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Q4 2023 Brookfield Renewable Corp and Brookfield Renewable Partners LP Earnings Call

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Brookfield Renewables Fourth Quarter 2023 Earnings Call. (Operator Instructions). Please be advised that today's conference is being recorded.

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

Connor Teskey *Brookfield Renewable Corporation - 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 fourth 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 would also like 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 a review of our 2023 performance and an update on the business and our growth initiatives before handing it over to Stephen Gallagher, CEO of Brookfield Renewable U.S., who will discuss how we are enabling the growth of the largest and fastest-growing companies around the world and what that means for our business. And then lastly, Wyatt will conclude the call by discussing our operating results and financial position. As always, following our remarks, we look forward to taking your questions.

2023 was a record year for our business on many metrics. We generated record funds from operations benefiting from organic growth and acquisitions. We deployed a record amount of capital into attractive and accretive opportunities across all our key markets. And we developed more capacity than we ever have before, all while strengthening our balance sheet.

We have established ourselves as a global clean energy super major evolving from a pure play renewable energy producer to a preeminent platform for renewable power and decarbonization solutions with scale and the breadth of capabilities and relationships that set us apart from our peers.

In a year where we saw rising interest rates and supply chain challenges facing the sector, we were able to execute across our business plan. Most notably, our disciplined approach to development, which focuses on removing risks upfront meant that our development activities remained robust, delivering a record year and preserving our returns, all at a time when some market participants saw headwinds.

We also saw the benefit of our prudent approach to financing our business, which combined with the strength of our balance sheet, durability of our cash flows and diverse sources of scale capital ensured that we were able to continue to pursue growth at a time when

some could not, and there was less competition.

We deployed - or agreed to deploy - \$9 billion of capital alongside our partners, highlighted by our acquisitions of Westinghouse, Deriva Energy, the remaining 50% interest in X-Elio which we did not own, Banks Renewables and investments in CleanMax and Avaada in India. And while our proposed acquisition of Origin Energy did not receive the required level of shareholder support, we are confident in achieving our target deployment of \$7 billion to \$8 billion over the next 5 years, and growing our cash flows and distributions in line with our targets.

Since the initial announcement of the Origin transaction, we have received inbounds from businesses around the world who are seeking a partner with significant capital and deep operating expertise to accelerate their transition goals and enhance the value of their businesses.

With respect to our development, we continue to scale up our capabilities and delivered almost 5,000 megawatts of new capacity in the past year, up from 3,500 megawatts in 2022, and we also pulled forward the rest of our pipeline. Our advanced stage pipeline is materially derisked with over 25% of the next 3 years planned capacity already under construction, an additional over 20% with revenues and inputs fully contracted and an incremental over 30% in the final stages of securing PPAs and construction contracts. Between our de-risked, highly visible development pipeline, the growth opportunities we are seeing in the market, and our organic growth levers, we are confident in achieving our 10% plus FFO per unit growth in 2024 and beyond.

With that, we are pleased to announce an over 5% increase to our annual distribution to \$1.42 per unit. This is the 13th consecutive year of at least 5% annual distribution growth dating back to 2011 when Brookfield Renewable was publicly listed.

Now we will turn it over to Stephen to discuss how we are enabling the growth of the global technology companies and what that means for our business.

Stephen Gallagher *Brookfield Renewable Corporation - CEO of Brookfield Renewable U.S.*

Thank you, Connor, and good morning, everyone. With the significant growth in demand for data globally, the position of the technology mega cap as the largest and fastest-growing businesses in the world continues to solidify. Since 2020, the cloud computing segments of these companies have grown by over 30% per annum representing their highest growth segments and generating their highest margins.

Increasing demand for cloud computing from digitalization and the adoption of AI-enabled tools are driving these companies to continue to invest heavily in their capabilities and capacity. And two of the key ingredients needed to deliver these products are computing power and energy. Over the last 12 months, the race to increase computing power has been illustrated by the increase in demand for certain inputs, such as computer chips. However, we believe most investors have yet to grasp the importance of a secure energy source in enabling the delivery of the data center and computing power growth.

The largest cloud computing businesses run on clean power. These companies have committed to 100% clean energy targets and have grown the consumption by approximately 50% per annum over the last couple of years, making them the largest buyers of green power globally. And now the highly power-intensive nature of AI is acting as a multiplier on energy demand, which is increasingly becoming a key bottleneck for growth of cloud computing. For example, the integration of AI uses up to 10x more power when integrated into a typical search process.

And renewable power, as the cheapest form of bulk electricity production, is the solution to this growing electricity demand.

Furthermore, as the scale and energy intensifies of data centers increases, these facilities put pressure on the global electricity grids. As a result, certain regulators are now requiring data center developers to provide a power solution in order to receive their data center permits. This has put access to power and the critical path to growth for these technology companies. This is leading our partners to engage in commercial conversations earlier in the process to develop solutions with us, which is the dual benefit of both derisking the technology company's power needs and also our development pipeline.

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It is widely estimated that global electricity consumption from data centers will increase to approximately 10% of total electricity demand by 2030, up from approximately 2% today. To put this in context, this means that to satisfy the needs of data centers alone, which doesn't factor in the penetration of EVs or broader electrification, additional generation capacity will be required equivalent to the size of the current U.S. grid.

For the better part of a decade, we have been positioning our business to capitalize on these trends. By building a leading global development platform, combined with our early focus on corporate power marketing capabilities, this has allowed us to serve the needs of the largest and fastest-growing buyers of green power. The global technology companies have been among the largest corporate customers of our businesses now for years. As we have differentiated ourselves with our scale and credibility delivering new energy projects on time to enable their growth.

Our ability to deliver 24/7 clean power solutions at scale and across geographies positions our business to continue to be a major beneficiary of this robust demand growth. Further, our ability to provide unique and tailored solutions at scale allows us to avoid competition and drive better returns in the bilateral markets. We have signed contracts to provide over 60 terawatt hours of power over the past 2 years to these large technology companies. An amount we expect to increase dramatically in the coming years. As a result, going forward, we expect the vast majority of our new renewable power development will be contracted to corporate customers, where we are seeing strong demand from our differentiated offerings at attractive contract terms.

Currently, we have approximately 22 terawatt hours per year of generation contracted to corporate customers, representing approximately 30% of our total contract volumes - over double the volumes contracted to these types of customers 5 years ago. Based on our existing development pipeline, we expect contracted generation to (inaudible) customers to double again by 2028 to approximately 44 terawatt hours per year, or 45% of our contracted volumes. With that, I will pass it on to Wyatt to discuss our operating results and financial position.

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

Thank you, Stephen, and good morning, everyone. Our operations continued to perform well this quarter, benefiting from the diversification of our fleet and strong all-in power prices. We delivered solid results in the fourth quarter with FFO of \$0.38, up 9% year-over-year. And on a full year basis, we delivered record FFO at \$1.1 billion or \$1.67 per unit, a 7% increase over the prior year. While our results fell slightly below our target of 10%-plus FFO per unit growth for the year, largely due to later-than-expected transaction closings during the fourth quarter, we remain well positioned to achieve our goal going into 2024 and beyond.

We are already seeing the benefits of our growth activities, which were back-end weighted this year as we commissioned nearly half of our almost 5,000 megawatts of new capacity in the fourth quarter. We are also seeing strong cash flows from the closing of the previously mentioned major acquisitions that took place in the final 3 months of the year and are expected to contribute over \$100 million in incremental annual FFO. We also expect to receive an uplift as our fleet reverts to long-term average generation, particularly from our hydro assets, where we often see cyclicalities.

During the year, we continued to execute on our growth initiatives, as Connor highlighted, while simultaneously strengthening our balance sheet. We executed on almost \$15 billion in nonrecourse financings, generating almost \$500 million in upfinancing proceeds to Brookfield Renewable. We were also successful with our capital recycling program, which we continue to scale with our development growth, generating \$800 million of proceeds over the past 12 months, representing over 3x our invested capital.

We take a disciplined and practical approach to asset rotation, looking to sell assets when they are in demand and attracting valuations at or above our internal assessments, regardless of technology or geography. This approach has served us well and generated returns above our underwriting targets for investors.

During the second half of the year, we saw a disconnect between the price of our shares in the public markets and the underlying value of our business and took that opportunity to repurchase 2 million units under our normal course issuer bid. Looking forward, we will continue to allocate capital based on where we're seeing the best risk-adjusted returns and remain confident we will continue to create meaningful value for our investors going forward.

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In closing, we remain focused on delivering 12% to 15% long-term total returns for our investors while remaining disciplined allocators of capital, leveraging our deep funding sources, and operational capabilities to enhance and de-risk our business.

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 2024. 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 few questions on the corporate PPA environment. Can you give us perspective on price terms, how that's trended? I know there's an upward trend, but specific to the contracts you're signing, how that trend for pricing has evolved? And how that tension relates to contract duration? I know there's been a general trend towards longer-term contracts. How does that interplay with the price trends you can attain right now?

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

Thanks for the question. So maybe we'll come at this in a slightly different way, but we'll answer your question head on. What we are seeing as a result of significant increases in new electricity demand - this is being driven by the data center demand, this is being driven by increased penetration of EVs, this is being driven by electrification of industrial processes - is right now, there is far more corporate offtake demand than there are ready to build projects. In key locations, there is simply a supply-demand imbalance in favor of those that have ready to build projects in key locations. And the way this shows up in terms of pricing is the dynamic that we've been seeing for a number of years now, which is we are able to pass through higher CapEx costs, higher funding costs, through to the offtaker in the form of higher PPA prices while preserving our development margin. And therefore, we are able to continually service this increased amount of demand and put more projects through into that increased amount of demand at the same development returns that we were seeing previously, if not even a little bit higher today because of that really robust supply/demand dynamic.

So that's what we're seeing in terms of pricing. It will obviously depend on the respective power market and things like CapEx and funding costs within those respective markets. But what we are seeing because of that increased demand is the ability to preserve or even perhaps marginally enhance our development margins.

And then in terms of contract duration, one thing we have been very uncompromising about for years now is there's been this perception that as Renewables over the last 10 years came off government feed and tariffs increasingly on to corporate contracts - that meant that contract durations got shorter. We simply aren't seeing that. And we're seeing significant demand for long-term contracts: 15, 17, 18, 20 years. And those are obviously very attractive to us and can be financed very attractively if we deal with high credit quality counterparties. And that's really the bulk of demand that we're seeing today.

Sean Steuart TD Securities Equity Research - MD

And then just one follow-on with respect to data centers. I know at least in the U.S., the location of those data centers tend to be quite concentrated in specific regions. How do you expect that will evolve? And can you give perspective on Brookfield's ability to meet demand in those specific areas?

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

Sean, it's really astute question because you're absolutely right. This demand -- well, significant is not equal in all places. The power needs to be in a place where it can service that corporate demand load. But we are seeing a number of dynamics. First and foremost, the

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ability to work with the counterparties, where is there the potential to co-locate new data centers near power generation that can be built, and our really strong relationships with the large corporate offtakers is we can proactively work with them to identify those locations. And then either through M&A or through greenfield development prospecting, we can look to create development pipeline in those regions to service that demand.

The second point I would make in regards to your question here is the opportunity to service this corporate demand is really today. It's not something that we're seeing for the future. This is happening in real time. So in order to service this corporate demand, it's not simply having the capability or the capital to do it, you actually need to already have a very large pipeline of projects. And this is where our strategy for the last few years is really coming to fruition, where we have been focused on buying premium developers with large development pipelines in core markets really to ensure that we are well positioned to meet this demand as it has accelerated. And today, those pipelines are very valuable because they are in the ground, they are existing. They are working through their development process and they can meet that demand in the near term as opposed to simply planning for projects 3 to 5 or 7 years out.

Sean Steuart *TD Securities Equity Research - MD*

That's great detail. Thanks, Connor. I will get back in the queue.

Operator

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

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

I wanted to stick on the data center theme for today. So when you're looking at your development pipeline and the contracting strategy there, like how -- can you maybe add a little bit of colour of how it's moved away from single assets to more groups of assets to serve this demand, and then when you think about the opportunity set in front of you, do large developers such as yourself with a large pipeline, should you disproportionately benefit versus the smaller developers in this, we'll call it, increasing opportunity set so that, in essence, your market share should increase?

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

Sure. So Rob, thanks for the question. You are right that -- this dynamic is going to lead to concentrations in certain regions, this data center demand dynamic. And to be clear, there is, without question, the greatest concentration of data center growth that needs power supply is in the United States. And we are very fortunate that over half of our development pipeline globally sits in the United States.

The second thing to highlight here is, yes, well, individual projects might be signing contracts to support individual data centers. The corporate counterparty that backstops that contract is the corporate holdco of these large tech companies. We have a corporate guarantee from the \$1 trillion plus market cap companies around the world. It is not a ring-fenced counterparty credit individualized to a singular data center. And I think that's a really important dynamic to understand because we take great comfort that as this growing opportunity set continues to expand. These are literally the best counterparties around the world. These are not individual assets. These are the large tech companies themselves that are the counterparties.

And then to your question about scale, this is going to play into the hands of the larger players. But I think the reason for that is perhaps a little bit nuanced. And we would really focus on 2 things. The power demand that is required by these large tech companies is truly remarkable. Sometimes it's tough to put the magnitudes in context. And therefore, if you are a large technology company looking to secure your power supply, you can either work with literally thousands of individual small developers or you can work with a smaller number of very large developers. And we are very fortunate to be in that group or even at the top of the list when it comes to that group that can provide to meet the needs of these large technology companies at a scale that few others can't and really move the needle for them in terms of debottlenecking their future growth.

So that would be point one. The other point that should not be underestimated and why we are so constructive on this market is the most important thing to these counterparties is that projects are delivered. They are delivered on time. And the developer does not walk away from the projects if they can't get the equipment or they get knocked off schedule because of supply chain or shipping issues. And our

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global capabilities and our ability to push through issues using our operational capabilities when they arise ensures that we are amongst the most reliable counterparties to these large tech companies.

The power will be delivered on schedule. And I would say that is a completely underappreciated benefit for large players such as us because the worst thing for the tech company is if the power isn't there and the data center can't turn on. And this is why we're finding them to be very constructive in terms of contract terms when working with large reliable counterparties such as ourselves because the most important thing to them is that reliability and that the project will be delivered on time. And that's a reputation and a capability we've been reinforcing and enhancing for years now.

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

I appreciate that. Maybe as a follow-up and more broadly, with the [recovery] in equity markets, how are you thinking about allocating capital in 2024? Does the returns kind of skew more to the development side versus the buy side right now? Or how are you seeing that opportunity set?

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

Certainly, really, what we've seen, particularly in the last, call it maybe 4 weeks of Q4 and into 2024 is what we've seen is a stabilization in interest rates. In 2023, rates were going up and up and up. And the great part about our business is this is a real returns business. It works whether interest rates are at 3% or 4% or 5%, but everyone can appreciate that when markets are uncertain and rates seem like they're going up in perpetuity, that becomes a more tougher market for people to transact in.

And as we kind of turn the page into a new calendar year here, what we have is stability in interest rates. Maybe they land at 3 and 3/4, maybe they land up 4.5%, but they're going to be within a pretty tight range here, and that is a very constructive level for our industry. And as a result, we think this year will be very, very active from a transaction perspective, both on the investment side and on the capital recycling side.

Some of the uncertainty, particularly in the latter half of 2023, probably caused the number of people to stand on the sidelines. Early indications in 2024 is with this reduced uncertainty in the market, people are open for business. And we're seeing that in our sales processes that have launched, and we're also seeing that in our engagement in terms of new growth opportunities.

In terms of where, specifically, we're seeing those opportunities, I would say it's across the spectrum and public companies still do remain a key focus of ours, even with somewhat of the relief rally in the latter part of the year. But I would say where interest rates are settling, it's a pretty good level for both buying -both operating assets and development assets. I think we would be pretty balanced this year going forward.

Operator

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

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

One more follow-up on the data centers. So the PPAs you're looking at, are they typically simple take or pay contracts? Or is there some element of capacity required?

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

Most of them are 17, 18, 20-year take-or-pay inflation-linked contracts. These are the good ones that we want. Some of the large technology companies are increasingly looking for 24/7 green power solutions, and we can use our wind and solar development and pair that with either hydros or battery storage. But I would say that's typically at a premium or with incremental upside to those, call it, 17 to 18- to 20-year take-or-pay inflation-linked contracts.

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

Great. And then secondly, looking at your production in the quarter, so you came in around 85% of LTA. We are seeing similar trends across your peer group, of course. Just wondering if you can comment on those recent weather patterns and what you anticipate going forward? Maybe some thoughts about your LTA assumptions?

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

Perfect. And thanks for the question. And maybe let us share and shine a little bit of light here because there's really 2 different dynamics happening within our LTA. One of the key differentiating factors of Brookfield Renewable and one of the things that is really the bedrock of our business is we have that very large critical base of baseload hydro. And while that is very, very valuable, relative to wind and solar, hydrology is a slightly more variable asset class in terms of resource.

But there's 2 things I would focus on when it comes to our hydro LTA. One, we monitor it exceptionally closely and we are constantly needing to update it for any financings or transactions that we do. And therefore, over any period of time, yes, there can be some variability, a little below LTA, a little above LTA, but those long-term averages are bang on. But even when the resource can be a little above or a little below LTA. The other thing that needs to be over layered on that dynamic is where is that resource above or below LTA. If our hydro resources below LTA in a very high-value market versus being above LTA in I'll say, lower-value market, that can have a different impact on our financial results.

So while that hydrology is a little bit more variable, it is very consistent over the long term. And the one point we would reference here is as our business continues to grow and diversify, the importance of that hydro LTA is being increasingly diluted over time.

The second component of our LTA is a little bit more structural. And it's showing up a little bit more in our current results today for obvious reasons, which is as we buy new businesses, one of the things we often focus on is finding investment opportunities where there are clear operational enhancements that we can execute in the short to medium term under our ownership.

So often when we buy new businesses, they do start at slightly below LTA, and as we take over those businesses from their previous ownership and then as we execute our business plans and implement those operational improvements, those businesses trend up to that LTA number. As we've gone through a period of very, very rapid growth here over the last, call it, 12 to 36 months, we have more of that in our numbers today than we would have had, let's say, 3 or 5 years ago. But the great news is that's all identified, that's all within our control, and we will see those numbers trend up to LTA as we execute on some of the repowerings, refurbishments, equipment replacements that we identified in our underwriting, and that's all moving very, very much on track and should increasingly play out in our financial performance going forward.

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

So looking at that second component and the overall shortfall to LTA, how much of it was a result of curtailments. So we do see quite significant curtailment of wind power in some markets. And of course, that's something that can be controlled to some degree with the addition of batteries or maybe new transmission lines. Is this a significant component of the shortfall for you?

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

I would say no, I don't have a specific figure to provide here. But without doubt, the most significant components of the discount to LTA are one, just resource variability. And then secondly, those specific identified operational improvements that we are pushing through our assets, curtailment of course, does exist in this business, but I wouldn't say it's a material driver of our LTA results.

Well, I hope that answers your question. There's perhaps one thing I would add, which is you commented on batteries and increasingly the implementation of storage. That is a very strong dynamic we are seeing in our business. In particular, the addition of batteries on an increasing proportion of the new development activity we do, we're seeing that as a very low risk and attractive return -- risk-adjusted return way to enhance a number of the assets that we've either recently acquired or are developing.

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

Great. I'll leave it there.

Operator

Our next question comes from the line of Mark Jarvi with CIBC.

Mark Thomas Jarvi *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research*

Maybe just Connor, building off your comment around interest rate stability sort of opening up the M&A markets a little bit more. How would you frame the interest competitive dynamics around larger assets or portfolios. Is it the same as it was 6 months ago, or do you think the number of, I guess, potential interested parties has increased in the last couple of months?

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

I would say that the stabilization in interest rates absolutely has increased the number of interested parties. There is no question about that. I would say we have really seen a fairly dramatic shift, here we are the beginning of February, end of January. If you compare the market today versus where we were at, say, the end of September 4 months ago, it is night and day in terms of level of activity, the amount of interested parties, again on both the buy side or the sell side.

Maybe the only added point of colour that we would make there and it ties back to our answer to one of the previous questions is, really, what we saw in 2023 was a number of businesses saw headwinds that we thought could largely be attributed to one of two things. If you took significant basis risk in your development activities, the higher CapEx levels, increasing CapEx levels and higher funding costs really caught you short. And that really disrupted or negatively impacted a number of developers around the world, particularly those in the offshore space. That was 1 dynamic that was a key headwind to 2023.

The other dynamic was simply the higher interest rates more materially impacted those businesses that were reliant on unfettered access to the capital markets and very, very cheap financing. And businesses that have relied on that sort of funding structure suffered in last year's economic environment. Those 2 dynamics have seen a little bit of relief in the last, again, call it, 2 to 3 months. But we should be very clear that those dynamics haven't gone completely away. We have not returned yet. And I don't think we will return to the almost 0 interest rates and unlimited access to capital that was there 3 or 4 years ago. So some of those business models still don't work, and will need either capital or operating partners to get back on a stable footing. So, while there is more activity in the markets, I would say it's also still a relatively robust investment opportunity set.

Mark Thomas Jarvi *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research*

Okay. A couple of follow-ups on that. Maybe does that mean like an opportunity to do the deep transaction is not as readily available at that valuation today? And I guess on the flip side, how does the market conditions inform, I guess, the pace -- the type of assets that you're considering for capital recycling in 2024?

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

Yes. Both great questions. I would say, the comments I made stand by everything and I would say, are very, very vastly applicable. Transactions like what we did on the Duke transaction or the Banks transactions, those were essentially bilateral deals, a very significant scale where we offered something that essentially the other participants in the market could not. And while there are more people active in the market today. There is still a very, very large opportunity set for us to do bilateral deals where either the transaction structure we can own, the operating capabilities we can bring or the scale we can provide is relatively unmatched. So, for many transactions, is there more competition today, yes. But are we seeing an inability to do bilateral transactions as we have done in the past? No, we are not.

Mark Thomas Jarvi *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research*

And then just maybe on asset sales in terms of the pace of potential asset sales this year versus last year, do you think that accelerates?

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

100%. Sorry, I forgot to answer the second part of your question. Absolutely. And this is where we have seen some really strong demand to start 2024 is there does seem to be still a lot of capital flowing into this sector. And that capital maybe took a pause for a couple of quarters in that more uncertain interest rate environment. It has not taken long for that capital to come back. So we would expect to be relatively active on the capital recycling side in 2024.

And in terms of where we see that activity, same strategy that we've always executed. We will be unemotional in terms of geography, asset class or technology. And we will look for opportunities where we can sell assets at greater value than we see in holding them in our own portfolio. In terms of where some of those dollars might be, I would say, just given the relative dispersion of our portfolio that today is largely in North America and Western Europe. Surely, because of that concentration, that's probably where we'd see the greatest amount of asset recycling.

Mark Thomas Jarvi CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research

Okay. And I'll just sneak one more in. Just recent sort of update is there is a positive turn around in maybe stepping into larger offshore wind investments. Is that still something that you're really active on? Has any kind of change in terms of the likelihood of making a larger play in offshore wind sometime in 2024?

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

Sure. So our approach to offshore wind, and we'll quickly restate it here. We love the technology. It's large, it's fast growing, it's mature. And quite frankly, because of the differentiated load pattern it can provide to onshore wind and onshore solar, it is actually critical to many power markets around the world. What we have struggled with in the past is the investment profile or the basis risk you had to take as an investor or as a developer, where sometimes you had to invest hundreds of millions or billions of dollars upfront for the right to build out a project in 4 or 5 or 6 years. And in that time period -- in that lag, market conditions could shift and go against you.

Obviously, today, there are a number of market participants who have seen headwinds that maybe need to get out of some of their offshore wind projects, and maybe some of those offshore wind projects are a lot closer to construction or a lot closer to coming online. And therefore, there is less of that basis risk that we had an aversion to. So I would say we are much more active in reviewing opportunities in the offshore space today than we would have been a couple of years ago. But like anything, we'll compare those opportunities to the risk-adjusted returns we see elsewhere and allocate to the best ones.

Operator

Our next question will come from the line of Nelson Ng with RBC Capital Markets.

Nelson Ng RBC Capital Markets, Research Division - Analyst

I had a few questions on your development pipeline. So obviously, you've highlighted a lot of opportunities in the U.S. But I was just looking at your development pipeline in South America is pretty thin. I don't think there are any wind or utility-scale projects in the advanced stage there. So I was just wondering, is there a lack of opportunity there? Or are you just mainly focused on developing in North America and Europe at the moment?

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

Very good question and relatively easy to answer. Obviously, the vast majority of our development activity traditionally in South America has been in Brazil. And for the last few years, we have, I would say, been very, very successful in developing some large and attractive projects in that market. For those that don't know, power prices in Brazil due to their very strong concentration of hydroelectric generation across the grid are very dependent on hydrology levels. And if you went back, I would say, 2 to 4 or 2 to 5 years ago, hydrology levels across the Brazilian system were relatively low, and that supported higher power prices that made wind and solar development very, very, very attractive. And that's the market where we developed many of those large projects into that have come online in '22 or 2023 or are scheduled to come online in 2024.

But what has since happened, I would say, in the last 18 months, is hydrology has dramatically improved in Brazil. And because that is across the system, it pushes power prices down. And today, they are at very, very low historical levels. Obviously, our business in Brazil is almost 100% contracted, so we are not exposed to those lower power prices, but it does make it more difficult to find new wind and solar projects that can secure contracts in this price environment and still be developed at attractive levels.

So this is a short-term dynamic. Wind and solar growth in Brazil will recover, and it will be very robust. But this has been driven by a relatively large shift in hydrology levels that has changed the market prices, and we are simply in a period of time where development activity in that market is going to be reduced because it's simply tough to secure contracts at attractive enough levels to justify the CapEx.

Nelson Ng RBC Capital Markets, Research Division - Analyst

That's very good colour, Connor. I'm glad they're getting more water, but too bad, it slowed down development. So the next question is the -- obviously, you've commissioned about 4.5 gigawatts in '23, and that's growing to, I think, 6.6 and 7.6 gigawatts over the next 2 years. I know you have your target of roughly deploying, call it, \$1.5 billion per year on average. So of that \$1.5 billion, roughly what portion of that is going to development?

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

Yes, sure. So I would say going into the next couple of years, '24, '25, approximately one third, give or take is already kind of identified in organic growth opportunities. That number could prove to be a little bit light, but I would say it's about one third.

Nelson Ng RBC Capital Markets, Research Division - Analyst

Okay. And then just one last question. I noticed that you are also involved in solar panel manufacturing to some degree. It looks like there's about 1.5 gigawatts and 2.5 gigawatts next year. Like are you self supplying some of your developments? Or is this more of a hedge on costs? Or how do you look at the -- your involvement in solar panel manufacturing?

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

Sure. So probably the easiest way to answer that question is let's talk about the exposure we have today as well as our approach going forward. Our exposure today to solar panel manufacturing is part of a structure -- a large structured investment we made in a company called Avaada Energy in India. Avaada Energy is one of the largest independent renewable power, owner operators and developers. And that is the vast majority of the bulk of their business. But in addition to being that large-scale owner and developer of renewable power, they also have two other business lines. One, they're doing some solar panel manufacturing themselves. And two, they are also in the early stages of some green hydrogen production, all of this in India.

So our exposure to the space is through Avaada, where we have made a downside protected structured investment to fund their growth across all three of those verticals. But the vast majority of that business today is a, I would say, relatively down the fairway leading renewable power developer in India.

In terms of -- so -- and while we do have a good relationship with Avaada, and we'd happily use some of those solar panels when they are up and running and producing, our investment exposure is, I would say, very, very modest relative to our global procurement needs. Well, that's our exposure today, we are seeing around the world a trend towards just the scaling up of the supply chain for both renewable power and other decarbonization solutions.

And we could see ourselves in the future look to be an investor in the scaling up of that supply chain. But only if we can do so on a very attractive risk-adjusted return basis, and with an investment profile that we are comfortable with. And that essentially means we would only do it if the -- our investment was backstopped by long-term take-or-pay offtake contracts very similar to what we look for when we build a new solar plant or build a new wind farm.

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So we would not rule out investing in supply chain in the future, but only if we can do so with an investment profile commensurate with what we typically target, and that means it would have to be backed by long-term offtake contracts.

Nelson Ng *RBC Capital Markets, Research Division - Analyst*

That's great colour. I'll leave it there.

Operator

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

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

Maybe first one for me, just on the comments in the release around inbounds that you've gotten, inbound calls since the Origin deal was announced. Just curious if there's any colour you can provide on what kind of opportunities you see there, maybe in terms of the nature of those deals, geographical location, the scale of those opportunities? Any colour on that?

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

For sure. What we would say is, well, the outcome of the Origin vote was disappointing. Going through that process and the highly public nature of it, we really demonstrated, one, not only the business plan we were willing to sign up for. But also the operating capabilities and capital commitment, we would throw behind one of those large-scale business transformation or power transformation opportunities.

The other thing that I think was demonstrated throughout Origin is, while, yes, it did represent buying perhaps a different initial business than when we buy a pure-play renewables developer, what became very clear, in our explanation of what we were doing there, is our business plan was really predicated on the exact same thing we do everywhere else around the world. It was predicated on being a leading high-quality, best-in-class renewable power developer and just doing that within a different company or business construct. I think that was very illustrative and illuminating to the market because we have received inbounds, and I would say those inbounds are across North America, South America, Europe and Australia since the announcement of Origin.

The one point I would highlight, however, David, is these are very large and strategic decisions for our company to make. It is really changing the trajectory of a business, large-scale CapEx program to transition businesses that leading businesses in their market to less carbon-intensive and more derisked and more valuable business strategies, but over a multiyear period. Therefore, those types of transactions, they don't happen overnight. They involve a long-term courtship period, education process, working with those companies before a transaction can be agreed upon or come to fruition. So, while we are having a number of those conversations today, I would suggest that we're excited about them, but they do tend to be longer lead time deals.

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

Excellent. And then maybe just one more for me. Any quick thoughts on -- I mean, it certainly sounds like the M&A pipeline is alive and well and the stabilized rate environment, things have been better. But I'm just curious what you think the I guess, uncertainty around the U.S. election, how could that affect things as the year goes on, maybe uncertainty around what happens with the tax credits?

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

Yes. Certainly. Great question. And we'll revert back to a point that I think it's really critical not to lose sight of. And it ties to a bunch of the major themes we've been discussing on today's call. Today, energy transition, decarbonization and renewable power development is undoubtedly driven by corporate demand far, far, far more than it is by government push. And therefore, while politics does have a role to play, it is in no way going to disrupt the rapid growth and the current trend line of investment and opportunity in those sectors.

However, I do think it is important to respond to some of the rhetoric and headlines in the market today, depending on what might happen in the U.S. elections. And I do think there's 2 very important things to highlight. One, under IRA today, the vast majority of IRA funds are going to Republican states. So while there may be changes to that bill under a different leadership. We wouldn't expect it to

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change dramatically. And then the second thing to highlight is what's fantastic about the current situation in the United States is we've seen what happens for renewables growth under both a Republican or a Democratic leadership in recent years. And even going back to when there was Republican leadership in the United States, that was one of the fastest growing periods for renewable power in that country.

So I think that does reiterate that while government policy can have an effect on things, that trend line of corporate demand is going to set the pace and growth of this industry and government policy is simply going to put a little bit of ebb and flow around that trend line. It's certainly not going to wildly change our approach to the market or our strategy.

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

That's great colour. I appreciate it. I'll turn it over.

Operator

Our next question comes from the line of Ben Pham with BMO.

Benjamin Pham BMO Capital Markets Equity Research - Senior Energy Infrastructure Analyst

I wanted to continue the topic of corporate M&A versus asset acquisitions. And I'm curious, when you think about corporate deals with Brookfield Renewable historically or even how you think about it going forward, what do you think the main benefits for you specifically on the corporate transaction, especially when you talked about maybe that the long-drawn-out process for courtship.

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

Yes, certainly. So Ben, it's a great question. And there's 2 or 3 things I would highlight. In particular, it's an environment where we can very much differentiate ourselves using our scale and operating capabilities. Those corporates are essentially picking a partner to help them transition to a new business model that is going to be more sustainable and more valuable for decades to come. They don't want to pick a partner who isn't very, very credible without best-in-class capabilities. So we do think it is an environment where we can do those types of deals on a bilateral basis, and really be differentiated and therefore, hopefully target some very attractive returns on our capital.

The other thing that is important to highlight is, not dissimilar to what we've seen in other, call it, power transformation or business transformation opportunities, is there is an underappreciated benefit in some of those deals. Those are often large and leading corporates in many of the markets that they operate in. And as a result, there's often some very attractive embedded infrastructure within those businesses that we can utilize to make the invested capital in renewables build-out, or other transition initiatives, either more derisked or done at higher returns. Because these businesses are often leading and have been built up over years and decades, the underlying infrastructure is sometimes an underappreciated benefit of some of those transactions.

Benjamin Pham BMO Capital Markets Equity Research - Senior Energy Infrastructure Analyst

Interesting. And maybe my second and last one, the distribution of 5%, quite solid in this environment. And I don't -- I think it seems like this question around is not -- it wasn't strong, but I'm curious more that 5%. How do we think about that relative to your 10% growth rate plus and in your guidance of 5% to 9%. How do you reconcile that?

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

Absolutely. So we remain very committed to our -- increasing our distribution within that 5% to 9% annual increase range that we've had in the market for years now. And our decision around where we sit within that range is always dictated by where can we drive the best returns for our capital. And because we are simply seeing so much growth and have seen so much growth in our industry and in our sector and quite frankly, within our company specifically, both our organic pipeline and our M&A pipeline, we have been at the low end of that range. And that's simply because we are seeing such attractive opportunities to deploy that capital very accretively into growth.

Obviously, we're a long way away from making those decisions for years to come. But that trend has been quite consistent for a number of years now and no doubt played a big role in where we set the distribution increase this year.

Operator

Our next question comes from the line of Joe Nussbaum with BNP Paribas.

Moses Sutton BNP Paribas - Analyst

How do you think about contracted versus spot power price going forward as the percent moves into the 80s percent and 70s? Would you see decreases or increases in realized price and how would hedges play a role?

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

Yes, certainly. So our business is outside of some of the hydro facilities we own in essentially the United States and Colombia -- is essentially 100% contracted business. And we continue to believe that the risk-adjusted returns you can get by fully contracting out our wind and solar pipelines, all of our new development, the attractive financing you can get against those contracts and the stability it provides to our growth in our earnings is the most attractive thing we can do. And therefore, we remain committed to not building on spec, only building when we've secured that long-term contracted revenue offtake.

But to your question, our contract profile, I would say, almost always looks the way that it does today, a little bit higher in the near term and then kind of fading down, call it, 10 percentage points over the next five years. And what that is, is largely just our hydro portfolio that does have some modest component of merchants. We do that to protect against the variability of the resource. And very simply, some of those contracts are rolling off over the next two or three years, but we would simply look to recontract them at that point.

And I would say being at essentially 90% contracted for the current year, and kind of tailing off 10 percentage points from there over a 5-year forecast, I would say that profile is largely going to stay the same and just keep rolling forward as time passes. If anything, it might go a little bit up because the power price environment today is far more constructive than it's been over the last three to five years, so we might enter into more long-term contracts on that hydro portfolio. But otherwise, I would say that, that profile is largely going to stay the same even as time passes and rolls forward.

Moses Sutton BNP Paribas - Analyst

Got it. Okay. Okay. That makes a lot of sense. And I guess just one on up financing. You completed \$500 million in 2023. I think it was \$800 million was the most recent expectation. Is this due to the LTA performance -- performance versus LTA? Or how should we think about this for 2024? Or is it just lumpy?

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

Perhaps I'll start and then maybe Wyatt, you can jump in if I've missed anything. I would say it certainly wasn't anything to do with LTA performance that didn't even come into the discussion. What we are always looking to do is use excess leverage capacity within our portfolio as a means to raise liquidity at very attractive rates that we can then reinvest into growth in a very accretive manner. And we'll look to do that on an opportunistic basis at all times going forward.

A great example of that was how we tapped the MTN market just in January, securing 30-year term debt at very attractive rates when there was an attractive opening in that market. So I would say there is nothing specific around the timing of those up financings, but Wyatt I'll hand to you if there's anything to add.

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

Yes. (inaudible) look, the financing environment for the majority of where we're looking to do those up financings are on our hydro assets, the financing environment continues to be robust and it's probably even more robust as rates have normalized. And so really, this was just a factor of timing and planning around our funding needs, what have you. That capacity that we had previously mentioned, that additional \$300 million continues to be there. And it was just around us managing our sources and uses based on our growth pipeline, what have you. So it was really just a factor of timing. And as I mentioned, the capacity is there. And in fact, the environment has gotten better than we would have made that estimate around \$800 million.

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Operator

That's all the time we have for Q&A today. I'd like to turn the call back to Connor Teskey for closing remarks.

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

Thank you, everyone, for joining this quarter's call. We appreciate your interest and support of Brookfield Renewable, and we look forward to updating you with our Q1 results in a couple of months. Thank you, and have a great day. Cheers.

Operator

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

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