



Australian Government



Northern Australia Infrastructure Facility

Financing Mining Infrastructure in Northern Australia – a NAIF Perspective

1 November 2017

www.naif.gov.au

NAIF a brief history

“The facility will address gaps in the infrastructure finance market for northern Australia and is an integral part of the government's plan for northern Australia.”

- Established **1 July 2016** by Federal Government
- **\$5 billion of loans available** for infrastructure development to support economic and population growth
- **Independent Board** makes investment decisions
- **Strong collaboration** with all arms of Government (Federal, States (WA and QLD) and Northern Territory)

Northern Australia

UNTAPPED POTENTIAL

- **11.7% of GDP**
- **5.5% of Population**
- **40% of Australia's landmass** - *five times the size of France*
- **90% of Australia's gas reserves**
- Large agricultural and tourism opportunities close to Asia

TRADE GATEWAY TO ASIA

- By **2030 two thirds** of the world's middle class and **50%** of world's GDP
- By **2050 50%** of global growth in demand for agriculture products will come from China.
- Australia will receive over one million visitors per annum from Chinese nationals.
- Longstanding and recent FTAs across Asia



Infrastructure

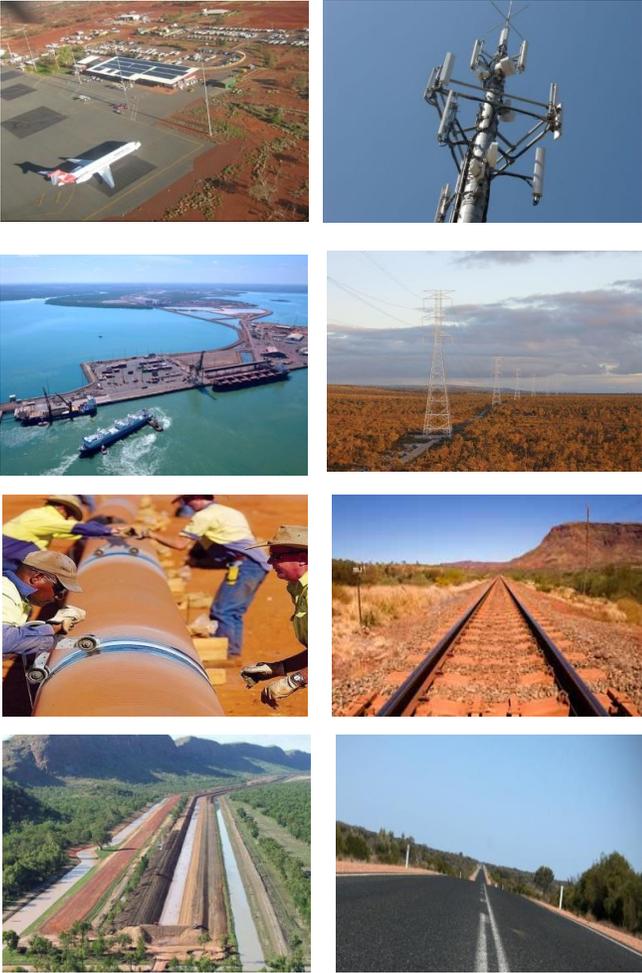
Industry sectors



Types of infrastructure NAIF can support

Water assets	Rail	Roads	Airports	Energy	Communications	Seaports
Treatment, Distribution, Storage	Associated cargo / storage facilities	Generation, Distribution, Storage	Social infrastructure eg hospitals	Training or medical research facilities	Marinas	

- Project can incorporate infrastructure and non-infrastructure components. e.g. associated infrastructure for large-scale agricultural projects
- Single user, but preference for multi-user
- Greenfield projects and/or enhancements to infrastructure



Facility

Financial Assistance

Loan, not a grant. Debt, not equity. Lender, not a sponsor.

Gap Financier

NAIF financing must be **necessary to enable a project to proceed, or to proceed much earlier** than it otherwise would.

Concessions (minimum required for a project to proceed)

NAIF **can provide concessional terms**, but concessions will have regard to the extent of the **public benefit** generated. Relative to other lenders financing terms may:

- Have **longer tenors**
- Have **lower interest rates**
- Be **more patient**
- Be **subordinated** in cash-flow or security

Size

Flexible - but preference for **investments of \$50 million or more**.

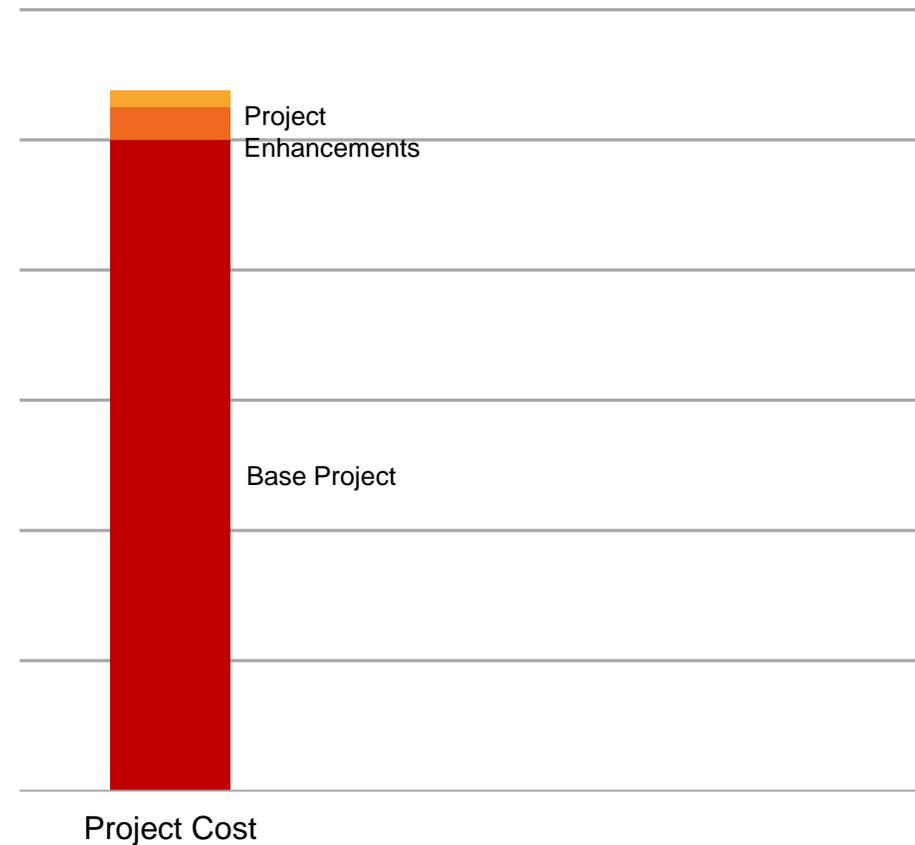
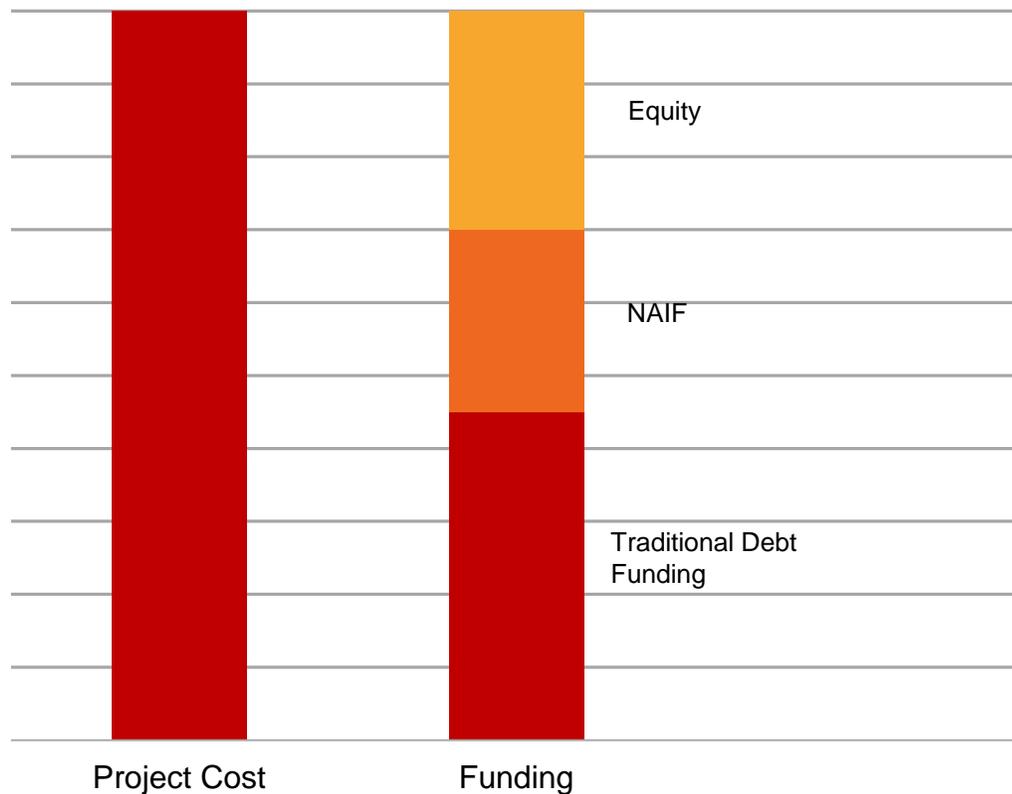
Eligibility

Equity Capital	Can be domestic or foreign ownership. NAIF does not provide equity.
Economic Infrastructure	Construction or enhancement of Northern Australia economic infrastructure
Non-NAIF Debt	Project must source at least 50% of infrastructure debt from private and/ or public sector financiers (e.g. lenders, bond market, export credit agencies or other (e.g. government grants)) NAIF aim is to ' crowd in ' private sector rather than compete
Public Benefit	Must provide a public benefit – preference for multi-user
Indigenous Engagement Strategy	Proponent must provide an Indigenous Engagement Strategy acceptable to the Board

“Filling the Gap” Funding

Liquidity: insufficient debt market capacity
Risk appetite: Project life versus initial loan life,
Business case bankability

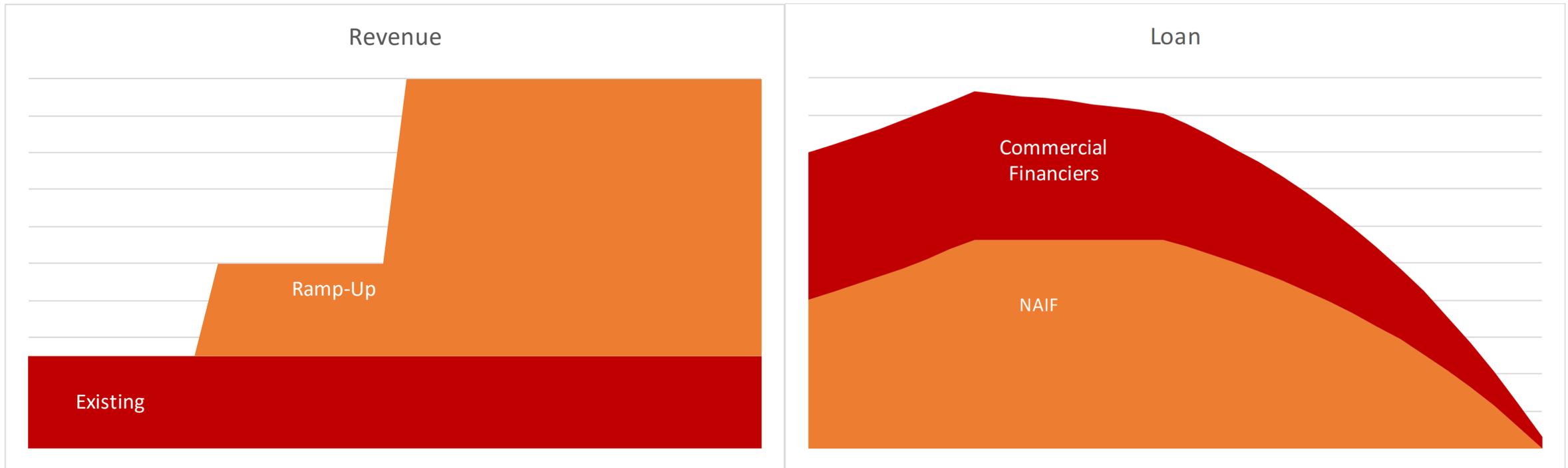
Enhance projects to provide community benefits
where the incremental returns would not justify the
additional investment by sponsor



Indicative only for illustrative purposes. Actual concessions determined on a case by case basis.

Leveraging risk appetite to encourage other financiers

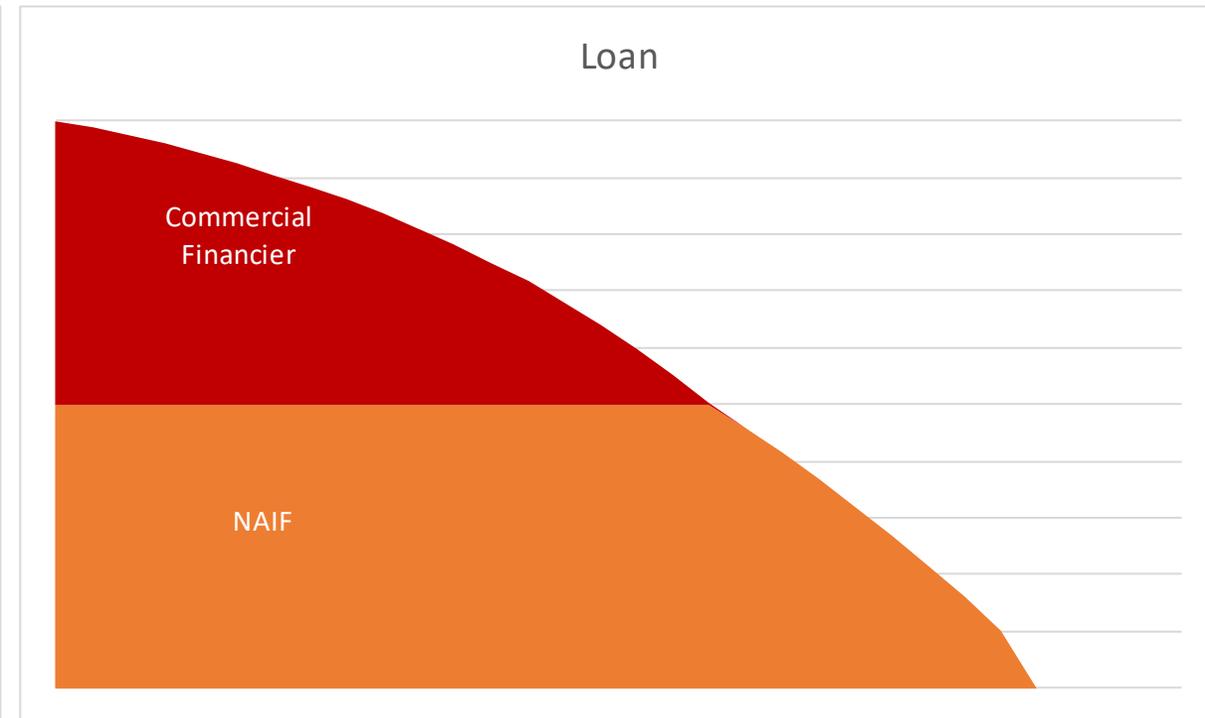
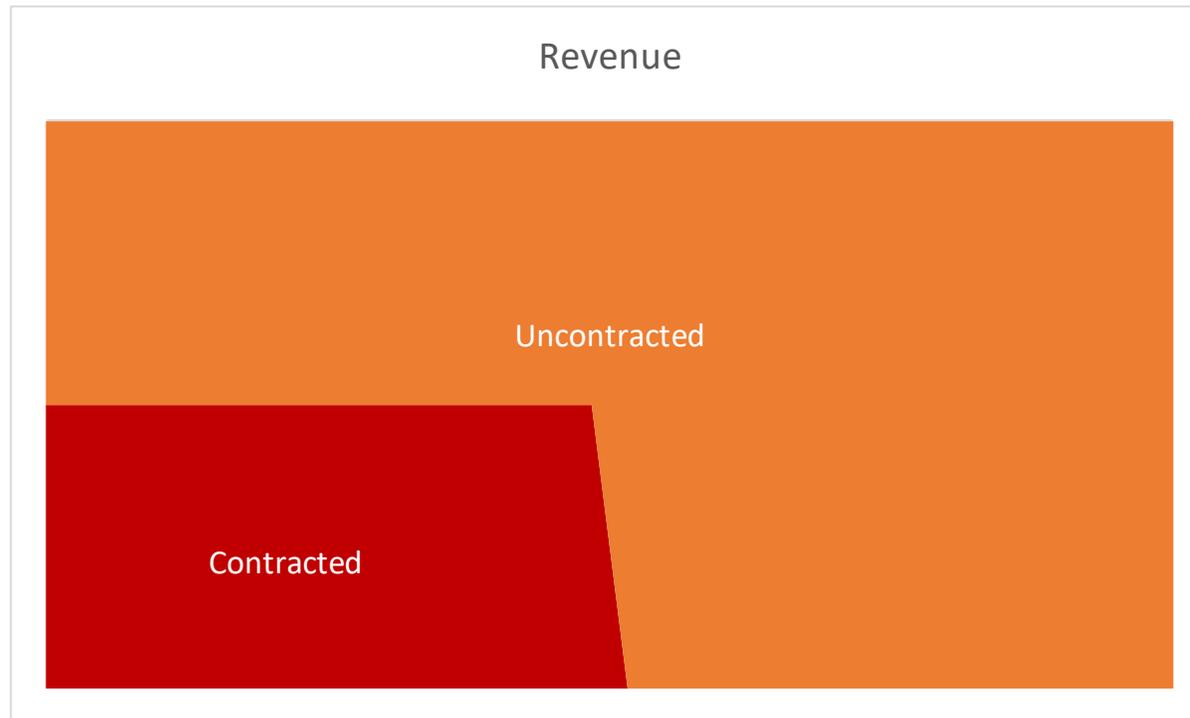
To support new market entrants and better match revenue ramp up and life cycle of new projects Commercial Financiers may want more certain revenues. NAIF may allow interest capitalisation and interest only periods during ramp up before repayment to support new market entrants.



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Leveraging risk appetite to encourage other financiers

NAIF may absorb element of merchant risk where uncertain utilisation/ pay back period
Commercial Financiers consider contracted revenue. NAIF may consider expected uncontracted revenue over the project life.

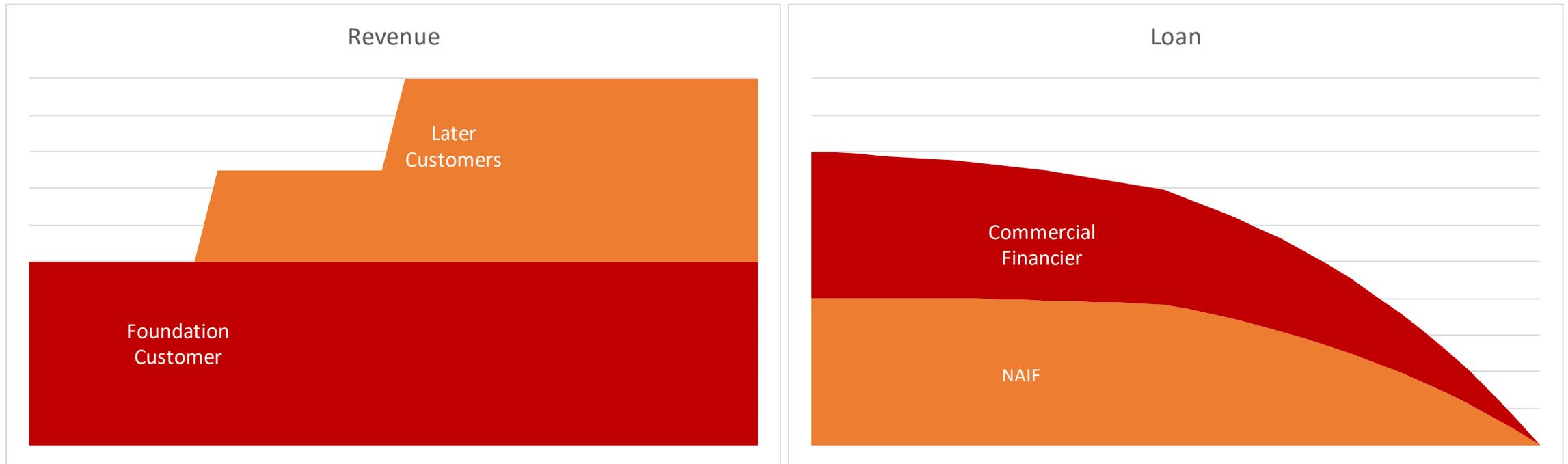


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Leveraging risk appetite to encourage other financiers

NAIF objective is to facilitate multi user infrastructure.

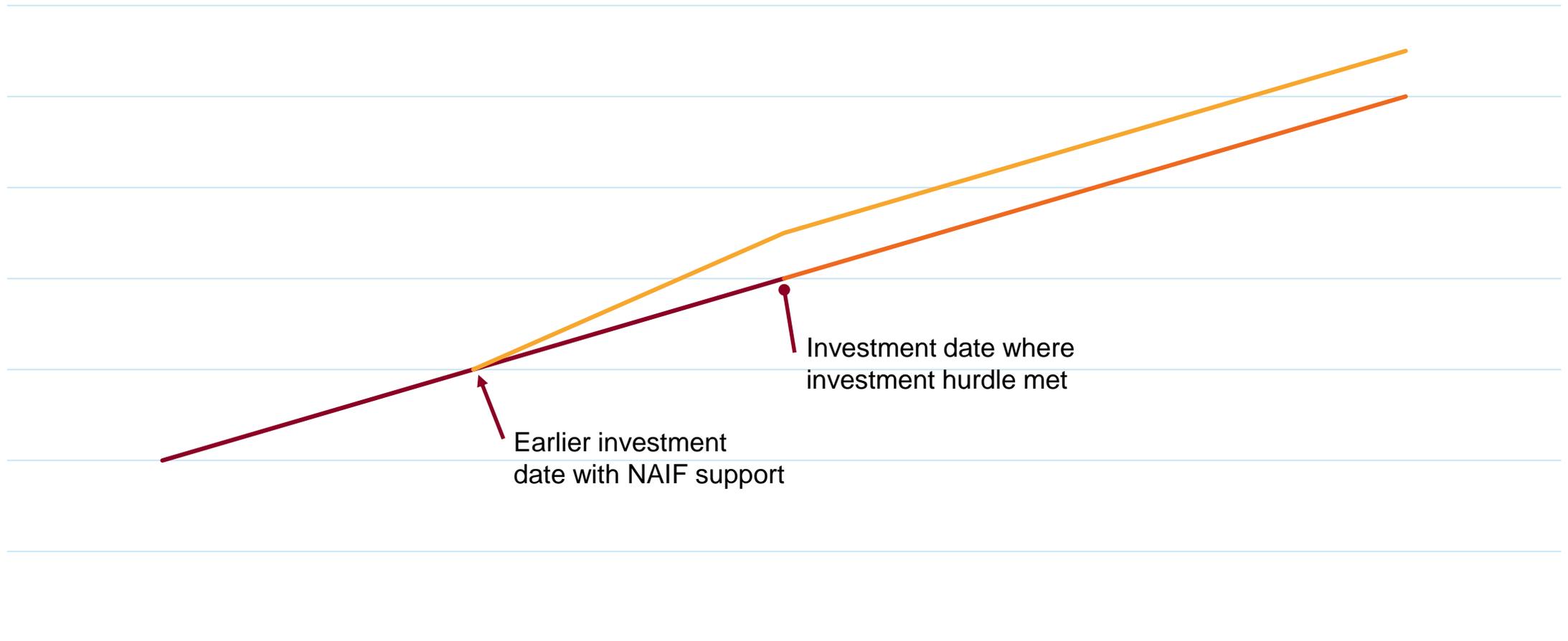
Commercial Financiers may only consider foundation customer revenues. NAIF may take into account future customers that may begin operations after construction of project.



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Project Acceleration

Projects which can provide positive economic benefits prior to the date when a developer's return thresholds would be met



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Thank you



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Northern Australia Economic Infrastructure

Section 3 of NAIF Act

“(1) objective of this Act is to provide financial assistance to the States and Territories for the **construction** of Northern Australia economic infrastructure

(2) **Northern Australia economic infrastructure** is **infrastructure** that:

- (a) provides a **basis for economic growth** in Northern Australia; and
- (b) stimulates **population growth** in Northern Australia” involve construction or enhancement of economic infrastructure

Mandatory Criteria

To obtain NAIF finance projects must:

- involve construction or enhancement of economic infrastructure
- be of public benefit
- be unlikely to proceed, or only at a much later date or with much limited scope, without NAIF assistance
- be located in, or will have a significant benefit for Northern Australia
- ensure that NAIF loan monies are not more than 50% of the project debt funding
- be able to repaid or refinanced i.e. it is not a grant
- include an indigenous engagement strategy

Non-mandatory criteria (Board is flexible):

- NAIF financing is for an amount of \$50 million+
- an identified need for the proposed project

Application and Approval Process reflects evolving state of information

