

Australian renewable energy transactions

Quarterly transaction chart pack

Climate Capital Pty Ltd

Q1-FY17 to Q1-FY20



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Our key insights

① Deal volumes impaired by asset valuations

The last edition of the quarterly chart pack forecasted an uplift in deal volumes as the large number of under-construction projects were brought to market. However, deal volumes were below expectations which may be attributed to:

1. Both asset vendors and investors waiting on the sidelines to see what, if any, impact decreasing cash rates may have on asset valuations (cost of debt).
2. Project vendors postponing asset sales as credit and alternative capital sources for development assets proliferate.

② National policy importance

Following the strong investor appetite in FY17 and FY18, especially amongst international investors who accounted for more than 60% of asset transactions in those years, there is a need for adequate future policy to provide certainty on the future wholesale energy market if we are to see any reignition of investment in renewable assets.

③ Climate Capital's experience

In the first quarter of 2020, Climate Capital evaluated in excess of 10 solar investment opportunities across the National Energy Market and Western Energy Market. Our key takeaways from these projects cover the following four areas:

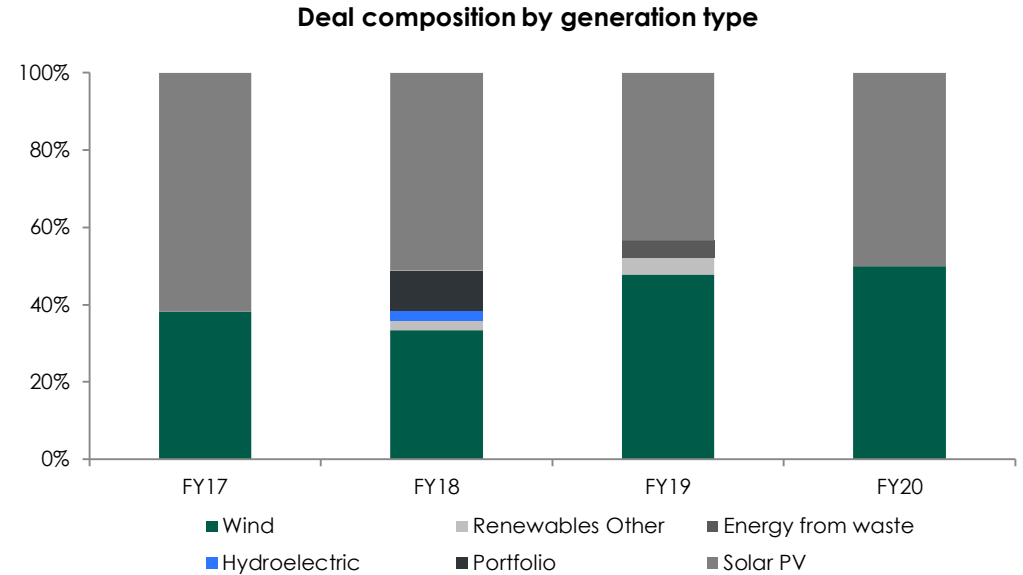
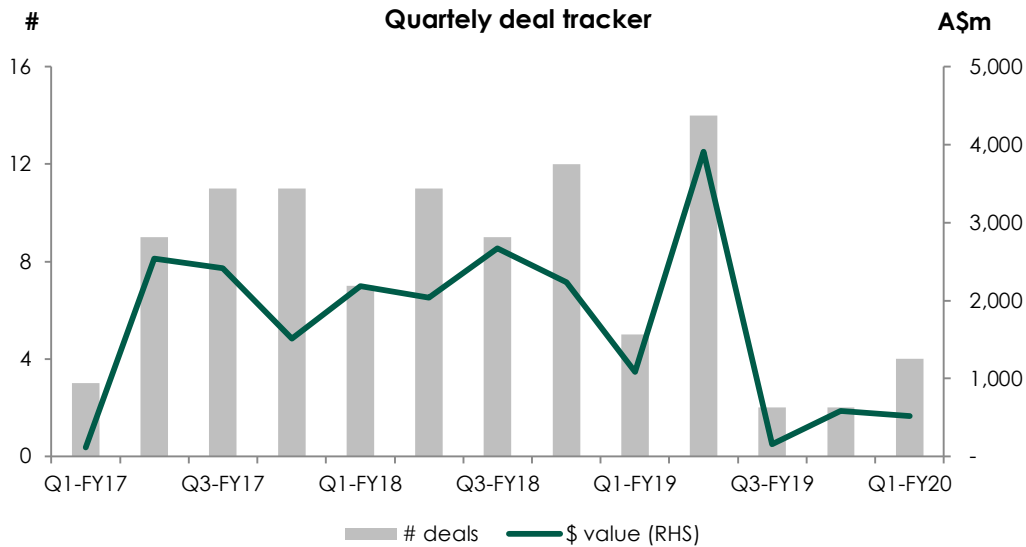
1. Understanding the construction costs and how it benchmarks against similar projects/technology.
2. How is the contracted portion of a project's revenue (i.e. via of PPA) structured to deliver superior economic value to equity participants whilst ensuring cost-savings to the offtaker.
3. Following the contracted revenue term, what options are available to best manage the tail-risk exposure to the volatility of energy wholesale prices.
4. What are some potential connection constraints that are present in the project and how to monitor, or better circumvent, these issues.

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Deal activity overview

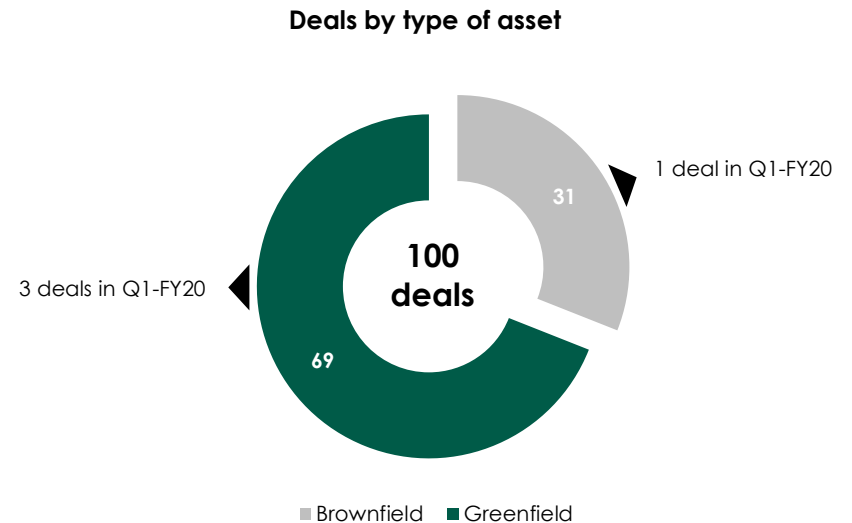


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Key observations

- We observed some improvement in the new financial year with deal volumes doubling over the previous quarter. However, deal volumes are largely unchanged when compared to the same period in the prior year.
- Despite the large volume of projects recognised as under construction leading into the 2019 calendar year, these projects are yet to make their way to market but are still expected to drive future volume increases.
- The market for renewable energy transactions has been affected by inflated asset valuations as the Australian cash rate was cut by a further 25bps in July and an October rate cut already priced in, resulting in a lower risk-free rate and therefore cost of capital.
- Climate Capital completed its first investment in September acquiring a 2.3MW solar asset in Western Australia. [Click here](#) to see the media release.



Notes: All data has been sourced from Inframation unless stated. Deals include Australian greenfield and brownfield assets only, refinances have been excluded from this analysis.

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Solar generation assets



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Key observations

- Since the beginning of FY17, there has been 53 deals involving solar assets contributing almost 7.2GW of electricity worth more than A\$8.4 billion.
- The addition of two solar assets being transacted in Q1-FY20 has increased the average megawatt multiple for solar to 2.25x from the FY19 average of 1.64x.
- The increase in megawatt multiples is likely the result of higher asset prices provided by a reduction in discount rates being applied to project cashflows.
- Average megawatt multiples for greenfield solar assets were on average 60% higher than those for brownfield solar assets.
- Investors from Australasia (i.e. Australia and New Zealand) and Europe were collectively involved in 70% of transactions, with investors from Asia and the United States attributed the balance.
- British developer, John Laing and French renewable energy giant, Neoen remain amongst the most active investors in Australia's solar market.

Major transactions



Sep-19

Project	Image Resources
Location	Western Australia
Size (MW)	2.3
Value (A\$m)	n.d.

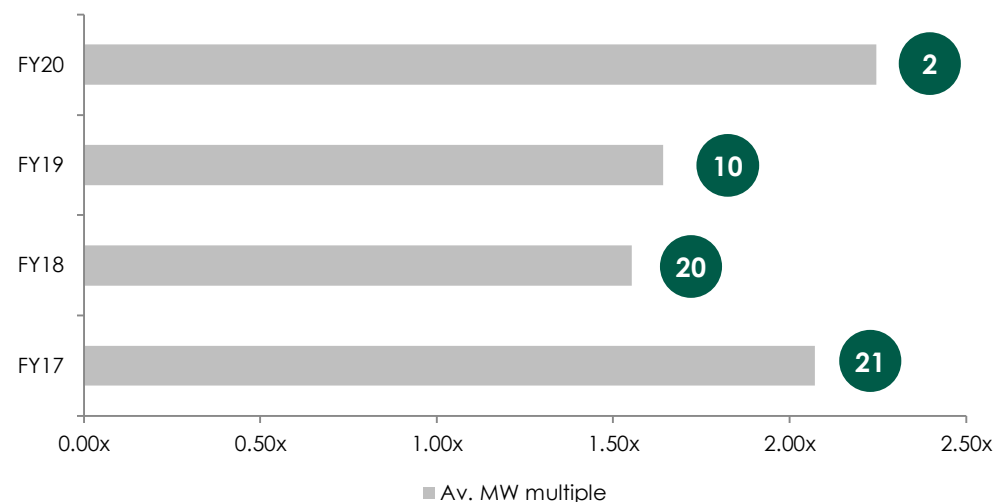


Jul-19

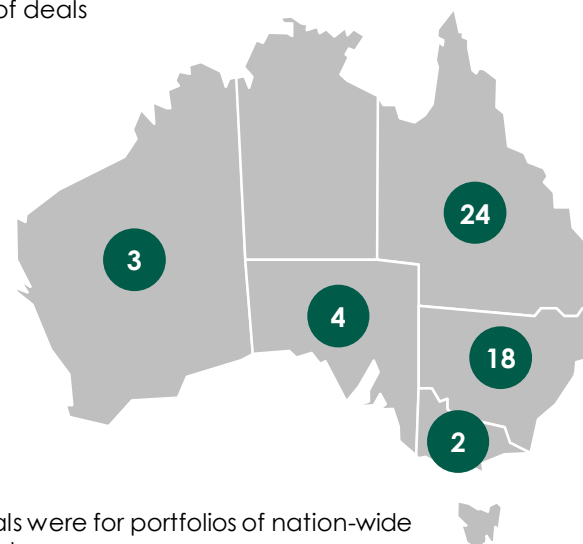
Project	Goonumbra Solar Farm
Location	New South Wales
Size (MW)	68.7
Value (A\$m)	\$150

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Average solar MW multiples



Number of deals



2 Deals were for portfolios of nation-wide assets.

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Wind generation assets



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Key observations

- A total of 39 deals involving wind generation assets have been observed since FY17, with a combined value of more than A\$11.3 billion across 7.6GW of electricity generation.
- Average megawatt multiples were seen to have declined in the first quarter of 2020, however this is potential misleading as it is based on only one observation reporting on value.
- Victoria and New South Wales domiciled projects proved most attractive to investors with 15 and 9 transactions, respectively.
- Average megawatt multiples for greenfield wind assets were on average 29% higher as compared to brownfield wind assets.
- Australasian and European investors were equity counterparties to 79% of wind transactions, whilst Asia-based investors were also active (21%).
- Transaction regulars for wind assets included Powering Australian Renewables Fund (PARF) (Australia) and DIF Infrastructure V (Europe).

Major transactions



Jul-19

Project	Moorabool North Wind Farm
Location	Victoria
Size (MW)	321
Value (A\$m)	\$359

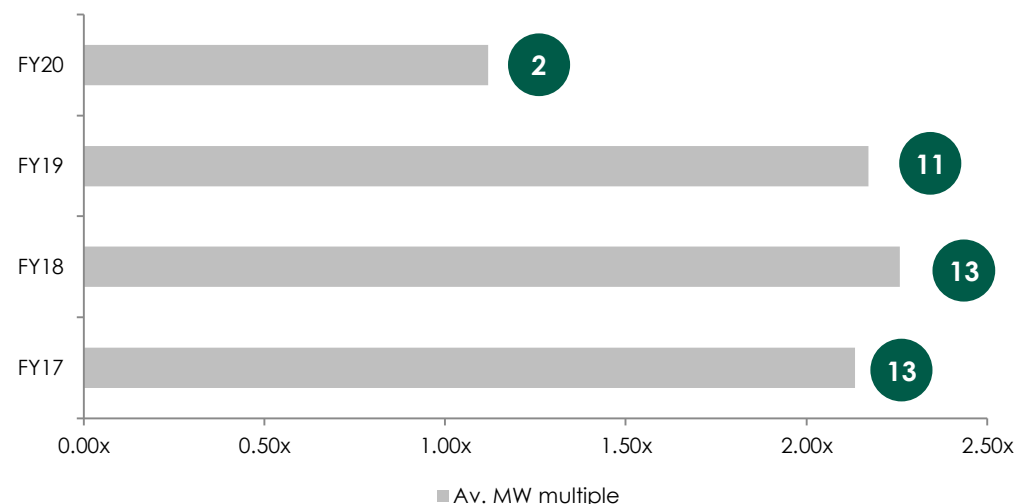


Jul-19

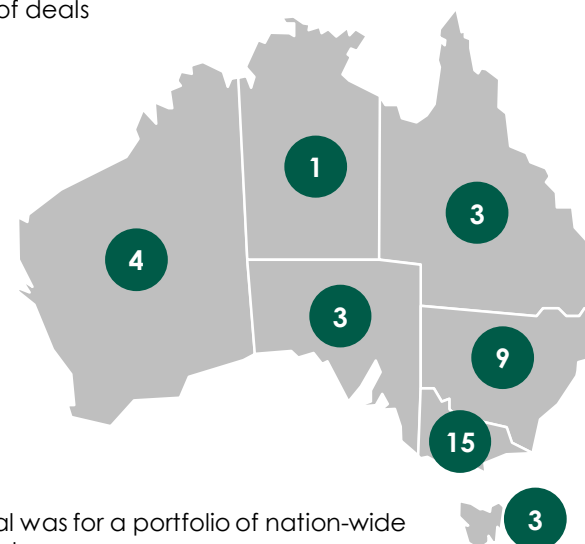
Project	Collgar Gap Wind Farm
Location	Western Australia
Size (MW)	206
Value (A\$m)	n.d.

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Average wind MW multiples



Number of deals



1 Deal was for a portfolio of nation-wide assets.

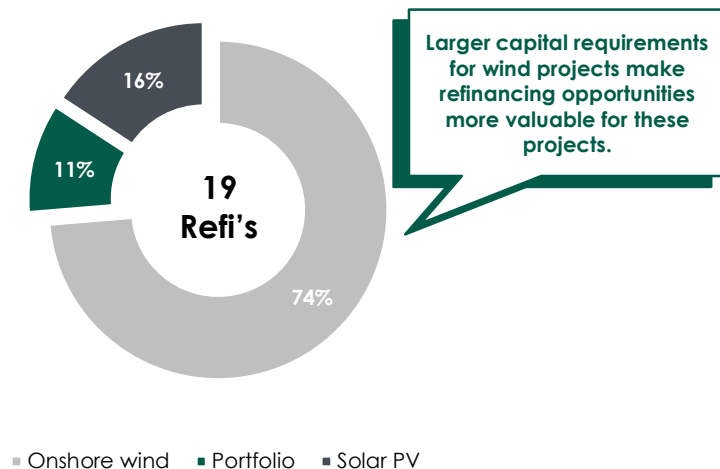
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Additional charts

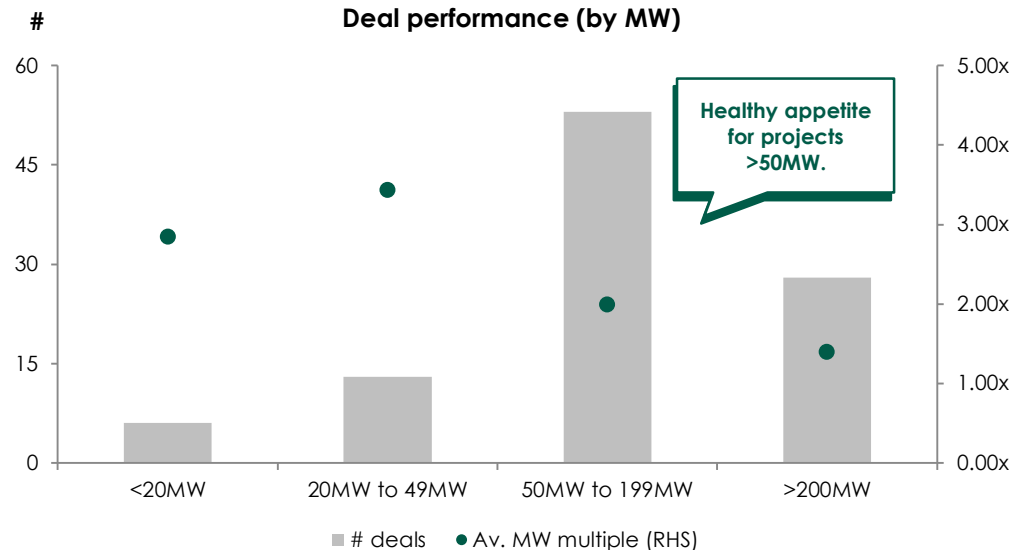


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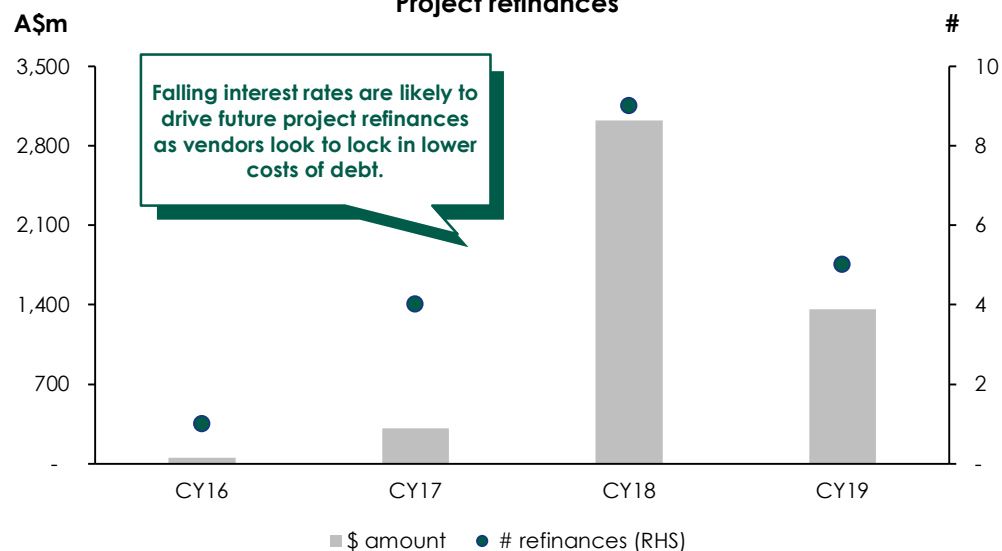
Number of refinances (by generation type)



Deal performance (by MW)



Project refinances



Notes: All data has been sourced from Inframation unless stated.



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Contact us

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