



Australian Government



Northern Australia Infrastructure Facility

Presentation to Off Grid & Stand Alone Power Conference

www.naif.gov.au

Peter Ross
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Funding Remote Area Power Systems

1. Overview of NAIF

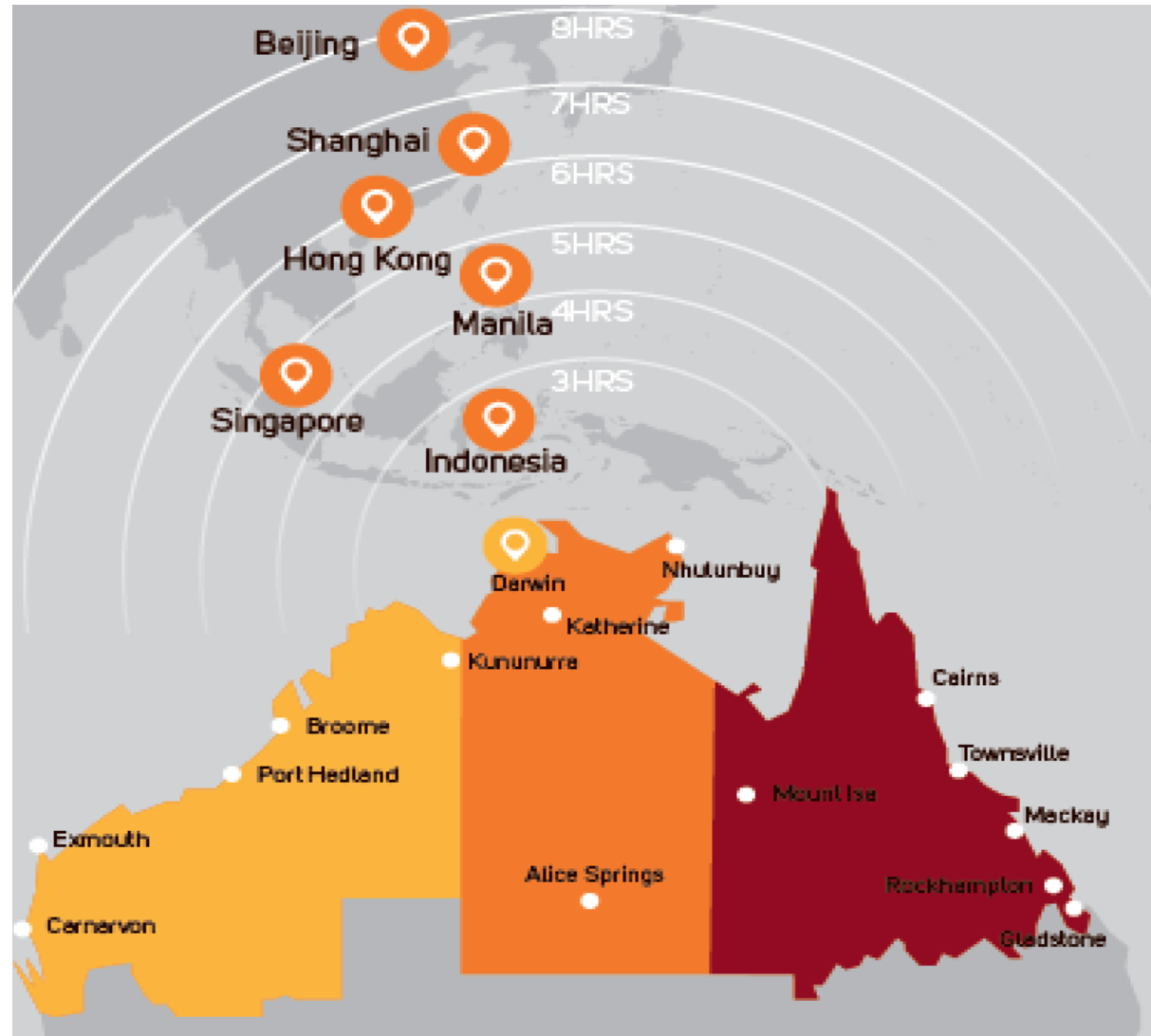
2. Remote Area Power Systems – financing options

3. Remote Area Power Systems – NAIF overlay

Northern Australia

UNTAPPED POTENTIAL

- ~12% of **GDP**
- <6% of **Population**
- >40% of Australia's **landmass**
- ~90% of Australia's **gas reserves**
- Large agricultural and tourism opportunities close to Asia



Key Facts

“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**
- **\$5 billion of loans available** for infrastructure development
- **Independent Board** makes investment decisions
- **Strong collaboration** with all arms of Government (Federal, States (WA and QLD) and NT)
- Available for approval **until June 2021** (can be longest Commonwealth borrowing tenor)
- NAIF aims to **‘crowd in’ private sector** financiers

NAIF is seeking

Infrastructure projects

To enable or accelerate project delivery

Broad economic and social public benefit

Can assist with higher risks and need for concessional terms

Must be capacity to repay NAIF finance and service equity

Investment Mandate

Five mandatory criteria

The project must:

1. Involve the construction or enhancement of infrastructure
2. Be of public benefit
3. Be located in, or have significant benefit for, northern Australia
4. Be able to repay or refinance NAIF's debt
5. Have an Indigenous Engagement Strategy

NAIF Financing Features

Financial Assistance	Preference for A\$ denominated fixed rate loan. State or Territory will be lender of record.
Concessions (minimum required for a project to proceed)	NAIF funds not a grant but terms can be highly concessional . Will have regard to the extent of the public benefit generated. Relative to other lenders financing terms may: <ul style="list-style-type: none">• Have longer tenors (30+ years)• Have lower interest rates• Be more patient (e.g. longer interest capitalisation, interest only periods)• Be subordinated on cash-flow or security basis
Proponent	Can be private or public sector. NAIF not a sponsor.
Equity Capital	Can be domestic or foreign ownership. NAIF does not provide equity or feasibility funding.
Non-NAIF Debt	NAIF can partner with other financiers both public and private. NAIF aim is to complement private sector rather than compete with it.

Examples

Structuring

Aligning debt principal and interest payments with long term project cash flows

Stretching the Infrastructure Dollar

Providing a concession to support an expanded infrastructure build

Expanding Debt Envelope

Managing a broader risk profile, increasing gearing and lowering cost of capital

Cost of Capital

Utilising a component of NAIF debt to lower average cost of debt

Liquidity

Adding to debt market capacity where market unable to “fill the debt envelope”

Remote Area Power Systems

Remote Area Demand

Towns / communities not close to grid networks

- typically the domain of public utilities such as Ergon, Power & Water, Horizon
- various innovations around supply solutions and financing evolving

Small to medium non-residential users

- Industrials such as abattoirs, sugar mills
- cattle stations, agriculture, roadhouses, accommodation etc

Large users

- Often adopt a single user solution
- Significant component relating to mining and oil and gas sectors
- Includes processing, export facilities and downstream processing

Remote Area Power Systems

Large User Systems

Various fuel and technology options

- Gas, diesel, LNG, renewables (solar, wind, waste)

Various financing structures

- Self-funded (“inside the fence”)
- Stand-alone project finance
- Third party corporately funded BOO/BOOT

Remote Area Power Systems

Financing Structure Considerations

Potential influences on structure

- fuel sources such as internally generated waste or gas
- nature of energy needs and broader integration
- internal capital availability and cost v outsourced solutions
- internal capability and experience
- corporate policies / preferences
- future expected changes in requirements
- impacts on other financing

Potential NAIF Involvement

Potential NAIF financial support in financing remote area power systems

Examples of drivers for NAIF financial support

- as part of optimal approach to meet overall need for support
- facilitating acceleration of forward future investment
- building bigger for future demand
- leveraging infrastructure for other existing or future users
- can fund direct for in-house or third party provider

Potential NAIF Involvement

Other points to note

Note

- can fund 100% of debt but usually may work with other financiers
- can fund alongside CEFC / ARENA where needed
- On-balance-sheet funding to States / Territory unlikely

Sheffield Resources Limited – Investment Decision August 2018

Infrastructure including LNG power station and reticulation, and upgrade road and port infrastructure to support Thunderbird Mineral Sands Project, in West Kimberley region, WA

NAIF loans
\$95m

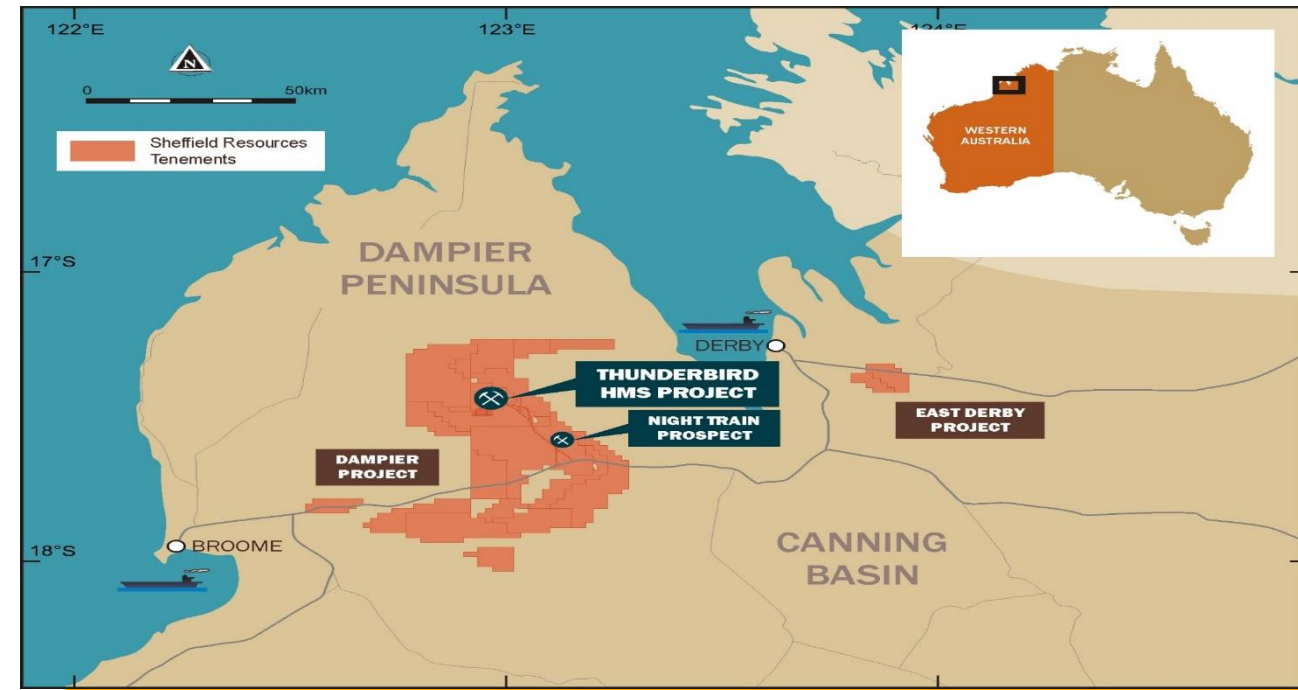
Total project
\$562m

Public Benefit

- Net public benefit of \$487m over 42-years mine life
- Drive in/drive out jobs will provide local employment, training and business opportunities and lift economy and lifestyles of Derby and Broome
- 400 construction jobs and 280 direct jobs plus support services and training opportunities

Indigenous engagement

- Sheffield's *Our Pledge to the Kimberley Community* includes Aboriginal jobs (build to 40% in first 8 years of operation) and Aboriginal business content (minimum of \$5m/year from year 5) plus Aboriginal training fund
- Cash royalties to exceed \$100m over 42 years
- Cross-cultural awareness training by Traditional Owners for all employees and contractors



NAIF loans will **contribute** to the development of infrastructure for **Thunderbird Mineral Sands Project**, one of the world's **largest and highest grade zircon and titanium dioxide** deposits. These materials have a wide range of uses, from **tiles and fibre optics** to **sunscreen and food colouring**.

NAIF's assistance effectively **accelerates the development of important infrastructure elements** of the Thunderbird project, filling a gap in Sheffield's finance that it could not obtain from private sector debt and equity markets at this point in its corporate development.

The financial assistance is subject to the finalisation of the WA Government's consideration and agreement for the approved funds to be advanced

Humpty Doo Barramundi Farm (HDB) – Investment Decision May 2018

Solar farm, medium fish nursery and processing equipment. Humpty Doo, NT

NAIF loan

\$7.18m (potential up to \$30m)

Total project value

Up to \$60m in 3 stages

Other lenders

ANZ (Stage 1 \$7.2m)

Security ranking / tenor

Equal / 12 years

Public Benefit

- 50 local jobs over the 3 stages which will double HDB farm employees (approximately 20 jobs in stage 1)
- Renewable energy from the solar farm, reduced demand on aging natural gas fired power stations and assist NT meet its 50% renewable energy target
- Help grow the NT aquaculture sector, through supply of fishlings and future multi-user processing capabilities

Indigenous engagement

- Partnerships with Indigenous communities, recruit Indigenous employees, offer participation opportunities,
- Engage only suppliers who demonstrate commitment to Indigenous employment, training and 'Healthy Community Initiatives'



This major investment in farm infrastructure would not have been possible in the short term without NAIF

NAIF finance allowed HDB to **fast track this investment**, enabling northern Australia to be firmly recognised as a leading supplier of premium saltwater farmed barramundi

NT Airports Conditional Approval Sept 2018

Infrastructure upgrades and construction across Darwin, Tennant Creek and Alice Springs Airports

Including:

- Cold storage and export hub at Darwin International Airport
- Solar energy farms at Darwin, Tennant Creek and Alice Springs along with an off-site multi-user battery
- Upgrades at the Alice Springs Airport

Potential NAIF loan

Up to \$150m

Total project value

\$300m

Public Benefit

- Expected to be with up to 1,000 jobs generated through the construction phase, supporting approximately 500 indirect jobs through the supply chain with over 140 new on-going positions
- Increased capacity to attract bigger planes to carry more tourists and export the norths' distinctive products such as mud crabs, barramundi, mangoes and melons to Asia
- Local businesses, including Indigenous organisations will benefit with Northern Territory Airports committing to a 10% Indigenous employment target



NAIF's ability to **provide an early indication of support for these projects will accelerate their construction** with the projects now scheduled to commence in early 2019.

NAIF will also continue to work closely with stakeholders including NTA and the Northern Territory Government as they undertake their review of the project and work towards agreeing to provide funds

Thank you



Peter Ross
Executive Director, Origination
Northern Australia Infrastructure Facility
P: 0419 44 77 19
E: peter.ross@naif.gov.au