

## **BEP – Third Quarter 2021 Results Conference Call & Webcast**

**November 5, 2021**

### **Corporate Speakers:**

- Connor David Teskey; Brookfield Renewable Partners L.P.; CEO
- Wyatt Hartley; Brookfield Renewable Partners L.P.; CFO

### **Participants:**

- Sean Steuart; TD Securities; Analyst
- Rupert M. Merer; National Bank Financial, Inc.; Analyst
- Nelson Ng; RBC Capital Markets; Analyst
- David Quezada; Raymond James Ltd.; Analyst
- Mark Thomas Jarvi; CIBC Capital Markets; Analyst
- Mark Wesley Strouse; JPMorgan Chase & Co.; Analyst
- Andrew M. Kuske; Credit Suisse AG; Analyst
- Anthony Christopher Crowdell; Mizuho Securities USA LLC; Analyst

## **PRESENTATION**

Operator: Good day, and thank you for standing by. Welcome to the Brookfield Renewable Partners Third Quarter 2021 Results Conference Call and Webcast. At this time, all participant lines are in listen only mode. After the speakers presentation, there will be a question and answer session. To ask a question during the session, you'll need to press star then one on your telephone keypad. Please be advised today's conference may be recorded. If you require operator assistance during the call, please press star then zero.

I'd now like to hand the conference over to your host today, Connor Teskey, Chief Executive Officer. Please go ahead.

Connor David Teskey: Thank you, operator. Good morning, everyone, and thank you for joining us for our third quarter 2021 conference call.

Before we begin, we would like to remind you that a copy of our news release, investor supplement and letter to unitholders can be found on our website. We also want to remind you that we may make forward-looking statements on this call. These statements are subject to known and unknown risks, and our future results may differ materially. For more information, you are encouraged to review our regulatory filings available on SEDAR, EDGAR and on our website.

To kick off today's call, we will first provide an update on the business and our recent growth initiatives. Next, Wyatt will provide an overview of our operating results as well as our balance sheet and liquidity. And following our remarks, we look forward to taking your questions.

We continue to advance our goal of establishing Brookfield Renewable as one of the preeminent clean energy companies in the world. With approximately 56,000 megawatts of operating and development assets on five continents, diversified across all major renewable technologies, we are on the ground in every major global market, providing our platform the flexibility to move capital across geographies to the opportunities with the best risk-adjusted returns.

Our balance sheet has significant access to capital to invest in the largest and most attractive growth opportunities, with over \$3 billion of available liquidity plus access to our sovereign and institutional client capital to enable us to grow. The stability of our business is underpinned by high-quality inflation-linked contracted cash flows that are diversified by both technology and region across a high-quality customer base, with a weighted average remaining contract duration of 14 years.

Over the last 50 years, there were a handful of global energy super majors that delivered sustained profitable growth. These businesses were defined by a global presence, operating capabilities and the scale to execute on the most attractive opportunities around the world. As decarbonization increasingly becomes an objective of the global economy, and more and more businesses look to power their operations and their products with green electricity, we believe that the next generation of energy super majors will have similar attributes to those of the past but with platforms and capabilities focused on clean energy.

With our global reach, our operating, development and power marketing capabilities and our scale, we believe, we are uniquely positioned to capture the growing decarbonization opportunity. And we recently increased our annual target for investing equity capital into growth to 1 - 1.2 billion dollars.

Throughout our platform, we are consistently executing business plans that not only enhance and derisk our existing assets, but also create future growth and development opportunities.

Accordingly, while the outlook to deploy capital through M&A remains robust, we also benefit from a number of fully financed organic growth projects that are already under construction and contracted. We are fortunate to have operating capabilities to enhance the scale of these ongoing growth opportunities to further supplement our expansion through acquisitions. As a result, we are well positioned to continue to deliver strong FFO per unit growth to support our long-term distribution target of 5% to 9% annually.

While we expect to continue to deploy increasing amounts of capital through acquisitions, we believe that we can achieve the upper end of our growth targets through organic initiatives alone. This comes from inflation escalation in our contracts, margin expansion through revenue growth and cost reduction initiatives, and the building out of our growing development pipeline, including 8 gigawatts of capacity over the next three years at premium returns.

We will now walk you through the highlights for the quarter. We generated record third - third quarter funds from operations of \$210 million or \$0.33 per unit, a 32% increase over the same period in the prior year, as our assets continue to perform well with high levels of asset availability and contributions from new acquisitions.

We agreed to 19 power purchase agreements for approximately 1,300 gigawatt hours of renewable generation with corporate offtakers across major industries. We progressed approximately 8,000 megawatts of development projects through construction and advanced stage permitting. We also added approximately 5,000 megawatts to our global development pipeline, which is now approximately 36,000 megawatts.

We invested, or agreed to invest, approximately \$2.4 billion, or \$600 million net to Brookfield Renewable, of equity across a range of transactions year-to-date. And finally, we have maintained a robust balance sheet, with over \$3.3 billion of available liquidity and no meaningful near-term maturities -- term maturities.

Now turning to our growth initiatives. This quarter, we executed on several growth opportunities that demonstrate the value of our global platform, deploying capital across multiple technologies and jurisdictions, enhancing our position as a leading diversified clean energy business. We continue to grow our leading distributed generation business, both in the United States and globally, positioning us as a partner of choice to companies and other institutions by providing a one-stop solution for on-site and off-site energy generation, storage and efficiency services.

In the U.S., we have grown our distributed generation business by almost 5x since the beginning of the year to 3,600 megawatts of operating and development assets. We accomplished this through a combination of acquisitions, both larger scale platforms and smaller tuck-ins; and organic growth initiatives such as channel partnerships, joint development agreements and our recently announced cooperation agreement with Trane Technologies.

Recently, in Europe and Latin America, we agreed to acquire interest in portfolios of an aggregate 785 megawatts of operating and development assets for a total investment of \$250 million, or \$60 million net to Brookfield Renewable.

Further, in China, our rooftop solar joint venture with a local partner has continued its strong growth momentum and is expected to have 400 megawatts of operating assets by the end of 2021, in addition to a further development pipeline of over 1 gigawatt in the region.

As one of the only globally diversified DG platforms, we believe we are uniquely positioned to leverage our customer relationships and economies of scale on a global basis, to maximize each of our regional businesses and continue our current track record of substantial growth. In addition, we signed an agreement to acquire three late-stage solar development projects in the U.S., which have a total installed capacity of 475

megawatts. We will be closing on each of these projects once they have been significantly derisked, which is expected over the next 12 to 24 months.

Concurrently, we are progressing PPA discussions with a large corporate buyer of renewable power to fully contract the generation. The projects are expected to be commissioned by 2024. And we expect to invest \$135 million of equity, or \$35 million net to Brookfield Renewable.

We are also in the early stages of seeing meaningful growth in emerging technologies. One that we are following very closely is green hydrogen. Green hydrogen plays to the strengths that have defined our business for decades: knowledge of global power markets, clean energy expertise, large-scale capital, and best-in-class operating and development capabilities.

Although still in its relative infancy, the potential market for green hydrogen is significant due to its storage capabilities, and the ability to address harder-to-abate emissions coming from the heavy-duty and industrial sectors such as long-haul transport and steel production. And while green hydrogen is not yet economic on a widespread basis, we are increasingly seeing specific opportunities to invest at attractive risk-adjusted returns. We are currently advancing almost 1 gigawatt of green hydrogen opportunities, positioning us well to be a first mover so that we can invest in scale as the cost curve continues to come down and the technology is adopted more broadly.

In addition to our agreement to fully energize a hydrogen company's planned green hydrogen production plant in Pennsylvania, one of the first industrial-scale facilities in North America, we are also progressing one of Canada's largest green hydrogen projects, providing green hydrogen to a pipeline operator as the offtaker for injection into its natural gas network in Quebec, with construction targeted to start next year.

With that, I'll turn the call over to Wyatt to discuss our operating results and financial position.

Wyatt Hartley: Thank you, Connor.

In the third quarter, we generated FFO of \$210 million or \$0.33 per unit, a 32% year-over-year increase as our business benefited from recent acquisitions and strong asset availability. Globally, we are seeing elevated power prices as economies around the world ramp back up.

Our business is well positioned in this environment. Although our portfolio is almost entirely contracted, we have been able to benefit across our hydroelectric and storage businesses, given the ability of these facilities to provide dispatchable carbon-free baseload generation.

For instance, in the U.K. where below-average wind resource and elevated natural gas prices drove higher and more volatile power prices, our pumped hydro facility delivered

record results during the quarter as we sold critical balancing and stabilizing services to the grid.

In Brazil where the country continues to deal with historically dry conditions, our production is well matched to our delivery obligations, but we are opportunistically leveraging government power procurement opportunities to recontract our assets to take advantage of the high price environment. And more broadly across our global portfolio, we have taken advantage of the strong pricing environment to both lock in attractive all-in pricing for our hydro facilities that are available for recontracting, as well as to secure attractive long-term PPAs for new wind and solar development projects.

During the quarter, our hydroelectric segment delivered FFO of \$142 million with favorable generation in the U.S. and Colombia, offset by below-average generation in Brazil and Canada. The portfolio continues to exhibit strong resilient cash flows, given the increasingly diversified asset base and high asset availability.

Our wind and solar segments generated a combined \$130 million of FFO. We continue to generate stable revenues from these assets and benefit from the growth in the business and highly contracted nature of the cash flows with long duration power purchase agreements.

Our energy transition segment generated \$48 million of FFO during the quarter as our portfolio continues to grow while we assist our commercial and industrial partners achieve their decarbonization goals and become their partner of choice for energy transition solutions. Despite widespread challenges to global supply chain, we are making good progress executing on our approximately 7,000 megawatt construction pipeline.

In the U.S., our wind repowering projects are progressing well. At our New York project, over half of the turbines are operating, and we expect to complete the remainder by the end of the year.

At our Shepherds Flat project in Oregon, the repowering equipment is on-site. And we have begun replacing the turbines, in line with our plan to deliver the project by the end of next year.

In Brazil, during the quarter we delivered our 360-megawatt Alex Solar project ahead of schedule, and construction is progressing on our 1,200-megawatt Januba solar project. We also expect to start construction on our 270-megawatt Brazilian wind project in the first half of 2022.

Finally, in Poland, following the award of an inflation-linked 25-year contract for 1,400 megawatts of offshore wind capacity, we are finalizing the environmental permits and have begun to procure turbines. These opportunities represent only a subset of the organic growth initiatives that we expect to execute on the coming years.

Next, looking at our balance sheet and liquidity. Our financial position continues to be strong. We have approximately \$3.3 billion of available liquidity. Our investment-grade balance sheet has no meaningful near-term maturities, and approximately 90% of our financings are non-recourse to Brookfield Renewable.

During the quarter, we continued to take advantage of low interest rates and executed on almost \$2 billion of investment-grade financing and other financing initiatives across the business. We also continued to execute on several initiatives to further bolster our liquidity and support growth.

Recently, we raised approximately \$700 million of proceeds from strategic upfinancings and capital recycling initiatives, including agreeing to the sale of our Mexican assets developed by X-Elio, our global solar developer, for \$400 million, more than doubling our invested capital over our two-year hold period.

Looking forward, we expect to continue to generate meaningful proceeds from these initiatives as the market for derisked renewables continues to be strong, and the positive price environment and increasing demand for clean baseload power has created significant contracting and financing capacity within our hydro fleet.

With a robust pipeline of capital deployment opportunities, we remain committed to a growth plan that is not reliant on equity funding. We continue to focus on growing and diversifying our business and executing on our key operational priorities, including maintaining a robust balance sheet, access to diverse sources of capital, and creating value through enhanced cash flows from our existing portfolio.

We remain committed to helping our partners achieve their decarbonization goals; and in the process, earning our investors a strong total return of 12% to 15% over the long term.

On behalf of the Board and management, we thank all of our unitholders and shareholders for their ongoing support. That concludes our formal remarks for today's call. Thank you for joining us this morning. And with that, I'll pass it back to the operator for questions.

## QUESTIONS AND ANSWERS

Operator: As a reminder, if you'd like ask a question at this time, please press the star then the number one key on your touchtone telephone. To withdraw your question, press the pound key. Please stand by while we compile the Q&A roster. Our first question comes from Sean Steuart with TD Securities.

Sean Steuart: A couple of questions to get through. Connor or Wyatt, can you give us -- can you quantify the gains you secured in the quarter on wind development project sales and the Brazil balancing pool catchup? To what extent did those items support EBITDA and FFO this quarter?

Wyatt Hartley: Yes, Sean, thanks for the question. It's Wyatt here. So in both cases, the gains on the wind sales, the development assets, as well as the Brazilian regulatory matter that you referenced, each of those is around \$15 million to \$20 million. So in aggregate, they were around \$30 million to \$35 million of benefit to our results in the quarter.

Sean Steuart: Okay. And in Brazil, that would be the end of those catch-up payments, I suppose?

Wyatt Hartley: I would expect so, but we have been positively surprised as the benefit has continued to come. So I would expect so, but who knows, there could be further additional benefit.

Sean Steuart: Okay, thanks for that detail. And you referenced your ability to lock in attractive pricing for recontracting for some hydro facilities. Can you give us some context on the scale and terms for those initiatives, and the potential for follow-on success on that front as well?

Connor Teskey: Sure, Sean. It's Connor here. Thank you for the question. There's probably a couple of points we would make there.

First and foremost, we've always felt that this has been an underappreciated upside lever within our business. Particularly in our North American hydro portfolio, we have fantastic exposure to higher power prices that really has not shown through in recent years. And in the current environment, our ability to lock in those attractive prices in today's environment is one of the reasons why we're so confident heading into next year, our ability to hit the high end of our earnings targets on just organic initiatives alone.

There's two other points that it's probably helpful to add, which is something we're seeing around power contracting within our hydro portfolio and across wind and solar, which is just a tremendous increase of demand driven by two things: one, more and more corporates and off-takers looking to secure power, a greater number of customers. And then two, for some of our largest customers around the world, they're now signing very large-scale PPAs for very significant amounts of power, often taking 100% of the production from either a solar asset or a large wind farm or a hydro. And we're seeing that across all of our technologies, not just hydro, and that allows us to not only secure but lock in some of these gains for a longer duration. And then the last point perhaps to be made is it's great that we're getting these higher prices, particularly in our North American hydros. But the other thing that's really supporting the performance of our hydros is their ability to provide other -- or their -- our -- their ability, sorry, to generate other forms of revenue streams. More and more ancillary services, grid balancing services, given their embedded storage capabilities with more and more intermittency going on to global power grids, we're not only seeing our hydros generate more revenue from the power they sell, but also generating more revenues from these additional ancillary revenue streams. And that's a theme we think is going to continue for a number of years to come.

Sean Steuart: Thanks for that detail, Connor. I will get back in the queue. Thanks very much.

Operator: Our next question comes from Rupert Merer with National Bank Financial.

Rupert M. Merer: Going back to Brazil, can you discuss the outlook for Brazil over the next few months with that continued drought? And remind us how does the centralized pooling mechanism work for you going forward in this type of environment?

Connor David Teskey: Rupert, I'll take the first part of that, and then hand to Wyatt for the second half. There's two comments we would make about the current hydrology conditions in Brazil and how it affects our business.

The first that we would reiterate, and we reiterated it in our letter. The way we power market in Brazil is we always leave cushion in our delivery obligations to ensure that even in periods of low hydrology, we're never overextended and caught short. And this year, that has proven to be very beneficial. And we see ourselves in a great position to match our ongoing supply to those delivery obligations, both for the remainder of this year and into 2022.

The other thing that we would highlight, and one month certainly does not create a trend, but October is the beginning of the call it rainy season in Brazil. And the country and ourselves were very fortunate that there was a tremendous amount of rain in October. So there does seem to be some modest relief. We'll see if that continues.

But the good news for us, given how our portfolio is structured and how our delivery obligations are structured, is that incremental hydrology is essentially excess power that we can sell into the market, capitalizing on the high prices in the region today.

I'll hand to Wyatt about the central pooling.

Wyatt Hartley: Yes, Rupert. Effectively the central pooling mechanism, it just socializes generation risk across the entire country. So you don't take any specific facility exposure. Really, it's how does the overall country, the pooling of generation across the country, how does that generate? And then you get allocated a percentage of that based on the capacity of facilities. So the long and the short of it is it just socializes any specific risk across a broader portfolio.

And so, what we would say for the upcoming year is depending on how the rainy season goes over these next two months, but if reservoirs stay at kind of historic lows, we will get -- in line with all generators around the country, we will get allocated below what we would normally expect. But in our case, that is -- we don't expect that to be a meaningful impact to our business. Because as Connor mentioned on the -- we still expect to get allocated what we've contracted and where we have delivery obligations. And right now, we still expect to get some additional generation that we can sell into the market. And as



Connor referenced, that's into a very strong pricing. So I hope that answered your question.

Rupert M. Merer: Yes, that's great. Yes, thanks for the color.

And secondly, you're highlighting 1 gigawatt of hydrogen pipeline potential with your disclosures. Can you give us a little more color on what's the time line on this? Maybe what would be your scope of supply? What could the contracts look like? Any color you can give there?

Connor Teskey: Sure, Rupert. I'll take that one. So we would reiterate that green hydrogen is still in its very, very early innings. And it is not cost-effective on a widespread basis. But the cost curve is declining very, very rapidly.

And we'll really put our activities in the space in two buckets. There are some, I would say, smaller near-term opportunities where we do see the potential to build electrolyzers of a very modest size, we would highlight that, although a very modest size to support clean fuel obligations or specific industries that get subsidies. And therefore, green hydrogen can be cost-effective today. There is one project that we highlighted in our opening remarks and our letter that we are well advanced on and we hope to begin construction on next year. And that's in North America.

The second component of the opportunities we're looking at is much larger. And we're looking at opportunities both within our own portfolio and third-party opportunities where we can bring our capabilities to bear, our knowledge of power markets, our knowledge of clean energy technologies, our development capabilities, our large-scale capital, such that as the cost curve comes down and as the demand for green hydrogen increases, we will be well placed in the future to invest significant dollars into the space when green hydrogen becomes cost-effective on a widespread basis.

That second bucket is still a number of years away. It is likely an opportunity that develops in larger scale in the middle part of this decade. But what we're doing right now is getting prepared such that we will be in a pole position to invest in scale when that opportunity does materialize.

Rupert Merer: Thanks Connor, I'll leave it there.

Operator: Our next question comes from Nelson Ng with RBC Capital Markets.

Nelson Ng: Great, thanks and good morning everyone. Just a quick follow-up on Rupert's question on green hydrogen. So you mentioned that the larger projects are still years away. So big picture, like roughly how much capital will Brookfield be deploying over the next call it two to four years? Is it not very material, including the project that could start construction next year?

Connor Teskey: Nelson, I think that's fair. We would classify it as modest. It is something that we view as a large-scale opportunity in the future that we're well positioned to be a leader in. But we would expect the capital deployment in the next few years to be modest, likely in call it the low hundred millions of dollars range.

Nelson Ng: Okay. Got it. And that would be net to BEP, or for BEP and their institutional investors?

Connor Teskey: That's probably in total for BEP and institutional investors.

Nelson Ng: Okay. And then the next question just relates to the three solar developments that you're acquiring, the 475 megawatts in the U.S. Can you give some color as to where those projects are located? And will they be paired with batteries?

Connor Teskey: Yes, certainly. So these projects are located right in the heart of America, right in the Midwest. The current plan is not to pair them with batteries, but that is an option that we do have for the future. Our intention on these projects, and it is a process that we are relatively well advanced on, is to secure a long-term corporate offtake for 100% of the generation. That's something we'd hope to do before the end of the year. And the economics of the projects stack up on just the solar in that contract, but we do preserve the optionality to install batteries in the future.

Nelson Ng: Okay. And then just one last question before I get back in the queue. In terms of the initial 26% interest acquisition of a 750-megawatt project in Spain and Mexico, is that wind and solar, or wind or solar? And then I think it mentions the potential to increase your stake to 60%. Can you just give some color on I guess what scenario where you would increase the stake?

Connor Teskey: Certainly, Nelson, and I'll clear up a couple of things there. I believe the opportunity you are speaking about is a distributed generation investment we made this quarter. It's a European-based company that has assets both in Iberia and LatAm.

And the structure of the investment is such that we made an initial investment into the company to fund the near-term visible growth pipeline. The company has a large CapEx pipeline ahead of it but was in need of capital. So we have committed today to fund that initial growth.

We also have the right but not the obligation to invest future dollars into that business at pre-agreed valuations. And based on the business plan for the company, we absolutely expect to do that.

So it's a distributed generation business. It's purely solar. We invest an initial amount today with a plan to -- with the right, but not the obligation, to invest more in the future.

I'll make two more comments here. The first is despite we starting only with a minority position, we do have co-control of the business. And we are partnering with what we think is an exceptional management team.

And then the other comment we would make, and it's something we really wanted to highlight this quarter, is we've long had a leading distributed generation business in North America and a leading distributed generation in Asia Pac. But through a couple of acquisitions, we now have acquired DG capabilities both in Europe and in LatAm. And with the very significant growth we see in DG and the increasing tailwinds for the sector, we are quite proud of the global capability we've assembled. And we think that will be a huge differentiator for us when dealing with large global clients as we may be the only, if not one of the only, providers of DG services on a global basis.

Nelson Ng: Thanks for the color, Connor. I'll get back in the queue.

Operator: Our next question comes from David Quezada with Raymond James.

David Quezada: My first question just on your development pipeline. You saw a pretty significant increase on the quarter. Wondering if you could just discuss what drove that with respect to geography and modality? And maybe some commentary around the pace of opportunities you've seen in the last few months as it relates to the development pipeline.

Connor Teskey: ^ Great, David. I'll maybe highlight the pace of opportunities and some more thematic trends. I'll let Wyatt provide the detail of exactly where that additional pipeline comes from.

There's really two things going on in our business that is leading to our development pipeline growing consistently on a quarter-to-quarter basis. And that is a process we started I would say a number of years ago, three to four years ago, that's really hitting its stride in today's market. Which is we now, in each of our regional platforms, have personnel focused on generating organic development pipeline.

And this allows us to not only grow our pipeline completely in-house, but it also allows us to make small acquisitions -- or large acquisitions, I should say, at any point in the development life cycle in any of our major geographies. And that is why there's just such an expansive growth opportunity set in development that we didn't necessarily have the global capability to capture four or five years ago. Today, we have that in each of our target markets. And with the growth in renewables, there's certainly a large opportunity for them to capture.

Secondly, on your comment about where we're seeing the opportunities from a technological perspective, it is across all technologies. We're quite excited that within our portfolio, our construction pipeline, we do have wind. We do have solar. We do have hydro coming through as well. But make no mistake about it, the vast majority of our growth ongoing today and our near-term pipeline in the future is in solar. That is where

we are seeing the greatest amount of growth, both currently and we expect that to continue for a couple of years, at least. Wyatt, I'll hand to you.

Wyatt Hartley: Yes. And just to echo what Connor mentioned, our development activities have been growing meaningfully. And as a result, their development pipeline has.

The specifics around this quarter, the increase from prior quarter to this quarter, is largely on the back of one distributed generation we just -- through both our Trane partnership as well as other initiatives that are ongoing. We've been increasing that development pipeline. And then secondly from a utility-scale solar perspective, again a lot of that is focused in the U.S.

Those were the main additions this quarter. But as Connor mentioned, that's just a snapshot of this quarter. But broadly, our development pipeline is diversified across multiple technologies and geographies. And we continue to see additions to that pipeline over the longer term in each of those areas.

David Quezada: Fantastic. That's great color. And then maybe just one other for me, I guess maybe more of a longer-term strategic question. On the topic of carbon credits, I think we've seen pricing for voluntary credits increased quite a bit. I'm just curious, well, a, if you have any upside across your footprint from the creation of carbon credits? And b, would you consider targeting a new class of investments in that space?

Connor Teskey: Certainly. So on your first point, are we seeing upside? The answer is absolutely yes. And one thing we've been looking to do within our portfolio for a number of years now is the generation we have produces a lot of credits. And we always want to make sure we're maximizing those and maximizing the value of those. And the growing demand for those credits is showing up in the pricing. And therefore, it has become a more meaningful value driver for our business and something that is driving some of that organic growth that we see.

To your point around is it affecting strategy? To the extent that carbon prices, carbon taxes, carbon credits, we -- to the extent they affect electricity prices, we obviously take that into our underwriting. To the extent they affect the economics of any of our underlying investments, we absolutely do take that into our underwriting.

It's just a revenue stream. And we think about it, can we manage that revenue stream? Can we optimize that revenue stream? What is the stability of it? Is there upside or downside to those revenues?

So it absolutely is an increasing revenue stream, I would say, across a number of our asset classes and in a number of our regions. But we don't think about it any differently than we do other revenue lines. And it's something that comes to us very naturally to just bake into our investment decisions and our operating decisions going forward.

David Quezada: Excellent, thanks for that Connor. Appreciate it. I'll get back in the queue.

Operator: Our next question comes from Mark Jarvi with CIBC.

Mark Jarvi: I was wondering if you could just touch on X-Elio. It's been a couple of years since you bought in to that business. Just curious on kind of your view on how the asset sales have gone, the pace of growth. I think originally maybe you were suggesting you could do about 500 megawatts a year development. Is that still the right amount that you're looking at for that business?

Connor Teskey: Mark, thank you for the question. We love to talk about X-Elio. This has been a -- we're thrilled with the performance of the business and the performance of the team that runs it. The business has always had a focus on developing assets. Building assets and then recycling capital from assets that have been constructed, and reinvesting that back into more accretive development, and really creating this virtuous circle of capital recycling. And I would say that the business is certainly firing on all cylinders, but there's probably two things we would highlight the most.

The first is the pace of capital recycling has been very, very strong. It continued this quarter with the signing of the sale of the Mexican assets. And in only approximately two years of owning the business, we've been able to recycle the vast majority of the existing operating assets and redeploy that capital into development. And what that has done is it's given the business tremendous firepower to expand its development pipeline.

And while years ago when we -- only two years ago when we invested in the company, there were hopes of 500 of development, 500 of construction and 500 of asset sales every year, we would expect the business in the current environment to be working towards targets of almost double that. And the management team is doing a tremendous job of growing the business and growing the pipeline towards those objectives. So we're thrilled with the business, and our ambitions for it have certainly grown since our acquisition two years ago.

Mark Jarvi: That's very helpful. And then can you remind us again, Connor, do you have the right to buy out your partner? I know you guys bought out some of the investors in that. Is there an option to acquire full control of that business?

Connor Teskey: There is no buyout right on that business. We have a great supportive partner there. There's no buyout right.

Mark Jarvi: Okay. And there was talk earlier about some of the real benefits of the hydro assets is the ancillary revenue streams. Are you going to quantify that at all? Or at least sort of guide in terms of -- I mean we talked about carbon pricing. You had a discussion on that at the Investor Day around uplift on FFO. But just what you're seeing in the volatility of the market, in terms of what you think utility revenues can sort of step up

over the next couple of years, if some of the stuff we've seen in the last year or two persists?

Connor Teskey: Good question, Mark. We're not going to give a dollar guidance. But if you look at the increase in power prices, and you look at the forward curves that are liquid and we can lock in today, there is a material amount of upside there. And we are working to harvest and crystallize that.

Part of the reason why we don't want to give specific guidance is we actually think it would understate the opportunity. The real joy of having those perpetual assets of significant scale, the only source of green baseload power in the world today, is there's a number of knock-on effects. Perhaps most importantly, as power prices increase and you can lock in those power prices, you can also do significant upfinancing on those assets, and that gives us capital to very accretively redeploy into growth.

And that knock-on impact is very material and absolutely generated by the increase in power prices and the potential to recontract some of those assets over the longer term at more attractive rates. And we hope to execute on that and bring some real-world examples to life, I would say, in the next 6 to 12 months.

Mark Jarvi: Got it. And my last...

Wyatt Hartley: Mark, just to add, the other thing I would just say is we did put -- we've defined out some numbers as part of our Investor Day presentation. And I would just say the environment around pricing has only gotten better. So the numbers we would have defined out, we would just say we have more confidence in being able to achieve them, and as Connor mentioned, even potentially outperform.

Mark Jarvi: Got it. That makes sense. Last question for me is just around the U.S. reconciliation bill and some of the tax credit extension. There's obviously some domestic content almost tied to getting the sort of premium incentives.

Is there any challenges of that in terms of transitioning where you're procuring today versus maybe bringing more from the U.S. supply? And does it impact the DG business any differently than the utility-scale business?

Connor Teskey: Certainly. And those bills and a number of what I would call regulatory matters as it pertains to equipment in the renewable power space, a lot of them are being socialized but aren't locked in yet. And what we're doing is we're positioning our business very well to manage and outperform, no matter what environment ends up being crystallized.

And this is really a benefit of our centralized procurement. We have people within our platform whose sole job it is to one, ensure we're getting the cheapest source of equipment across all of our technologies. But two, no different than we almost think about raising capital for our business, ensuring that we have diversified sources. Such

that as markets change and as regulations change in different regions, we're always flexible and have the ability to capitalize on that. So we're following all those changes very closely, but we would say we expect to be very well positioned to manage them no matter how they come out.

To your question on does it affect DG versus utility scale? We're not seeing too much of a difference there.

Mark Jarvi: Okay, thanks a lot. Appreciate that time.

Operator: Our next question comes from Mark Strouse with JPMorgan.

Mark Strouse: Just wanted to go back to an earlier question on your development side. When you look at input prices increasing kind of across your different technologies, can you talk about your ability to pass on those higher input prices in the form of higher PPAs? And is that leading to somewhat of a dichotomy between your different technologies and leaning -- making you lean towards a particular technology, at least near term?

Connor Teskey: Great question, Mark. And simply yes and -- yes to the first part, no to the second part.

On the first part, are we seeing the opportunity to pass those higher input costs through to PPAs? Absolutely. There's no question about that. Wyatt in his remarks highlighted some of the new development projects that we're hoping to pull out of the ground starting next year. And we've seen in almost all our geographies the ability to win looking to simultaneously secure equipment. We're being able to pass through that increased price into the PPA.

To your second question, is that leading to big swings or changes into which technologies we're focusing on? Not typically. Maybe very briefly around the edges, but it has not been material. The majority of our development continues to be solar, then followed by wind. We're not really seeing huge shifts in that mix as a result of equipment prices.

Mark Strouse: Okay. And maybe kind of similar kind of question from a geographical perspective, are there certain regions that have maybe less impact from transportation issues or geopolitics, whatever it might be?

Connor Teskey: I would say the supply chain issues are relatively global. The reason why we're pausing in answering the question is it's almost more project level than it is geographic. I don't think we're seeing difficulty in securing wind turbines or solar panels for Brazil versus Europe. I would say it's pretty consistent.

And the -- maybe a more helpful response to your question is, there is no doubt that the supply chain disruptions have gone on a little longer than expected. But to be clear, they are having a very small, if not minimal, impact on our business.

The way that we like to quantify that internally is the impacts of supply chain disruption are not changing any of our investment decisions at this point. And they have not changed any of our construction time lines. So while it is something that from an operational perspective, we have needed to manage through, and our team has been dedicated to managing and solving any issues that pop up. It really hasn't affected any of our construction time lines or our expected investment returns at this point.

Mark Strouse: Okay, very helpful. Thanks Connor.

Operator: Our next question comes from Andrew Kuske with Credit Suisse.

Andrew Kuske: I guess as a big picture question for you, Connor, and it's really how you see BEP on a longer-term basis. And I guess I ask the question in part -- do you see BEP as kind of an umbrella organization for a lot of the efforts you have in renewable power and clean tech? And I ask the question in part because you've also kind of carved out the Canadian hydro business on the Evolgen kind of unit as it stands now, with a bit of the green hydrogen opportunity embedded in there.

Just how do you see the longer-term evolution of BEP? And is it partly to develop companies internally, and then eventually spin them into the market when appropriate?

Connor Teskey: Thanks, Andrew. I would say our strategy remains the same. And we rebranded our Canadian business Evolgen, but it really didn't change the way we operated it whatsoever.

Today, we run our business regionally. We like to be local in every market that we operate. And within those regions, we have operating and M&A capabilities across all technologies as well all technologies on a regional basis.

And when it comes to how we would look to monetize investments in the future, we're always going to be opportunistic. We're always going to look to only recycle capital, when we think the compensation we will receive is greater than what we would earn by holding it.

But at this point, there's really no change in our strategy. And we view ourselves as a long-term owner and operator of assets. We will recycle derisked assets. But the regions that we operate in are all core to us. And we expect to be in the in those regions as players in perpetuity, growing our platforms, not looking to exit any of them.

Andrew Kuske: Okay. That's helpful clarity. And then I guess just on the further development of the platform and really the acceleration of equity capital for growth and really starting to solidify some of that pipeline, are you at the point where you have enough confidence in the pipeline and the outlook on the pipeline? And then obviously the value that gets associated with that pipeline to order turbines in advance or order panels in advance, so you've got a very active forward queue. And in some cases in



certain jurisdictions, you have to safe harbor them for tax reasons. I guess where are you in the process? I mean partly, it's an inflation-based question on can you secure pipeline to effectively avoid that or mitigate it to a certain degree?

Connor Teskey: Absolutely fantastic question. And the most overarching thing that guides our timing and our approach to securing equipment is we like to time the acquisition of equipment and the locking in of an equipment purchase with the time that we lock in the PPA for that project. In that way, we can lock those two things in at the same time. And if equipment prices change or power prices change in the future, it doesn't infect -- it doesn't affect the investment returns of our deployed capital.

So that is absolutely the single largest driving factor in how and when we procure equipment. And what it ensures is we aren't ever in a position where we lock in a PPA price, and then CapEx goes up, and our investment returns are severely degraded. That is the downside we look to take off the table.

In certain situations we will, on the margin, look to buy equipment ahead of time for exactly the reasons you mentioned, things such as safe harbor, only if we are extremely confident. But I would really focus everyone on the first driving factor, because that dictates the vast majority of when and how we procure equipment across both wind and solar.

Andrew Kuske: If I may just sneak one more in, and it just really relates given your size, are you finding less supply chain issues versus, say, smaller players in the industry?

Connor Teskey: I wouldn't want to comment on what other people are feeling. What I would say is given our size -- and apologies for almost treating it like a buzzword, but our centralized procurement. We do develop these high-quality, long-term relationships with tier 1 equipment manufacturers.

And we all recognize the current supply chain disruptions are a short-term blip in a long-term growth story, both for us as a business and for them as equipment suppliers. And what it leads to is very pragmatic problem solving to help us achieve our goals.

And I think where that really shows up is are we working through the supply chain disruptions? Absolutely, yes, but it hasn't affected any of our construction time lines. And I would say that is a great illustration of our ability to work well with those tier 1 suppliers to adjust things around the edges as needed, but in a way that doesn't hurt our economics. And we're going to come out of this situation even stronger partners than when we went into it.

Andrew Kuske: Very helpful, thank you.

Operator: As a reminder, if you would like to ask a question, that is star then one. Our next question comes from Anthony Crowdell with Mizuho.

Anthony Crowdell: Hopefully, a quick question, and I -- thanks for all the detail in the slide deck. Just it seems that there's a lot of winds or maybe a lot of tailwinds in the EEP plan. It looks like the bottom end of the distribution growth rate is unlikely that you'd hit that 5%. Any thoughts on narrowing or raising that low end of the distribution growth rate? And I'll leave it there.

Connor Teskey: Certainly. Thank you, Anthony, for the question. There is no doubt a very constructive and strong long-term outlook for our business. When we think about our distribution, we are very firmly committed to that 5% to 9% annual growth rate of the distribution.

But the biggest deciding factor for us is are we seeing attractive opportunities to put that capital to work in the business. And given the very strong growth pipeline we have today, both on the organic side as well as the pipeline of M&A opportunities, that is going to be the single largest decider of where we set that distribution growth rate going forward. And given the tremendous opportunities we do see, I would expect that -- we expect to increase the growth rate similar to how we have in recent years.

Anthony Crowdell: Great. So just to make sure I understand it, the lower end of that range is probably more indicative of just the ability to keep growing, or the ability to get attractive projects, versus that there's a failed execution or something like that to the company that gets you at the low end?

Connor Teskey: Yes, absolutely. And I would say in this environment, the growth opportunities we see within our business are the best thing that we have going for us. And that's what's going to drive decisions around the distribution.

Anthony Crowdell: Great, thanks for taking my question.

Operator: That concludes today's question-and-answer session. I'd like to turn the call back to Connor Teskey for closing remarks.

Connor Teskey: Great. As always, we want to thank everyone for their support. And we look forward to updating everyone at the end of the year with our full year 2021 results. Thank you, and have a good day.

Operator^ This concludes today's conference call. Thank you for participating. You may now disconnect.