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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the BEP Second Quarter 2023 Results Conference Call.

(Operator Instructions)

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Connor Teskey, CEO. Please go ahead.

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Thank you, operator. Good morning, everyone, and thank you for joining us for our second quarter 2023 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.

On today's call, we will provide an update on the business and our development activities. Then, Jeh Vevaina, a managing partner and our Chief Investment Officer, will highlight the recently announced acquisition of Duke Energy Renewables, and lastly, Wyatt will conclude the call by discussing our operating results and financial position. Following our prepared remarks, we look forward to taking your questions.

Our business performed well this quarter, building on the strong start to the year as we achieved 10% annual FFO per unit growth year-to-date. We were also successful in our development activities and growth initiatives, including our repowering activities, where we have seen a strong uplift in the performance at recently repowered assets and are evaluating a growing pipeline of attractive opportunities within our portfolio.

We continue to see the benefits of our geographically and technologically diverse operating platform. As we have said previously, we have purposely built our business by acquiring and developing a variety of clean energy assets in attractive power markets across the globe where we are able to sign long-term PPAs with high-quality off-takers. In periods of volatile resource, like this past quarter, the benefits of this strategy are especially pronounced as our scale and diversity enables us to consistently deliver on our targets.

On our development initiatives, we have commissioned approximately 1,500 megawatts of new capacity so far this year, including the final phase of one of the largest-ever solar projects in the Americas, and we are on track to commission almost 5,000 megawatts in 2023, which is up from 35,000 megawatts commissioned in 2022 and 1,000 megawatts commissioned in 2021.

Looking out over the next 3 years, we expect to deliver nearly 18,000 megawatts of new capacity, most of which have been materially derisked already, meaning, we generally have permitting and interconnection largely in hand and PPAs, match financing and construction contracts in place. Our approach to development has always been predicated on matching costs with future cash flows, mitigating the impact of cost escalation that many renewable power developers are experiencing in the current market, and thereby securing the economics of our projects and not exposing our business to undue risk.

And with the scale of our broader 134,000-megawatt global development pipeline and the depth of our development and operating capabilities, we are well positioned to capture the increasing corporate demand for contracted renewable energy at attractive prices.

As an example, we expect annual demand from large technology companies to accelerate meaningfully, increasing by more than 3x by the mid- to latter part of this decade on the back of growth in expected generative AI computing demand. These technology companies are already the largest corporate procurers of green power globally.

So to put this growth into context, we could see the energy load from just one of these large global technology companies, with a 100% renewable power target equal the current load demand of the entirety of the United Kingdom. We have long-standing global relationships with firms facing these needs and are currently engaged with a number of them around strategic partnerships where we are well positioned to be a trusted partner given our capability and credibility to provide large-scale clean energy solutions on a global basis.

Today, demand for clean energy and energy transition is much more a corporate pull than a government push. We expect this dynamic, which will continue to accelerate to help drive higher returns through the sector and will increasingly differentiate market participants and favor businesses like ours that have the ability to provide a wide set of scale, green power and decarbonization solutions, with the ability to execute across the development spectrum and across all major power markets.

We continue to scale our business in line with the growth in the sector, as shown through our growth in commission capacity, our repowering projects and through acquisition. We were successful this quarter, signing transactions for almost $1.3 billion of equity investment alongside our institutional partners.

Over the past 18 months, we have meaningfully outperformed our growth targets, closing transactions or agreeing to invest up to $21 billion or $4 billion net to Brookfield Renewable. On the back of this significant outperformance compared with our targets, we executed a bought deal and concurrent private placement raising the aggregate equity proceeds to Brookfield Renewable of $650 million, our first equity issuance in 7 years.

While we have always focused on financing our growth via asset recycling, up financing and with a measured amount of corporate debt or preferred equity, our step change in run rate growth, which we expect to continue and our ability to acquire assets at attractive and highly accretive valuations, resulted in us electing to issue equity capital to supplement these sources of financing.

Going forward, we will continue to focus on execution of a self-funding model and selectively use equity when we see outsized highly accretive growth opportunities. Following this offering, we have over $4.5 billion of available liquidity and are well positioned to continue to fund our long-term growth targets through a mix of normal course funding sources.

With that, we will turn the call over to Jeh to highlight our Duke Energy Renewables investment and some of our recent success with repowering projects.

Jehangir Vevaina ***Brookfield Renewable - Managing Partner and Chief Investment Officer of Renewable Power & Transition***

Thank you, Connor, and good morning, everyone. As Connor mentioned earlier, we're continuing to scale our business in line with the growing demand for green power through development and acquisition initiatives, including repowerings.

This quarter, for approximately $1 billion in equity, we agreed to acquire Duke Energy Renewables, a fully integrated developer and operator of renewable power assets in the U.S. with 5,900 megawatts of operating and under construction assets and a 6,100-megawatt development pipeline. With the closing of the Duke acquisition, we will have 14,000 megawatts of operating and 76,000 megawatts of development capacity in the U.S. across all major renewable technologies, making us one of the largest clean energy providers in the country and making it our largest market globally.

With this acquisition, where the purchase prices to be paid over 2 equal installments, with 50% in closing and 50% 18 months post-closing, we're adding a scale operating renewable platform that is 90% contracted, generating strong going-in cash flows, which are immediately accretive, with significant upside from potential operating and commercial synergies and repowering and development projects.

With the incorporation of this portfolio in our business, we see potential to add value in several ways. The first is by leveraging our global procurement capabilities and operating expertise to take costs out of the business. We expect to be able to reduce corporate G&A costs and realize meaningful savings across the wind and solar fleet given our operating experience. These cost savings were not factored into our purchase price multiple, and we are well positioned to execute these initiatives given our experience acquiring and integrating assets.

We also see potential to increase the revenue profile of merchant and hub contracted assets through our power marketing capabilities by signing new PPAs for uncontracted assets, leveraging our relationships with large buyers of green power.

Given the potential benefit from investment in production tax credits, Duke's portfolio also has significant repowering potential. We see the opportunity to repower at least 1.5 gigawatts of wind assets over the next several years, given advancements in technology, the age of these assets and the strong wind resource at project locations.

And we believe with our recent experience in U.S. repowering, we are uniquely capable of executing on these projects. This quarter, we advanced the repowering of our 200-megawatt Bishop Hill Wind Farm in Illinois, which we expect to complete in 2024 and will increase generation by approximately 15%. This is following other successful repowering projects we completed, including the first wind repowering project in the state of New York, which boosted generation across those assets by nearly 30% and the repowering of our Shepherds Flat wind assets, the largest repowering project in the world, where we have seen excellent results thus far.

Duke's assets are located in some of the best resource locations in the U.S. and therefore, the benefit from enhancing the productivity and extending the asset life is especially attractive.

Finally, while we ascribe minimal value to the development pipeline when we underwrote this deal, there remains significant potential to advance these projects. The development portfolio has a large amount of secured interconnection and land, which will be built over time at good returns.

Our financial strength, credibility as a counter-party and capacity to review, underwrite and execute a scale investment quickly was integral to reaching an agreement with Duke. A key competitive advantage we have is our capabilities around executing large deals, given our expansive team of dedicated investment professionals and access to scale partner capital. We also benefited as we were able to gain comfort around the integration of the business, and our ability to carve out a large renewable power platform spread across multiple markets in the U.S.

We believe our purchase price represents attractive risk-adjusted returns. And in this market, we believe we will see more opportunities to acquire large operating portfolios of renewable assets. There's a growing group of sellers looking to monetize for various reasons and limited buyers who have the scale and ability to acquire and integrate these businesses. We look at all deals that come to market and expect to remain active.

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

Wyatt Hartley ***Brookfield Renewable - CFO and Managing Partner of Renewable Power & Transition***

Thank you, Jeh. As Connor spoke to in his earlier remarks, we continued to build on our strong start to the year in the second quarter. Operating results reflect robust realized pricing, the benefits of our organic development and contributions from acquisitions and repowering. We generated FFO of $312 million or $0.91 per unit so far this year, which is a 10% increase compared to prior year.

Our business continues to demonstrate the benefits of operating across diverse technologies and geographies with strong resources in one region or asset class, helping to offset weaker resources in others. Our North American hydro assets were impacted by a dryer-than-normal June. However, we have seen significant precipitation in July, meaning reservoirs across our fleet are in good shape, setting us up well to capture strong summer pricing this quarter.

We had solid performance in our wind and solar segment, benefiting from our inflation-linked long-duration contracts at favorable prices, which helped to offset an adjustment to the regulated price earned by our Spanish assets. The adjustment will reduce the revenue generated by these assets this year, but has a very positive impact on cash flows in the future resulting in a slightly net positive overall impact to our returns given their regulated nature.

As Connor mentioned, our balance sheet is in an excellent position, and our available liquidity remains robust at over $4.5 billion, providing significant flexibility to fund growth and be opportunistic. Following our first equity issuance in 7 years, we are well positioned to deliver on our growth targets utilizing our normal sources of funding and are advancing nonrecourse financing initiatives and our asset recycling program.

Thus far this year, we have generated over $600 million of proceeds from our asset recycling program, achieving our dual goals of generating strong risk-adjusted returns on our invested capital and helping fund our growth internally through the derisking and sale of assets.

As an example, this quarter, we signed the sale of our operating renewable portfolio in Uruguay, generating a 20% return and over 2x our capital during our 6 years of investment in the country. Despite a tighter market for capital, we continue to see strong demand for high-quality renewable assets given accelerating corporate demand and increasing focus on energy security and government-supported electrification and decarbonization targets. We also remain in an excellent position to be patient across our processes given our strong balance sheet, unique access to partner capital and scale operating business that delivers consistent cash from operations.

In closing, we remain focused on delivering 12% to 15% long-term total returns for our investors. To do this, we will continue to leverage our differentiated growth capabilities, advancing our significantly derisked pipeline of projects being opportunistic in the current market and investing in our operations to add value.

On behalf of the Board and management, we thank all our unitholders and shareholders for the ongoing support. We are excited about Brookfield Renewable's future and look forward to updating you on our progress throughout the remainder of the year.

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 our operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from the line of Sean Steuart with TD Securities.

Sean Steuart ***TD Securities Equity Research - MD***

A couple of questions. Interested in your thoughts on continued asset recycling plans. You've advanced a lot so far this year. It feels like this is more a buyer's market. Connor, can you speak to, I guess, midterm intentions with respect to asset recycling and technologies or regions that maybe offer better valuation terms on a relative basis?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Sean, thank you. What we would say we are seeing in the market is given a higher level of uncertainty around financing for a number of players, you certainly are seeing situations where it is a buyer's market. And I think an example of that would be something like Duke

Energy Renewables.

However, that certainly is not the whole story, and there is still overwhelming demand for derisked, high-quality renewables assets. And I think this really goes to our strategy. We want to be investing where there is uncertainty and scarcity of capital and the need to improve, simplify and enhance businesses. And then we want to be selling assets that are very simple, very derisked and can attract lower cost of capital buyers.

And we're seeing opportunities to do both. And we bought Duke this last quarter, and we sold Uruguay at what we think is a very attractive valuation. And we see both those trends continuing going forward. We do have a very robust capital recycling program throughout the remainder of 2023 and into 2024.

But to put some color around that, I would say the key focus of that asset recycling program is very primarily concentrated on wind and solar assets in the Americas and Europe. That's certainly where we're seeing the greatest amount of demand.

Sean Steuart ***TD Securities Equity Research - MD***

Okay. That's useful context. A question on Westinghouse. You're sticking with the second half closing for that transaction. Do you have any comments on the U.K. regulator process here? And any other context on other approvals that will be needed to get that one across the line?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

The only context we would provide is this is all very normal course. We needed upwards of 35 different regulatory approvals as it pertains to the Westinghouse transaction. We have received almost all of them at this point. There are a few outstanding that we are working through in the normal course, and I would say none of this is unexpected or unusual. And we are simply going through the typical process for a transaction of this nature.

Your question highlights an exciting point for our business. We have 4 relatively scaled transactions that have been signed that are working through to closing, being the 50 -- the remaining 50% acquisition of X-ELIO, Duke Energy Renewables, Westinghouse and Origin, I would say, we probably expect those to close and give or take that order, with the first 3 coming this year and Origin coming early next year, if not sooner. And that gives our business a lot of growth trajectory for the next several quarters.

Operator

Our next question comes from the line of Rupert Merer with National Bank Financial.

Rupert M. Merer ***National Bank Financial, Inc., Research Division - MD and Research Analyst***

Connor, you mentioned the potential for strategic partnerships with large customers for renewable power. With an attractive PPA market, do you see any potential to optimize your revenues in your North American hydro portfolio and evolve away from hedge strategy?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Rupert, thank you for the question. It's a great question. Maybe just taking a step back. This is something that we have been saying for a little while now, but it is really coming to light in the current environment. The demand for energy transition and decarbonization, there's a narrative out there that this is being driven by governments. We could not disagree more. This is being driven by corporates, and it is being driven by the largest, most profit-seeking corporations around the world.

Those are the ones with a seemingly insatiable demand for green power and other decarbonization solutions. And because these are the businesses that are not only the largest, but are growing the fastest, they are going to continue to drive enhanced demand for green power solutions.

And while the bulk of that is going to be driven through PPAs tied to new build wind and solar projects, when we have conversations with these counterparties, our ability to offer them solutions across different green energy asset classes is one of the things that really differentiates us.

And you mentioned our hydros, our ability to offer contracting solutions, 24/7 power mixing, wind and solar with hydro is something that really differentiates us for these leading corporates that not only want green power, but want uninterrupted all-day green power. So the bulk of it is going to be PPAs to wind and solar, but we're seeing it across all of our asset classes, including hydro. The tailwinds are pretty broad-based here.

Rupert M. Merer ***National Bank Financial, Inc., Research Division - MD and Research Analyst***

So could we expect to see some PPAs on those hydros as well in the next few years?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

PPAs or other long-term contracts, we're relatively indifferent as to the form of those contracts. But I think we could tell you with confidence, given the more constructive pricing environment we're seeing today relative to, let's say, 12 to 48 months ago, this is certainly an environment where we will look to contract those assets out on a medium or long-term basis and lock in some of these benefits for many years to come.

Rupert M. Merer ***National Bank Financial, Inc., Research Division - MD and Research Analyst***

Great. And then as a follow-up to the conversation you had with Sean on M&A markets. So it's a buyer's market. You see more demand for wind and solar in Americas and Europe from competitors. Has that shifted your view on where you can get the best returns today? And M&A, I know we see you have been buying assets in North America, but is there going to be a, say, higher return opportunity outside of North America and Europe?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

I wouldn't say that. We're always cautious in painting the market in one way. Everything is a buyer's market or everything is the seller's market. What is unique about this market is relative to, let's say, 18 months ago, capital is a little higher cost and a little more uncertain for many market participants. And that's obviously going to affect different people, different ways, but it can create very attractive buying opportunities for us literally anywhere in the world or across any asset class, subject to the discrete dynamics of the counterparty on the other side.

So when we look at things like the European market right now, we do have a pretty robust pipeline and expect to be active there in the back half of the year, seeing very, very attractive risk-adjusted returns. While at the same time, we also might sell assets in the European market where we think we're going to get a really good outcome as well.

So what I would say we're seeing in the market is the slight increases in uncertainty around funding and the slight increases in uncertainty around things like supply chains that are difficult for some market participants to manage through, just create a more diversified set of opportunities, which means that you can be buying and selling both at attractive outcomes in the same markets at the same time.

And it really is discrete to the counterparty on the other side. Quite frankly, we love these market dynamics. It allows us to be playing positively in both directions.

Operator

Our next question comes from the line of Robert Hope with Scotiabank.

Robert Hope ***Scotiabank Global Banking and Markets, Research Division - Analyst***

I was hoping you could add some color on how you're thinking about how your development pipeline overlays with the expected increase in demand from technology companies. Could you potentially look to augment or reorder your projects such that they are -- they align better with the geographies where we could see the largest increase in technology demand? Or kind of more broadly, how do you stack up your development pipeline versus the areas where you expect to see growth?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Sure. Thanks, Rob. Perhaps taking a step back, what we are seeing in the market today is a pretty strong supply/demand imbalance that if you have economic ready-to-build projects near load centers, you have multiple potential offtakes for that power. There is more demand for that power than there are ready-to-build projects to supply it.

And therefore, one, it allows us to attract more constructive pricing and put through some of the cost increases of CapEx and interest through to the end customer and preserve our developed margin. That's point one.

And then two, the other thing that we are doing across our portfolio is, because we see such strong demand, we're doing everything in our power to pull-forward projects within our development pipeline to get them pulled out of the ground faster. And I think the benefits of, one, programs like IRA and two, the step change increase in demand is going to allow us to continue that dynamic of trying to pull-forward development projects faster for the short to medium term. There's certainly enough visibility on it.

In terms of the question around, where are we -- are we going to try and augment our development pipeline? We have 134,000 megawatts around the world. We're going to keep adding to that. The point I would say is this demand is broad-based across all the major geographies around the world. So we're just going to keep working to keep our pipeline robust and strong and then work to keep pulling projects forward within that pipeline.

Quite frankly, I think given the dynamics I explained, it's unlikely you're going to buy for value, a ready-to-build project just to recontract it with a tech company. The market is more efficient than that. That's already priced in and probably wouldn't generate the returns we wanted.

Robert Hope ***Scotiabank Global Banking and Markets, Research Division - Analyst***

I appreciate that. And then maybe another broad question. How are you seeing system operators? Or how this -- have you seen any changes in system operators or transmission interconnection rules just given the significant increase in renewables Alberta pipeline across the globe? Just kind of referencing the Alberta announcement from yesterday. And whether or not we could see some system operators pause to put a more orderly investment of renewables in the system?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Certainly. So we'll make 3 comments on that. The first is, there seems to be a lot of heightened interest on grid interconnection timing and how that impacts development in the last 6 or 12 or 18 months.

We would respectfully suggest that -- securing grid connection has been a critical component of developing renewables for the last 10 years. And therefore, while it might be getting more airtime in the news more recently, identifying which projects have grid connection, where they sit in the grid queue has always been part of our development process and always something we take into account when buying development pipeline.

It would have been almost ridiculous for a renewables developer to not see some of this grid connection congestion coming. It should have been baked into everyone's underwriting. It's certainly been baked into ours.

The second point I would make is, every project around the world in order to get built needs lands, permits, grid connection. And once you have those 3 things, it needs financing offtake and equipment and construction EPC. We encourage anything around the world that expedites the bringing forward of any of those necessary requirements of development to bring projects forward.

So we greatly encourage some of the things that we're seeing around the world to make interconnection processes more efficient and connect more projects quicker. We think we will be a net beneficiary of that and someone that can move quickly to take advantage of any of those changes.

Operator

Our next question comes from the line of David Quezada with Raymond James.

David Quezada ***Raymond James Ltd., Research Division - Director & Equity Research Analyst***

Maybe just starting with a question just related to M&A, I guess, and the commentary around that. Certainly, it feels like a good environment for you guys in terms of there being potentially some attractive targets. I'm just wondering, with the 3 transactions that you've kind of got in the queue so far, do you need to see those close before you could pursue anything else? Or do you still feel like that you'd be open to an attractive deal if it arose?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

I want to be abundantly clear. We would not wait for those transactions to close. If we saw an attractive deal today, we would do it without hesitation. Part of our motivation around some of the significant up-financing activity we've done year-to-date and our first equity offering is to put ourselves in a position to be opportunistic in this market and we think that's something that has proven to play very well for us quite recently and will continue to play well for us going forward.

We see this as a very robust market where we can do accretive transactions. And maybe to be more helpful, I'll split it into 2 buckets. Given the significant demand we're seeing for corporate contracts, for green power PPAs, we continue to see very attractive risk-return dynamics in developers.

So we certainly aren't going to take our foot off the gas in terms of the growth we're pursuing in that segment because the investments we've done to date are performing well, if not ahead of underwriting, and we think the tailwinds are going to get stronger.

The one thing that is changing where our access to capital and our ability to be opportunistic is going to be helpful is in looking at opportunities to buy either operating assets or looking at public to private. Those are both areas of the market where we've been a little quieter over the last 2 to 3 years, but we see them increasingly coming into the strike zone. And if we see attractive opportunities, we won't hesitate to execute.

David Quezada ***Raymond James Ltd., Research Division - Director & Equity Research Analyst***

That's great color. I appreciate that. And maybe just one more for me. Any comment that you would make on what you're seeing in the supply chain, be it for solar panels, or turbines, or key equipment components?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Yes, great question. And there's not actually an easy answer for that because I would say that the direction of different equipment, it's quite all over the map. I would say that the solar panel supply chain around the world is improving dramatically.

Cost for solar panels are going down very significantly around the world. There is increased global capacity that has come online. This is not only reducing prices, but it's reducing shipping and lead times. There is one caveat to that, which is in the U.S., where some of the ongoing investigations and tariff discussions have muted some of those dynamics. But even in the U.S., we've seen panel prices decline quite significantly year-to-date. So that's solar panels.

In wind, the wind OEM market, I would say, is challenging right now. We are seeing some shortages across the global supply chain similar to what we saw in solar maybe 2 years ago. And again, I think this market plays to those who are well equipped to use their scale and their operating expertise to manage through those dynamics as wind equipment procurement is getting more expensive and lead times, I would say, are not shrinking.

And then the last one then -- that I would highlight, which is very top of mind to us and something that we are taking into account in all of our development underwriting and business plans, is transformers. Transformers are increasingly becoming one of the longer lead time items, that's fine. You just need to bake that into your underwriting, and that's what we've done in all our development plans we have.

Operator

Our next question comes from the line of Andrew Kuske with Credit Suisse.

Andrew M. Kuske ***Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research and Global Co-ordinator for Infrastructure Research***

I guess the question focuses on the building versus buying. And historically, you've done a lot of buying, maybe less building, but in fairness, you have built. Have the conditions really changed? And I think this came in the prepared remarks, is the 18 gigs, I think over the next 3 years, you plan on building. Are you really on a step function change on the building side versus the buying, but still looking opportunistically to buy?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Great question. The way I would position it is we have historically -- looking back, we were probably about 90% operating, 10% development, and we are seeing increasing opportunities to secure very attractive risk-adjusted returns on the development side that could see that percentage increase.

But to be clear, it's not going to become the majority of our business. I would say, even if we are seeing a significant increase in our development activities, the vast majority of our recurring cash flows and profits, probably north of 80%, is going to continue to come from operating assets.

That being said, we appreciate you highlighting it. We are seeing very significant growth in our development activities, 1,000 megawatts in 2021, 3,500 megawatts in 2022, 5,000 megawatts this year, 18,000 megawatts over the next 3 years.

I think that's a level of activity that we're very comfortable with, given the growth of our business and the number of development portfolio companies we've acquired over the last 3 or 5 years. So development is becoming an increasing portion of our business. But I would say, our operating portfolio is still going to be the bulk of our business for the foreseeable future.

Andrew M. Kuske ***Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research and Global Co-ordinator for Infrastructure Research***

Appreciate that. And then maybe just dovetailing with those comments. The return profile, you've talked about the 12% to 15% on a longer-term basis, remains unchanged. But is there maybe a greater tilt to that? Like going in might be more modest, but then in the back end, it's more robust? Or just any thoughts you have on additional color you can provide?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Yes, it's a great question. I -- the 12% to 15%, I'd say we feel very comfortable with it. We still, on a blended basis, absolutely expect to be in that range. The only thing I would almost want to convey is, I think at certain points in time when markets were really robust, we would have said long-term contracted operating assets are maybe 10% to 12% and construction assets are 12% to 15% and development assets are high-teens returns.

But in the market that we're seeing today, where you can be very opportunistic, I would say, we're seeing opportunities to buy operating contracted renewables in that 12% to 15% range, which obviously is a fantastic risk-adjusted return. So given the opportunity set that we are in, maybe I'd answer your question by saying, I don't think the spectrum is changing, but I think maybe the floor is rising.

Operator

(Operator Instructions)

Our next question comes from Naji Baydoun with iA Capital Markets.

Naji Baydoun ***iA Capital Markets, Research Division - Director & Research Analyst***

I just wanted to go back to the sort of corporate power market dynamics. I think you're saying in your letter that there are potentially higher returns in some of the corporate-backed projects or contracts. Can you maybe talk about sort of the trade-offs between corporate versus government contracts and how you see that evolving over time?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Naji, the -- so I might take an extra minute just to go from a higher level to explain how we've always pursued this. If you really go back maybe 6 or 7 years, we took the view that we really wanted to build a best-in-class corporate power marketing capability within Brookfield Renewable.

And in doing so, what we wanted to avoid is running around the world chasing government tariffs that could, in fact, get removed with a change in government or a change in policy. And we always felt that the corporate demand dynamics would be increasing in terms of the momentum and would be a lot more enduring over time, and we largely think that has played out.

With the benefit of hindsight, candidly, we were probably a half step too early. We tried to build that corporate power marketing capability probably 2 years before the market was ready, but what that has led to now, 4 or 5 years later, is we really do truly have one of the best corporate power marketing capabilities globally.

And the way we see the demand for green power procurement around the world, if the trend line is unequivocally being driven by corporates, not only are the largest and fastest-growing corporates around the world driving that momentum, but we're increasingly seeing a broader number of corporates looking to procure green power.

So if corporate demand is setting the trend line, what we would say is government policy is determining the ebb and flow around that trend line. And the nice thing we have right now is both are going in our favor. Corporate demand is accelerating very intensely and government policy is just an additional tailwind through programs like IRA and similar programs we're seeing around the world.

The reason why -- so if that's where we see long-term demand, the reason why we think this is very, very good for returns is 2 things. One, building renewables and developing renewables into long-term corporate offtakes is a bit more involved of a process. You need more in-house capabilities, but therefore, can generate higher returns. That's -- it's a lot more difficult, but more rewarding to build into corporate PPAs than it was to build into a government feed-in tariff system that you may have seen 3 or 5 years ago.

And then secondly, corporate demand, we would say is much more resilient. It tends to be long term in nature. This is being driven by the 5-, 10- or 15-year strategic visions of these companies as opposed to the 4-, 5-year government cycles of an elected party. And therefore, we see this shift to a corporate pull as opposed to a government push is very positive for our industry in terms of, one, demand and two, ensuring that returns stay at an attractive level for the medium to long term.

Naji Baydoun ***iA Capital Markets, Research Division - Director & Research Analyst***

I guess you're seeing sort of a better trade-off with corporations and governments because just to build on that, like historically, some of the puts and takes were that with sort of government-backed contracts, you would have sort of a higher counterparty -- higher credit quality counterparty, longer-term contracts, but you're saying maybe some of that now flow into the corporate market and because of that complexity that you mentioned may potentially better returns?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Yes. And I would say that who are our biggest customers around the world? These are the largest, highest-quality, strongest credit party -- sorry, strongest credit counterparty entities that you could have. Some of these institutions have higher ratings than some of the government-backed contracts around the world. So I wouldn't -- we would be very quick to suggest we haven't given anything away in terms of credit counterparty risk.

Naji Baydoun ***iA Capital Markets, Research Division - Director & Research Analyst***

That's very helpful. Just couple of other follow-up questions. On the new transition fund, just wondering if you can just talk about sort of what are some of the target opportunities that you think the second transition fund could be pursuing? And if, similarly to the first one, you'd maybe be leaning more towards newer forms of decarbonization, be it transition investing, or carbon capture, et cetera?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Certainly. So Brookfield Asset Management launched fundraising for its second global transition fund in Q2. I would say that, as expected, the reception has been very, very positive, and the strategy is resonating very well with investors. And what it does for Brookfield Renewable is it continues to give us that large-scale institutional capital to invest alongside of, allowing us to pursue the largest and most attractive opportunities where we see less competition. So we see BGTF 2 as a huge benefit to BEP going forward.

In terms of what the fund will target, 100% consistent with what BGTF 1 targeted. When we looked at BGTF 1, the biggest component of that fund was clean energy renewables developers. The second biggest component of that fund was power transformation, building out renewables within existing utilities. And the third biggest component of that fund was investments in other clean energy technologies like nuclear. Really, it was only about 20% of the fund that was in new decarbonization solutions. And I would say that's probably a similar balance that we expect going forward.

Naji Baydoun ***iA Capital Markets, Research Division - Director & Research Analyst***

Okay. That's great. And maybe just one last quick question. Similar to sort of the Duke transaction, we're seeing a number of utilities also looking to maybe simplify their structures and separate some assets. I guess this would play very well into your capabilities on the M&A side. Are you sort of looking at more of these, say, more complex deals in the Americas?

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Absolutely. I would say one of the benefits of our platform today is, given our scale in particular, our growth over the last 2 or 3 years, we're very fortunate where -- we'd like to think that we see almost every opportunity in the market. And from that position, are able to focus our time and resources on the ones where we see the best risk-adjusted returns and ones where we see we are able to bring something differentiated that allows us to be successful and generate a return above what perhaps other market participants could achieve.

So I would say, there is a dynamic around the world today where there are some sellers who, for a variety of reasons, are looking to get off high-quality assets. We're looking at a number of those, and we'll look to execute the ones that we're most well positioned on.

Operator

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

Connor David Teskey ***Brookfield Renewable - President of Brookfield Asset Management and CEO of Renewable Power & Transition***

Thank you, everyone, for joining today's call and for your ongoing interest and support in Brookfield Renewable. We look forward to speaking to everyone at our Investor Day on September 21, and then updating on our results throughout the remainder of the year. Thank you, and have a great day.

Operator

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