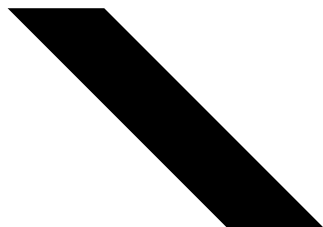


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Q2 2024 BROOKFIELD RENEWABLE PARTNERS LP AND BROOKFIELD RENEWABLE CORP EARNINGS CALL

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- **Edouard Bayford** *Brookfield Renewable Corp - Vice President, Brookfield Asset Management*
- **Wyatt Hartley** *Brookfield Renewable Corp - Chief Financial Officer of the General Partner*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Sean Steuart** *TD Securities - Analyst*
- **Nelson Ng** *RBC Capital Markets - Analyst*
- **Jessica Hoyle** *Scotiabank - Analyst*
- **Rupert Merer** *National Bank Financial, Inc. - Analyst*
- **Moses Sutton** *BNP Paribas - Analyst*
- **Mark Jarvi** *CIBC Capital Markets - Analyst*
- **Mark Strouse** *JP Morgan - Analyst*
- **Anthony Crowdell** *Mizuho - Analyst*
- **William Grippin** *UBS - Analyst*

PRESENTATION

Operator

Good day and thank you for standing by, welcome to the Brookfield Renewables second quarter 2024 earnings 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, Chief Executive Officer. Please go ahead.

Connor Teskey *Brookfield Renewable Corp - Chief Executive Officer of the General Partner*

Thank you, operator. Good morning, everyone, and thank you for joining us for our second quarter 2024 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 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 second quarter performance. The environment for renewables and how our differentiated access to capital and capabilities has positioned us to excel in the current market.

Then, Ed Bayford from our investment team will speak to our recently announced proposed acquisition of Neoen. And lastly, Wyatt will conclude the call by discussing our operating results and financial position. Following our remarks, we look forward to taking your questions.

The business performed well this quarter, building on our strong start to the year. We delivered record funds from operations for the second quarter, benefiting from our growth and development activities and we remain well positioned to deliver on our double-digit FFO per unit growth target for the year.

During the quarter, we successfully deployed significant capital into growth opportunities that further enhanced our market-leading reach and scale. We did this by adding leading platforms in attractive markets with large operating businesses and development pipelines that complement our current operations and further diversify our cash flows.

We also progressed the projects in our development pipeline and successfully commissioned approximately 1.4 gigawatts of new capacity in the quarter. Altogether across our development activities and M&A capital, we deployed or committed to deploy, we invested up almost \$9 billion or almost \$1 billion net to Brookfield Renewable, a record for our business.

Our success in identifying and executing on attractive opportunities that deliver returns at or above our targets is a function of both our differentiated capabilities and access to capital at a time when funding is scarce for some players. This is currently paired with a very constructive market environment for renewables, where demand is outpacing supply, driven by data center demand and broader electrification.

Indicative of this just this past week, PJM, a top market for data center development and a market where we have significant presence had its capacity auction for 2025 and 2026 delivery. In this auction prices hit record highs, increasing almost 10 times from the last auctions, indicative of supply and demand dynamics in the market.

Data center investment continues to accelerate globally and it is widely estimated that data centers could reach up to 10% and 20% of electricity consumption globally and in the United States, respectively, by the end of the decade. This is on top of the electrification of industrial capacity, heating for houses and other uses that is driving unprecedented demand for electricity.

To put this in perspective, the global installed capacity for electricity generation is expected to more than double over the next 20-years, while also trying to replace half of the existing capacity that will be retired as it is very carbon intensive, a truly unprecedented undertaking.

Coming at this dynamic from a different perspective, as recently as two decades ago, energy production from wind and solar accounted for a negligible portion of the global electricity mix, which compares to last year where it accounted for approximately 13% of the electricity consumed globally. This means consumption from these sources has doubled every 3.5 years or grown at almost 25% compound annual growth rate for 20-years, a staggering achievement over a sustained period of time.

Remarkably, this trajectory is expected to continue driven by the demand we are seeing from technology companies, electrification, and replacement of thermal capacity. This sustained level of growth has resulted in the development and scaling of a supply chain for renewable energy that has helped position these technologies as the lowest cost sources of bulk power in most markets globally. We've seen the cost for solar and wind decreased 90% and 65% respectively in the last 15-years.

And while there was policy support and tax credits that help the initial growth of these technologies, it is squarely the cost competitiveness and other features such as energy, independent and clean characteristics that together with the accelerating demand from commercial and industrial customers to support digitalization and electrification are driving increased returns for these assets, both today and going forward.

Renewables are fundamentally acting as an enabler of growth as increased access to clean low-cost power permits further investment from businesses, which results in increasing consumption of power like we are seeing with data center growth. A side effect of the increase in demand for power is that it further reduces cost from the build-out of a larger and more competitive supply chain, creating additional economies of scale, reducing costs further and spurring even further incremental demand.

In this very constructive environment we are continuing to differentiate ourselves with a large operating fleet and expansive development pipeline, which now stands at over 230,000 megawatts, of which approximately 65,000 megawatts has advanced stage land interconnection and permitting status in core renewables markets.

This large advanced pipeline and our credibility in delivering projects is enhancing our position as the partner of choice for the largest buyers of clean power. To put it very simply, nobody is better placed to provide clean power on a global basis to fuel this AI revolution and the growing increase in electricity demand.

Our activities this quarter further enhance our position as a key enabler of the technology sector, including our acquisition of Neoen that adds a large operating and development pipeline in new core renewables markets. This is an increasingly valuable pipeline as we are seeing growing near term demand for clean energy outpacing supply in these regions.

It is this pipeline, our diversity across technologies and our strong reputation and capabilities that we have built up over decades that have allowed us to secure partnerships that de-risk our future growth. Like the framework agreement with Microsoft, where we have agreed to deliver over 10.5 gigawatts of new renewable energy capacity between 2026 and 2030. In the past quarter, we continued to build on our strong relationships with commercial industrial customers and 90% of generation we contracted for new assets was signed with these types of buyers.

Looking forward, we are also seeing a similar scenario to solar play out in terms of the economics and demand for battery energy storage systems, where cost reductions are spurring increased demand, resulting in further cost reductions and again, further more incremental demand growth. Cost for batteries have declined 85% in the last decade and 60% in the last six years.

Batteries are benefiting from economies of scale with the growth of the electrical vehicle market from incremental demand for capacity and grid stabilizing services and from enabling increased penetration of low-cost renewables by providing a power solution for customers when the sun is not shining or the wind is not blowing. With lower capital costs, higher potential revenues and increasing demand for this type of solution from customers. We are focused on deploying capital into battery energy storage solutions in select markets.

This quarter, inclusive of Neoen, we were awarded 20-year capacity contracts for 800 megawatts of battery storage from the grid operator in Ontario. The projects have attractive risk-adjusted return profiles given the long dated fixed revenue stream and high quality off-taker.

We also began construction on 220 megawatts of battery storage capacity in Texas, targeting commissioning in the second half of 2025, where we expect very strong returns. With this development projects and the closing of the and acquisition, we will be one of the largest battery storage developers globally with over 2.3 gigawatts of operating and under-construction capacity.

Including our pumped storage assets, which are benefiting from the same demand drivers as batteries, we will have almost 5 gigawatts of operating and under-construction storage capacity alongside our hydro assets, which have significant reservoir capacity. These assets are increasingly critical to enabling the deployment of low cost 24/7 clean power solutions that meet customers' needs and represent a significant competitive advantage for our business.

With that, I will now turn it over to Ed to discuss how we are approaching growth and speed through our acquisition of Neoen.

Edouard Bayford Brookfield Renewable Corp - Vice President, Brookfield Asset Management

Thank you, Connor, and good morning, everyone. This quarter we have successfully sourced and executed several acquisitions by leveraging our global investment team access to scale, capital and experience integrating complex platforms.

We are a customer-focused business guided by the needs of our partners. With this in mind, we were able to execute on acquisitions that bring increased scale and breadth to our portfolio, further differentiating our platform. In particular, enhancing our position as the global leader in servicing technology and AI driven power demand and doing so at a time when there is less funding available in the market, enabling us to secure acquisitions at good value.

The quarter was highlighted by our proposed acquisition of publicly-listed Neoen, which values the company at a \$6.7 billion equity value and is the largest investment to date within our renewable power and transmission business, we have signed an agreement to acquire 53% of the outstanding shares of the company. Following closing, which is subject to customary regulatory approvals, we intend to launch an all-cash tender offer for the remaining shares, which we expect we will complete in early 2025.

Neoen is a business that we have closely monitored since their IPO in 2018. And we have been impressed by the pace and profitability of their growth. Enabling Neoen to consistently meet ambitious targets year-over-year.

We secured this opportunity as we were able to offer a compelling solution to the existing anchor shareholders. Funding certainty, access to capital and underwriting capabilities across our global team were key differentiators that enabled us to acquire for good value, a high-quality platform that really complements our existing global footprint. Neoen is a fully integrated pure-play renewables platform with best-in-class management and market-leading positions in each of France, Australia and the Nordics.

The company owns and operates a diversified portfolio of over 8 gigawatts of operating or under construction assets, across three core technologies solar, onshore wind, and battery energy storage. These assets are young and highly contracted through long-term offtake contracts with high-quality counterparties. Contributing visible cash flows and meaningful downside protection on our investment.

In addition, Neoen brings over 20 gigawatts of advanced stage development pipeline and more than 10 gigawatts of additional early-stage pipeline. Diversified across those same three core technologies. Neoen's growth has always been overwhelmingly organic through their leading in-house development engine. Which has a strong track record of launching well over 1 gigawatt of new capacity into construction in each of the last few years.

With enhanced access to capital and complementary capabilities, we intend to support and accelerate the build-out of Neoen's pipeline, growing the annual run rate deployment to 2 gigawatts per year or more.

Neoen's core markets are some of the fastest growing for renewables globally with strong corporate power demand and high barriers to entry. Neoen's pipeline and development capabilities perfectly fit the growing demand we are seeing for clean energy solutions.

The addition of Neoen to our portfolio immediately makes us a top player in each of its three core markets where we can supplement the company's existing end-to-end local capabilities with our global value add in areas such as procurement, corporate contracting and capital markets.

Lastly, we highlight that Neoen is a global leader in battery storage. As Connor discussed, we are seeing a real inflection point for this technology, driven by steep cost declines and its role as a key enabler of increased renewables penetration.

Today, Neoen has almost 2 gigawatts of battery storage operating or under construction and a significant global pipeline, which will further diversify and complement our technology tool kit. Allowing us to service our partners with even more complete and integrated clean energy solutions.

Neoen is a textbook example of the type of transaction that leverages the core competencies of our business and we are very excited about its future prospects within our platform.

With that, I'll pass you on to Wyatt to discuss our operating results and financial position.

Wyatt Hartley Brookfield Renewable Corp - Chief Financial Officer of the General Partner

Thanks, Ed and good morning, everyone. Our operating business had a strong quarter, delivering record funds from operations as we benefited from our asset development, recent acquisitions and strong all-in pricing. We generated FFO of \$339 million in the quarter; up 9% year-over-year or \$0.51 per unit. These results and our outlook for the remainder of the year have us positioned to deliver on our double-digit FFO per unit growth target.

Our hydro fleet continues to benefit from strong all-in pricing in the current market where demand for clean power is accelerating. Our wind and solar segments benefited from recent platform additions in North America, the UK, and India and our distributed energy storage and sustainable solutions segments continue to benefit from meaningful growth.

Westinghouse, our nuclear services business continues to perform well and the outlook is getting stronger. We are seeing long-term upside in the business, driven primarily by an improved outlook for the nuclear fuel business and new plant development, as the only baseload carbon-free power at scale that exists with proven technologies.

As new nuclear generation is increasingly viewed as part of the solution to growing electricity demand both for corporate customers, including technology players and centralized utilities, we are exceedingly well positioned to benefit given Westinghouse global leadership position and leading technology offering.

We continue to grow and advance our development pipeline, which now stands at 200 gigawatts with 65 gigawatts of that in advanced stage. We expect to commission approximately 7 gigawatts of new capacity this year, which when completed, we expect to add approximately \$90 million of annual incremental FFO. We are scaling up our development activities and expect to grow our annual commissioning capacity to approximately 10 gigawatts per annum over the next several years.

Our balance sheet remains very strong, with \$4.4 billion of available liquidity to deploy in the current environment where we are seeing a significant volume of opportunities to invest at attractive risk-adjusted returns.

We were successful in executing our asset recycling initiatives this quarter signing deals generating over \$400 million of proceeds on sales, or approximately \$250 million net to Brookfield Renewable, representing more than a 2 times multiple on invested capital.

We continue to see a strong market for right-sized de-risked operator and renewable power assets and have a number of other sales in the pipeline which we are moving forward. We expect to generate approximately \$3 billion, or \$1.3 billion net to Brookfield Renewable, in total proceeds this year from asset sales at strong returns and look forward to providing further updates on our activities throughout the rest of the year.

During the quarter. We also took advantage of tightening spreads by executing on almost \$2 billion of project level financing. We continue to execute on opportunities to refinance project level debt extending maturities in what is a constructive financing market.

In July, we opportunistically issued CAD300 million of 10-year notes and CAD100 million of 30-year notes at interest rates of approximately 4.9% and 5.4%, respectively. The issuances extended our average corporate debt maturity profile beyond 12-years at an attractive cost of capital. In closing we remain focused on delivering 12% to 15% long-term total return for our investors by prudently deploying capital and executing on our operating initiatives.

On behalf of the Board and management. We thank all of 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 at our Investor Day in September.

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)

Sean Steuart, TD Securities.

Sean Steuart *TD Securities - Analyst*

Good morning, everyone. A couple of questions. The advanced development pipeline increasing to 65 gigawatts from 24 gigawatts in end of Q1. If we factor in the incremental pipelines from Neoen and some of the other acquisitions you guys referenced in the MD&A from India, South Korea, and Australia, we'd still fall short of reconciling that revised figure?

Can you give us some context on where some of that extra incremental growth in the pipeline is coming from with respect to technology and region? And it sounds like most of these incremental projects, as opposed to a 2026 timeframe - any sense the time line for those projects coming to commercial operation?

Wyatt Hartley *Brookfield Renewable Corp - Chief Financial Officer of the General Partner*

Yeah. Thanks, Sean. Look, I think the overall point, as you mentioned, that we are with the acquisitions in the quarter, we did meaningfully increase that advanced pipeline. But we also did a finer review of the pipeline and effectively looked at how broadly the market was communicating what was advanced stage and then looking at per set and what have you and ultimately, there is also a piece of that which just defining the advanced pipeline where we have effectively a good position on securing permitting land or site control as well as interconnection that, if we have each of those components, that's what we're including in the advanced stage. So it was a mix of adding from acquisitions but also refining how we're categorizing it so that we are one providing our investors a better insight into what that looks like. But also aligning a bit better with what we're seeing from the peers in the market.

But ultimately, as I mentioned during our prepared remarks today, we're looking to deliver 7 gigawatts this year. We're on track to do that. And over the next couple of years following that, we look to kind of ramp up to be around 10 gigawatts a year as a general run rate and a lot of that will be that advanced stage pipeline that we have projected there.

Sean Steuart TD Securities - Analyst

Thanks for that Wyatt. Connor, lots referenced to BEP's strategy being led by customer needs. And to that point, do you have any updated thoughts on how flexible gas-fired power could fit into the company's midterm plans to complement the renewable platform and to meet accelerating data center power needs?

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

Hi, Sean, thanks for the question. In terms of our strategy, we would say that Q2 was very representative of what we've been doing for the last few years which has been looking to acquire high-quality platforms in core markets that bring one advanced pipeline that we can use to service the customer demand that we are seeing today. It's not an opportunity for five years from now or seven years from now, but pipeline that we can use to service that demand today as well as high-quality development operations in those markets that can continuously add to that pipeline and add to that development activity so we can grow our ability to service that demand going forward.

In terms of your question as it pertains to broad-based energy demand and what that's going to do to the electricity mix - make no mistake, given the significant electricity demands that we are seeing, this has been driven by electrification of industry, electrification of transport, this is driven by energy security, and all those factors that have been existing for years and accelerating are now being multiplied by this tech demand being driven by AI, we are absolutely going to see more gas in the electricity mix in order to service that demand.

From a Brookfield Renewable perspective, that is not going to be a core part of our strategy. We are going to continue to focus on the renewable technologies. From time to time, as we've done in the past, we might buy a broad-based portfolio that may come with an asset or two of efficient natural gas but our focus is going to continue to be on the wind, solar, battery and hydro generation classes.

Sean Steuart TD Securities - Analyst

Thanks for that, Connor. Appreciate the context. That's all I have for now.

Operator

Nelson Ng, RBC Capital Markets

Nelson Ng RBC Capital Markets - Analyst

Great, thanks. Quick question on batteries. So just looking at your development pipeline over the years, I think solar has become a much larger part of your development pipeline outpacing wind. And then with your Neoen pending acquisition, you'll be wrapping up battery storage? So like from a big picture perspective in the next, call it, five years or so, do you think your development pipeline could be mostly solar and batteries and maybe like would wind be like a distant third?

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

Hi, Nelson, great question. I think your question is a very, very astute one. We continue to be technology agnostic and we'll deploy capital wherever we see the best risk-adjusted returns. In terms of the broader market, solar is increasingly with the cost declines it's seen, the lowest cost form of both electricity production in most markets and that is why it is seeing the largest amount of growth around the world and that's reflected within our portfolio as well.

I do think you are absolutely right that the combination of solar with batteries, given the recent cost declines in batteries and the cost declines that are expected moving forward, that is going to be a very large and growing portion of -- I would say, clean energy deployment going forward. That pairing right now seems to, in many markets, be the lowest cost provider, it obviously can't service

all markets but you are right and it certainly would be part of our strategy to lean into a dynamic where solar plus batteries is one of the most prevalent low-cost solutions.

Nelson Ng *RBC Capital Markets - Analyst*

Thanks for the color, Connor. And then can you also elaborate on new markets and where you're seeing the opportunities. So obviously, with Neoen, your entering France, Australia, and the Nordics at scale. You bought a, I guess, a development platform in South Korea? Are there any other obvious markets to expand into?

Connor Teskey *Brookfield Renewable Corp - Chief Executive Officer of the General Partner*

At this point, we're not actively focused on trying to enter any new markets at scale. We would like to think that we're in an incredibly unique and powerful position where we now have leading market presence in quite comfortably every major renewable market around the world.

And this is one of the nice attributes of the Neoen transaction. It really, in one deal, elegantly filled in a few holes on the map. It actually kind of filled in all the holes on the map in one transaction. That being said, we will be opportunistic and we will be driven by where we see the best risk-adjusted returns and therefore, we could see ourselves enter a new market in the future. But if we do so, we're going to do it in the same way we've done it in the past. We're going to be very patient, we're going to be very disciplined. And we're only going to look to do so if we can secure a very attractive value entry point into that new region.

But maybe to summarize, I think if you wanted an indication of where we expect to grow in the future, we expect the vast majority of our growth to be within the existing regions where we already have a presence as opposed to entering new regions.

Nelson Ng *RBC Capital Markets - Analyst*

Okay. And just a follow-up on that. So just looking at your development pipeline, I think your portfolio in the APAC region has been growing kind of very quickly. I think it's about one-third of your capacity additions this year and just looking at next year, it's close to one-half. I presume it's mostly China, India, and Australia but can you just provide a bit more color in terms of what's driving the pace of growth for you in that region?

Connor Teskey *Brookfield Renewable Corp - Chief Executive Officer of the General Partner*

Yeah, certainly. The first thing I would highlight and we appreciate you calling this out. It is really the fantastic level of growth we've been seeing out of our India platform. We entered the Indian market in 2017. At that point, it was a new market for us as Brookfield Renewable. But it was a country where broader Brookfield had been one of the largest investors for an extended period of time at that point.

And we've grown that platform from our initial investment of about 300 megawatts. To now we are one of the top two or three renewables platforms in that country which is obviously one of the largest and fastest growing renewables markets in the world.

One of the things that we're very proud of what we've done in the Indian market is we've grown very prudently at very attractive returns and we've done so without any notable missteps. That is the bulk of the increase in development in the APAC region.

The secondary supplementing region within APAC is Australia, where obviously, we've done a few development assets in the last, say, 12-months. But in recent quarters, through Neoen and other transactions, we've had more substantive development platforms that have increased our projections for that market for the next call it one to three years.

Nelson Ng *RBC Capital Markets - Analyst*

Great. Thanks for the details, Connor. I'll leave it there.

Operator

Jessica Hoyle, Scotiabank

Jessica Hoyle Scotiabank - Analyst

Thanks so much for taking my question. So just to start, can you talk a little bit more of what you're seeing on the asset sale side? You reiterated your target and it looks like you've sold some assets this quarter which are more on the development side versus operating assets. So can you just talk to what dynamics you're seeing to sell assets?

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

Thanks, Jessica. Bear with us because we'll provide a bit of detail here and we'll come at this from two perspectives. Similar to what we've said in previous quarters is it's a little bit of a unique market right now in that. While we tend to always be both active investors as well as recyclers of capital. It's been a long time since we've seen a market where we can lean so heavily into deployment at attractive risk-adjusted returns, but also see very attractive opportunities to monetize assets sell assets at very attractive values. And this might be a broad oversimplification, but what we would say is increasingly around the world, due to the growth in the sector, there are huge capital needs. And in situations where you are investing in platforms or businesses that are going to require significant capital going forward, there are still lots of opportunity to invest for value at very attractive value entry points. And that's certainly where we've been focused on that side of the equation.

Similarly, however, with the stabilization and now decline in interest rates with banks increasing their lending appetite with the return of what I would call the strategic bid to the market. We are seeing very robust demand for high-quality cash generative assets or platforms that have a growth angle to them. And that is where we are really seeing the opportunities to monetize assets at attractive returns.

In terms of the comments about us holding our forecast for the year. In terms of asset recycling, we are somewhat understanding of the skepticism. How can you invest for value and monetize for value in the same market. That being said, we're very confident that we're going to demonstrate that through transactions in the back half of the year.

And I would say starting in the very, very short to near term here, we have a number of advanced sales processes that we expect to come to fruition in the next two or three months that I think are going to demonstrate that dynamic. And given the demand we've seen in those processes, that's what gives us such comfort to reinforce our expectation around asset monetization for 2024.

Jessica Hoyle Scotiabank - Analyst

Appreciate the detail there. And then just moving on, can you provide more color on discussions with technology companies or even other companies that are interested in signing a framework similar to that of the Microsoft deal? Just what are you seeing on this front? Is there more and more interest coming your way?

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

We like the way you frame the question. The answer there is yes. There is no doubt around the world, it's important to recognize that the demand for renewables has grown exponentially in recent years not because renewables are clean, but rather because renewables are the cheapest form of electricity and increasingly around the world, electricity demand is growing and is forecasted to grow at a more rapid rate for the next 20-years than at any point in the last 20-years. And essentially what we are a provider of is the lowest cost form of a commodity that the market is increasingly short of. So whether it's the large tech companies or other commercial or industrial users, we are increasingly seeing the largest corporate buyers of power reach out. We'll look to see can we either do it on an asset-by-asset deal, or can we enter into some sort of broader framework arrangement to de-risk their business plans and their power needs in the short to medium or in some cases, even long term?

No doubt, one of the biggest impacts we've seen out of the announcement of the Microsoft transaction was simply the inbounds we've received from other corporates looking to do similar type arrangements.

Jessica Hoyle Scotiabank - Analyst

Thanks very much.

Operator

Rupert Merer, National Bank.

Rupert Merer National Bank Financial, Inc. - Analyst

Hi, good morning, everyone. Thanks for taking the questions. I'll start with Neoen. What I understand the acquisition faces a competition review in Australia. What's the outlook there, what might you need to do to get the deal over the line? And I see you've also acquired an interest in the development platform in Australia. Can you give us a little color on that and how it fits into the overall plan.

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

Certainly. So, on Neoen this is a very large transaction for a business that operates in many regions around the world. It is subject to typical approvals in a number of jurisdictions. We are aware due to Brookfield's existing interests in other assets in Australia due to experiences we've had on past transactions. We knew that there was the potential. It is yet to be confirmed but there was the potential for us to need to undertake certain measures in order to achieve that approval.

We are working through that process. It is something that was very known to us at the time of the transaction and we are very well prepared to deal with it. But it's an ongoing process and will have to see how it goes from here but it's nothing surprising to us.

The other point in terms of the other acquisition in Australia, this is a transaction called Windlab. It is a developer in the country that operates in different provinces of Australia than Neoen does. So there's no overlap in the business models. And similar to our other transactions, that is working through an approval process before we can close it.

Rupert Merer National Bank Financial, Inc. - Analyst

Okay, excellent. Thanks for the color. Excellent. Secondly, PJM auction, you highlighted the attractive results at that auction. Can you give us an update on your exposure to that auction and maybe some color on your contract activities in that region? And what's the upside to BEP from that recent auction?

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

Certainly. So I'll start and Wyatt if you want to follow up with any of the specifics, please feel free to jump in. PJM has been, I would say, a very representative submarket of what we've been trying to do for the last several years.

We often talk in larger scale about focusing on countries and markets where we're seeing growing electricity demand. For a number of years, PJM has been identified as one of the highest concentrations of data center and technology company energy demand growth.

We are extremely fortunate with our position in that market. We have hydro, we have wind, we have solar and we have exceedingly large positions in that market, particularly due to some transactions we did, a few years ago before the growing electricity demand was perhaps as readily apparent to the market. The most notable being our urban grid transaction in late 2020 early 2021 that really focused on a high-quality development pipeline in PJM of projects that had very advanced interconnection queue positions. So the growth in that market has been a very strong tailwind for us. I would say that the recent capacity auctions, we expected them to be good. This was probably a positive surprise to even our expectations. But in terms of the impact on our business, I would say this is going to be a very nice tailwind over the next several years.

Wyatt, is there anything you'd add to that?

Wyatt Hartley Brookfield Renewable Corp - Chief Financial Officer of the General Partner

Yeah. Rupert just to put a finer point on the numbers to your question, is the impact to our overall business from the year-on-year from where capacity is pricing is roughly \$50 million to \$60 million. Now we own roughly a third of those assets. So the aggregate impact kind of versus the prior year is around \$20 million to \$25 million of additional revenue.

Rupert Merer National Bank Financial, Inc. - Analyst

Excellent. Thank you very much. Appreciate the color.

Operator

Moses Sutton. BNP Paribas.

Moses Sutton BNP Paribas - Analyst

Thanks for taking my question. Any thoughts on potentially expanding deeper into distributed generation? So perhaps resi solar, I'm thinking there's a big market there, went through a lot of turbulence. It's undercapitalized players, great subsidies, has exposure to the retail power inflation. In my mind, it seems to fit the Brookfield ability to step in as a provider of needed capital in a market that has longer-term tailwinds.

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

Hi Moses. We're getting a lot of questions these days on two markets where we historically have been very cautious. One is off-shore wind development and the other is resi DG. These have been markets that have grown very, very quickly in recent years.

But when we looked at the investment opportunities in those markets, despite the huge growth trajectory, we struggled to find entry points that we thought were attractive on a risk-adjusted return basis. On off-shore, we've been very cautious in that space with only a modest exposure. And then within DG we are very large players in that space. but we focused entirely on commercial and industrial as opposed to residential. We do think we are one of the largest players in that space, certainly in the US, if not globally. But we just found a more attractive value proposition in C&I versus resi.

In terms of where things go from here, to be clear just because we haven't done something in the past, it doesn't mean we won't do it in the future. And with some of the settling out that has happened in both those markets, both off-shore and resi DG, I would certainly say that we are probably closer to entry points that we view as attractive today than we have been at points in the past. But the comments that you're making about resi DG, I think they would apply equally importantly, if not on a bigger scale to off-shore wind as well.

Moses Sutton BNP Paribas - Analyst

Excellent. Thank you.

Operator

Mark Jarvi, CIBC Capital Markets.

Mark Jarvi CIBC Capital Markets - Analyst

Thanks. Good morning, everyone. Would there be an appetite or capacity to do a larger M&A deal until Neoen's completed? Or do you need to see that deal completed and maybe get a couple of the asset sales over the finish line before you act on something substantial?

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

I would say there's certainly appetite to do a larger transaction. We -- I come at this from two different perspectives. One is our funding plan is in great shape right now. This is the benefit of having such a strong credit rating and such a fortress balance sheet is if we do see an influx of attractive large-scale acquisitions. We always want to be in a position to execute those no matter when they arise. And I would say we're well positioned to do that should such an opportunity pop up today.

So, and then secondly, in terms of the asset sales, the nature of asset sales is when it comes to us deploying capital, it tends to be very opportunistic. It tends to be a little bit subject to what the market gives us. But when it comes to executing asset sales, there is somewhat of a lead time. We run auction sales processes, these often take a number of months or a number of quarters to execute. Based on where we sit today, we've initiated a number of those processes in the past and therefore, we're going to see them flow through to fruition starting in the coming quarters and rolling forward. I would say even if the timing of the next investment and specific asset sales don't line up perfectly, we're very comfortable in the totality of our funding plan over the next 12, 24, 36 months and there's lots of capacity for growth.

Mark Jarvi CIBC Capital Markets - Analyst

Got it. And then I know you know you said it's still a good spot for being able to buy and sell. Just curious how you think decline in interest rates and tight credit spreads are playing into the M&A activity, particularly the interest in medium to larger-sized deals. Are you seeing a few more people show up in those processes, access the capital, expand a little bit here over the last couple of months?

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

Yeah, absolutely. There's no question. We've noticed four things in the market. We would say the market really turned at the beginning of the year and it's only accelerated since then. The four things that we think were driving that market and this will tie back to your comments on interest rates was at the beginning of the year, interest rates had stabilized, they weren't going down but they stopped going up. That was driver one.

Driver two was banks, we're increasing their lending appetites. Driver three was we were beginning to see the strategic bid for these assets return to the market that, for a period of time, had been dominated by the financial bid. And then number four, as we turned into the calendar year of 2024, I would say, across both the institutional and strategic markets, we've seen allocations to renewables increase.

Those four things have only accelerated throughout the year but the one tying back to your question, now we're in a period where rates have not only stabilized, they're actually beginning to decline. So, we would think that would just be additive to the market and demand for, call it, high-quality de-risk assets and platforms.

Mark Jarvi CIBC Capital Markets - Analyst

Got it. And maybe taking a bit of a short-term view here. I think why you said the comment in your comments about the ability to hit 10% FFO per unit growth. Just given where you are at the mid-year and how resources have played out this year on your portfolio, is that still something you can achieve? Or is that be more on a normalized basis in terms of hitting 10% FFO per unit growth this year?

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

So I'll start and Wyatt if you want to jump in. We expect to achieve it this year. And obviously there's half a year to go. But based on what we're seeing, we do believe it is achievable. There's one almost nuance about our Q2 numbers that is probably worth noting which is our business in Colombia, Isagen, which is a tremendous business for us that produces very consistently. It's a large hydro business. It is a very consistent performer for us. It came to the end of a very strong and unique El Nino in Q2. And at the end of that El Nino season, the whole system in Colombia essentially got caught a little bit short on hydrology. Isagen actually far outperformed the broader system. But because of that, our Q2 results for that business, were a little bit substandard versus what we come to expect.

But the reality of that dynamic is because Isagen has outperformed the broader system so much, now that that El Nino dynamic is behind it, it has better hydrology than broader system and we're going into a period of moderately higher prices. We're expecting Isagen to catch up a lot of that and still have potentially a record year in 2024. So that was a little bit of a nuance in our Q2 numbers that we expect to unwind throughout the remainder of the year, and then just the growth and performance of our business, we see a path to 10%.

Mark Jarvi *CIBC Capital Markets - Analyst*

Great. Thanks for the time today.

Operator

Mark Strouse, JPMorgan.

Mark Strouse *JP Morgan - Analyst*

Yes, good morning. Thank you very much for taking our questions. Congrats on all the activity this quarter. I just wanted to go back to some questions on the advanced stage pipeline. So appreciating what you said about kind of risk-adjusted returns, just looking at the big jumps that you had in your advanced stage pipeline from the deal, if those deals are relatively more de-risked because of that pipeline, is it fair to say that the near-term or maybe medium-term accretion from those deals is -- I mean, how should we compare the accretion compared to some of your historical deals?

Connor Teskey *Brookfield Renewable Corp - Chief Executive Officer of the General Partner*

Sure. So maybe getting away from the specifics of these individual deals. Where we typically see the highest near-term accretion is when we buy into operating portfolio. Those typically are the transactions that provide the greatest amount of near-term accretion to our numbers. But it should be recognized that typically when you're buying a high-quality de-risked portfolio of operating assets, that's probably the type of transaction that's going to be at the lower end of our target return range. When we buy into a developer, obviously, we're going to put some dollars in the ground there that might not become income producing for a period of time and therefore, it drives less near-term accretion.

But over the whole of that investment, given the development exposure, we would certainly underwrite and expect those types of invested capital dollars to deliver a high-end or above target return IRR over the life of the investment.

If you take those two points of the spectrum and begin to look at the deals that we've done this quarter. And I'll use Neoen as an example, that's probably cherry picking because it's kind of the big prominent one, but the incredible thing about Neoen it's kind of the best of both worlds. It comes with 8 gigawatts of operating or under construction assets that will be immediately additive to FFO, but it also comes with our development engine that today is producing about 1 gigawatt per year that we think can be accelerated to north of 2 gigawatts.

So in terms of the deals we've done this quarter that have dominated that, \$1 billion net equity deployment to Brookfield Renewable, I would say on mass, they're probably a halfway house. Between buying operating portfolios and buying development portfolios because the largest transactions we've done this quarter have both.

Mark Strouse JP Morgan - Analyst

Very helpful. Makes sense. Thank you.

Operator

Anthony Crowdell, Mizuho.

Anthony Crowdell Mizuho - Analyst

Hey, good morning, team. I just wanted to follow up, I think, on Rupert and Jessica's question. There was a little about whether you're a buyer or seller in systematic but it was more focused on, I guess, the PJM capacity auction. If we go back maybe 10, 15-years, we had another bullish signal from the prices, it seems very quickly whether the rules changed or we got a response in building, capacity price has really been plummeted. I mean do you think this time is different and we get a sustained level of high capacity pricing in that market?

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

Thanks, Anthony. It's a good question. I don't think we have a crystal ball to forecast the future here. But one thing that I would say that is going to be very different about this cycle, if I could position it that way versus what we saw as from the period of, let's say, 25-years ago until two years ago, electricity demand was essentially flat in many markets.

And therefore, when you saw call it, one or two-year-old anomalies, that was over an extended period of flat electricity demand. And therefore, those anomalies were driven by, call it, very short-term discrete events that could unwind quickly. The different dynamic that we're stepping into for the next 20-years is it's going to be one of very sustained increases in electricity demand.

Can we sit here and predict with any level of accuracy where capacity prices will come in the next auction or the auction after that, no. But do we think the fundamentals are robust and would drive a more sustained higher price environment, absolutely, yes. And that's simply because there is more demand than there is supply this time. And it's expected to stay that way for a while.

Anthony Crowdell Mizuho - Analyst

Great. That's all I had. Congrats on a good quarter.

Operator

William Grippin, UBS.

William Grippin UBS - Analyst

Great. Thanks, everybody. I appreciate you squeezing me in and I'll just keep it to one here. Just curious on the wind and solar portfolio that we saw a pretty meaningful step down year-on-year in the average price per megawatt hour. Are you able to elaborate on some of those drivers underlying that change. And is this legacy PPA roll-offs or more of a geographic mix?

Wyatt Hartley Brookfield Renewable Corp - Chief Financial Officer of the General Partner

Yeah. Thanks for the question, Will. Look there's two primary drivers. The first being that as you likely know, that good portion of that portfolio that we own is owned in Spain. It is under a regulated regime. And ultimately, there is a regulatory price that is a reference to a market price and it's adjusted accordingly. And so the market price in Spain year-on-year did come down. Now that meant that in the current period, we are recognizing less revenue, but given the regulatory construct of those assets, it has no impact on the return from those underlying assets. So it's really just a regulatory impact.

And then the second piece is, look, as we have grown the business both through development and acquisition, the average price is of the assets we're building or acquiring was lower than our historical fleet. And that's just representative of that in an environment where wind and solar costs have come down, that the price you need in terms of revenue, PPA price to earn a similar return has come down as well.

So it's really just a combination of that regulatory piece in Spain which again has no impact on return. And then just the fact that as wind and solar has become more affordable, that the price we're realizing but earning an equal return on our growth is coming down as well.

William Grippin UBS - Analyst

I appreciate the color. I'll leave it there.

Operator

Thank you. I would now like to turn the call back over to Connor Teskey for closing remarks.

Connor Teskey Brookfield Renewable Corp - Chief Executive Officer of the General Partner

Great. Thank you, everyone, for your participation in today's call and your interest and support of Brookfield Renewable. We look forward to not only providing an update on at next quarter's earnings, but also at our Investment Day during the third week of September.

Thank you and have a great day. Cheers, bye.

Operator

Thank you. And this does conclude today's conference call. Thank you for your participation. You may now disconnect. Everyone, have a wonderful day.

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