Renewable Energy Development Initiative Program Directions No 1 of 2005

I, Ian Elgin Macfarlane, Minister for Industry, Tourism and Resources, acting under section 18A and subsections 19 (1) and 20 (1) of the Industry Research and Development Act 1986 (the Act), give the following Directions to the Industry Research and Development Board.

Dated 9/5/05  Ian Macfarlane
Minister for Industry, Tourism and Resources

PART 1 - PRELIMINARY

Name of Directions

1. These Directions are the Renewable Energy Development Initiative (REDI) Program Directions No. 1 of 2005.

Commencement

2. These Directions commence on 6 June 2005 or the day on which the Directions are published in the Gazette, whichever is the later.

Object of these Directions

3. The object of this instrument is to give directions to the Board in relation to:
   
   (a) an additional function of the Board, namely the provision of technical assessments and merit ranking of eligible applications under REDI; and
   
   (b) the policies and practices to be followed by the Board in the performance of the function.

Interpretation

4. In these Directions, unless the contrary intention applies:

   \textit{AGO} means the Australian Greenhouse Office, a Division of the Department of Environment and Heritage.

   \textit{agreement} means an agreement between an eligible applicant (whose application has been approved under clause 14 of the Guidelines) and the Commonwealth for grant funding under REDI, as may be amended from time to time in accordance with the rules for REDI.

   \textit{Board} means the Industry Research and Development Board.

   \textit{Department} means the Department of Industry, Tourism and Resources.
**early-stage commercialisation activities** means the systematic work necessary for installing and establishing processes, systems and services that allow the new **renewable energy technology**-related product, process or service to be produced to the stage where it can effectively be brought to market.

**eligible activities** are activities that:

(a) are carried on in Australia; and

(b) involve any one or more of the following:

(i) **research and development activities**;

(ii) **proof-of-concept activities**; or

(ii) **early-stage commercialisation activities**.

**eligible applicant** means a:

(a) *non tax-exempt company* incorporated under the **Corporations Act 2001**; or

(b) a wholly or majority owned Commonwealth or State Government body that either:

(i) derives its income primarily from commercial sources;

(ii) does not receive significant recurrent government funding; or

(iii) returns any part of a trading surplus to a government in the form of an annual dividend or similar payment.

**eligible application** means an application for grant funding under **REDI** that the **Program Delegate** has determined is eligible for technical assessment and merit ranking by the **Board** in accordance with clause 8 of the **Guidelines**.

**eligible project** means a project that:

(a) aims to produce, commercialise or establish the commercial or technical viability of a new, clearly identified **renewable energy technology**-related product, process or service;

(b) involves **eligible activities**; and

(c) is consistent with and promotes the **Program Objectives**.

**enabling technology** means, for the purposes of the definition of **renewable energy technology**, a technology that:

(a) allows the more efficient or effective transformation of renewable energy into a useable form of energy;

(b) enhances resource assessment, planning, modelling or decision support tools that provides input into any **renewable energy technology** project; or

(c) is approved by the **Program Delegate** under clause 23 of the **Guidelines**.
**Guidelines** means the guidelines that are made by the *Minister* to the *Department* for the delivery of *REDI*, as in force from time to time.

**innovation** means the process whereby ideas are transformed, through economic activity, into sustainable value-creating outcomes. It can generate changes in output such as new products, processes and services.

**Minister** means the Minister for Industry, Tourism and Resources.

**non tax-exempt company** means an Australian resident company, other than one to which Division 50 of the *Income Tax Assessment Act 1997* applies.

**Program Delegate** means an employee of the *Department* who has been empowered by the *Minister*, or otherwise duly authorised, to carry out the relevant function in respect of *REDI*.

**Program Objectives** are the program policy objectives set out in clause 4 of the *Guidelines* in the following terms:

(a) to support the international competitiveness of Australian industry by encouraging **innovation** through increasing the level of **research and development activities**, **proof-of-concept** and **early-stage commercialisation activities** undertaken by Australian companies;

(b) to generate national benefits for the Australian economy and wider community, including for example, through increasing productivity, supporting collaboration and developing Australia’s skills base; and

(c) to support the development of **renewable energy technology** products, processes and services that have strong early-stage commercialisation and emission reduction potential.

**proof-of-concept activities** means the steps necessary to establish the commercial and technical viability of a product, process or service that involves any **renewable energy technology**.

**recipient** means an **eligible applicant** who has entered into an **agreement** with the Commonwealth.

**REDI** means the merit-based program administered by the *Department* in accordance with the *Guidelines*, aimed at supporting the strategic development of **renewable energy technologies** that have strong commercial, and emission reduction, potential

**renewable energy technology** means any direct or **enabling technology** developed for the purpose of deriving energy sustainably from:

(a) the sun;

(b) wind;

(c) geothermal sources;

(d) biomass (not derived from fossil fuels);

(e) hydro systems;
(f) waves, tides and oceans; or

(g) any other renewable energy source approved by the Program Delegate under clause 23 of the Guidelines.

but excludes all fossil fuels and fossil fuel derived waste products, including:

(h) coal seam methane, waste coal mine gas and other coal or natural gas based products;

(i) waste heat from cogeneration;

(j) electricity production from cogeneration based on fossil fuels; or

(k) non-biomass component of co-firing or wastes.

research and development activities means the systematic, investigative and experimental activities in any renewable energy technology that involves innovation, technology transfer into Australia or technical risk.

5. In these Directions:

(a) ‘may’ is permissive and not mandatory;

(b) a reference to the singular includes the plural, and vice versa;

(c) if a word or phrase is defined its other grammatical forms have corresponding meanings; and

(d) ‘includes’ and ‘including’ do not limit the words which precede them or to which they refer.

PART 2 – ASSESSMENT AND MERIT RANKING OF APPLICATIONS

Procedure

6. (a) Subject to clause 7, the Board will assess eligible applications referred to the Board by the Program Delegate under clause 11 of the Guidelines, and provide a merit ranking of those applications to the Program Delegate.

(b) The Board must consider eligible applications as soon as practicable after those applications have been referred to the Board.

Board may decline to provide merit ranking

7. The Board may decide to refuse to provide a merit ranking in respect of a particular eligible application if it is not satisfied:

(a) with the level of merit of the eligible application in relation to one or more of the merit criteria; or

(b) that the project is an eligible project.
Assessment of eligible applications

8. Subject to clause 7, the Board must assess each eligible application on its merit according to the extent to which the application meets the merit criteria outlined in clause 9 of these Directions.

Merit criteria

9. The merit of an eligible application must be assessed against the following criteria:

**Criterion 1: Management capability of the applicant**

Merit may be indicated by the applicant through:
- an appropriate level of expertise in:
  - business management, including in human resources and financial management;
  - project management; and
  - commercialisation management.
- a core business which is directly relevant to the project;
- demonstrated stability and/or growth of the applicant over the last two years; and
- a business plan which includes and supports the proposed project.

**Criterion 2: Commercial potential of the project**

Merit may be indicated by the applicant through:
- a solid track record in commercialisation and marketing of innovative products or services;
- a well articulated and sound commercialisation strategy;
- a realistic appraisal of the commercial potential for the project outcomes, including demand for the product;
- an understanding of the route to market for the project, such as trade barriers, access to manufacturing and timeframe to commercial exploitation; and
- an understanding of the competitive situation the project outcomes will face, including:
  - the extent of competitive advantage the project’s commercial outcomes will have on factors such as cost, intellectual property arrangements, and strengths and weaknesses compared to competing products; and
  - the frequency with which new products or services enter the market.

**Criterion 3: Technical strength of the project, and technical capability and resources available to the applicant**

Merit may be indicated by the applicant through:
- the technical capacity to undertake the project, including:
  - adequate infrastructure, facilities and equipment available to meet the short and long-term requirements of the project;
  - a good understanding of technical product development, testing and production start-up; and
  - appropriately skilled technical staff and/or sub-contractors.
- a well-articulated project plan, including methodologies and milestones linked to a feasible timeframe;
• a strong track record in the project field;
• a project with an appropriate level of innovation, demonstrated by evidence of new technology; and
• a project with an appropriate level of technical risk, demonstrated by uncertainty over the results.

Criterion 4: Extent to which the project is likely to provide National Benefits

Merit may be indicated by the applicant through:
• how the project will improve national productivity and contribute to economic growth;
• how the project will result in social, community and/or environmental benefits; and
• that significant spill-over benefits will accrue to Australia through conduct of the project and/or commercialisation of its results, including:
  ▪ diffusion of knowledge and skills;
  ▪ diffusion of new renewable energy technology-related products, processes or services; and/or
  ▪ increased collaboration between businesses and/or businesses and research institutions.

Criterion 5: Need for funding

Merit may be indicated by the applicant through:
• demonstrating a realistic project budget; and
• REDI funding is required for the project to progress satisfactorily, for one or more of the following reasons:
  ▪ the applicant has insufficient resources to fund the entire project;
  ▪ a longer time frame for project delivery would erode competitive advantage;
  ▪ the technical risk of the project works against it proceeding; and/or
  ▪ the applicant cannot adequately capture the benefits of the project that may justify government investment.

Criterion 6: Potential for greenhouse gas abatement

Merit may be indicated by the applicant through:
• demonstrating the potential to deliver significant greenhouse gas abatement in Australia or overseas through the market uptake of technology or product development under the project; and
• detailing greenhouse gas abatement projection for the project, consistent with the applicant’s business plan and market projections.

PART 3 – ASSESSMENT OF PROPOSALS FOR VARIATION TO THE GRANT PROJECT

10. If a recipient has submitted a proposal to the Department to vary its project (including by way of the addition of new activities, the discontinuance of existing activities, the substitution of new activities in the place of discontinued activities, a variation to the funding amount, or a variation to the project’s timeframe) the Program Delegate may refer the request to the Board for the Board’s assessment.

11. If the Board receives a request under clause 11, it must assess the proposal as soon as practicable and provide the assessment to the Program Delegate.
12. In undertaking an assessment of a proposal referred under clause 10, the Board will determine:

(a) the extent to which the changed project meets the merit criteria; and
(b) whether the change to the project would:
   (i) significantly improve the outcomes of the project;
   (ii) be consistent with, or promote, the program objectives; and
   (iii) otherwise be appropriate in all the circumstances.

PART 4 – OTHER TECHNICAL ASSESSMENTS

13. The Program Delegate may request the Board to provide an assessment of any technical matter associated with applications, activities and projects, or any other matter relevant to a merit criterion, including:

(a) technical matters relating to the eligibility of applications, activities or projects against the definitions contained in these Directions;
(b) the progress reported by a recipient against the technical milestones for a project or compliance with agreement conditions that are of a technical nature;
(c) any matter pertaining to a national benefit assessment; or
(d) any other matter that pertains to technical merit or the technical assessment of compliance with the terms and conditions of REDI or an agreement.

14. In carrying out technical assessments pursuant to clause 13, the Board will take into account any relevant policies or guidance relating to the administration of REDI that are issued under the Guidelines, from time to time.

15. If the Board receives a request under clause 13 it must conduct the assessment within a reasonable time and provide the assessment to the Program Delegate.

PART 5 – BOARD TO PROVIDE ADVICE ON POLICIES AND OPERATIONS OF THE PROGRAM

15. The Board may advise the Minister, or the Minister may request advice from the Board, on matters relating to REDI, including questions concerning the extent to which it REDI is meeting the Program Objectives.

16. The Board may collect and analyse data on the performance of REDI, provide advice to the Minister on such performance, and will co-operate with any independent evaluation of REDI.