the lowest cost, this success has been significantly diminished by several well intentioned but poorly executed historical changes to the scheme. The scheme continues to suffer from the perception that future "tweaking" of the scheme may occur in scheduled biennial reviews, with potentially adverse consequences for long term renewable energy investors like ourselves.

From a major international investor's standpoint, there are a number of critical features of Australia's LRET scheme that led us to invest in Australia's renewable energy sector over the past four years.

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These are:

- A fixed absolute GWh target rather than a floating target susceptible to unpredictable change;
- Certainty that the existing 41,000 GWh LRET target will not change;
- Continued separation of the SRES & LRET schemes;
- Maintenance of the current LRET shortfall penalty of \$65/MWh.

TCI would like to continue making investments in Australia, including investments in the renewable energy industry. For example, the potential privatization of State-owned electricity network assets is fundamentally interesting to us. However, it is necessary for us to have confidence in the respective regulatory regimes and that sovereign risk is being effectively managed by the Australian Government and its statutory authorities.

In relation to the cost of the scheme, I understand that Australian State Regulators (of retail electricity prices) have independently determined that the monthly cost of the LRET scheme to domestic electricity customers is less than \$3.20 per household. This modest cost is also partially offset by the effect of renewable energy creating downward pressure on wholesale electricity prices, most notably in South Australia where renewable energy penetration has substantially reached the national target.

I look forward to reading the CCA's draft recommendations in the Discussion Paper when it is released later this month. If you have any questions, please feel free to contact me using the details below.

Yours sincerely,

Philip Green
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